



MILTON HYDRO DISTRIBUTION INC.

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October 28, 2021

Ms. Christine Long, Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON
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**Re: Milton Hydro Distribution Inc. ED-2003-0014
OEB File No. EB-2021-0042
Interrogatory Responses for 2022 IRM Rate Application**

On September 29, 2021 Milton Hydro Distribution Inc. (Milton Hydro) received Procedural Order No. 1 from the OEB laying out next steps relating to this proceeding. Milton Hydro received Interrogatories from VECC and OEB staff as indicted in the procedural order. In response to the Procedural Order, by October 28, 2021, Milton Hydro now files its complete written responses to the interrogatories with the OEB and serves them on VECC. The information filed includes an electronic filing through the Board's web portal (RESS) and is comprised of:

- An updated excel version of the 2022 IRM Rate Generator Model
- An updated excel version of the 2022 1595 Analysis Workform
- An excel version of the Milton Hydro's 2016 EDDVAR Continuity Schedule from the OEB Approved Settlement Agreement.

These interrogatory responses are respectfully submitted. Please contact me if you have any questions.

Dan Gopic CPA, CMA
Director, Regulatory Affairs
Milton Hydro Distribution Inc.



Milton Hydro Distribution Inc.
Application for Electricity Distribution Rates
Effective January 1, 2022

Responses to Interrogatories
October 28, 2021





Responses to VECC Interrogatories

October 28, 2021

EB-2021-0042

**Milton Hydro Distribution Inc.
Application for electricity distribution rates
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October 28, 2021**

VECC-1

Ref: Manager's Summary, Section 3.4.2, Page 43

Preamble: Milton Hydro is proposing an adjustment to the Low Voltage Service Rates which were previously set in its 2016 Cost of Service (CoS) Proceeding. Milton Hydro indicates the proposed approach is in the best interest of Milton Hydro's customers as it provides relief on a timely basis and smooths bill impacts that may result from rebasing Milton Hydro's distribution rates in 2023.

- a) Please provide the expected bill impacts by customer class resulting from the 2023 rebasing application.
- b) If the forecast bill impacts for 2023 are not known at this time, please provide the rationale for making this adjustment now.

Response :

- a) Milton Hydro is in the process of preparing its 2023 Cost of Service (COS) application and has not yet finalized the proposed Revenue Requirement calculations, cost allocation study, and disposition of Group 1 or Group 2 Deferral and Variance Accounts. In light of the foregoing, all information and discussion in connection with 2023 COS application and associated bill impact is preliminary and subject to change.

It is not clear if the question above is asking for bill impacts with or without the proposed adjustment to LVSRs. As such, Milton Hydro prepared Table i below that provides a comparison of the preliminary bill impacts resulting from 2023 COS application by customer class (i) with the LVSR adjustment and (ii) without it. As can be seen there is a notable impact by delaying the approval of Milton Hydro's request to update its LVSR's to 2023. The impact would actually be higher in 2023 under the second scenario once the impact of the disposition of USoA 1550 LV Variance Account is taken into consideration. If Milton Hydro's request for approval of LVSRs isn't approved, the LV Variance Account balance would grow

to an estimated \$958,755 and this amount would be requested for disposition as part of the Group 1 Deferral and Variance Accounts, the effect would be that the impact of not adjusting the LVSRs until 2023 would be close to double the difference shown in the table below.

Table i: Preliminary Pre-Customer Engagement 2023 Bill Impacts by Customer Class							
Rate Class	Unit	Scenario 1: Total Bill Impact Assuming LVSR Approved in 2022		Scenario 2: Total Bill Impact Assuming LVSR Not Approved until 2023		Differences	
		\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	\$/kWh	\$ 5.01	4.1%	\$ 5.43	4.5%	\$ 0.42	0.4%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	\$/kWh	\$ 9.56	3.2%	\$ 10.50	3.5%	\$ 0.94	0.3%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	\$/kW	\$ 119.02	1.2%	\$ 154.51	1.6%	\$ 35.49	0.4%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	\$/kW	\$ 991.41	0.4%	\$ 1,410.21	0.6%	\$ 418.80	0.2%
LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other)	\$/kW	\$ 2,322.95	0.5%	\$ 3,728.85	0.8%	\$ 1,405.90	0.3%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	\$/kWh	\$ 2.73	4.2%	\$ 2.92	4.5%	\$ 0.19	0.3%
SENTINEL LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$/kW	\$ 9.72	17.3%	\$ 9.88	17.6%	\$ 0.16	0.3%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$/kW	\$ 4,902.54	4.4%	\$ 5,112.08	4.6%	\$ 209.54	0.2%

b) Please see OEB Staff-9 b) in response to this question.

VECC-2

Ref: EB-2015-0089 Exhibit 8, Page 11

Preamble: In the 2016 CoS application, Milton Hydro provided the Low Voltage cost analysis as per Table 8-12 below. The material variance for 2013 over 2012 was the connection of Milton Hydro to Oakville Hydro's Glenorchy TS in August 2013. The material difference in 2014 over 2013 was a full year of service from Glenorchy TS.

Table 8-12
Low Voltage Cost Analysis

Utility	2012	2013	2014	2015 Bridge	2016 Test
Hydro One	234,308	210,005	232,559	235,000	235,000
Oakville Hydro		142,737	292,077	300,000	300,000
Total	234,308	352,742	524,636	535,000	535,000

a) Please provide 2015 and 2016 actual low voltage costs.

Response

a) Table ii below provides the historical actual Low Voltage costs for 2015 and 2016.

Table ii: Historical Actual Low Voltage Volumes and Charges

Year	Hydro One Billed Demand (kW)	Oakville Hydro Billed Demand (kW)	Total Host Distributor Billed Demand	Low Voltage Payments to Hydro One	Low Voltage Payments to Oakville Hydro	Low Voltage Payments to Host Distributors
2015	146,570	93,864	240,434	\$ 215,066	\$ 337,772	\$ 552,838
2016	213,371	157,029	370,401	\$ 336,090	\$ 529,523	\$ 865,613
	359,942	250,893	610,835	\$ 551,156	\$ 867,295	\$ 1,418,451

VECC-3

Ref: Manager's Summary, Section 3.4.2, Page 46

Preamble: Table 17 below provides Milton Hydro's three most recent historical years of costs and billed demands by Host Distributors. The 2020 Actual costs were used to calculate the LVSRs for 2022.

Table 17: Historical Low Voltage Volumes and Charges						
Year	Low Voltage Payments to Hydro One	Low Voltage Payments to Oakville Hydro	Low Voltage Payments to Host Distributors	Hydro One Billed Demand (kW)	Oakville Hydro Billed Demand (kW)	Total Host Distributor Billed Demand
2018	\$ 268,791	\$ 397,651	\$ 666,443	208,314	110,104	318,418
2019	\$ 517,133	\$ 243,827	\$ 760,960	287,776	89,114	376,889
2020	\$ 681,679	\$ 342,414	\$ 1,024,093	277,609	88,655	366,264
	\$ 1,467,604	\$ 983,893	\$ 2,451,497	773,698	287,873	1,061,571

- Please provide the LV revenues for each of the years 2018 through 2020.
- Please explain the reason for the incremental increase in low voltage costs for 2018 compared to 2016.
- Please explain the reason for the incremental increases in low voltage costs for 2019 and 2020.

Response

- Table iii, below provides a summary of LV Costs vs Revenues for each year from 2018 to 2020.

