

Espanola Regional Hydro Distribution Corporation

EB-2021-0022

Responses to OEB Staff Questions

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1 **Staff Question - 1**

2 **Ref 1: Manager's Summary, page 9**

3 Espanola states that:

4
5 ERHDC seeks Board approval to dispose the balances of Group 1 deferral and variance
6 accounts on an interim basis as of December 31, 2020, including interest to April 30,
7 2021.
8

9 **Question:**

- 10 a) Please explain why Espanola proposes an interim disposition of its Group 1 deferral and
11 variance accounts in this application.
12

13 **Response:**

14 Espanola would like to dispose of the Group 1 deferral and variance accounts on a final basis.
15 This was an error in the application submission.

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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Year	Adjustment	
	1586 CN	1550 LV
2014	-\$75,863.24	\$75,863.24
2015	-\$102,069.36	\$102,069.36
2016	-\$128,889.50	\$128,889.50
2017	-\$137,160.72	\$138,900.55
2018	-\$135,276.84	\$135,276.84
2019	-\$144,116.71	\$144,116.71
	-\$723,376.37	\$725,116.20
Originally Submitted in DVA Continuity Schedule	\$930,863.26	-\$219,633.95
Revised Balance	\$207,486.89	\$505,482.25

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):

- a) 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.
- b) 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.
- c) Please explain why Espanola did not update the 2019 RRR balances to reflect the corrected balances for accounts 1550 and 1586.

Response:

a) In the 2021 Cost of Service Application, the 2019 ending principal balance of \$519,601 includes the approved adjustment of \$725,116. This adjustment had to be reflected in the year end 2019 balance to show the proper disposition of account 1550 in column BT of the 2021_DVA_Continuity_Schedule_Settlement_20210510. Since this correcting entry was not approved until 2021, it did not occur in the 1550 GL account until 2021. The 2022-IRM-Rate-Generator-Model includes an adjustment of \$725,116.20 in column BF. This had to be placed there so that proper balance of \$97,625 (includes interest) in column BU would be calculated. Please see reconciliation table 1 below.

b) These adjustments were not recorded until 2021, however in order to propose the proper balances in the 2022-IRM-Rate-Generator-Model, the adjustments have to be shown in 2020 in order for column BT to calculate the new disposition accurately. Please see the reconciliation table 1 below.

c) Espanola did not update the 2019 RRR balances because the balances shown in 2019 RRR is what matched the GL at that time. Since the adjustment entry below was not be recorded until 2021, the proper RRR balances will reflect in the April 30, 2022 RRR filing for Year End balances December 31, 2021.

1	Dr. 1550 LV Variance Account	\$725,116.2
2	CR. 1586 RTSR Connection	\$723,376.37
3	CR. 1584 RTSR Network	\$1,739.83
4		
5		
6		
7		

Table 1

		2019 RRR Balances		2020 Transaction		2021 Adjustment Approved in COS		2021 approved disposition		Proper principal balance proposed for disposition (Column BO)
LV Variance Account	1550	-\$205,515.30	+	\$94,676.93	+	\$725,116.20	-	\$519,600.90	=	\$94,676.93
RTSR Network	1584	\$14,048.64	+	\$21,258.02	+	-\$1,739.83	-	\$14,048.64	=	\$19,518.19
RTSR Connection	1586	\$878,322.51	+	\$53,531.34	+	-\$723,376.37	-	\$154,946.14	=	\$53,531.34

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)

The reason that the 2022 IRM Rate Generator Model had to be presented with differences between the 2 continuity schedules was from how the calculation was completed in column BT of the DVA continuity tab in the 2022 IRM Rate Generator Model. Since this sheet is locked, Espanola had to use existing cells to get the accurate disposition balance.

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 SVA – 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):

- a) Please explain the discrepancies noted above and update the relevant schedule/model as applicable.
- b) Please clarify if the principal adjustment #5 is the reconciling item for the impact of GA deferral from April to June of 2021.
 - i) If so, why Espanola considers this item as a principal adjustment rather than a reconciling item.
 - ii) 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.
- c) Please confirm the updated Note 7 Account 1588 Reasonability Test as compiled by OEB staff or provide the updated Note 7 if not confirmed.
- d) Please provide the reasons beside the line loss differences for the account 1588 balance being greater than 1% of the Account 4705 balance.
- e) Please update Note 8 on the GA analysis workform for accounts 1588 and 1589.

Response:

- a) The breakdown of the principal adjustments in accounts 1588 and 1589 are presented in the table 2:

Table 2

		Adjustments presented in 2021 DVA Continuity Schedules						2020 Global Adjustment Amount	Principal Adjustments ¹ during 2020
		2014	2015	2016	2017	2018	2019		
RSVA - Global Adjustment ⁴	1588	\$3,652	-\$389,157	\$17,191	-\$74,080	\$44,621	\$0	94158	-\$303,615
		Adjustments presented in 2021 DVA Continuity Schedules						2020 Global Adjustment	Principal Adjustments ¹
		2014	2015	2016	2017	2018	2019		
RSVA - Global Adjustment ⁴	1589	\$0	\$258,839	\$0	\$0	\$0	\$0	-94158	\$164,681

b) Espanola completed its GA calculation using the Non-Adjusted rates for the months of April, May and June 2020. If Espanola had used the adjusted rates it would have resulted in an additional \$94,158 in 1588 Power and (\$94,158) in 1589 Global Adjustment. Since Espanola had already completed its year end, this entry will be completed in 2021, thus making it a principal adjustment. If this should be a reconciliation item instead then please advise.

c) Note 7 is as originally submitted and reproduced below:

Year	Account 1588 - RSVA Power			Account 4705 - Power Purchased	Account 1588 as % of Account 4705
	Transactions ¹	Principal Adjustments ¹	Total Activity in Calendar Year		
2020	44,482	94,158	138,640	7,523,774	1.8%
Cumulative	44,482	94,158	138,640	7,523,774	1.8%

d) There is no other reason for the differences being greater than 1% other than line losses. Espanola has reproduce Appendix2-R from the ERHDC_2021_Filing_Requirements_Chapter2_Appendices_Settlement_20210510. In 2018 and 2019 the actual loss factor is great than 1.08. The approved loss factor for Espanola is 1.0673 because its an average of the previous 5 historical years. This is always going to create a greater than 1% variance each year and thus brings the explainable variance below the +/- 1% threshold. The increase in loss factor is due to the Supply Facilities Loss Factor which is something that Espanola cannot control as it is passed on from Hydro One.

		Historical Years					5-Year Average
		2015	2016	2017	2018	2019	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	61,027,107	59,711,876	58,757,254	60,659,212	61,089,144	60,248,919
A(2)	"Wholesale" kWh delivered to distributor (lower value)	60,192,768	59,147,563	58,286,915	59,811,315	60,045,035	59,496,719
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	60,192,768	59,147,563	58,286,915	59,811,315	60,045,035	59,496,719
D	"Retail" kWh delivered by distributor	58,759,087	56,644,799	55,047,910	57,210,184	57,482,828	57,028,962
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						-
F	Net "Retail" kWh delivered by distributor = D - E	58,759,087	56,644,799	55,047,910	57,210,184	57,482,828	57,028,962
G	Loss Factor in Distributor's system = C / F	1.0244	1.0442	1.0588	1.0455	1.0446	1.0433
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0152	1.0109	1.0209	1.0341	1.0339	1.0230
	Total Losses						
I	Total Loss Factor = G x H	1.0399	1.0556	1.0810	1.0811	1.0800	1.0673