Greater Sudbury Hydro Inc.
EB-2021-0026

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The following list summarizes the changes made to Greater Sudbury Hydro's IRM Rate Generator Model by OEB staff. OEB staff request that Greater Sudbury Hydro review these changes and confirm acceptance as part of its responses to the questions below.

1. The inflation factor has been updated to 3.3% on tabs 16 and 17.
2. The Wireline Pole Attachment Charge on tab 17 has been updated to $34.76. Any language regarding interim Wireline Pole Attachment Charges has been removed.
3. UTRs and Hydro One sub-transmission rates for 2022 have been updated to the most recent OEB approved values on tab 11.
4. The effective date of TOU and Tiered prices on tab 17 has been updated to November 1, 2021. TOU and Tiered rates remain unchanged.
5. The OER has been updated to 17% on tab 20.

GSHI has reviewed these changes and confirm acceptance.

Staff Question-1

Ref: Greater Sudbury Hydro's 2021 IRM Application EB-2020-0024, Response to Staff Question #7

Preamble:

In Reference 1 regarding the monthly accrual process of February 2019 Accounting Guidance for Commodity Accounts, Greater Sudbury Hydro stated that:

> Implementation of this component of the accounting guidance requires a significant time commitment from key accounting and regulatory staff and GSHI has not been able to resource this yet to-date. GSHI will strive to have this component of the guidance implemented by December 31, 2021.

Question(s):

(a) Please provide the status of the implementation regarding this component of the accounting guidance.

   i. If this component has not been fully implemented, please explain why, and provide the expected implementation time.

GSHI will elaborate on the difficulty in implementing the accruals in accordance with the accounting guidance. Pertaining to cost of energy - when reversing the “initial estimate” in the subsequent month it would be expected that an LDC would have actual cost of energy invoices received and recorded in their general ledger. GSHI is partially embedded in HONI service territory and sometimes receives delayed billings. If GSHI designed a process that relied on receiving all cost of energy invoices in a timely manner there would be months where cost of energy is understated. GSHI cannot rely on receiving these invoices and this accrual process would need to account for that possibility, which adds significant complexity to the process. When delayed billing affects the monthly RPP submission (namely, the 1st true up) GSHI will manually intervene and is forced to use estimates in place of missing data. GSHI has struggled to resource the time/effort required to design an accruals process that is robust enough that it can be done quickly at month end, will provide accurate month-end accruals consistently, and can be performed by both our subject matter expert (Supervisor) and Accountant.

This accounting guidance component of the guidance does not impact GSHI DVA balances or any OEB or IESO-facing reporting. The only impact is on GSHI’s internal monthly financial statements. The values for energy sales/cost of energy do not affect internal decision making on a monthly basis, therefore GSHI has not prioritized implementing this guidance and has no current timeline for implementation.

Implementation of this component of the accounting guidance requires a significant time commitment from key accounting and regulatory staff and GSHI has not been able to resource this yet to-date. GSHI will strive to have this component of the guidance implemented by December 31, 2022.

   ii. If this component has not been fully implemented, please provide Greater Sudbury Hydro’s position on the notion of disposing the commodity accounts (Account 1588 and Account 1589) on an interim basis (or alternatively not disposing) in this proceeding, pending the implementation of this process.

GSHI maintains that the lack of implementation of this component of the guidance does not impact its DVA balances or any OEB or IESO-facing reporting. The only impact is on GSHI’s internal monthly financial statements and the values for energy sales/cost of energy do not affect internal decision making on a monthly basis.

GSHI disagrees with the notion of disposing of accounts 1588 and 1589 on an interim basis, or alternatively not disposing, since implementation of this component of the accounting guidance will have no impact on the balances in these accounts.

Staff Question-2

Ref: (i) GA Analysis Workform

(ii) Accounting Guidance for IESO Charge Type 2148, May 15, 2019

Preamble:

Tab "GA 2020" on GA Analysis Workform has two reconciling items: one is the reconciling item #4 CT 2148 for prior period corrections of $36,202 and the other one is the reconciling item #5 Impact of GA deferral of ($62,134).

