North Bay Hydro Distribution Ltd

NBHDL Responses

EB-2021-0046

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**EB-2021-0046**

**RESPONSES**

**Staff Question -1**

**Ref: Manager’s Summary, page 8**

North Bay Hydro indicated that the current claim balance is below the threshold, even when isolating only Accounts 1588 and 1589. North Bay Hydro is not seeking disposition. Please indicate whether there would be rate riders generated for all applicable classes if Group 1 balances were disposed in this proceeding.

**Response – 1**

When re-completing the IRM Rate model, and opting for the disposition of Group 1 accounts and completing tabs 6 and 7, NBHDL confirms that there would be rate riders for all applicable classes. However, in most case it is less than $0.005/kwh.

**Staff Question -2**

**Ref: Manager’s Summary, page 9**

**Exhibit 9, Appendix C of EB-2020-0043**

North Bay Hydro indicated that it has completed its review and applied the accounting guidance for the historical period 2017-2019 and its 2020 RRR balances are consistent with the new accounting guidance. In North Bay Hydro’s 2021 cost of service rate application, North Bay Hydro provided a description of its accounting relating to accounts 1588 and 1589 (Appendix C), which did not appear to comply with the accounting guidance. Please confirm that North Bay Hydro has since revised its accounting practices to comply with the accounting guidance. If not, please identify which aspect(s) do not comply with the accounting guidance and explain why North Bay has not complied with it.

**Response – 2**

In the latter half of 2021 NBHDL began fully using the revised 1588/1589 methodology to settle with the IESO on a monthly basis. NBHDL then completed a full year review and true up using the revised methodology to close the fiscal year 2021.

**Staff Question -3**

**Ref: Manager’s Summary, page 9**

**Chapter 3 Filing Requirements, 2021 Edition for 2022 Rate Applications -Pages 12-13**

North Bay Hydro provided its prior period principal adjustments in table 4. In the decision and order for North Bay Hydro’s 2020 rates proceeding[[1]](#footnote-1), the OEB indicated that it expects North Bay Hydro to identify and explain any material adjustments resulting from the application of the new accounting guidance on its 2017 to 2019 Account 1588 and Account 1589 balances.

1. Per page 12 of the Filing Requirements, please provide a summary of the review performed, a discussion of the results of the review, and whether any systemic issues were noted.
   1. For each annual principal adjustment identified in Table 4, please provide a breakdown of the adjustment by type of adjustment, if applicable, and include a description and reason for each adjustment.
2. Please confirm that all principal adjustments have already been recorded in North Bay Hydro’s general ledger.
3. If any RPP re-settlements were required to be submitted to the IESO, please confirm that North Bay Hydro has already done so. If not, please explain why not.

**Response – 3**

1. NBHDL began its review by acknowledging a fundamental difference between its practiced settlement methodology and the one prescribed in the new accounting guidance for 1588 and 1589. While similar in spirit, NBHDL used actual billing data for non-RPP customers and used a “bottom-up” approach to reconcile the actual GA paid the respective variances for non-RPP customers and settled accordingly on a constant monthly true-up basis. The fundamental difference between this and the prescribed methodology was the latter’s “top-down” approach of cost allocation based on percentages and weighting of overall system RPP vs non-RPP kwh. While similar in spirit, NBHDL acknowledges it’s former methodology would not capture items such as allocations of miscellaneous IESO adjustments and AQEW variances related to loss factor.

NBHDL’s review consisted of developing a query that would represent all annual billing data across all 12 months in any given year. Previously, system limitations allowed only for the to be done for GA in order to proof and settle actual billed GA in the proper month.

NBHDL then used this data to populate the OEB’s 1588/89 model for each month of any given year. Since this approach was an annual review and not part of the Estimate/Settlement/Reconciliation process, only the final RSVA adjustments were used in this review. NBHDL then compared these adjustments to our previous for reasonability. Since our previous method was that of a “rolling” true-up as opposed to isolated months, this comparison was difficult, however overall the adjustments were reasonable given the acknowledged limitations in our previous method. Table 4 represents the adjustments made to account for the variances between our previous methodology and the results of our annual reviews using the OEB’s workbook.

1. As stated above. These adjustments represent the gross variances in a given year, between our previous “bottom-up” approach and the OEB prescribed model.
2. NBHDL confirms that these principal adjustments were recorded in the general ledger at year-end 2020.
3. NBHDL has submitted these adjustments through the IESO.

**Staff Question-4**

**Ref: Rate Generator Model, Continuity Schedule**

There is a variance in cell BW26 of the continuity schedule and an error message in cells BX to CL indicating the amount in BW26 does not match the RRR balance in BV28. An explanation is not provided in the manager’s summary for the variance. Please provide an explanation for the variance in cell BW26 of the continuity schedule.

