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BY EMAIL AND RESS

October 12, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2022-0040 - Hydro One Networks Inc. 2023 Rate Application for the areas formerly served by Orillia Power Distribution Corporation and Peterborough Distribution Inc. - Interrogatory Responses

Hydro One Networks Inc. is submitting interrogatory responses to questions posed by OEB Staff and intervenors on Hydro One Networks Inc. 2023 Rate Application for the areas formerly served by Orillia Power Distribution Corporation and Peterborough Distribution Inc.

An electronic copy of the interrogatory responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

1 **OEB STAFF INTERROGATORY - 01**

2
3 **Reference:**

4 Appendix E-1 2023 IRM Model- Orillia, Tab 6

5
6 OEB staff notes that Customer 4 had a consumption of roughly 5 million kWh prior to 2021,
7 however in Jan- Jun 2021, there was a precipitous drop to 2.7 million kWh then an
8 increase to 4.1 million kWh in the next period.

9
10 **Interrogatory:**

11 a) Please confirm the consumptions for Customer 4 are correct.

12
13 **Response:**

14 a) Confirmed.

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1 **OEB STAFF INTERROGATORY - 02**

2
3 **Reference:**

4 Appendix F-1 2023 IRM Model- Peterborough Tab 6

5
6 OEB staff notes for question 3a, that Customer 10 started consumption in the period of
7 January to June 2020.

8
9 OEB staff also notes that Customer 1 decreased its consumption by 90% between 2019
10 – 2021.

11
12 **Interrogatory:**

13 a) Please confirm that Customer 10 connected to the utility during the period of January
14 to June 2020.

15 i. If not, please input the data prior to the January to June 2020 period.

16
17 b) Please confirm Customer 1's consumption data is correct specifically for 2019 and
18 beyond.

19
20 **Response:**

21 a) Confirmed. Customer 10 was first billed as a new customer on February 20, 2020, and
22 there is no data prior to the January to June 2020 period.

23
24 b) Confirmed.

25

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OEB STAFF INTERROGATORY - 03

Reference:

1. Decision and Rate Order EB-2018-0067, Page 7
2. Decision and Rate Order EB-2021-0050, Pages 6-7
3. Application and Evidence, Appendix D, Hydro One's Review of Peterborough Distribution Inc. Accounts 1588 and 1589
4. Application and Evidence, Page 13

In Reference 1, the OEB stated:

The OEB finds that an audit of Peterborough Distribution's December 31, 2017, balances in Accounts 1588 and 1589, is necessary. The purpose of the audit is to obtain further validation of these commodity account balances through a more detailed review of the underlying transactions and processes, including a review of Peterborough Distribution's process over its monthly RPP settlements and the subsequent true-up of those settlements. The OEB expects that Peterborough Distribution file a report in its next rate application outlining the changes it made to its RPP settlement processes and any adjustments it made to its Account 1588 and Account 1589 balances explaining each.

The audit request by the OEB was ratified in Reference 2:

The OEB notes and accepts that the deferral is due to the transfer of customer data that is still pending integration into Hydro One's system for both rate zones as well as a pending audit for the Peterborough Distribution rate zone.

Hydro One Networks has provided a review report in Reference 3. The review was done by Hydro One Networks.

In Reference 4, Hydro One Networks requests the disposition of its Group 1 DVA balances for Orillia and Peterborough up to December 31, 2020 (the year prior to integration). Hydro One Networks further states that:

HONI is proposing to defer the disposition of Orillia and Peterborough's Group 1 balances for the 2021 fiscal year until its 2024 IRM Application. The 2021 balances include seven months of post-integration data that is tracked and recorded on a consolidated basis for Orillia, Peterborough, HONI Distribution, and the other acquired utilities. Due to the ongoing Joint Rate Application for HONI Distribution and the other Acquired Utilities, the 2021 balances for these entities will not be considered for disposition until

1 their 2024 annual update. This deferral allows the OEB to review the
2 disposal of these consolidated balances for all entities at one time, as
3 opposed to only reviewing a subset allocated to Orillia and Peterborough.
4

5 **Interrogatory:**

- 6 a) Please provide the status of the audit ordered by the OEB.
7 i. Please provide the reasons if the audit has not started or completed.
8
9 b) Please explain the nature of the review conducted by Hydro One Networks regarding
10 Peterborough rate zone's accounts 1588 and 1589 and confirm whether this review
11 was conducted by Hydro One Networks' internal audit group.
12 i. Please elaborate how this review meets the OEB's direction in the 2019
13 decision and order.
14
15 c) Please clarify that Hydro One Networks has requested Group 1 DVA balances for
16 Orillia and Peterborough up to December 31, 2020 on an interim basis or a final basis.
17 Please provide the rationale.
18
19 d) Please provide Hydro One Network's thought of deferring the disposition of Group 1
20 DVA balances as at December 31, 2020 until the completion of the audit that was
21 ordered by the OEB.
22

23 **Response:**

- 24 a) In EB-2021-0050, Hydro One advised as follows:
25

26 *Hydro One understands that OEB Staff intended to perform*
27 *an audit; however, since the onset of COVID-19, there was*
28 *no further update on this matter.¹*
29

30 Hydro One has not received any follow-up communications from OEB Staff regarding
31 the audit.
32

- 33 b) The review, which is filed under Appendix D of this Application, was based on
34 discussions with previous PDI staff, confirmation with them that updated settlement
35 data was submitted to the IESO, and reliance on the audited July 31, 2020 financial
36 statements. The review was not conducted by Hydro One Networks' internal audit
37 group.
38

¹ EB-2021-0050, Exhibit I-01-01, p. 1, ln 16-17.

