

BY EMAIL

July 15, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Application for the relief necessary to effect the amalgamation of
Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. to continue as
LDC MergeCo
Ontario Energy Board File Number: EB-2022-0006**

In accordance with the June 28, 2022 Decision and Order, please find attached OEB staff's submission on the draft accounting orders filed by Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc.

Kitchener-Wilmot Hydro Inc., Waterloo North Hydro Inc., and all intervenors have been copied on this filing.

Yours truly,

Georgette Vlahos
Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

ONTARIO ENERGY BOARD

**Application by Kitchener-Wilmot Hydro Inc. and
Waterloo North Hydro Inc. for approval to
amalgamate and continue operations as a single
electricity distribution company**

EB-2022-0006

OEB Staff Submission

July 15, 2022

1 INTRODUCTION

Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro) and Waterloo North Hydro Inc. (Waterloo North Hydro) (collectively, the Applicants) filed an application with the Ontario Energy Board (OEB) on January 31, 2022 for the amalgamation of Kitchener-Wilmot Hydro and Waterloo North Hydro.¹ In its decision and order regarding the amalgamation (Decision and Order), the OEB ordered that the Applicants file updated accounting orders.² These accounting orders relate to the Earnings Sharing Mechanism (ESM) account, Account 2435 - Accrued Rate-Payer Benefit, and Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

2 OEB STAFF SUBMISSIONS

On July 11, 2022, the Applicants filed updated draft accounting orders for Account 2435 – Accrued Rate-Payer Benefit relating to the ESM and for Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

Submission

ESM Draft Accounting Order

In its Decision and Order, the OEB stated that the detailed review and disposition of the ESM account balance shall be conducted at the same time as the other Group 2 balances.³ The OEB determined that LDC MergeCo shall file Group 2 balances with the rate application for year six of the Deferred Rebasing Period together with a proposal for disposition, and then at the next rebasing application.⁴ However, in the updated draft ESM accounting order, the Applicants noted that the amount accrued in the ESM account will be reviewed and disposed at the Applicants' next cost of service proceeding.⁵

OEB staff notes that the wording for the updated draft ESM accounting order does not align with the wording in the Decision and Order. However OEB staff does not take issue with this wording and submits that no further changes are required. OEB staff

¹ Pursuant to sections 18, 60, 77(5), 78, 86(1)(c) and 86(2)(b) of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Schedule B

² Decision and Order, June 28, 2022, pg. 22 & 33

³ Decision and Order, June 28, 2022, p. 21

⁴ Decision and Order, June 28, 2022, p. 28

⁵ Draft Accounting Order, Account 2435 – Accrued Rate-Payer Benefit, July 11, 2022

notes that since the OEB has determined that the start-date of the ESM shall be January 1, 2028 (i.e., year six of the Deferred Rebasing Period),⁶ there would be a zero balance in the ESM account in the rate application for year six of the Deferred Rebasing Period (i.e., the application for 2028 rates).

Accounting Policy Changes Draft Accounting Order

OEB staff proposes two edits to the accounting policy changes (i.e., Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes) draft accounting order, as discussed below.

1. In its Decision and Order, the OEB stated that the detailed review and disposition of the accounting policy changes account balance shall be conducted at the same time as the other Group 2 balances.⁷ As also noted above, the OEB determined that LDC MergeCo shall file Group 2 balances with the rate application for year six of the Deferred Rebasing Period together with a proposal for disposition, and then at the next rebasing application.⁸ However, in the updated draft accounting policy changes accounting order, the Applicants stated that the cumulative variance will be recovered from, or refunded to, Waterloo North Hydro customers at its the next cost of service rebasing.⁹

OEB staff submits that the wording of the updated draft accounting policy changes accounting order should be changed to reflect the OEB's findings in its Decision and Order. Specifically, additional wording should be added to the draft accounting order to clarify that LDC MergeCo shall file the accounting policy changes account balance for review and disposition to Waterloo North Hydro customers with the rate application for year six of the Deferred Rebasing Period together with a proposal for disposition, and then at the next rebasing application.

2. In its Decision and Order, the OEB established the accounting policy changes account to track the rate base impact, using the methodology established for Account 1576, arising from Waterloo North Hydro's adoption of Kitchener-Wilmot

⁶ Decision and Order, June 28, 2022, p. 21

⁷ Decision and Order, June 28, 2022, p. 33

⁸ Decision and Order, June 28, 2022, p. 28

⁹ Draft Accounting Order, Account 1508 – Other Regulatory Assets, Sub Account Impact of Post-Merger Accounting Policy Changes, July 11, 2022

Hydro's accounting policies (including depreciation estimates).¹⁰ However, in the updated draft accounting policy changes accounting order, the Applicants did not include any references to depreciation estimates in both the draft accounting order or the illustrative example.

OEB staff submits that the Applicants should include a statement in the draft accounting order that any references made by the Applicants to depreciation policies also are meant to include depreciation estimates.

All of which is respectfully submitted

¹⁰ Decision and Order, June 28, 2022, p. 32