Table iii: Low Voltage Cost vs Revenue 2018- 2020					
Year	Low Voltage Payments to Hydro One	Low Voltage Payments to Oakville Hydro	Low Voltage Payments to Host Distributors	Low Voltage Revenues	Variance Cost vs Revenue
2018	\$ 268,791	\$ 397,651	\$ 666,443	\$ 555,252	\$ 111,191
2019	\$ 517,133	\$ 243,827	\$ 760,960	\$ 556,605	\$ 204,355
2020	\$ 681,679	\$ 342,414	\$ 1,024,093	\$ 562,853	\$ 461,241
	\$ 1,467,604	\$ 983,893	\$ 2,451,497	\$ 1,674,710	\$ 776,787

- LV Costs were about \$199K lower in 2018 vs 2016 for the following reasons:

- i. Volume Variance – Demand was lower in 2018 compared to 2016 by 14.0% which attributed to a reduction of about \$110K.
 - ii. Variable Rate Variance – The average variable rate paid to host distributors in 2018 was lower that it was in 2016, which attributed to a reduction of about \$89K. The average variable rate was lower in 2018 due to certain rate riders from 2016 that ended and were not paid to host distributors in 2018.
- c) LV Costs were about \$263K higher in 2020 vs 2019 for the following reasons.
- i. Volume Variance – Demand was lower in 2020 compared to 2019 by 2.8% which attributed to a reduction of about \$19K.
 - ii. Variable Rate Variance - The average variable rate paid to host distributors in 2020 was higher than it was in 2019, which attributed to an increase of about \$279K. The average variable rate was higher in 2020 due to debit rate riders totaling \$148K that were applicable in 2019 for only half the year, and credit rate riders totaling \$94K from 2019 that ended and were no longer applicable in 2020, the remaining variable rate variance of \$37K related to increases in Common ST Lines rate, and variable distribution and host distributor LVSRs.
 - iii. Fixed Rate Variance - the total fixed rates paid to host distributors in 2020 were \$3K higher than they were in 2019.

VECC-4

Ref: Manager's Summary, Section 3.4.2, Page 44

Preamble: The evidence states "In order to minimize the balance of its Account 1550 LV Variance Account, and to set its LVSRs to an appropriate level, Milton Hydro proposes to adjust the LVSRs annually by using the previous years actual LV costs paid to its Host Distributor as the numerator dollar amount, and then allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs."

- a) Please confirm Milton Hydro has not changed its methodology to calculate LVSRs since its 2016 CoS application. If not confirmed, please explain any changes.
- b) Please confirm Milton Hydro is seeking the OEB's approval in this application to adjust LVSRs annually during the current and future IRM periods.

Response

- a) Milton Hydro provides an update to the LVSRs calculated in Table 16 on page 47 of 53 of its Managers Summary in its evidence. In particular, Table iv below presents the updated Low Voltage (LV) costs allocated by customer class.

Table iv: Low Voltage Costs Allocated by Customer Class						
Customer Class	Unit	Retail Transmission Connection Rate (\$)		Basis for Allocation (\$) ¹	Allocation Percentages	Allocated \$
		per kWh	per kW			
Residential Service Classification	\$/kWh	0.0066		2,434,051	40.54%	415,192
General Service Less Than 50 kW Service Classification	\$/kWh	0.0059		489,384	8.15%	83,477
General Service 50 To 999 kW Service Classification	\$/kW		2.6762	1,521,186	25.34%	259,478
General Service 1,000 To 4,999 kW Service Classification	\$/kW		2.6327	733,817	12.22%	125,172
Large Use Service Classification	\$/kW		2.9442	790,723	13.17%	134,879
Unmetered Scattered Load Service Classification	\$/kWh	0.0059		6,537	0.11%	1,115
Sentinel Lighting Service Classification	\$/kW		1.8381	732	0.01%	125
Street Lighting Service Classification	\$/kW		1.8003	27,294	0.45%	4,656
TOTALS				6,003,725	100.00%	1,024,093

1. As per the 2022 IRM Rate Generator model Tab 15. RTSR Rates to Forecast data from column G rows 29 to 36.

To be closer aligned with the timing of the LVSR costs, Milton Hydro updated the allocation percentages based on the Transmission Connection costs as per "Tab 15. RTSR Rates to Forecast" data from column G rows 29 to 36. The Transmission Connection costs have been adjusted to more closely align with the timing of the host distributors Low Voltage costs. Table v below provides the updated calculations for the LVSRs. Please note, in the original LVSR calculations, Milton Hydro inadvertently included loss adjusted kWhs in Table 16

on page 47 of 53 of the Managers Summary as the denominator volumes in its LVSR calculations, the calculations in Table v below reflect the metered kWhs.

Table v: Low Voltage Service Rates Calculation						
Customer Class	LV Cost Allocated \$	2020 Metered kWh	2020 Metered kW	Volumetric Rate Type	LV Rate kWh	LV Rate kW
Residential Service Classification	426,401	355,465,653		kWh	\$ 0.0012	
General Service Less Than 50 kW Service Classification	85,731	79,948,300		kWh	\$ 0.0011	
General Service 50 To 999 kW Service Classification	266,484	214,341,939	567,734	kW		\$ 0.4694
General Service 1,000 To 4,999 kW Service Classification	128,551	128,197,959	278,404	kW		\$ 0.4617
Large Use Service Classification	138,520	129,192,650	268,251	kW		\$ 0.5164
Unmetered Scattered Load Service Classification	1,145	1,067,874		kWh	\$ 0.0011	
Sentinel Lighting Service Classification	128	143,264	398	kW		\$ 0.3224
Street Lighting Service Classification	4,781	5,438,441	15,143	kW		\$ 0.3157
TOTALS	1,051,742	913,796,080	1,129,930			

Subject to the updates provided in Table iv and Table v above, the methodology that Milton Hydro used to calculate LVSRs for 2022 is generally consistent with the approach used in the 2016 COS rate application. In the current application, the 2020 historical actual retail quantities were used as the denominator volumes to calculate the LVSRs, and the 2020 historical actual retail quantities were used in the determination of the allocation percentages as per the 2022 IRM Rate Generator Model. Whereas, in the 2016 COS rate application, the 2016 forecasted retail quantities were used as the denominator volumes, and the 2016 Forecast Wholesale Transmission Connection Costs by customer class were used to allocate the wholesale Low Voltage costs to calculate the LVSRs. The difference between the methodologies is not material.

- b) Milton Hydro is seeking the OEB's approval in this application to adjust the LVSRs for the current IRM period only (i.e. 2022), it is not requesting OEB approval to adjust LVSRs for future IRM periods at this time.

VECC-5

Ref: Manager's Summary, Section 3.4.2, Page 43

Preamble: Milton Hydro Indicates accurate accounting practices lead to accurate balances, which in turn lead to smaller balances. The smaller balances at disposition, the less volatility in bill impacts to customers.

Please explain further how accurate balances lead to smaller balances.

Response:

As indicated on page 44 of 53 of Milton Hydro's 2022 IRM Rate Application:

"To improve the accuracy of commodity pass-through variance account, in July 2018, the OEB issued standardized accounting guidance as to how commodity-related account balances should be captured on a timely basis. The objective of the new standardized accounting procedures is to ensure that distributors dispose of accurate commodity pass-through variance account balances on a timely basis to enable rate stability. Accurate accounting practices lead to accurate balances, which in turn lead to smaller balances. The smaller balances at disposition, the less volatility in bill impacts to customers through disposition rate riders."