- 1 i. This review addresses the OEB's direction to "file a report in its next rate
2 application outlining the changes it made to its RPP settlement processes and any
3 adjustments it made to its Account 1588 and Account 1589 balances explaining
4 each."²

5
6 As noted on page 3 and 4 of the report in Appendix D, PDI took the following steps
7 prior to integration with Hydro One to correct its processes and Account 1588 and
8 1589 balances:

9
10 Per review of documentation and discussions with the previous PDI
11 staff, it is HONI's understanding that PDI had followed OEB's
12 accounting guidance for RSVA commodities and GA. However, due
13 to a reporting issue, the invoiced consumption for Regulated Price
14 Plan (RPP) and non-RPP customers was reported incorrectly. As a
15 result, the allocation for Wholesale Purchases - as part of the RPP
16 declaration calculation - and IESO GA Charge Code into RPP and
17 non-RPPP classes based on this report was done incorrectly. It
18 resulted in an incorrect RPP declaration amount with the IESO and
19 incorrect allocations between RSVA commodity and GA.

20
21 After the issue was identified, PDI staff took steps to create new
22 reports for RPP and non-RPP Consumption allocation calculations
23 and spent a year testing them for completeness and accuracy. Per
24 PDI staff, the Billing Integration Team tested the new report results
25 for consumption and billing information, against actual billing and
26 GL records on the detailed customer invoice level. The evolution of
27 testing and fine-tuning results over the year resulted in a very
28 thorough and accurate report outcome that they deemed could be
29 relied on for correcting entries.

30
31 Therefore, in June 2020, the new reports were implemented. To
32 correct the historical RPP Settlements to the IESO, PDI staff
33 recalculated the correct figures that should have been filed for the
34 period of January 2017 to June 2020. The adjusting entries were
35 recorded in July 2020 and make up the RSVA balances as at July
36 31, 2020, of which the financial statements were audited by PDI's
37 former auditors, Baker Tilly KDN LLP.³

- 38
39
40 c) Hydro One Networks is requesting disposition of the Group 1 DVA balances for Orillia
41 and Peterborough up to December 31, 2020 on a final basis, as Hydro One is not
42 aware of any changes required to the requested balances. This is consistent with the

² EB-2018-0067, Decision and Rate Order, p.7.

³ EB-2022-0040, Appendix D, p. 3, 4.

1 disposition of the Acquired Utilities' pre-integration Group 1 balances brought forward
2 in EB-2016-0082/EB-2017-0050/EB-2020-0031, which the OEB approved on a final
3 basis.

4

5 d) Hydro One does not believe that an audit is necessary prior to disposing
6 Peterborough's Group 1 balances for several reasons:

7 • The financial statements as at July 31, 2020, which included RSVA balances,
8 were audited by PDI's former auditors, Baker Tilly KDN LLP.

9

10 • Based on Hydro One's review of documentation and discussions with the
11 previous PDI staff, PDI followed the OEB's accounting guidance for RSVA
12 commodities and GA. Per discussion with previous PDI staff, the corrections
13 relate to a reporting error, which PDI identified, corrected and included in its
14 audited financials at July 31, 2020.

15

16 • Hydro One advised in its last rate application that:

17

18 "Since Hydro One did not acquire Peterborough Distribution Inc.'s
19 accounting systems, there may be certain limitations as to what
20 type of data is available as the inquiry into the Group 1 accounts
21 occurred prior to acquisition."⁴

22

23 Hydro One understands that the OEB may have received some or all of the
24 necessary data directly from PDI prior to the acquisition.

25

26 • Since integration, these balances are managed through Hydro One's RPP
27 Settlement Process, which comply with established IESO Market Rules and
28 Ontario Regulations, as confirmed in OEB's Staff's March 2019 Audit report.

⁴ EB-2021-0050, Exhibit I-01-01, p. 1, ln 19-21.

OEB STAFF INTERROGATORY - 04

Reference:

1. Application and Evidence, Appendix D, Pages 2 and 3
2. HONI_OPDC_PDI_Appendix F-1_20220803_IRM Peterb.xlsb, Tab 3, continuity schedule
3. Appendix H, GA Analysis Workform

In Reference 1, HONI mentioned that there were some adjustments made in the GA Analysis Workform during March of 2019. The review of Tab 3 of the file mentioned in reference 2, shows that there are no principal adjustments captured in the continuity schedule between the years of 2017-2020.

Interrogatory:

- a) Please confirm the adjustments mentioned in reference 1, are included in the amounts requested for disposition in the current application. If not, please adjust the evidence as required.
- b) Please refile the 2019 GA workform including the 2019 adjustments outlined in the Appendix D.

Response:

- a) Per discussions with previous Peterborough staff, the adjustments mentioned in reference 1 are understood to have been included in the amount requested for disposition in the current application. As Hydro One indicated in Appendix D,

To correct the historical RPP Settlements to the IESO, PDI staff recalculated the correct figures that should have been filed for the period of January 2017 to June 2020. The adjusting entries were recorded in July 2020 and make up the RSVAs as at July 31, 2020, of which the financial statements were audited by PDI's former auditors, Baker Tilly KDN LLP.¹

- b) The GA workform including the 2019 adjustments were prepared by Peterborough Distribution Inc. and filed on March 8, 2019 under EB-2018-0067, Peterboroughy_GA_Analysis_Workform_03072019_20190308.

¹ EB-2022-0040, Appendix D, p. 4.

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1 **OEB STAFF INTERROGATORY - 05**

2
3 **Reference:**

4 Application and Evidence, Page 18

5
6 In Reference 1, HONI indicated:

7
8 On March 4, 2019, the OEB's Audit Report on HONI's regulated price plan
9 (RPP) settlement process for Group 1 DVAs (the March 2019 Audit Report)
10 concluded that HONI's RPP settlement process complies with current
11 regulatory requirements.

12
13 **Interrogatory:**

- 14 a) Considering the balances sought for this position pertain to Orillia and Peterborough
15 for the for variances accumulated during the period 2017-2020, please confirm these
16 balances comply with the February 2021, Accounting Guidance related to Accounts
17 1588 Power, and 1589 RSVA Global Adjustment (GA).
18
19 b) Hydro One indicated acquired Peterborough Distribution Inc on August 1, 2020, and
20 Orillia on September 1, 2020, and the integration into Hydro One's systems was
21 effective on June 1, 2021. Please explain how Hydro One accounted for the
22 transactions that impacted the commodity accounts between the acquisition date and
23 June 1, 2021.