Reference 2 states that:

> Distributors are expected to incorporate the portion of RPP global adjustment from charge type 2148 in their RPP settlement claims. Therefore, the total global adjustment cost is to be used in calculating RPP settlements claims and subsequent true ups with the IESO. The portion of charge type 2148 relating to RPP customers would need to be settled with the IESO as a part of the current month RPP settlement using current month Class B RPP load quantities

Question(s):

(a) Please confirm that Greater Sudbury Hydro has incorporated the portion of RPP global adjustment from charge type 2148 in the RPP settlement claim(s) with the IESO and reflected in the Account 1588 balance in 2020.

Confirmed.

(b) Please provide the supporting calculation for the reconciling item #5 Impact of GA deferral in accordance with the GA instructions issued for 2022 rate applications.

This reconciling item reflects the line loss volume variance for April to June 2020. The calculation is as per the below table:

Annual Non-RPP Class B Wholesale kWh *	Annual Non-RPP Class B Retail billed kWh (excludes April to June 2020)	Annual Unaccounted for Energy Loss kWh	Weighted Average GA Actual Rate Paid ($/kWh)**	Expected GA Volume Variance ($)
O	P	Q=O-P	R	P= Q*R
53,350,915	53,809,828	- 458,913	0.13539	$ (62,134)

Staff Question-3

Ref: (i) Manager's Summary, page 9

(ii) Manager's Summary, page 14

(iii) Greater Sudbury Hydro's 2019 IRM Decision and Order EB-2018-0034, Page 5

(iv) IRM Rate Generator Model, Tab 7

(v) IRM Rate Generator Model, Tab 18

Preamble:

In Reference 1, Greater Sudbury Hydro provided the following explanation for Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2018):

> While GSHI has indicated "No" for Account Disposition, GSHI is actually requesting disposition of this account as further discussed in the Shared Tax Savings section to follow. This account exclusively contains Shared Tax costs relating to the years 2016 – 2019 and GSHI is requesting a specific rate rider for this balance.

In Reference 2, Greater Sudbury Hydro stated that it has recorded all of the shared tax saving balances from 2016 to 2019 IRM applications in Account 1595 sub account Principal Balances Approved in 2018. This account exclusively contains shared tax costs amounts and GSHI is requesting disposition of this balance as a stand-alone rate rider which has been included on the Tariff sheet as "Rate Rider for Application of Tax Change". OEB staff notes that Greater Sudbury Hydro received approval for disposition, on a final basis, the sub-account 2016 balance under Account 1595 in its 2020 IRM decision and order[1].

The decision and order in Reference 3 states that:

> The allocated tax sharing amount of $31,120 does not produce a rate rider in one or more rate classes. The OEB therefore directs Greater Sudbury Hydro to record the OEB-approved tax sharing amount of $31,120 into Account 1595 Sub-account Principal Balances Approved for Disposition in 2019, by June 30, 2019, for disposition at a later date.

Question(s):

(a) Please explain why Greater Sudbury Hydro did not record the 2016 to 2019 shared tax saving balance to the vintage account under Account 1595 for each applicable rate year, respectively?

[1] EB-2019-0037

GSHI mis-interpreted guidance on how to record the shared tax saving balances. GSHI has corrected the balances in the appropriate 1595 accounts. In doing so GSHI noticed that it incorrectly had an additional year of shared tax savings. GSHI has written off the additional balance and has corrected tab 3 continuity schedule of the rate generator model to properly reflect the shared tax savings balances and carrying charges to each 1595 subaccount 2017, 2018, and 2019. GSHI has reflected the transactions, including the carrying charges, in the appropriate year (i.e. The balance related to 2017 is recorded in the 2017 section of account 1595 subaccount 2017. Please note GSHI has only included the 2017 detail in the 2017 section for account 1595 subaccount 2017, all other opening balances are shown in the principal adjustment column in 2018 and do not include the detail for earlier years).

(b) Please confirm that the 2016 sub-account balance under Account 1595 was not included in the disposed balance of Account 1595 sub-account 2016 in the 2020 IRM decision and order. If so, please explain.

Please see answer (a) above this question is no longer relevant as the additional 2016 balance was recorded in error and has been written off.

(c) Please explain why Greater Sudbury Hydro recorded the 2019 shared tax saving balance to the vintage account 2018 under Account 1595?