The above excerpt was provided in the context specifically related to commodity pass through accounts (i.e. USoA 1588 RSVA _{power} and USoA 1589 RSVA _{GA}), where it is expected that the balances of such accounts are not going to be significant. USoA 1588 RSVA _{power} is typically expected to be less than 1% of total commodity purchases for a given year, and USoA 1589 RSVA _{GA} is expected to be within 1% of the expected amount as determined in the GA Analysis Workform. Given that the OEB expects to see less volatility in rates associated with fluctuating account balances, the objective of Milton Hydro's proposal is to reduce the balance of USoA 1550 LV Variance Account and to provide more stable rates. The accumulation of variance account balances may cause intergenerational inequity when variance account balances are recovered/returned in future periods. Based on the rate making principle of cost causality, costs should be borne by the customers that cause those costs. Delaying the recovery of RSVAs of the LV Variance Account can potentially create misalignment with cost causality.

VECC-6

Ref: Manager's Summary, Section 3.4.2, Page 46
Appendix D, Bill Impact Tables

- a) Please confirm that, in Table 16, the billing demand and energy determinants used for each customer are based on 2020 actual values. If not, what year are they based on?
- b) In Table 16, if the RTSR billing quantities, the LV billing quantities and the LV costs are all based on 2020, values, please explain why it is appropriate to use the proposed 2022 RTSR rates for purposes of determining the customer class allocation factors.
- c) Please confirm that, in Table 16, the energy based billing determinants are adjusted for losses but the demand based billing determinants are not adjusted for losses.
- d) Please explain why in Table 16 the energy based billing determinants are adjusted for losses whereas in the bill impact calculations (per Appendix D) the energy based LV billing determinants are not adjusted for losses.

Response

- a) Further to the update provided in VECC-4 a) above, Milton Hydro confirms that the billing determinants used for each customer class are based on year 2020 metered kWh or kW by customer class.
- b) Milton Hydro has updated Table 16 of the Managers Summary and provided Table iv and Table v in VECC-4(a) with the updated calculations of the allocation of wholesale Low Voltage charges so they are based on the RTSR calculations using the 2020 RTSR volume data and 2021 RTSR rates so they are more closely aligned with the wholesale Low Voltage Charges. This is consistent with the methodology used in the RSTR tabs of the IRM Rate Generator Model, and the allocations by customer class are reasonable.
- c) In updated Tables iv and Table v in VECC-4(a), energy is based on metered kWh and kW quantities, consistent with the way that customers are billed for LV charges. Losses are not applied to either kWh or kW when billing LVSRs.
- d) Please refer to part c) above.

VECC-7

Ref: Manager's Summary, Section 3.4.2, Page 46

- a) Please provide a schedule that, for each customer class, sets out: i) the current LV charge, ii) the proposed LV charge for 2022 and iii) the percentage change.

Response:

- a) Table vi below provides the comparison requested:

Table vi: Comparison of Current and Proposed LVSRs						
Customer Class	Current LVSRs		Updated LVSRs ¹		Percentage Changes	
	LVSr kWh	LVSr kW	LV Rate kWh	LV Rate kW	LV Rate kWh	LV Rate kW
Residential Service Classification	0.0006		0.0012		100.0%	
General Service Less Than 50 kW Service Classification	0.0006		0.0010		66.7%	
General Service 50 To 999 kW Service Classification		0.2600		0.4570		75.8%
General Service 1,000 To 4,999 kW Service Classification		0.2558		0.4496		75.8%
Large Use Service Classification		0.2860		0.5028		75.8%
Unmetered Scattered Load Service Classification	0.0006		0.0010		66.7%	
Sentinel Lighting Service Classification		0.1786		0.3139		75.8%
Street Lighting Service Classification		0.1749		0.3074		75.8%

1. LVSRs updated in response to VECC-4 a)



Responses to OEB Staff Interrogatories

October 28, 2021

EB-2021-0042

**Milton Hydro Distribution Inc.
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OEB Staff-1

Ref: Rate Generator Model, Tab 20, Bill Impacts

OEB staff notes that Milton Hydro's IRM model shows a Non-RPP Retailer Average Price and Average IESO Wholesale Market Price of \$0.1036 to calculate bill impacts for Non-RPP customers.

OEB staff has updated the pricing to reflect the correct amount of \$0.1060, which represents the Wholesale Market Price used in the 2022 IRM model and has updated the bill impacts accordingly.

Sub-Total C - Delivery (including Sub-Total B)			\$	1,539.11			\$	1,562.84	\$	23.73	1.54%
Wholesale Market Service Charge (WMSC)	\$	0.0034	51,875	\$	176.38	\$	0.0034	51,875	\$	176.38	0.00%
Rural and Remote Rate Protection (RRRP)	\$	0.0005	51,875	\$	25.94	\$	0.0005	51,875	\$	25.94	0.00%
Standard Supply Service Charge	\$	0.25	1	\$	0.25	\$	0.25	1	\$	0.25	0.00%
Average IESO Wholesale Market Price	\$	0.1036	51,875	\$	5,374.25	\$	0.1036	51,875	\$	5,374.25	0.00%

- a) Please confirm that the model included with these interrogatories reflects this update.

Response:

- a) Milton Hydro confirms that the model included with these interrogatories reflects an update to the Average IESO Wholesale Market Price to adjust it to \$0.1060 per kWh.

Milton Hydro identified in the model provided by the OEB, that the Transmission Network and Connection charges for the Large Users hadn't computed in the bill impact calculations, in correspondence with OEB staff, it was suggested that Milton Hydro select "Demand – Interval" in the "RTSR Demand or Demand-Interval?" selection box in Tab 20. Bill Impacts. After making this selection the issue was resolved. Milton Hydro submits an updated 2022 IRM Rate Generator Model with these interrogatories.

OEB Staff-2

Ref: Manager's Summary, page 20

Milton Hydro indicated that it has improved its internal processes and internal controls as a result of its review of the OEB's accounting guidance. Please provide further discussion on the internal processes and internal controls put into place.

Response:

As a result of its review of its Accounting Balances in the context of the OEB accounting guidance, Milton Hydro identified areas where it improved its processes and internal controls to ensure in future, its account balances would be accurate, and amounts brought forward for disposition would be reasonable and error free.

Milton Hydro has updated its accounting processes to follow the OEB Accounting Guidance regarding its commodity pass through accounts, and to ensure that other Retail Settlement Variance Accounts are accurate as well.

Milton Hydro has built an RPP Settlement Model based on the OEB's illustrative model for RPP Settlement. Milton Hydro has three distinct settlement calculations it performs each trade month:

- The initial settlement calculation for the current month,
- The first true-up settlement calculation for the previous month, and
- The second true-up settlement calculation.

Milton Hydro performs a verification check of its monthly calendarized kWh data, to compare the data to the wholesale purchases data to ensure differences are small and relate to UFE.

Milton Hydro assesses the Unaccounted for Energy (UFE) quantities and dollars each time it performs settlement calculations and also assesses UFE quantities and dollars on a cumulative year to date basis to ensure the processes are in control. If any anomalous UFE dollars or quantities, Milton Hydro investigates and looks closer at its data if UFE is greater than the OEB's materiality threshold of 1% for USoA 1588 RSVA power.

Milton Hydro also assesses the unit cost of energy for RPP and non-RPP customers, it expects that the unit cost of energy for RPP customers should be somewhat higher than the unit cost of energy for non-RPP customers since the load profiles for the non-RPP customers proportionately have more consumption off-peak than the RPP customer load profiles.

Milton Hydro will begin utilizing the GA Analysis Workform as part of its controls to confirm that that USoA 1589 RSVA ~~GA~~ balance is reasonable and will closely monitor the UFE to ensure the balance of account 1588 RSVA ~~power~~ is reasonable. Milton Hydro performs more detailed verification reviews of the RPP Settlements information before it is submitted to the IESO to ensure it is accurate.