24
25 **Response:**

- 26 a) Hydro One is not able to confirm whether these balances comply with the February
27 21, 2019¹ accounting guidance for the following reasons:
- 28 • Hydro One received approval to adopt the February 21, 2019 accounting guidance
29 for Account 1588 and Account 1589 on a prospective basis.² As such, Hydro One
30 has not considered the compliance of pre-integration balances.
 - 31
32 • Similar to the disposition of pre-integration Group 1 DVA balances of the Acquired
33 Utilities in EB-2020-0031, which were approved by the OEB, Hydro One does not
34 have all the detailed principal transaction data from the pre-integration period to

¹ Hydro One assumes that the February 2021 Accounting Guidance reference is intended to refer to the February 21, 2019 Accounting Guidance Related to Commodity Pass Through Accounts 1588 & 1589 ([Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 \(February 21, 2019\) \(oeb.ca\)](#))

² EB-2020-0030, Decision and Rate Order, December 17, 2020, p. 17.

1 confirm that the pre-integration commodity balances of the former utilities complied
2 with the February 21, 2019 accounting guidance.^{3,4}

3

4 • However, Hydro One notes that in EB-2019-0061, Orillia Power Distribution
5 Corporation confirmed that they implemented the OEB guidance in processes
6 retroactive to January 2019 and applied the guidance in the context of 2017 and
7 2018 historical balances.⁵ Hydro One is not aware of a similar confirmation for
8 Peterborough, as Peterborough Distribution Inc.'s last rate application for the
9 Peterborough service area (EB-2018-0067) was submitted prior to the release of
10 these guidelines.

11

12 Hydro One confirms that variances accumulated in the accounts post-integration
13 comply with the February 21, 2019 Accounting Guidance related to Accounts 1588
14 Power, and 1589 RSVA Global Adjustment (GA).

15

16 b) Previous Peterborough and Orillia staff continued to perform the accounting for the
17 commodity accounts between the acquisition date and June 1, 2021. Monthly results
18 were uploaded into Hydro One's general ledger.

³ EB-2020-0031, Response to OEB Staff Question #1, November 9, 2020.

⁴ EB-2020-0031, Decision and Rate Order, December 17, 2020, p.12, 15-16.

⁵ EB-2019-0061, 2020 IRM Distribution Rate Application, November 22, 2019, p. 12, 13.

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OEB STAFF INTERROGATORY - 06

Reference:

EB-2022-0040, Page 19

In Reference 1, Hydro One indicated the 2020 consolidated account 1589 balance is reasonable as the discrepancies are within 1% of the total IESO GA charges.

Interrogatory:

- a) The reasonability of the threshold mentioned above is determined on a consolidated basis. Please provide what would be the result of this reasonability test on an individual basis for Orillia and Peterborough.
- b) Hydro One indicated that it receives one consolidated invoice for settlement of commodity, bulk transmission and wholesale settlements for all service territories. Please explain when Hydro One started to receive one consolidated bill for Hydro One Distribution and the Acquired Utilities.

Response:

- a) Hydro One does not have sufficient details on pre-integration data for Orillia and Peterborough to complete their individual GA work forms for 2020.
- b) Hydro One started to receive one consolidated commodity invoice from IESO since the system integration occurred on June 1, 2021 for PDI and OPDC.

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OEB STAFF INTERROGATORY - 07

Reference:

Manager's Summary, Pages 32-33

HONI states that it requests the LRAMVA be continued for both Orillia and Peterborough to dispose of all historical CFF amounts on a prospective basis, as Orillia is in a deferred rebasing period until September 1, 2030 and Peterborough is in a deferred rebasing period until August 1, 2030.

OEB staff notes that, per the OEB's *Guidance on Prospective Lost Revenue Adjustment Mechanism (LRAM) Amounts – 2023 Rates*, LRAM-eligible amounts for prospective disposition are not entered into the LRAMVA, but are approved separately. Thus, continuation of the LRAMVA is not required solely for the purpose of approving LRAM-eligible amounts for future years due to persisting savings (and disposing of these amounts through future rate riders).

Interrogatory:

- a) Please confirm if Orillia and Peterborough are seeking disposition of all outstanding LRAMVA balances and whether the LRAMVA will have a zero balance if disposition is approved.
- b) Please confirm that Hydro One Orillia and Peterborough are not requesting the use of the LRAMVA for future CDM activity beyond 2022 at this time.

Response:

- a) Confirmed.
- b) Confirmed.

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1 **OEB STAFF INTERROGATORY - 08**
2

3 **Reference:**

4 LRAMVA Workform (Peterborough), Tab 4

5
6 In Table 4-b, the adjustment to 2012 savings for the Energy Audit program could not be
7 reconciled to the supporting IESO savings and persistence reports.

8
9 **Interrogatory:**

10 a) Please confirm the source of the 2012 savings adjustment for the Energy Audit
11 program.

12
13 **Response:**

14 a) The 2012 savings adjustment for the energy audit program was calculated based on
15 the 2013 and 2014 results from the IESO's persistence reports. Details are provided
16 below in Table 1.

1

Table 1 - 2012 Savings Adjustment for the Energy Audit Program

	Data Source	Initiative	Sector	(Implementation) Year	Net Verified Annual Peak Demand Savings at the End-User Level (kW)					Net Verified Annual Energy Savings at the End-User Level (kWh)				
					2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
(1)	2013 Results Persistence Report	Energy Audit Funding	Commercial and Institutional	2012	0	16	16	16	16	0	75,529	75,529	75,529	75,529
(2)	2014 Results Persistence Report	Energy Audit	Commercial	2012	0	29	29	29	29	0	145,402	145,402	145,402	145,402
(3) = (1)+(2)	Adjustment to 2012 Savings				0	45	45	45	45	0	220,931	220,931	220,931	220,931

1 **OEB STAFF INTERROGATORY - 09**

2
3 **Reference:**

4 LRAMVA Workform (Orillia and Peterborough), Tab 6

5
6 The OEB has recently published its prescribed interest rate for deferral and variance
7 account balances for Q4.