**Response – 4**

NBHDL is unable to confirm an error message in cell BW26. NBHDL does however recognize error messages in cells BW23 and BW 31. Both of which are explained in the except below from the managers summary (pg7)

*NBHDL has completed Tab “3. Continuity Schedule” of the Model and has reconciled December 31, 2020 audited balances with the May 17, 2021 RRR filing. The variance in cell “BW23” is a result of reclassifying the costs for Capacity Based Recovery (“CBR”). As of the 2016 RRR filing, these costs were included in Account 1580, however, the costs have now been segregated in the*

*appropriate sub-accounts for Class A and Class B in the Model. The variance in cell “BW31” is a result of combining both 2014 and 2015 balances in the continuity schedule. NBHDL confirms that no additional adjustments have been made to any deferral or variance account balances that have been previously approved by the OEB on a final basis.*

**Staff Question-5**

Please confirm whether or not the Actual GA price is used to bill non-RPP Class B customers.

**Response – 5**

NBHDL bills non-RPP class B customers on 1st estimate.

**Staff Question -6**

**Ref: GA Analysis Workform**

In the GA Analysis Workform, under the 2017 tab, the unresolved difference is 1.9%. In line 7 of the Reconciling Items table, it states that North Bay Hydro is currently investigating the driving factors. Please provide an update on this investigation and any results from this investigation.

**Response – 6**

At this time NBHDL does has not completed its review of the unresolved difference. NBHDL will attempt to re-evaluate it’s 2017 review, prior to seeking disposition.

**Staff Question -7**

**Ref: GA Analysis Workform**

**Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts, February 21, 2019**

In the GA Analysis Workform, there are reconciling items relating to unbilled to actual revenue differences for the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** | **2020** |
| 2a Prior year reversal | $76,016 | $50,876 | $89,340 | $21,436 |
| 2b Current year | $0 | ($89,340) | ($21,436) | $0 |

1. Please explain why there is no reconciling item 2b in 2017 for the current year unbilled to actual revenue difference, but there is a reversal for a prior year reconciling item in 2018. Please revise the Workform as needed.
2. There appears to be unbilled to actual revenue difference reconciling items for most years as noted in the table above. However, there is no such reconciling item 2b for 2020. Please confirm that this is appropriate. If not, please quantify the reconciling item.
3. These reconciling items are not identified as principal adjustments in the principal adjustment tab. In the GA Analysis Workform, North Bay Hydro indicated these reconciling items are immaterial. Page 35 of the accounting guidance indicates that the “OEB has determined all true-ups must be reflected in the account balances proposed for disposition.” Please revise the principal adjustments to include the unbilled to actual revenue differences or provide rationale for why the guidance should not be adhered to in this regard.

**Response – 7**

1. NBHDL has revised the workform.
2. NBHDL has completed an unbilled vs actual for 2020 and revised the workform.
3. NBHDL revised the principal adjustment tab of the workform.

**Staff Question -8**

**Ref: GA Analysis Workform**

In the principal adjustment tab, there is a principal adjustment of ($196,302) for 2020. This is not identified as a reconciling item in the 2020 GA Analysis Workform.

1. Please explain why the ($196,302) is a principal adjustment but not a reconciling item. If the principal adjustment is composed of various types of principal adjustments, please provide an explanation for each type of adjustment, similar to that provided in in response to staff question 3.

**Response – 8**

This figure should not have been part of the principal adjustment worksheet. It was part of the annual review and this was included in the annual settlement process and therefore not a principal adjustment.

**Staff Question-9**

**Ref: (1) 2022 Rate Generator**

**OEB staff has made the following updates to North Bay Hydro’s Rate Generator Model:**

1. Tab 11: UTR for Network Service Rate changed to $5.13
2. Tab 11: UTR for Line Connection Service Rate changed to $0.88
3. Tab 11: UTR for Transformation Connection Service changed to $2.81
4. Tab 11: Hydro One Sub-Transmission Rate for Network Service Rate changed to $4.34
5. Tab 11: Hydro One Sub-Transmission Rate for Line Connection Service Rate changed to $0.67
6. Tab 11: Hydro One Sub-Transmission Rate for Transformation Connection Service Rate changed to $2.32
7. Tab 11: Hydro One Sub-Transmission Rate for both Line and Transformation Connection Service Rate changed to $3.00
8. Tab 16: 2022 Inflation Factor of 3.3% (including applying that change to Retail Service Charges)
9. Tab 17: 2022 Pole attachment charge updated to $34.76, with reference to interim approval removed in Tab 19.
10. Tab 20: OER % changed to 17%

Please confirm whether North Bay Hydro agrees with OEB staff’s changes.

**Response – 9**

NBHDL agrees with the OEB’s staff changes.

1. Page 7, Decision and Rate Order, April 16, 2020, EB-2019-0057 [↑](#footnote-ref-1)