In addition, Milton Hydro continues to work with its RPP Settlement's vendor to automate an end-to-end RPP Settlements process for increased accuracy and efficiency, using smart meter and interval meter data. Milton Hydro is planning to implement this system by end of Q4 of 2021. The automated RPP Settlement process will institute several controls flagging exceptions which will enable error or anomaly detection. Milton Hydro met with OEB Regulatory Accounting Staff to confirm that its RPP Settlement approach was consistent with the OEB Accounting Guidance for RPP Settlements, and OEB Regulatory Accounting Staff indicated they did not have any concerns that the proposed approach was substantially misaligned from the spirit of the accounting guidance.

OEB Staff-3

Ref 1: Manager's Summary, page 18

Ref 2: IRM Rate Generator Model, Tab 3

Ref 3: 2021 IRM Rate Generator Model, Tab 3

As indicated in Table 3 of the Manager's Summary, Milton Hydro has taken the original net principal transactions in Account 1588 – RSVA Power and made various principal adjustments. Per Table 3 and the 2022 IRM Rate Generator Model, Tab 3, original transactions were (\$437,497) for 2019. Per Milton Hydro's 2021 Rate Generator Model, Tab 3 shows 2019 transactions in Account 1588 to be (\$1,500,090) and there were no 2019 RRR to DVA Continuity Schedule Balance differences.

- a) Please explain why the 2019 Account 1588 transactions have changed between the 2021 to 2022 Rate Generator Models.
- b) Please explain the nature of the changes and why these changes were not separately identified as error corrections or principal adjustments, like those identified on pages 17-18 of the Manager Summary.

Response

- a) In response to this question Milton Hydro provides updates to Tables 2b and Table 3 of the Managers Summary with respect to the Principal Adjustments related to the "Correction of G/L coding misclassification for IESO Charge Type 102 from Energy to WMS in 2018" as indicated in the tables. Milton Hydro updates these tables relating to the Principal Adjustment corrections of \$1,062,593 in 2018 and (\$1,062,593) in 2019, to correctly reflect that the correcting journal entry related to the 2018 misclassification was recorded in its General Ledger in December 2019 when the misclassification was discovered. Note that the updated tables still indicate that the General Ledger journal entry, booked to account USoA 1588 RSVA _{power} (through USoA 4705 – Power Cost) in 2021 totaled a debit of \$1,567,281, offset to USoA 1580 RSVA _{wms} (through USoA 4708 – Wholesale Market Services totaling a credit of (\$1,567,281), remains unchanged.

Table 2b: Updated Net Principal Transactions For USoA 1580 RSVA WMS - For Period from 2016 to 2020

	2016	2017	2018	2019	2020	Total	Notes:
Originally Booked Net Principal Transactions to USoA 1580 by Year	\$ 33,550	\$ 235,847	\$ 884,598	-\$ 1,057,613	-\$ 607,669	-\$ 511,287	Amounts booked per historical General Ledger
Principal Adjustments to Account:							
Correction of G/L coding misclassification for IESO Charge Type 102 from Energy to WMS in 2018	\$ -	\$ -	-\$ 1,062,593	\$ 1,062,593	\$ -	\$ -	Correcting Journal Entry made in December 2019.
Correction of coding to IESO Charge Type 102 from Energy to WMS	-\$ 601,588	-\$ 965,693			\$ -	-\$ 1,567,281	Correcting Journal Entry made in August 2021.
Permanent and Temporary Reversing Principal Corrections to Account	-\$ 601,588	-\$ 965,693	-\$ 1,062,593	\$ 1,062,593	\$ -	-\$ 1,567,281	Corrections to account by Year
Updated Net Principal Transactions to USoA 1580 by Year	-\$ 568,038	-\$ 729,846	-\$ 177,995	\$ 4,980	-\$ 607,669	-\$ 2,078,568	Updated Net Principal Transactions by Year

Table 3: Updated Net Principal Transactions For USoA 1588 RSVA Power - For Period from 2016 to 2020

	2016	2017	2018	2019	2020	Total	Notes:
Originally Booked Net Principal Transactions to USoA 1588 by Year	-\$ 670,446	\$ 113,072	-\$ 1,009,391	-\$ 437,497	-\$ 801,111	-\$ 2,805,375	Amounts booked per historical General Ledger
Principal Adjustments to Account:							
Correction of GA Transferred to Account 1588	\$ 218,598	\$ 762,384	-\$ 250,851	\$ 140,272	\$ 553,602	\$ 1,424,006	Correcting Journal Entry made in August 2021.
RPP Settlement Corrections to Account 1588	\$ 138,191	-\$ 1,937,347	\$ 226,394	\$ 1,394,839	\$ 363,923	\$ 185,999	Settlement Correction made in August 2021 with IESO.
Correction of G/L coding misclassification for IESO Charge Type 102 from Energy to WMS in 2018	\$ -	\$ -	\$ 1,062,593	-\$ 1,062,593	\$ -	\$ -	Correcting Journal Entry made in December 2019.
Correction of coding to IESO Charge Type 102 from Energy to WMS	\$ 601,588	\$ 965,693	\$ -	\$ -	\$ -	\$ 1,567,281	Correcting Journal Entry made in August 2021.
Temporary Timing Differences Relating to Payments to Embedded Generators	\$ 98,371	\$ 149,646	\$ 164,959	\$ 134,049	\$ 124,121	\$ 671,146	Temporary Principal Adjustments Made to DVA Continuity.
Reversal of Temporary Timing Differences Relating to Payments to Embedded Generators	\$ -	-\$ 98,371	-\$ 149,646	-\$ 164,959	-\$ 134,049	-\$ 547,025	Temporary Principal Adjustments Made to DVA Continuity.
Correction to Oakville Hydro Host Distributor Bill G/L Allocation Error	\$ -	\$ 361	\$ -	\$ -	\$ -	\$ 361	Correcting Journal Entry made in August 2021.
Permanent and Temporary Reversing Principal Corrections to Account	\$ 1,056,748	-\$ 157,634	\$ 1,053,449	\$ 441,608	\$ 907,598	\$ 3,301,768	Corrections to account by Year
Updated Net Principal Transactions to USoA 1588 by Year	\$ 386,301	-\$ 44,563	\$ 44,058	\$ 4,110	\$ 106,486	\$ 496,393	Updated Net Principal Transactions by Year

Furthermore, the 2022 IRM Rate Generator Model Tab 3 correctly reflects the originally booked Net Principal Transactions of (\$437,497) for 2019. In Milton Hydro's 2021 Rate Generator Model Tab 3, based on the financial records at that time, Milton Hydro previously recorded (\$1,500,090) for 2019 in the Net Principal Transactions column and \$0 in the Principal Adjustments column. Based on the pre-corrected account balances at the time, Milton Hydro should have recorded $(\$437,497) = [(\$1,500,090) \text{ plus } \$1,062,593]$ in the Net Principal Transactions column for 2019 and $(\$1,062,593)$ in the Principal Adjustments column. The originally booked Net Principal Transactions plus the Principal Adjustments for 2019 still equals $(\$1,500,090) = [(\$437,497) \text{ minus } (\$1,062,593)]$, this update would not have caused a difference between the 2019 RRR Balances vs the originally booked DVA Continuity Schedule Balance.

- b) The purpose of the update to the amounts originally recorded in the 2019 Net Principal Transactions and Principal Adjustments columns of USoA 1588 RSVA power in the 2021 IRM Rate Generator Model was to transfer (\$1,062,593) between Net Principal Transactions and Principal Adjustments. The amounts transferred, between the 2019 columns in the Continuity Schedule tab did not change the net amounts originally recorded in 2019 of the 2021 IRM Rate Generator Model. There is no impact to Table 1 of the Managers Summary which provides the Correcting Journal Entries.