8
9 **Interrogatory:**

- 10 a) Please update the carrying charges for Q4 in Tab 6 of the LRAMVA Workforms for
11 Orillia and Peterborough.
12
13 b) Please update the IRM Models for Orillia and Peterborough to reflect the updated total
14 balance and carrying charges for the LRAMVA.

15
16 **Response:**

- 17 a) The carrying charges for Q4 in Tab 6 of the LRAMVA Workforms for Orillia and
18 Peterborough have been updated based on the OEB's recently published prescribed
19 interest rate for deferral and variance account balances for Q4.

20
21 The updated LRAMVA Workforms for Orillia (updated Appendix E-5) and
22 Peterborough (updated Appendix F-5) are provided as Attachments 1 and 2 to this
23 interrogatory, respectively.

- 24
25 b) The updated IRM models and subsequent updates to the 2023 Tariff of Rates and
26 Charges schedules are provided in the following attachments to this interrogatory:

27
28 Attachment 3: Updated Appendix E-1 - 2023 IRM Model – Orillia

29 Attachment 4: Updated Appendix F-1 - 2023 IRM Model – Peterborough

30 Attachment 5: Updated Appendix I - Proposed Tariff of Rates and Charges – Orillia

31 Attachment 6: Updated Appendix J - Proposed Tariff of Rates and Charges –
32 Peterborough

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UPDATED APPENDIX E-5 - LRAMVA WORKFORM - ORILLIA

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3 This exhibit has been filed separately in MS Excel format.

1 **UPDATED APPENDIX F-5 – LRAMVA WORKFORM - PETERBOROUGH**

2

3 This exhibit has been filed separately in MS Excel format.

UPDATED APPENDIX E-1 – 2023 IRM MODEL - ORILLIA

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1 **UPDATED APPENDIX F-1 – 2023 IRM MODEL - PETERBOROUGH**

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3 This exhibit has been filed separately in MS Excel format.

**UPDATED APPENDIX I – PROPOSED TARIFF OF RATES AND
CHARGES - ORILLIA**

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1 **UPDATED APPENDIX J – PROPOSED TARIFF OF RATES AND**
2 **CHARGES - PETERBOROUGH**

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OEB STAFF INTERROGATORY - 10

Reference:

1. Application Summary, Page 24
2. EB-2018-0270, Decision and Rate Order, July 9, 2020, Schedule B – Accounting Order
3. EB-2018-0242, Decision and Rate Order, July 9, 2020, Schedule B – Accounting Order
4. Accounting Procedures Handbook, Article 410

Orillia and Peterborough were approved to establish Account 1576 – Accounting Changes Under US GAAP Deferral Accounts. Per the accounting orders for Orillia and Peterborough, the account is to record the impact of any applicable accounting changes to depreciation expense and capitalization policies on property, plant, and equipment (PPE) resulting from Orillia and Peterborough’s transition from modified International Financial Reporting Standards (MIFRS) to US GAAP for financial and regulatory accounting purposes. The deferral account will track impacts (both debits and credits) of the transition to US GAAP with respect to how costs are capitalized and depreciated. In the current application, Hydro One noted that the Account 1576 balances for Orillia and Peterborough is \$0 as at December 31, 2021.

Interrogatory:

- a) Please confirm that the \$0 balance means that Hydro One has not identified any differences in Orillia and Peterborough’s depreciation and capitalization policies under USGAAP and MIFRS.
 - i. If not confirmed, please explain what the \$0 balances represent and revise the evidence as applicable.
- b) As per reference 4, notable differences between USGAAP and MIFRS include the prohibition of capitalization of administration and general overheads under MIFRS, and the MIFRS requirement to separately depreciate significant parts or components of assets in relation to the total cost of an asset. Please explain the nature of the review Hydro One has performed to assess the USGAAP and MIFRS differences in capitalization and depreciation policies on PP&E for Orillia and Peterborough.
 - i. Please discuss the findings of the review, including a discussion on the notable differences mentioned above.
- c) The accounting orders for Orillia and Peterborough state that the deferral account balances will be reviewed at the next rebasing rate application to determine the appropriate approach for disposition. Please confirm that Hydro One intends to bring

1 these accounts for review and disposition at the next rebasing application. If not
2 confirmed, please explain.

3

4 **Response:**

5 a) At this time, Hydro One has not identified any differences in Orillia and Peterborough's
6 depreciation and capitalization policies under USGAAP and MIFRS.

7

8 b) Hydro One continues to assess the USGAAP and MIFRS differences in capitalization
9 and depreciation policies on PP&E for Orillia and Peterborough. Note that differences
10 in capitalization and depreciation policies would arise only post-integration.

11

12 c) Confirmed.

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OEB STAFF INTERROGATORY - 11

Reference:

1. Appendix E-2 – Orillia DVA Continuity Schedule
2. Appendix F2 – Peterborough DVA Continuity Schedule

The DVA Continuity Schedules for both Orillia and Peterborough's Group 2 accounts begin with the 2016 year-end balances. Orillia last rebased in 2010 and disposed 2008 Group 2 balances. Peterborough last rebased in 2013 and disposed 2011 Group 2 balances.

Interrogatory:

- a) Please explain if Hydro One has the opening balance of each of Orillia and Peterborough's Group 2 accounts since the balance that was last approved for disposition in their last respective cost of service proceedings.
- b) If yes, please revise the DVA Continuity Schedules to start from the last closing principal and interest balances that were approved for disposition.
- c) If the response to part a) is no, please explain whether Hydro One has previously confirmed that the opening account balances resulting in the cumulative 2021 balances appropriately reflect the last approved closing balances for each of Orillia and Peterborough.
- d) Please explain if Hydro One has support for annual transactions recorded in Orillia and Peterborough's Group 2 accounts from the opening account balances (i.e. after last disposition) to the date of integration with Hydro One. If not, why not.

Response:

- a) Hydro One does not have the opening balance of each of Orillia and Peterborough's Group 2 accounts since the balance that was last approved for disposition in their respective last cost of service proceedings.
- b) Not applicable.
- c) Hydro One confirms that all regulatory account balances reflect the accounts brought over from Orillia and Peterborough, and all transactions have since been tracked in one segment (post-amalgamation). As a result, Hydro One does not have all the support for annual transactions recorded in Group 2 accounts from the last disposition to the date of integration, but confirms that all balances reflected in cumulative 2020

1 amounts are audited, and there has been limited activity in the Group 2 regulatory
2 accounts since integration.