Please see answer (a) above, this has been corrected in the rate model being submitted with this response.

(d) Please explain why Greater Sudbury Hydro proposed disposing the transferred shared tax saving balances in Account 1595 as separate rate riders rather than the typical OEB practice of disposing the Account 1595 balance inclusive with the Group 1 DVA balances as a single rider?

Please see answer (a) above, GSHI has now recorded these balances to be disposed of with the appropriate 1595 accounts.

(e) Please confirm whether Greater Sudbury Hydro is seeking disposition of the transferred shared tax saving balances over a 12-month period.

Please see answer (a) above, as GSHI is no longer seeking a stand alone rate rider for shared tax saving balances.

<u>Staff Question-4</u>

Ref: Manager's Summary, Page 11

Preamble:

Greater Sudbury Hydro stated the following:

> The LRAMVA threshold established in the 2020 COS was based on a list of outstanding projects at that time. Many of these projects were not completed which has caused actual savings to be lower than forecast, resulting in the negative LRAMVA claim.

Question(s):

(a) Does Greater Sudbury Hydro expect those projects that were not completed at the time of filing to be completed later? If so, please identify the final date by which all outstanding projects are expected to be completed.

GSHI does not expect to receive confirmation that the outstanding projects have been or will be completed.

<u>Staff Question-5</u>

Ref: Manager's Summary, Page 11

Preamble:

Greater Sudbury Hydro stated the following:

> For the Save on Energy Heating and Cooling program, the average kW to kWh ratio of the program's historic savings is applied to the 2019 net incremental energy savings to approximate 2019 net incremental demand savings.

Question(s):

(a) Please explain the rationale for using the historical average kW to kWh ratio to approximate the 2019 net incremental demand savings. In the response, please identify/provide the spreadsheet that was used to approximate the 2019 net incremental demand savings.

Demand kW savings data was not provided in the April 2019 Participation and Cost Report so it was estimated using the historical average kW to kWh ratio, however, savings are allocated 100% to the kWh-billed Residential class so the ratio and reported kW savings do not impact the LRAMVA claim.

The historical average kW to kWh ratio was used because it is the best available data. The province-wide kW to kWh ratio was considered, however, it may not accurately reflect relative demand savings for GSHI because GSHI is a winter-peaking LDC and the province as a whole is summer-peaking.

The calculation is done within the tab ‘7. Persistence Report’ in the LRAMVA model. See the formulas in cells T159:U159. Demand kW savings for Heating and Cooling in 2019 are calculated as:

$$= \begin{pmatrix} 2019\ Heating\ and \\ Cooling\ kWh\ Savings \end{pmatrix} \times \frac{\begin{pmatrix} 2016\ Heating\ and\ Cooling\ kW\ savings \\ +\ 2017\ Heating\ and\ Cooling\ kW\ savings \\ +\ 2016\ adj.\ to\ 2017\ Heating\ and\ Cooling\ kW\ savings \end{pmatrix}}{\begin{pmatrix} 2016\ Heating\ and\ Cooling\ kWh\ savings \\ +\ 2017\ Heating\ and\ Cooling\ kWh\ savings \\ +\ 2016\ adj.\ to\ 2017\ Heating\ and\ Cooling\ kWh\ savings \end{pmatrix}}$$

Staff Question-6

Ref: LRAMVA Workform, Tab 4

Question(s):

(a) OEB staff could not reconcile the 2020 persisting energy and demand savings from the 2014 Direct Install Lighting program with the IESO 2011-2014 Persistence Report. Please identify the source of the 2020 persisting energy and demand savings from the 2014 Direct Install Lighting program.

Energy and demand savings for the 2014 Direct Install Lighting program persisting to 2020 is from the 2011-2014 Persistence Report. References for the figures are provided below.