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Ref: GA Analysis Workform

In the GA Analysis Workform, there are reconciling items for each year from 2016 to 2020 for the correction of allocation of GA charges based on actual Non-RPP volumes, which were recorded in 2021. There are also reconciling items for charge type (CT)148 true-ups (#1a and 1b) from 2017 to 2020.

- a) Please confirm that the reconciling items to correct the allocation of GA charges do not include the CT148 true-ups identified in reconciling items 1a and 1b (i.e. there is no double counting). If not confirmed, please revise the evidence as necessary.
- b) Please explain why CT 148 true-ups were identified starting in 2017, and not 2016.
- c) Typically, CT148 true-ups are expected to result in equal and offsetting journal entries between Account 1588 and Account 1589 – RSVA GA as CT 148 is prorated between the two accounts. In the principal adjustment tab of the GA Analysis Workform, CT 148 true-ups have been identified for Account 1589 starting from 2017 to 2020. However, there are no equal and offsetting principal adjustments for Account 1588 from 2017 to 2020. Please explain why not and revise the evidence as necessary.

Response:

- a) Milton Hydro confirms that there is no double counting of CT148 true-ups, in the reconciling items to correct the allocation of Global Adjustment charges.
- b) Starting in December 2017, Milton Hydro began to record year-end accrual journal entries relating to GA true-up amounts for amounts that were settled with the IESO in the subsequent year. For example, in December 2017 Milton Hydro made an accrual journal entry for (\$261,268) crediting USoA 1589 RSVA GA (through USoA 4707) with an offsetting debit to USoA 2205 accrued Accounts Payable to the IESO. Subsequently, at the end of years 2018, 2019 and 2020, Milton Hydro made the same kind of accrual journal entries. Below are the annual amounts journalized relating to the GA true-ups accrued to USoA 1589 RSVA GA (through USoA 4707), the offsetting credit for the journal entry was to USoA 2205 accrued Accounts Payable to the IESO.

Table i: Summary of Adjustments to USoA 1589 RSVA GA for Accrued True-Up Adjustments

Year	Amount of GA True-Up Accrued by Year	Amount of GA Reconciling Item	Explanation of Reconciling Item
2017	(\$261,268)	\$261,268	Elimination of GA True-up accrued to 2017 but paid in 2018.
2018	\$832,656	(\$832,656)	Elimination of GA True-up accrued to 2018 but paid in 2019.
2019	\$82,644	(\$82,644)	Elimination of GA True-up accrued to 2019 but paid in 2020.
2020	(\$170,667)	\$170,667	Elimination of GA True-up accrued to 2020 but paid in 2021.

The reconciling adjustments noted above, made by Milton Hydro in each year from 2017 to 2020 were made to eliminate the accrual journal entries recorded in the General Ledger. This was necessary because the approach that Milton Hydro used to restate the commodity pass through accounts USoA 1588 RSVA ^{Power}, and USoA 1589 RSVA ^{GA}, was based on retrospective restatement using actual final data for each month, from January 2016 to December 2020. Normally transactions are recorded in the accounts based on information available at the time, and then there are subsequent RPP Settlement true-ups. Given that Milton Hydro had all final RPP Settlement Data including Market Data, Statistical Customer Data including volumes and revenue amounts, when Milton Hydro recalculated RPP Settlements for each month, the calculations were based on final RPP Settlement computations, there was no need to recalculate preliminary RPP Settlement and conduct true-ups associated with RPP Settlements, which normally occur on a monthly basis. In addition, nor was there a need to record restated accrual journal entries relating to timing differences, as all of the RPP Settlement calculations performed did not have timing differences. The original accrual journal entries for GA true-ups relating to timing differences were therefore reversed, and the GA Analysis Workform for each year from 2017 to 2020 reflect this reversal.

- c) As part of Milton Hydro's review and restatement of the commodity pass through accounts, USoA 1588 RSVA ^{Power}, and USoA 1589 RSVA ^{GA}, Milton Hydro recalculated RPP Settlements and the CT148 proration between Power and GA for each month from January 2016 to December 2020. The corrections Milton Hydro made in USoA 1588 RSVA ^{power} and 1589 RSVA ^{GA}, pertaining to the RPP Settlement recalculations were identified as "Correction to allocation of GA Charges based on actual non-RPP Volumes made in 2021". Milton Hydro presented the GA Corrections in the Principal Adjustments tab of the GA Analysis Workform as summarized in the table below:

Table ii: Summary of GA Allocation Corrections

Year	Settlement Correction to Account 1588	Settlement Correction to Account 1589
2016	\$218,598	(\$218,598)
2017	\$762,384	(\$762,384)
2018	(\$250,851)	\$250,851
2019	\$140,272	(\$140,272)
2020	\$553,602	(\$553,602)
Totals	\$1,424,006	(\$1,424,006)

The preceding table summarizes the equal and offsetting journal entries between USoA 1588 RSVA ^{Power}, and USoA 1589 RSVA ^{GA} , for all the CT148 proration adjustments which are included as principal adjustment for both USoA 1588 RSVA ^{Power}, and USoA 1589 RSVA ^{GA} from 2016 to 2020.

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Ref 1: GA Analysis Workform

Ref 2: Manager's Summary, page 18

Milton Hydro noted that it had incorrectly recorded charge type 102 from the IESO invoice to Account 4705 - Cost of Power instead of Account 4708 - Charges, WMS from 2016 to 2019. The principal adjustments to correct the error for Account 1588 are \$1,062,593 in 2018 and (\$1,062,593) in 2019. The principal adjustments to correct for the error for Account 1580, WMS are (\$1,062,593) in 2018 and \$1,062,593 in 2019. Please explain why the correcting journal entries made for 2018 fully offset the journal entries made in 2019 for both Accounts 1588 and 1580.

Response:

The Principal Adjustments made to USoA 1588 RSVA *power* and USoA 1580 RSVA *wms* in the 2022 IRM Rate Generator in Tab 3 were made in relation to the 2018 General Ledger misclassification error relating to the IESO bill pertaining to CT102 that was discovered in 2019. When Milton Hydro filed its 2021 IRM Rate Application, for the 2018 year it made a Principal Adjustment debit entry of \$1,062,593 to USoA 1588 RSVA *power* and to USoA 1580 RSVA *wms* it made a credit entry of \$1,062,593 to record this amount to the year that it relates to. Milton Hydro identified this misclassification error in 2019, and made the journal entry to its General Ledger in December 2019 to correct this error. As indicated in Milton Hydro's response to OEB Staff IR 2 a) Milton Hydro ought to have made offsetting Principal adjustments to USoA 1588 RSVA *power* and USoA 1580 RSVA *wms* in Tab 3 Continuity Schedule in 2019 to reverse the Principal Adjustments made in 2018 since it had recorded a permanent journal entry in the Net Principal Transactions in 2019 to the General Ledger to record a debit of \$1,062,593 to USoA 1588 RSVA *power* and an offsetting credit of \$1,062,593 to USoA 1580 RSVA *wms*.

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Ref 1: GA Analysis Workform

In the GA Analysis Workform, the annual expected GA volume variances for 2016 to 2020 are \$76,148, (\$78,777), \$50,349, \$55,867, and \$107,181, respectively. The approved loss factor has remained the same during the period. The expected GA volume variance have been debits, where wholesale consumption is greater than retail consumption adjusted for losses for every year except for 2017. Please explain why the expected GA volume variance for 2017 would be in a credit position.