3

4 Hydro One can confirm that the pre-integration balances were from Orillia and
5 Peterborough's general ledger. Details supporting the balances are included in the
6 pre-filed evidence or in responses to OEB Staff Interrogatories 12, 14, and 15. This
7 approach is consistent with the approach used in EB-2021-0033 for Norfolk,
8 Haldimand, and Woodstock, in which the OEB accepted Hydro One's approach for
9 disposition of presented balances.

10

11 d) Please refer to response c).

OEB STAFF INTERROGATORY - 12

Reference:

1. Application Summary, p.26
2. Appendix F2 – Peterborough DVA Continuity Schedule
3. February 9, 2016, OEB Letter regarding Revisions to the Ontario Energy Board Cost Assessment Model

Hydro One is requesting a debit balance of \$338,208 for Peterborough's Account 1508, Sub-account OEB Cost Assessment Variance Account. Per the letter noted in reference 3, the account was established effective April 1, 2016, to record material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model. Entries into the sub-account are to be recorded on a quarterly basis when the OEB's cost assessment invoice is received.

Interrogatory:

- a) In Peterborough's DVA Continuity Schedule, there are no annual transactions for the sub-account. The entire principal balance in the account is recorded in 2021. Please explain why there are no annual transactions even though the OEB's letter requires entries into the sub-account to be recorded on a quarterly basis.
- b) Please explain how Hydro One determined the balance in the sub-account, and provide the supporting calculation.
 - i. Please provide the reference in Peterborough's last rebasing application for the amount of OEB cost assessments built into rates.

Response:

- a) During the integration process, Hydro One identified that Peterborough Distribution Inc. was not recording entries into Account 1508, Sub-account OEB Cost Assessment Variance Account. Therefore, a life to date entry from April 1, 2016 was recorded into the account in 2021 based on information provided by previous PDI staff.
- b) The principal balance was determined by comparing actual costs incurred each year to the amount built into rates (\$100,000 per year) from April 1, 2016 to December 31, 2021. Table 1 below provides the quarterly costs assessments, and Table 2 provides the annual total variances.

1 **Table 1 - Quarterly Cost Assessments for Peterborough's Account 1508 - Other**
 2 **Regulatory Assets - Sub-Account - OEB Cost Differential Account**

Cost assessment for 2016 - 2017:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
1-Apr-16	Apr-Jun 2016	16171064	40,899	25,000	15,899
1-Jul-16	Jul-Sep 2016	16172064	40,899	25,000	15,899
1-Oct-16	Oct-Dec 2016	16173064	40,895	25,000	15,895
1-Jan-17	Jan-Mar 2017	16174064	40,895	25,000	15,895
			163,588	100,000	63,588
Cost assessment for 2017 - 2018:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
1-Apr-17	Apr-Jun 2017	17181061	42,310	25,000	17,310
1-Jul-17	Jul-Sep 2017	17182061	42,310	25,000	17,310
1-Oct-17	Oct-Dec 2017	17183062	40,068	25,000	15,068
1-Jan-18	Jan-Mar 2018	17184062	40,069	25,000	15,069
			164,757	100,000	64,757
Cost assessment for 2018 - 2019:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
2-Apr-18	Apr-Jun 2018	18191062	40,320	25,000	15,320
2-Jul-18	Jul-Sep 2018	18192062	36,947	25,000	11,947
1-Oct-18	Oct-Dec 2018	18193062	36,947	25,000	11,947
1-Jan-19	Jan-Mar 2019	18194062	36,946	25,000	11,946
			151,160	100,000	51,160
Cost assessment for 2019 - 2020:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
8-Apr-19	Apr-Jun 2019	19201059	40,320	25,000	15,320
8-Jul-19	Jul-Sep 2019	19202059	39,816	25,000	14,816
1-Oct-19	Oct-Dec 2019	19203059	39,816	25,000	14,816
1-Jan-20	Jan-Mar 2020	19204059	39,817	25,000	14,817
			159,769	100,000	59,769
Cost assessment for 2020 - 2021:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
17-Apr-20	Apr-Jun 2020	20211059	39,278	25,000	14,278
8-Jul-20	Jul-Sep 2020	20212059	38,823	25,000	13,823
7-Oct-20	Oct-Dec 2020	20213059	38,823	25,000	13,823
8-Jan-21	Jan-Mar 2021	20214059	38,824	25,000	13,824
			155,748	100,000	55,748
Cost assessment for 2021 - 2022:					
Inv Date	Quarter	Invoice No.	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
14-Apr-21	Apr-Jun 2021	21221059	37,422	25,000	12,422
1-Aug-21	Jul-Sep 2021	21222030 (part of Hydro One invoice)	37,653	25,000	12,653
1-Nov-21	Oct-Dec 2021	21223033 (part of Hydro One invoice)	37,656	25,000	12,656
			112,731	75,000	37,731

1

Table 2 - OEB Cost Assessment Variance by Year

Totals by Year	OEB Cost Assessment	2013 Test OEB Cost Assessment Prorated	OEB Cost Assessment Variance
2016 (Apr - Dec)	122,693	75,000	47,693
2017	165,583	100,000	65,583
2018	154,283	100,000	54,283
2019	156,898	100,000	56,898
2020	156,741	100,000	56,741
2021	151,555	100,000	51,555
Principal Balance Dec 31, 2021			332,753

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5

- i. In Peterborough's last rebasing application, \$100,000 was built into rates, as provided in EB-2012-0160, Exhibit 4, Tab 1, Schedule 1, Table 4-9.

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OEB STAFF INTERROGATORY - 13

Reference:

1. Application Summary, Page 26
2. Accounting Procedures Handbook, March 2015 Guidance #13-14

Hydro One is requesting the disposition of Account 1508, Sub-account Incremental Capital Module (ICM) for a debit balance of \$10,025 for Orillia, and a debit balance of \$15,885 for Peterborough. Hydro One stated that for Orillia, this is a residual rider balance that ended April 30, 2010. For Peterborough, this balance has existed since 2015 and has been presented on the audited financial statements.