Demand Savings

File	Tab	Cell	Value
GSHI_2022_IRM_2011-2014_Persistence_Report_20211111	‘2014’	X3	76.2 kW
GSHI_2022_IRM_LRAMVA_Workform_20211102	‘7. Persistence Report’	U85	76.2 kW
	‘4. 2011-2014 LRAM’	U438	76.2 kW

Energy Savings

File	Tab	Cell	Value
GSHI_2022_IRM_2011-2014_Persistence_Report_20211111	‘2014’	BB3	255,010 kWh
GSHI_2022_IRM_LRAMVA_Workform_20211102	‘7. Persistence Report’	AZ85	255,010 kWh
	‘4. 2011-2014 LRAM’	J438	255,010 kWh

Staff Question-7

Ref: LRAMVA Workform, Tab 5

Question(s):

(a) Please confirm that the demand savings from the 2020 project to replace HPS and LPS lights with LED lights are not included in the demand savings reported for the 2020 Retrofit program.

Confirmed.

(b) Greater Sudbury Hydro claimed energy savings associated with the LED streetlighting conversion project. For streetlighting projects, local distribution companies are generally only permitted to claim demand savings. Considering this, please explain why Greater Sudbury Hydro is seeking energy savings associated with the LED streetlighting conversion project.

GSHI is not claiming energy savings associated with the LED Streetlighting conversion project. The project is allocated 100% to the kW-billed Street Lighting class.

Staff Question-8

Ref: (i) Manager's Summary, Page 10

(ii) IRM Rate Generator Model, Tab 3

Preamble:

In Reference 1, Greater Sudbury Hydro states that there is no Class A CBR balance to dispose, as it has been written off due to the immaterial nature of the amount. In Reference 2, Account 1580 sub-account CBR Class A shows a principal balance of $423 and an interest balance of ($23).

Question(s):

(a) Please confirm that the immaterial Class A CBR balance has indeed been written down to nil. Please provide an updated IRM Rate Generator Model reflecting any changes that may be required.

GSHI confirms that the immaterial Class A CBR balance has been written down to nil in 2021. GSHI has updated the Rate Generator Model accordingly by entering a principal adjustment of ($423) and an interest adjustment of $23 in 2020.

Staff Question-9

Ref: (i) EB-2020-0024, IRM Rate Generator Model

(ii) EB-2021-0026, IRM Rate Generator Model

Question(s):

(a) Based on the review completed by OEB staff, the opening principal amounts as of January 1, 2019 in the 2017 and 2018 vintages of Account 1595 do not match the closing principal amounts as of December 31, 2018 as filed in Greater Sudbury Hydro's 2021 IRM proceeding. Please explain the cause of this discrepancy between closing and opening principal amounts.

Please see the above answer to question 3(a), there have been further changes and can no longer be compared to previous models. To summarize, GSHI initially had 5 years of shared tax savings recorded. Prior to initial submission GSHI wrote off 1 year of erroneously recorded shared tax savings and as a result of reviewing the balances to answer these interrogatories, wrote off an additional year, as it had previously been disposed of. GSHI now has 3 years of shared tax savings balances recorded in account 1595 subaccounts 2017, 2018, and 2019. As GSHI has recorded the transactions in the DVA continuity in the years they should have occurred, this iteration is not comparable to DVA continuities filled previously.

(b) Based on the review completed by OEB staff, the opening interest amounts as of January 1, 2019 in the 2018 vintage of Account 1595 does not match the closing principal amount as of December 31, 2018 as filed in Greater Sudbury Hydro's 2021 IRM proceeding. Please explain the cause of this discrepancy between closing and opening interest amounts.

Please see the answer to (a) above, additionally GSHI has also recalculated the appropriate carrying charges for the respective time periods and the DVA continuity in the rate model reflects these calculations in the years they would have occurred had the transaction been recorded properly.

<u>Staff Question-10</u>

Ref: IRM Rate Generator Model, Tab 3

Question(s):

(a) Greater Sudbury Hydro recorded an interest adjustment during 2020 of $8,218 to the 2015 & pre-2015 vintages of Account 1595. Please comment as to the need for this interest adjustment.

The interest adjustment recorded during 2020 of $8,218 was made up of two transactions. One for $7,848.44 relating to an old interest balance in the subaccount that was previously disposed of, that GSHI recognized as immaterial and wrote off. Another for $369.73 to record the 2020 carrying charges for January to April.

Staff Question-11

Ref: (i) Manager's Summary, Page 13

(ii) IRM Rate Generator Model, Tab 4

Preamble:

The image below from Reference 1 summarizes the LRAMVA balance sought by Greater Sudbury Hydro.