Response:

Actual line and transformer losses can be different from the loss factors approved by the OEB in a distributor's cost-of-service rate application. The OEB's formula to calculate loss factors in a cost-of-service rate application uses a distributors average losses for its previous five historical years. As actual losses will naturally fluctuate, actual losses could be either greater, or less than the losses approved by the OEB and experienced in the past. Unaccounted for energy (UFE) is the differences between OEB approved loss factors billed as compared to actual system losses. Factors that could cause unaccounted for energy to fluctuate are numerous and include but are not limited to the following:

- More/less efficient Transformers, or aging equipment, or degree of replacement or renewal of the distribution system could reduce or increase losses.
- The weather and temperature can cause line and transformer losses to change.
- Degree of precision and accuracy of unbilled revenue would impact losses.
- Changes in unauthorized power used, i.e. unmetered and undetected power diversion (theft of power) can cause unaccounted for energy swings.
- Differences between actual energy usage vs billed energy usage by authorized power users could cause unaccounted for energy swings, for example Streetlighting loads are billed on deemed profiles, if actual loads are not the same as billed loads, those differences would get into UFE.

The annual expected GA Volume Variance related to UFE by year from the GA Analysis Workform is summarized in the table below. In 2017, the wholesale consumption was less than retail consumption (adjusted for losses), in this one case the Expected GA Volume Variance was in a credit position, the differences can be either positive or negative, as indicated above, this is normal. The relevant issue is the absolute value of the Annual UFE %, which is small, less than 1/2 %. This is reasonable based on typical UFE Loss % experience by distributors.

Table iii: USoA 1589 – RSVA GA - Cumulative Unaccounted for Energy

Year	Annual Non-RPP Class B Wholesale kWh	Annual Non-RPP Class B Retail Billed kWh	Annual UFE kWh	Annual UFE Loss %	Weighted Average GA Actual Rate Paid (\$/kWh)	Expected GA Volume Variance (\$)
2016	338,821,446	338,035,390	786,056	0.23%	\$ 0.096874	\$ 76,148
2017	302,390,107	303,175,819	- 785,712	-0.26%	\$ 0.100262	-\$ 78,777
2018	255,301,331	254,751,137	550,194	0.22%	\$ 0.091511	\$ 50,349
2019	233,640,888	233,126,452	514,436	0.22%	\$ 0.108598	\$ 55,867
2020	210,381,490	209,430,742	950,748	0.45%	\$ 0.112733	\$ 107,181
Total	1,340,535,262	1,338,519,540	2,015,722	0.15%	\$ 0.104562	\$ 210,768

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Ref 1: IRM Rate Generator Model, Tab 3 – Account 1595 (2016)

Ref 2: EDVAAR Continuity Schedule Settlement Proposal_EB-2015-0089

Tab 3, cells Q32 and V32 show a principal amount of (\$3,366,491) and an interest amount of \$83,372 transferred to Account 1595 (2016). The balances of Accounts 1550, 1551, 1580, 1584, 1586, 1588 and 1589 approved for disposition in 2016 amounted to \$2,675,767 and \$61,137, respectively (see below).

		2016					
Account Descriptions	Account Number	OEB-Approved Disposition during 2016	Principal Adjustments ¹ during 2016	Closing Principal Balance as of Dec 31, 2016	Opening Interest Amounts as of Jan 1, 2016	Interest Jan 1 to Dec 31, 2016	OEB-Approved Disposition during 2016
Group 1 Accounts							
LV Variance Account	1550	626,861		966,882	16,915	12,589	17,473
Smart Metering Entity Charge Variance Account	1551	(17,151)		(28,721)	(87)	(473)	(86)
RSVA - Wholesale Market Service Charge ⁵	1580	(1,338,039)	(601,588)	(1,218,936)	(63,307)	(19,322)	(65,895)
Variance WMS – Sub-account CBR Class A ⁶	1580			0	0		
Variance WMS – Sub-account CBR Class B ⁶	1580			0	0		
RSVA - Retail Transmission Network Charge	1584	1,622,825		(399,223)	64,480	8,645	71,982
RSVA - Retail Transmission Connection Charge	1586	868,502		(192,746)	32,970	4,566	37,598
RSVA - Power ⁶	1588	(1,257,424)	1,056,748	(1,261,448)	(70,193)	(36,301)	(70,503)
RSVA - Global Adjustment ⁶	1589	2,170,192	(218,598)	165,964	63,162	24,031	70,569
Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-2015) ³	1595			(84,903)	13,467	(226)	
Disposition and Recovery/Refund of Regulatory Balances (2016) ³	1595	(3,366,491)		1,086,607	0	(2,558)	83,372
Disposition and Recovery/Refund of Regulatory Balances (2017) ³	1595			0	0		
Disposition and Recovery/Refund of Regulatory Balances (2018) ³	1595			0	0		
Disposition and Recovery/Refund of Regulatory Balances (2019) ³	1595			0	0		
Disposition and Recovery/Refund of Regulatory Balances (2020) ³	1595			0	0		
Disposition and Recovery/Refund of Regulatory Balances (2021) ³	1595			0	0		
<i>Not to be disposed of until two years after rate rider has expired and that balance has been audited. Refer to the Filing Requirements for disposition eligibility.</i>	1595			0	0		

- a) Please explain the variance between the approved amounts (as shown in the continuity schedule filed as part of Milton Hydro's Settlement proposal EB-2015-0089) and the amounts reported in Account 1595 (2016) in the 2022 IRM Rate Generator Model.

Response:

The source of the amounts recorded in 1595 (2016) is as per the OEB approval of Milton Hydro's 2016 Cost-of-Service rate application as part of the settlement proposal EDVAAR Continuity Schedule Settlement Proposal_EB-2015-0089.

The total amount transferred by Milton Hydro to USoA 1595 (2016) sub-account as approved in the decision included Group 1 & 2 Deferral and Variance Accounts excluding USoA 1576 – Accounting Changes Under CGAAP Balance + Return Component totaled \$3,283,119. See below source file, Tab 2. 2015 Continuity Schedule, cell BS68:

“Milton Hydro_SettlementP_2016_EDDVAR_Continuity Schedule_20160209.xlsm”.

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Ref 1: IRM Rate Generator Model, Tab 3 – Account 1595 (2017)

Ref 2: Decision and Order, EB-2016-0093, p. 11

Tab 3, cells AA33 and AF33 show that Milton Hydro transferred a principal amount of \$2,198,534 and an interest amount transferred to \$49,893 into Account 1595 (2017). The balances of Accounts 1550, 1551, 1580, 1584, 1586, 1588 and 1589 approved for disposition in 2017 amounted to (\$2,196,101) and (\$49,408) respectively (see below).