Interrogatory:

- a) Please provide the application references (i.e. EB numbers) for the approval of the Orillia and Peterborough ICMs.
- b) Please indicate whether the ICMs have been incorporated into Orillia or Peterborough's rate bases. If yes, please provide the application references (i.e. EB numbers).
- c) Please confirm that the "residual rider balance" for Orillia and Peterborough is to mean the difference between the actual ICM revenue requirement calculated based on actual costs of the ICMs and the rate rider revenues collected. If not confirmed, please explain.
 - i. If confirmed, please provide the actual ICM costs for Orillia and Peterborough.
 - ii. Please also provide the calculation of the balances in the sub-accounts for Orillia and Peterborough, showing the calculation of the actual annual ICM revenue requirement recalculated using actual costs and the annual rate rider revenues collected.
 - iii. In reference to the revenue requirement calculation noted in part ii) above, please clarify whether the revenue requirement represents the full-year revenue requirement or the half-year revenue requirement (i.e. based on the half-year rule).
- d) Per the accounting guidance noted in reference 2, there is no generic account named Account 1508, Sub-account Incremental Capital Module. Please clarify which account in the accounting guidance this sub-account correlates to.
 - i. Please explain the mechanics of the Incremental Capital Module sub-account and how it interacts or correlates to the sub-accounts noted in the accounting guidance.

1 **Response:**
2 Upon further review, Hydro One has removed these debit balances from the amount
3 requested for recovery. The DVA continuity schedules and the Group 2 rider calculations
4 have been updated in the following attachments to this interrogatory:
5
6 Attachment 1: Updated Appendix E-2 - Continuity Schedules for Group 1 and Group 2
7 DVA, including balances up to December 31, 2021 – Orillia
8 Attachment 2: Updated Appendix E-4 - 2023 Rate Rider Calculation for Group 2 DVA –
9 Orillia
10 Attachment 3: Updated Appendix F-2 - Continuity Schedules for Group 1 and Group 2
11 DVA, including balances up to December 31, 2021 – Peterborough
12 Attachment 4: Updated Appendix F-4 - 2023 Rate Rider Calculation for Group 2 DVA –
13 Peterborough
14
15 These changes are reflected in updated IRM models, which have been filed in response
16 to OEB Staff Interrogatory 9, part b) as Attachments 3 and 4 for Orillia and Peterborough,
17 respectively.

1 **UPDATED APPENDIX E-2 – CONTINUITY SCHEDULES FOR GROUP 1**
2 **AND GROUP 2 DVA, INCLUDING BALANCES UP TO DECEMBER 31,**
3 **2021 – ORILLIA**

4

5 This exhibit has been filed separately in MS Excel format.

1 **UPDATED APPENDIX E-4 - 2023 RATE RIDER CALCULATION FOR**
2 **GROUP 2 DVA – ORILLIA**

3

4 This exhibit has been filed separately in MS Excel format.

1 **UPDATED APPENDIX F-2 – CONTINUITY SCHEDULES FOR GROUP 1**
2 **AND GROUP 2 DVA, INCLUDING BALANCES UP TO DECEMBER 31,**
3 **2021 - PETERBOROUGH**

4

5 This exhibit has been filed separately in MS Excel format.

1 **UPDATED APPENDIX F-4 – 2023 RATE RIDER CALCULATION FOR**
2 **GROUP 2 DVA - PETERBOROUGH**

3

4 This exhibit has been filed separately in MS Excel format.

1 **OEB STAFF INTERROGATORY - 14**

2
3 **Reference:**

- 4 1. Application Summary, Page 29
5 2. Appendix E-2 – Orillia DVA Continuity Schedule
6 3. Appendix F-2 – Peterborough DVA Continuity Schedule
7 4. July 25, 2019, OEB letter regarding Accounting Direction Regarding Bill C- 97 and
8 Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance
9

10 Hydro One is requesting the disposition of Account 1592, Sub-account CCA Changes for
11 a credit balance of \$204,147 for Orillia and a credit balance of \$204,630 for Peterborough.
12 In Orillia’s DVA Continuity Schedule, there are only transactions shown in 2020. In
13 Peterborough’s DVA Continuity Schedule, there are transactions shown in 2020 and 2021.
14

15 The sub-account balance may be calculated based on two methods. The first method is
16 the “approved capital additions method”, which is calculated as the difference in CCA
17 between the calculations embedded in a utility’s rates and what that calculation would
18 have been had the Accelerated Investment Incentive Program (AIIP) rules been applied
19 in its last rebasing application. The second method is the “actual capital additions method”
20 which is calculated as the difference in CCA between the amounts claimed for a utility
21 from 2018 to 2021 and what the claims would have been had the AIIP program not been
22 introduced.
23

24 **Interrogatory:**

- 25 a) Please clarify which of the two methods noted above was used to calculate the
26 balances in the sub-account for Orillia and Peterborough.
27 i. Please explain Hydro One’s rationale for the method used in calculating the
28 balances.
29
30 b) Please provide the calculation of the full revenue requirement impact using the two
31 methods noted above, if not already provided.
32
33 c) Per the letter noted in reference 4, the OEB expects utilities to record the impacts of
34 the CCA rule change starting from November 21, 2018. If the actual capital additions
35 method was used to calculate the sub-account balances, please confirm that there
36 were no eligible capital expenditures for Orillia in 2019 and 2021, and Peterborough
37 in 2019. If not confirmed, please explain why there are no transactions in the years
38 noted.