Rate Class		2020	Carrying Charges	Total Claim by Class
Residential	Actual	$0	$0	$0.00
	Forecast	$0		
GS < 50 kW	Actual	$16,227	-$209	-$22,174
	Forecast	-$38,191		
GS > 50 kW	Actual	$17,304	-$307	-$32,582
	Forecast	-$49,579		
USL	Actual	$0	$0	$0.00
	Forecast	$0		
Sentinel Lighting	Actual	$0	$0	$0.00
	Forecast	$0		
Street Lighting	Actual	$6,573	$63	$0.00
	Forecast	$0		
Total	Actual	$40,103	-$454	-$48,120.80
	Forecast	-$87,771		

The image below from Reference 2 also summarizes the LRAMVA balance sought by Greater Sudbury Hydro.

Rate Class	
RESIDENTIAL SERVICE CLASSIFICATION	0
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	-22,121
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	-32,506
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	0
SENTINEL LIGHTING SERVICE CLASSIFICATION	0
STREET LIGHTING SERVICE CLASSIFICATION	6,619
	-48,008

Question(s):

(a) The LRAMVA balances documented in Reference 1 and Reference 2 do not align. Please identify which of the two references display the correct LRAMVA balance.

Reference 2 contains the correct LRAMVA balance. The balances in reference 1 erroneously included carrying charges for the entire 2022 year, January 1, 2022, to December 31, 2022. In the balances reflected in reference 2, GSHI corrected this to only include carrying charges from January 1, 2022, to April 30, 2022, which is what is reflected in the LRAMVA work form.

Staff Question-12

Ref: IRM Rate Generator Model, Tab 4

Question(s):

(a) Account 1595 recovery proportions for the 2017 vintage year are provided in Reference 1. Please identify the source or provide the calculations used to determine the Account 1595 recovery proportions for the 2017 vintage year.

Please see the document named "GSHI_2022_IRM_1595_Recovery_Proportions_For_2017_2018_Vintage_Year" provided for the calculations used to determine the account 1595 recovery proportions of the 2017 vintage year. GSHI obtained the DVA and GA total balances approved for disposition, per rate class, from its 2017 IRM rate generator model, tab 5 and 6 respectively. GSHI then subtracted the Rate Rider Amounts collected / returned, determined by a query of its billing system, then allocated the carrying charges proportionately based on the Net Principal Account Balances to obtain the total residual balances per rate class. GSHI then obtained the shared tax saving balances per rate class from its 2017 IRM model. Taking the total by rate class GSHI then determined the percentage of the total residual balance, resulting in the recovery proportions you see on tab 4. This has been updated to reflect the changes with the shared tax savings discussed previously in this response. GSHI has also included the proportion calculation for 2018 in the same workbook.

Staff Question-13

Ref: IRM Rate Generator Model, Tab 20

Preamble:

The bill impacts for all rate classes from increases in RTSR – Network and RTSR – Connection and/or Line and Transformer Connection are greater than the 4% threshold.

Question(s):

(a) Please comment on the drivers that resulted in the bill impacts to all rate classes from increases in RTSR – Network and RTSR – Connection and/or Line and Transformer Connection to be greater than the 4% threshold.

The RTSR's are a function of rates approved by the OEB and charged by Hydro One and IESO on GSHI's consumption. As noted on tab 11 RTSR - UTRs & Sub-Tx of the rate generator model, the rates charged to GSHI have increased, thereby increasing the rates required to be charged to GSHI's customers. Further compounding the issue is the declining consumption of GSHI's customers. Lower consumption translates to a higher cost per kwh. As this is a pass through cost, GSHI has no control over the increases in this rate.

Staff Question-14

Question(s):

(a) Please file updated work forms, should any updates be required from responses to OEB staff questions.

Updated work forms filed are:

- GSHI_2022_IRM_IRR_Rate_Generator_Model_OEB_Staff_Updated_20220131
- GSHI_2022_IRM_IRR_1595_Analysis_Workform_20220131
- GSHI_2022_IRM_IRR_1595_Recovery_Proportions_For_2017_2018_Vintage_Year_20220131