		2017						
Account Descriptions	Account Number	OEB-Approved Disposition during 2017	Principal Adjustments ¹ during 2017	Closing Principal Balance as of Dec 31, 2017	Opening Interest Amounts as of Jan 1, 2017	Interest Jan 1 to Dec 31, 2017	OEB-Approved Disposition during 2017	Interest Adjustments ¹ during 2017
Group 1 Accounts								
LV Variance Account	1550	388,200	(80,394)	739,146	12,031	9,919	5,135	
Smart Metering Entity Charge Variance Account	1551	(16,597)		(24,461)	(474)	(295)	(245)	
RSVA - Wholesale Market Service Charge ⁵	1580	(650,899)	(965,693)	(1,297,883)	(16,735)	(3,372)	(8,959)	
Variance WMS – Sub-account CBR Class A ²	1580			0	0	39		(39)
Variance WMS – Sub-account CBR Class B ²	1580		(269,541)	(269,541)	0			(4,963)
RSVA - Retail Transmission Network Charge	1584	(244,354)		(256,516)	1,143	(4,260)	(11,085)	
RSVA - Retail Transmission Connection Charge	1586	(185,261)		(125,978)	(62)	(2,330)	(7,345)	
RSVA - Power ⁴	1588	(1,647,749)	(157,634)	341,738	(35,991)	(20,998)	(23,857)	
RSVA - Global Adjustment ⁴	1589	160,559	(421,084)	697,904	16,624	3,612	(5,052)	
Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-2015) ³	1595			(84,903)	13,241	(704)		
Disposition and Recovery/Refund of Regulatory Balances (2016) ³	1595			82,602	(85,930)	5,107		
Disposition and Recovery/Refund of Regulatory Balances (2017) ³	1595	2,198,534		(600,483)	0	(6,505)	49,893	
Disposition and Recovery/Refund of Regulatory Balances (2018) ³	1595			0	0			
Disposition and Recovery/Refund of Regulatory Balances (2019) ³	1595			0	0			
Disposition and Recovery/Refund of Regulatory Balances (2020) ³	1595			0	0			
Disposition and Recovery/Refund of Regulatory Balances (2021) ³	1595			0	0			
<i>Not to be disposed of until two years after rate rider has expired and that balance has been audited. Refer to the Filing Requirements for disposition eligibility.</i>								

- OEB staff notes that the Decision and Order, EB-2016-0093, shows a principal amount of \$188,940 and an interest amount of \$2,935 in Account 1580 Sub-account CBR Class B. Please explain why Milton Hydro did not show this amount in the 2022 IRM Rate Generator.
- Please explain the variance between the approved amounts (as shown in Decision and Order EB-2016-0093) and the amounts reported in Account 1595 (2017) in the 2022 IRM Rate Generator Model.

Response:

Milton Hydro updates its 2017, 1595 Analysis Workform, related to the Principal and Interest amounts approved for disposition, as well as the amounts recovered related to Account 1580 Sub-Account CBR Class B. Amounts relating to Account 1580 Sub-Account CBR Class B were inadvertently omitted from the original Principal and Interest amounts. The table below provides the updates made due to this omission. Milton Hydro provides an updated 1595 Analysis Workform for 2017, as well as an updated 2022 IRM Rate Generator Model.

Updated USoA 1595 (2017) Disposition and Recovery/Refund of Regulatory Balances

	Principal Amount Approved For Disposition in 2017	Interest Amount Approved for Disposition in 2017	Rate Rider Amounts Collected(Returned)	Interest on Net Transactions	Total
As originally Recorded	-\$ 2,198,534	-\$ 49,893	\$ 2,303,520	-\$ 2,627	\$52,466
Omitted Sub-Accounts Related to CBR Class B Amounts	\$ 188,940	\$ 2,935	-\$ 207,810	-\$ 2,934	-\$18,869
Updated Amounts	-\$ 2,009,594	-\$ 46,958	\$ 2,095,710	-\$ 5,561	\$33,597

The updated 1595 Analysis Workform for 2017, shows that the residual balance of the account 1595 (2017) sub-account is consistent to that of the 2022 IRM Rate Generator Model and the difference between collections/returns compared to what the OEB approved in the 2017 proceeding is -1.9%, which is less than the +/-10% threshold established in the Workform. Also, the difference of \$489 identified in the Workform relates to carrying charges computed in the 2022 IRM Rate Generator Model for the period January 1, 2021 to December 31, 2021. Milton Hydro confirms that the residual balance of account 1595 (2017) has not been previously disposed on final basis.

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Ref 1: Manager's Summary, p. 45 – LV Service Rate Update

Milton Hydro has request to adjust its Low Voltage service rates (LVSR) as part of its 2022 IRM application and noted the following justification:

In order to minimize the balance of its Account 1550 LV Variance Account, and to set its LVSRs to an appropriate level, Milton Hydro proposes to adjust the LVSRs annually by using the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount, and then allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs.

- a) Please confirm that Milton Hydro is planning to file a cost-of-service application for the 2023 rate year.
- b) If a) is confirmed, has Milton Hydro considered updating the LVSRs as part of its rebasing application, in accordance with the OEB's typical practice for updating these charges? Please discuss.
- c) Please quantify the anticipated incremental impact/variance on the total balances in account 1550 LV Variance Account (as of December 31, 2022) based on a) status quo of LVSRs and b) Milton Hydro's proposed updated LVSRs.
- d) Please provide an estimate for the forecasted total Account 1550 balance up to December 31, 2022 (both with and without an update to the current LV charges) and calculate the incremental impact of an updated LVSR as a percentage of the December 31, 2022 balance.
- e) Assuming Milton Hydro rebases its rates for 2023, this will be the final year under the IRM rate-setting method in the current term. Please discuss and rationalize why an adjustment to the LVSRs is only being proposed in this final year, rather than earlier in the IRM term, if the intent of Milton Hydro is to minimize the cumulative variances in Account 1550.

Response:

- a) Milton Hydro confirms that it is planning to file a cost-of-service application for the 2023 rate year.
- b) Yes, Milton Hydro has considered updating the LVSRs as part of its rebasing application in 2023. However, as a result of the large balance accumulated in the USoA 1550 LV Variance Account to date, Milton Hydro has determined it would be in the best interests of its customers to adjust LVSRs sooner in order to mitigate

potential rate increases associated with Milton Hydro rebasing in 2023. In its 2023 cost-of-service rate application, Milton Hydro will adjust its LVSR's as required based on available data at the time of its review.

Table iv below shows the history of the LV payments to host distributors, LV revenues collected from customers, and the resulting annual variance which has been growing since 2016. The Table provides the actual amounts from 2016 to 2020 as well as the projected amounts for 2021 and 2022. The 2021 Projected LV payments to host distributors is based on the 2020 actual Low Voltage volumes multiplied by the 2021 OEB approved host distributor LV rates. The 2022 Projected LV payments to host distributors is based on the 2021 Projected LV payments to host distributors. The projected 2021 and 2022 LV revenues collected from customers are based on the current LVSRs at the change in LV Revenue between 2019 to 2020.

Table iv: Historical Low Voltage Charges, Revenues and Variances

Year	Low Voltage Payments to Hydro One	Low Voltage Payments to Oakville Hydro	Low Voltage Payments to Host Distributors	LV Revenues	Variance Cost vs Revenue
2016 Actual	\$ 336,090	\$ 529,523	\$ 865,613	\$ 286,930	\$ 578,683
2017 Actual	\$ 303,415	\$ 384,807	\$ 688,223	\$ 527,760	\$ 160,463
2018 Actual	\$ 268,791	\$ 397,651	\$ 666,443	\$ 555,252	\$ 111,191
2019 Actual	\$ 517,133	\$ 243,825	\$ 760,958	\$ 556,605	\$ 204,352
2020 Actual	\$ 681,679	\$ 342,414	\$ 1,024,093	\$ 562,853	\$ 461,241
2021 Projected	\$ 710,671	\$ 341,071	\$ 1,051,742	\$ 569,170	\$ 482,572
2022 Projected	\$ 710,671	\$ 341,071	\$ 1,051,742	\$ 575,559	\$ 476,183
	\$ 3,528,451	\$ 2,580,363	\$ 6,108,814	\$ 3,634,130	\$ 2,474,684

As can be seen from the Table iv, the actual LV payments to host distributors in 2020 grew to \$1,024,093, the highest point to date. The LV revenues collected in 2020 were enough to cover only 55% of the total LV payments made to Host Distributors in 2020. As a result, the associated variance between LV revenues and LV payments to host distributors has grown by almost double. In light of the foregoing, Milton Hydro determined that due to the magnitude of the variance in 2020, it is appropriate to adjust LVSRs as part of its 2022 IRM rate application, rather than waiting to update its LVSRs at its 2023 rebasing application.