- 1 i. If the approved capital additions method was used to calculate the sub- account
 2 balances, please explain why transactions are not recorded annually in the sub-
 3 accounts and revise the evidence as applicable.
 4

5 **Response:**

- 6 a) Hydro One intends to apply the “actual capital additions method” (“Actual Additions
 7 Method”). The use of the Actual Additions Method is consistent with the OEB’s
 8 Decision and Order in *Motion to review and vary aspects of the EB-2021-0033*
 9 *Decision and Order relating to Account 1576 and Account 1592 (“1592 Motion to*
 10 *Vary”)* where the OEB directed Hydro One to provide 1592 sub-account entries based
 11 on the Actual Additions Method.¹
 12
 13 b) In accordance with the 1592 Motion to Vary, Hydro One has adopted the OEB’s
 14 direction to calculate the accelerated CCA based on the Actual Additions Method. As
 15 shown in Table 1 below, including a net cumulative true up to the 2021 balance, the
 16 cumulative credit balance in the account is \$274,977 and \$282,938 for Orillia and
 17 Peterborough, respectively. The DVA Continuity Schedules have been updated to
 18 reflect this balance and are provided in OEB Staff Interrogatory 13, Attachments 1 and
 19 2 for Orillia and Peterborough, respectively.
 20

21 **Table 1 - Accelerated CCA Based on the Actual Capital Additions Method**

Year	Orillia	Peterborough
Accelerated CCA Based on Actual Capital Additions		
2019	(138,888)	(100,242)
2020	(146,869)	(49,882)
2021	10,780	(132,814)
Total	(274,977)	(282,938)
Account Entries		
Balance in Variance Account as at December 31, 2021	(200,567)	(200,362)
Recorded in Variance Account in 2022 (recorded in 2022 based on the OEB’s Decision and Order in EB-2022-0071)	(74,409)	(82,576)
Total	(274,977)	(282,938)

22
 23 Supporting calculations are provided in Attachment 1 to this response.

¹ EB-2022-0071, Decision and Order, April 7, 2022, p. 9.

1 c) There were eligible capital expenditures for purposes of accelerated CCA in 2019 as
2 well as 2020. However, Hydro One only discovered during the closing of the
3 acquisitions in 2020 that Peterborough and Orillia have not been recording these
4 regulatory liabilities into Account 1592 for accelerated CCA. As such, Hydro One
5 recorded a life to date entry in the account in 2020 to capture the cumulative regulatory
6 balances relating to both 2019 and 2020.

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1

ACCELERATED CCA CALCULATIONS

2

3 This exhibit has been filed separately in MS Excel format.

1 **OEB STAFF INTERROGATORY - 15**
2

3 **Reference:**

- 4 1. Application Summary, Page 29
5 2. Appendix E-2 – Orillia DVA Continuity Schedule
6 3. Appendix F-2 – Peterborough DVA Continuity Schedule
7 4. EB-2015-0304 Report of the Ontario Energy Board – Wireline Pole Attachment
8 Charges, March 22, 2018
9 5. November 28, 2019, OEB letter regarding Inflation Adjustment for Energy Retailer
10 Service Charges (EB-2019-0280) and Wireline Pole Attachment Charge (EB-2015-
11 0304) for Electricity Distributors
12 6. Decision and Rate Order, December 16, 2021, EB-2021-0302

13
14 Hydro One is requesting the disposition of Account 2405 – Revenue Difference Account,
15 Sub-account Pole Attachment Charge Variance Account for a credit balance of \$113,529
16 for Orillia and a credit balance of \$548,096 for Peterborough.

17
18 Per references 4, 5 and 6, the September 1, 2018, January 1, 2019, January 1, 2020 and
19 January 1, 2021 wireline attachment rates effective were \$28.09, \$43.63, \$44.50,
20 \$44.50, respectively.

21
22 **Interrogatory:**

- 23 a) For each of the Orillia and Peterborough's Account 2405, please provide the
24 supporting calculation of the balances for each year from 2018 to 2021.
25
26 b) In Orillia's DVA Continuity Schedule, transactions are \$0 in 2018, approximately a
27 credit of \$50,000 annually in 2019 and 2020, and approximately a credit of \$5,000 in
28 2021.
29 i. Please explain why there are no transactions in 2018 even though there was a
30 rate change effective September 1, 2018.
31 ii. Please explain the significant decrease in 2021 transactions in the context of the
32 2020 and 2021 pole attachment rates which remained at \$44.50.
33
34 c) In Peterborough's DVA Continuity Schedule, annual transactions are approximately a
35 credit of \$10,000, credit of \$144,000, credit of \$221,000, and credit of \$157,000 from
36 2018 to 2021. Please explain the significant decrease in 2021 transactions in the
37 context of the 2020 and 2021 pole attachment rates which remained at \$44.50.

Response:

a) The supporting calculations for Account 2405 Revenue Difference Account, Sub-account Pole Attachment Charge Variance Account for Orillia, as prepared by previous Orillia staff, is provided in Table 1.

Table 1 - Account 2405 Principal Balance Supporting Calculations for Orillia

January 1 to December 31, 2019					
Joint Use Pole Agreements	No. of Poles (as of Dec 2019)	2018 Rate	2019 Rate	Incremental	Variance
Hydro One	30	\$28.61	\$43.63	\$15.02	\$451
Rogers Cable	1076	\$22.35	\$43.63	\$21.28	\$22,897
Bell Canada	711	\$28.09	\$43.63	\$15.54	\$11,049
Bell Canada	301	\$22.35			\$0.00
Bell Canada	301	\$28.09		\$5.74	\$576
Rogers Formerly Atria	795	\$22.35	\$43.63	\$21.28	\$16,918
Telus	62	\$22.35	\$43.63	\$21.28	\$1,319
Agilis	31	\$22.35	\$43.63	\$21.28	\$660
Total Variance					\$53,870
January 1 to August 31, 2020 (8 Months)					
Joint Use Pole Agreements	No. of Poles	2018 Rate	Aug 31, 2020 Rate	Incremental	Variance
Hydro One	30	\$28.61	\$43.63	\$15.02	\$300
Rogers Cable	1072	\$22.35	\$43.63	\$21.28	\$15,208
Bell Canada	734	\$28.09	\$43.63	\$15.54	\$7,604
Rogers Formerly Atria	693	\$22.35	\$43.63	\$21.28	\$9,831
Telus	63	\$22.35	\$43.63	\$21.28	\$894
Agilis	31	\$22.35	\$43.63	\$21.28	\$440
Total Variance					\$34,278
September 1 to December 31, 2020 (4 Months)					
Joint Use Pole Agreements	No. of Poles	2018 Rate	Dec 31, 2020 Rate	Incremental	Variance
Hydro One	30	\$28.61	\$44.50	\$15.89	\$159
Rogers Cable	1072	\$22.35	\$44.50	\$22.15	\$7,915
Bell Canada	734	\$28.09	\$44.50	\$16.41	\$4,015
Rogers Formerly Atria	693	\$22.35	\$44.50	\$22.15	\$5,117
Telus	63	\$22.35	\$44.50	\$22.15	\$465
Agilis	31	\$22.35	\$44.50	\$22.15	\$229
Total Variance					\$17,900
Summary of Adjustments from 2019 to 2021					
January 1 to December 31, 2019					\$53,869
January 1 to August 31, 2020 (8 Months)					\$34,278
September 1 to December 31, 2020 (4 Months)					\$17,900
Adjustment Entry May 31, 2021					\$4,697
Cumulative GL Balance December 31, 2021					\$110,744

