Espanola Regional Hydro Distribution Corporation

OEB Staff Questions

EB-2021-0022

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**Staff Question-1**

**Ref 1: Manager’s Summary, page 9**

Espanola states that:

 ERHDC seeks Board approval to dispose the balances of Group 1 deferral and variance accounts on an interim basis as of December 31, 2020, including interest to April 30, 2021.

Question:

1. Please explain why Espanola proposes an interim disposition of its Group 1 deferral and variance accounts in this application.

**Staff Question – 2**

**Ref 1: Manager’s Summary, page 10**

**Ref 2: Espanola’s Response to Clarification Questions as part of 2021 Cost of Service Settlement Proposal, May 10, 2021, 9-Staff-53**

In explaining the variances between the proposed principal and interest balance as at 2020 year end and 2020 RRR balances for Account 1550 and Account 1586, Espanola states that:

Variances in the Low Voltage Account ($725,116), RSVA- Retail Transmission Connection Charge ($723,377) is an approved adjustment made in the 2021 Cost of Service application. The RSVA – Retail Transmission Network Charge ($1,740) is a correction to balance the Low Voltage variance and Power.

In Reference 2, Espanola has provided the adjustments in Account 1550 and Account 1586 and these adjusted balances were accepted by the parties in the 2020 cost of service application:

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In Reference 2, Espanola further stated that:

 The revised balance for 1586 is a collection from customers of $207,486.89. The revised balance for 1550 is a collection from customers of $505,482.25. This totals $712,969.14 which is a variance of $1,740.14 from the originally submitted DVA continuity schedule. ERHDC will provide a final revised continuity schedule to accompany this update.

Staff notes from the DVA continuity schedule that the 2020 opening balances for accounts 1550 and 1586 does not match with the 2019 closing balances that were adjusted and approved in Espanola’s 2021 cost of service proceeding. In addition, Staff notes that the adjustments of $725,116 and ($723,376) are included as 2020 principal adjustments for accounts 1550 and 1586 in the DVA continuity schedule in this application.

**Question(s):**

1. Please explain why the 2020 opening balances for accounts 1550 and 1586 does not match with the 2019 closing balance in Espanola’s DVA continuity schedule of the 2021 cost of service application.
2. Given the listed adjustments were related to the period of 2014 of 2019, please explain why the total adjustments of $725,116 and ($723,376) for accounts 1550 and 1586 are included as 2020 principal adjustments in the DVA continuity schedule.
3. Please explain why Espanola did not update the 2019 RRR balances to reflect the corrected balances for accounts 1550 and 1586.

**Staff Question - 3**

**Ref 1: DVA Continuity Schedule**

**Ref 2: Espanola’s 2021 Cost of Service Application, DVA continuity Schedule file at Settlement Proposal, May 10, 2021**

Espanola has disposed its 2019 DVA balances at final basis in the 2021 cost of service rate application. OEB staff notes that for accounts 1588 and 1589, the 2019 closing balances in the DVA continuity schedule filed does not match to the 2019 closing balances in DVA continuity schedule filed at the 2021 cost of service settlement proposal:

|  |  |  |
| --- | --- | --- |
|  | **Closing Balance as of Dec 31, 2019** |  |
| **Account 1588** | **(Per the DVA continuity Schedule in this application)** | **(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)** | **Difference** |
| **Principle** | 373,973 | (23,801) | 397,773 |
| **Interest** | (12,469) | (34,911) | 22,442 |
| **Total** | **361,504** | **(58,712)** | **420,215** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
|  | **Closing Balance as of Dec 31, 2019** |  |
| **Account 1589** | **(Per the DVA continuity Schedule in this application)** | **(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)** | **Difference** |
| **Principle** | (208,211) | 50,628 | (258,839) |
| **Interest** | (12,899) | 5,117 | (18,015) |
| **Total** | **(221,110)** | **55,745** | **(276,854)** |

Staff understands that the adjustments made in the 2021 Cost of service application are related to the periods prior to 2019 and would expect that the 2019 closing balances would match with the 2019 closing balances for these two accounts in 2021 cost of service settlement proposal.

**Question:**

1. Please explain the discrepancies noted that update the DVA continuity as applicable.

**Staff Question-4**

**Ref 1: DVA Continuity Schedule**

**Ref 2: GA Analysis Workform**

**Ref 3: Manager’s Summary, page 12**

For Account 1589, OEB staff notes that the 2020 principal adjustment of $164,681 on the DVA continuity schedule does not agree to the principal adjustment amount on the GA analysis workform which is shown as below:

|  |  |  |  |
| --- | --- | --- | --- |
|   |  **Item** | **Amount** | **Explanation** |
| 5 | Impacts of GA deferral  |  $ (94,158)  | Non RPP GA deferral (April-May-June) rate accounting adjustment error |

In Reference 3, Espanola explained this principal adjustment as follows:

 A correction of $94,158 and ($94,158) in accounts RSVA – Power (USoA 1588) and RSVA – Global Adjustment (USoA 1589), respectively, was identified with the reconciliation related to 2020 activity in respect to adjusted GA rates versus unadjusted rates used for the Non-RPP GA cost. This will be recorded in 2021 and reflected in 2021 RRR balances.

For Account 1588, OEB staff notes that the 2020 principal adjustment of ($303,615) does not match with the 2020 principal adjustment amount of $94,158 on the Note 7 Account 1588 Reasonability Test of the GA Analysis Workform.

Based on the 2020 transaction and principal adjustment figures on the DVA continuity schedule, OEB staff has updated the Note 7 Account 1588 Reasonability test on the GA Analysis workform as below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | **Transactions** | **Principal Adjustments** | **Total Activity in Calendar Year** | **Account 4705 - Power Purchased** | **Account 1588 as % of Account 4705** |
| **2020** | 44,482 | (303,615) | -259,133 | 7,523,774 | -3.4% |

Staff notes that Espanola did not provide any principal adjustment for Note 8 Breakdown of Principal Adjustments Included in Last Approved Balance while there were principal adjustments in accounts 1588 and 1589 of Espanola’s 2021 cost of service application.

Question(s):

1. Please explain the discrepancies noted above and update the relevant schedule/model as applicable.
2. Please clarify if the principal adjustment #5 is the reconciling item for the impact of GA deferral from April to June of 2021.
3. If so, why Espanola considers this item as a principal adjustment rather than a reconciling item.
4. If not, please elaborate on the principal adjustment #5 of ($94,158) on the GA Analysis Workform, specifically on the nature of the correction for the adjusted GA rates.
5. Please confirm the updated Note 7 Account 1588 Reasonability Test as compiled by OEB staff or provide the updated Note 7 if not confirmed.
6. Please provide the reasons beside the line loss differences for the account 1588 balance being greater than 1% of the Account 4705 balance.
7. Please update Note 8 on the GA analysis workform for accounts 1588 and 1589.