- c) As per information in Table iv above, the projected variance in the balance of USoA 1550 LV Variance Account would be about a) \$958,755 =[\$476,183 + \$482,572]

based on the status quo LVSRs, and b) based on the approval of Milton Hydro's proposed LVSRs, the projected variance as at December 31, 2022 is anticipated to be \$482,572.

- d) As indicated in part c) above, the estimated forecasted total USoA 1550 LV Variance Account would be \$482,572 with an update to the LVSRs and \$958,755 without an update to the current LVSRs. The incremental impact of updating the LVSRs would be an estimated reduction of the account balance from \$958,755 down to \$482,572, or a reduction by approximately 50%.
- e) The rationale for the proposed adjustment in 2022 is based on the fact that 2020, being the most recent full year of activity in USoA 1550 LV Variance Account, had the highest payments to host distributors that resulted in significant increases in the LV Variance Account balance. As discussed in part b) above, the primary objective of implementing the requested adjustment in 2022 rather than waiting another year is to mitigate the following two elements of the bill impact (i) prevent further accumulation of even larger balance in the variance account, there would be mitigation of any potential bill impacts that may result from the disposition of the balance of this variance account during the rebasing in 2023, and (ii) if the increase to the LVSR is not approved in 2022, then the proposal to adjust the LVSR would be brought forward again in 2023, thereby causing an additional bill impact when the LVSR increases from the current rate to the adjusted LVSR in 2023.

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Ref 1: Manager's Summary, p. 45 – LV Service Rate Update Methodology

Milton Hydro proposes to update the LVSRs annually by using the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount and allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs.

- a) Please discuss what other methodologies, if any, were considered.
- b) Please describe the advantages and disadvantages of each option discussed above.
- c) Please explain why Milton Hydro did not use the most recent OEB-approved host distributor charges to calculate the numerator dollar amount.

Response

- a) Milton Hydro thoroughly considered OEB's methodology used in the IRM Rate Generator Model to compute the Retail Transmission Service Rates (RTSRs) in the following tabs:

Tab 10. RTSR Current Rates -

Current OEB Approved RTSRs input.

Tab 11. RTSR – UTRs & Sub-Tx -

Uniform Transmission Rates billed by the IESO input as well as host distributor RTSRs.

Tab 12. RTSR – Historical Wholesale -

Calculations of the last historical year Transmission Network and Transmission Connection costs from the IESO and host distributors.

Tab 13. RTSR – Current Wholesale -

Calculations of the expected current year Transmission Network and Transmission Connection costs from the IESO and host distributors.

Tab 14. RTSR – Forecast Wholesale –

Calculations of the forecast IRM year Transmission Network and Transmission Connection costs from the IESO and host distributors.

Tab 15. RTSR Rates to Forecast –

Calculations of the “Adjusted RTSRs” based on current wholesale LV Costs from host distributors, and the “Proposed RTSRs” based on the forecast wholesale LV Costs from host distributors.

An excel spreadsheet model could be created using the methodology from the OEB IRM Rate Generator Model so that the distributor’s current LVSRs, host distributor low voltage historical, current and forecasted wholesale rates, historical year wholesale volume data; and the historical, current, and forecast year wholesale LV costs would be computed, and then would be used to calculate the “Adjusted LVSRs” and “Proposed LVSRs”, done very similarly to the RTSRs.

- b) The advantages and disadvantages of each option considered is provided in the table below:

Option 1: Use Methodology as submitted by Milton Hydro in its evidence in the 2022 IRM Rate Application	Option 2: Use Similar Methodology as that used in the OEB Rate Generator Model for RTSR Calculations
<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • Methodology relatively simple and very similar with LVSR approach approved by the OEB in distributors cost-of-service rate hearings. • Although a one-year timing lag, because rates are calculated relating to the prior year, the LVSRs are calculated by much more recent data than the current approach which calculates LVSRs only when rebasing. • Uses readily available and verifiable actual historical wholesale LV costs as the basis to calculate LVSRs. • Appropriately matches, host distributor wholesale LV volumes, LV rates, and retail quantities by customer class based on data for a single year, i.e. 2020. • Would enable smaller variances in USoA 1550 LV Variance account 	<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • Methodology from OEB IRM Rate Generator Model can be replicated into a separate model to calculate the LVSRs using similar methodology as what is used for the RTSRs. • Would enable a higher degree of precision in computations by using more current host distributor wholesale LV rates. • Would enable smaller variances in USoA 1550 LV Variance account and in Group 1 Deferral and Variance Accounts in general. • Would enable less volatility in rates due to timing of rate changes, thereby enabling smoother and smaller rate impacts.

<p>and in Group 1 Deferral and Variance Accounts in general.</p> <ul style="list-style-type: none"> • Would enable less volatility in rates due to timing of rate changes, thereby enabling smoother and smaller rate impacts. 	
<p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • Somewhat less precision since historical actual costs are used to calculate LVSRs rather than the current year host distributor wholesale Low Voltage rates multiplied by the historical actual volumes. 	<p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • More rates and rate riders are typically applicable for rates from host distributors causing more complexity to automate modelling for LVSRs. • Many more inputs required for LVSR calculations rates and volumes for more rates than what's used for RTSRs. Typically, only kW demand used for wholesale transmission costs. For LVSRs some wholesale LV costs are based on potentially more billing determinants, may potentially need wholesale kWh data as well, depending on the charge. • May substantially add to the amount of effort to complete the calculations for LVSRs which are typically much lower rates than the RTSRs.

- c) Milton Hydro did not originally use the most recent OEB-approved host distributor charges to calculate the numerator amount to calculate LVSRs as it did not expect this approach to change the resulting numerator in any material way. Milton Hydro used the 2020 actual wholesale LV costs of \$1,024,093 to calculate the LVSRs. In Table iv above, Milton Hydro calculated the 2021 Projected wholesale LV Costs of \$1,051,742 using the most recent OEB-approved host distributor charges rather than the 2020 historical OEB-approved host distributor charges. The difference is \$27,649 or 2.7%. A comparison of the updated LVSR's in response to VECC-4 a)

with the recalculated LVSRs is provided in Table v below. Milton Hydro is not proposing to update its request and use the Recalculated LVSRs as shown below.

Table v: 2022 Low Voltage Rate Comparison as Filed vs Updated					
Rate Class	Unit	LVSR As Updated ¹ per kWh	LVSR As Updated ¹ per kW	LVSR As Recalculated ² per kWh	LVSR As Recalculated ² per kW
Residential Service Classification	\$/kWh	0.0012		0.0012	
General Service Less Than 50 kW Service Classification	\$/kWh	0.0010		0.0010	
General Service 50 To 999 kW Service Classification	\$/kW		0.4570		0.4694
General Service 1,000 To 4,999 kW Service Classification	\$/kW		0.4496		0.4617
Large Use Service Classification	\$/kW		0.5028		0.5164
Unmetered Scattered Load Service Classification	\$/kWh	0.0010		0.0010	
Sentinel Lighting Service Classification	\$/kW		0.3139		0.3224
Street Lighting Service Classification	\$/kW		0.3074		0.3157
1. LVSRs updated in response to VECC-4 a)					
2. Recalculated LVSRs based on use of 2021 Projected wholesale LV costs of \$1,051,742.					