Hearst Power Distribution Co. Ltd.

Response to OEB Staff Questions EB-2021-0029

January 25, 2022

# Hearst Power Distribution Co. Ltd.

**EB-2021-0029**

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Please note, OEB staff has attached an updated model that reflects the following changes:

* Ontario Energy Rebate of 17%
* 2022 inflation factor of 3.3%
* Updated Uniform Transmission Rates:
	+ Network Service Rate of $5.13/kW
	+ Line Service Rate of $0.88/kW
	+ Transformation Connection Service Rate of $2.81/kW
* Updated Hydro One Sub-Transmission Rates:
	+ Network Service Rate of $4.3473/kW
	+ Line Connection Service Rate of $0.6788/kW
	+ Transformation Connection Service Rate of $2.3267/kW
	+ Both Line and Transformation Connection Service Rate $3.0055/kW
* Updated Wireline Pole Attachment Charge to $34.76

**HPDCL Response:**

HPDCL agrees with OEB Staff’s above-mentioned updates to the model.

## Staff Question-1

Ref: (1) Rate Generator Model, Tab 3 – Continuity Schedule, Cells BM28 & BN28

(2) EB-2020-0027, Settlement Agreement, p. 51, Table 23

## Preamble:

The continuity schedule indicates that for year 2021 the combined principal and interest OEB-approved disposition for Account 1588 is ($11,366). The 2021 settlement agreement indicates that the OEB-approved disposition for Account 1588 is ($20,880).

## Question:

a) Please revise the Rate Generator Model to ensure it matches the 2021 settlement agreement or explain this discrepancy.

**HPDCL Response:**

There was an input error in the model, BN28 was missing the negative sign which has been modified from 4,757.36 to -4,757.36 in the rate generator model filed with these responses.

## Staff Question-2

Ref: (1) Rate Generator Model, Tab 3 – Continuity Schedule, Cells BE28 & BJ28

(2) EB-2019-0040, Decision and Rate Order, p. 9

## Preamble:

The continuity schedule indicates that for year 2020 the OEB-approved disposition for Account 1588 is $38,120. The 2020 rate application decision indicates that the OEB- approved disposition for Account 1588 is ($38,120).

## Question:

a) Please revise the Rate Generator Model to ensure it matches the 2020 decision, noting that the directional sign of the disposition should be entered the same way in the disposition column of the Rate Generator Model.

**HPDCL Response:**

There was an input error in row 28, Column BD, BE, BI and BJ which has been corrected in the rate generator model filed with these responses.

## Staff Question-3

Ref: (1) Rate Generator Model, Tab 4 – Billing Det. for Def-Var

## Preamble:

Based on the potential corrections to the DVA balances resulting from Staff Questions 2 and 3, the total claim exceeds the $0.001/kWh threshold test for disposition.

## Question:

a) Please confirm whether Hearst Power’s position on disposing the Group 1 DVAs, based on any revised threshold test results, has changed, and provide rationale as appropriate.

**HPDCL Response:**

With the corrections made as a result of our responses to questions 1 to 3, the threshold is no longer being met and therefore HPDCL is not seeking disposition of Group1 in this proceeding.

## Staff Question-4

Ref: (1) Rate Generator Model, Tab 20 – Bill Impacts

## Question:

a) At the above reference, please populate the RTSR Demand or Demand-Interval column in table 1.

**HPDCL Response:** The inputs at tab 20. Bill Impacts have been updated accordingly.

## Staff Question-5

**Ref:** (1) GA Analysis Workform, Tab Account 1588

(2) Rate Generator Model, Tab 3 – Continuity Schedule, Cell BD28

## Preamble:

The transactions amount recorded in Account 1588 for 2020 in the Continuity Schedule does not reconcile to the GA Analysis Workform Tab Account 1588.

## Question:

a) Please explain why the transactions in the first reference above is $98,371 while the same transaction amount in the second reference shows is ($25,426). Please correct the necessary files and explain the reason for the correction.

**HPDCL Response:**

The was an error in BD28 of the Continuity Schedule. Both the GA analysis Tab account 1588 and Account 1588 in BD28 of the Continuity Schedule now show -98,371. Tab account 1588 and Account 1588 in BD28 of the Continuity Schedule reconcile with the Continuity Schedule and both show -98,371.

## Staff Question-6

**Ref:** (1) Manager’s Summary, p. 13

1. Rate Generator Model, Tab 3 - Continuity Schedule
2. GA Analysis Workform

## Preamble:

Hearst Power states the following with respect to a difference between the amounts claimed for disposition in Account 1588 and the amounts reported through RRR:

“This difference of $132,748 relates to the GA Deferral that was removed in the continuity schedule when compared with the RRRs. The GA deferral was a credit issued to Non-RPP class B customers in the month of April, May and June 2020 and which is being billed back as the GA deferral recovery starting in January 1, 2021 and ending December 31, 2021 as per regulation 429/04: Adjustments under Section 25.33 of the Electricity Act, 1998 and as per the OEB Emergency Order on May 15, 2020.”

## Question:

1. There are no amounts shown in the 2020 principal adjustments column for Account 1588. Please confirm that the adjustment referred to above is included in the transactions column along with all the other transactions recorded in 2020.

**HPDCL Response:**

Following a call with Board Staff, the $132,748 adjustment which is expected to be offset in 2021, has now been identified as an adjustment in tab 3 cell BF29 of the model filed with these responses. (HPDCL notes that statement above applies to account 1589 and not 1588).

1. The amounts shown in the GA Analysis Workform in cell C75 is $157,160. The amount in the Continuity Schedule in the Rate Generator Model in Cell BD29 is

$164,468 (ignoring the $132,748 adjustment embedded in that cell). Please explain why these two amounts do not match.

**HPDCL Response:**

The difference between the $157,160 in the GA Analysis Workform and the $164,468 in the Continuity Schedule is $7,308, which is the OEB approved disposition as per EB-2019-0040. The revised GA Analysis Workform attached excluded this disposition amount in cell C75, therefore showing a balance of $164,468, same as per the Continuity Schedule.

1. On May 15, 2020, the OEB issued the following guidance to distributors related to the GA deferral, and the impacts on the variance accounts:

Emergency Order Regarding the Deferral of a Portion of the Global Adjustment

The guidance explains that the GA deferral credit effectively resulted in a lower Charge Type 148 – Global Adjustment (when the credit amount is netted against the standard Charge Type 148 amount). At the same time, a lower GA rate of

$115/MWh was charged to Non-RPP Class B customers over that period. Those two impacts should fully offset each other in the variance accounts (i.e., a lower amount of GA revenue is recorded and a lower GA cost is recorded) and accordingly no difference should be found in the variance account from this. OEB staff is unclear why an adjustment would be necessary to account for this impact as an adjustment to the continuity schedules, as the GA costs reflected in the 2020 General Ledger already appropriately reflects the IESO invoice. Please explain further why this adjustment is required.

**HPDCL Response:**

Hearst Power is in a unique situation regarding power purchases as we are billed by both the IESO and Hydro One but due to the fact we have too many solar generators in the Hydro One circuits; we over generate electricity and inject into Hydro One’s grid during many months. This skews our IESO reporting’s and caused HPDCL to be BILLED, not credited, for the 3 months of 2020 when the deferral occurred. A balance of $132,748 accumulated in the 1589 account and was tagged as the Class B deferral amount. In 2021, the IESO provided us with a CREDIT, not a debit, for all the months.

The Net principal change of account 1589 in 2020 is $31,720 as per the revised Continuity schedule and EXCLUDES the $132,748 deferral amount. This difference is identified in cell BW29 in the Continuity schedule. Therefore the $132,748 IS NOT include in our claimed amount for 2020. This balance was credited by the IESO in the months of 2021, therefore do not require settlement via a disposal.

1. The OEB issued Instructions for completing the GA Analysis Workform along with the 2022 IRM models. A link to those instructions is found here. Pages 17- 18 of the instructions explain how a distributor might account for the difference between the GA deferral credit that it actually received, and the credit that it would have received if recalculated based on actual consumption figures. Any difference is between the two is shown as a reconciling item on the GA Analysis Workform (however, does not require a principal adjustment to the amount claimed). Please provide additional detail on how Hearst Power calculated the $132,748 reconciling item. Heart Power may refer to the illustrative example provided in the instructions if necessary.

**HPDCL Response:**

As per OEB question 6b, cell C75 of the Global Analysis workform must match with the amount in the Continuity Schedule Cell BD29. Therefore, C75 is $164,468, which is the sum of the 2020 transactions 🡪 $31,720, and the $132,748 Class B deferral amount. The $132,748 Class B deferral is then removed in box C83 afterwards to clearly identify the portion that relates to this deferral.

Hearst Power believes can remove the $132,748 is C75 and also remove this amount in C83. By doing it this way, the balance in C75 would equal the $31,720 in cell BD29 of the Continuity Schedule, but the end result would be exactly the same. Please advise if you wish us to make this change.

Please note that the adjustment of $132,748 has been entered and explained in the last tab of the GA workform Tab Principal Adjustment.