Hydro One does not have the supporting calculations for Peterborough's balances.

b)

i. Per the supporting calculation provided in part a) above, Hydro One believes that the September 1, 2018 rate change was considered for the applicable poles (billed to Bell Canada for 301 poles), as from September 1, 2018 to December 31, 2018,

1 the new rate was \$28.09. As per the supporting calculation provided in part a)
2 above, this was recorded in 2019.

3
4 ii. As integration occurred mid-year, the 2021 entries were inadvertently not
5 recorded. Hydro One has updated the continuity schedule for a 2021 amount of
6 (\$52,178). This is based on the calculation provided by previous Orillia Staff in
7 response (a), as the 2021 pole attachment rates remained the same as 2020 at
8 \$44.50, This has been reflected in the continuity schedule provided in OEB Staff
9 Interrogatory 13, Attachment 1.

10
11 c) Hydro One does not have the detailed supporting calculations for Peterborough's
12 balances. However, based Hydro One's review of Peterborough's provided general
13 ledger list of transactions for this account, (\$65,671) was recorded in 2020 that related
14 to 2019 and (\$68,355) was recorded in 2021 that related to 2020. Hydro One infers
15 that these entries were likely recorded in-year upon billing for the previous year.
16 Therefore, it is reasonable to expect that an additional approximate amount of
17 (\$68,355) should have been recorded in 2021.

18
19 Furthermore, in the 2022 calculation template (provided in Table 1), Hydro One used
20 the data to recalculate an estimated amount for 2021. The figure derived was
21 (\$239,019), which is more in line with the principal amount recorded for 2020 and the
22 estimation rationalized above. Hydro One has updated the Continuity Schedule for a
23 2021 amount of (\$239,019). This has been reflected in the Continuity Schedule
24 provided in OEB Staff Interrogatory 13, Attachment 3.

1

Table 2 - 2022 Calculation Template to Calculate 2021 Balance

2021 Calculations for Full Poles					
Joint Use Pole Agreements	No. of Poles	2018 Rate	2021 Rate	Incremental	Variance
Rogers Communications Canada Inc.	1,841	\$22.35	\$44.50	\$22.15	\$40,778
Cogeco Connexion Inc.	4,547	\$22.35	\$44.50	\$22.15	\$100,716
Nexicom	324	\$22.35	\$44.50	\$22.15	\$7,177
Persona (Eastlink)	235	\$22.35	\$44.50	\$22.15	\$5,205
Kawartha Pine Ridge District School Board	19	\$22.35	\$44.50	\$22.15	\$421
Pug - Peterborough Utilities Group	42	\$22.35	\$44.50	\$22.15	\$930
Bell - Peterborough	3,086	\$22.35	\$44.50	\$22.15	\$68,355
Total Variance					\$223,582
2021 Calculations for Service Poles					
Joint Use Pole Agreements	No. of Poles	2018 Rate	2021 Rate	Incremental	Variance
Rogers Communications Canada Inc.	0	\$16.76	\$33.38	\$16.62	\$0
Cogeco Connexion Inc.	455	\$16.76	\$33.38	\$16.62	\$7,562
Nexicom	32	\$16.76	\$33.38	\$16.62	\$532
Persona (Eastlink)	24	\$16.76	\$33.38	\$16.62	\$399
Kawartha Pine Ridge District School Board	2	\$16.76	\$33.38	\$16.62	\$33
Pug - Peterborough Utilities Group	4	\$16.76	\$33.38	\$16.62	\$66
Bell - Peterborough*	309	\$22.35	\$44.50	\$22.15	\$6,844
Total Variance					\$15,437
Summary of 2021 Adjustments					
2021 Calculations for Full Poles					\$223,582
2021 Calculations for Service Poles					\$15,437
Total Variance					\$239,019

*Bell-Peterborough service poles are calculated with the rate for full poles.

OEB STAFF INTERROGATORY - 16

Reference:

Appendix F-2 – Peterborough DVA Continuity Schedule Ref 2: EB-2012-0160 Decision and Order, August 22, 2013, p.3

In Peterborough's DVA Continuity Schedule, there is a debit balance of \$107,2678 in Account 1533 – Distribution Generation – Provincial – Express Feeders – Deferral Account. Hydro One has not requested the disposition of this account. In the OEB's decision and order noted in reference 2, the OEB stated:

The Board expects PDI to record the incremental capital investment eligible for recovery from provincial ratepayers in Account 1531: Renewable Generation Connection Capital Deferral Account. In addition, PDI shall record the revenues received through the IESO protocols in Account 1533: Renewable Generation Connection Funding Adder Deferral Account.

Interrogatory:

- a) Please explain what the balance in Account 1533 represents (e.g capital, OM&A funding adder relating to Green Energy Plan), including what the annual transactions are for.
- b) Please explain why Hydro One has not requested the disposition of this account, explain Hydro One's plan for this account, and confirm that Hydro One intends to continue this account.

Response:

- a) Account 1533 was established in the former Peterborough's 2013 cost of service application (EB-2012-0160) to record the revenues collected through the Renewable Generation Connection Funding Adder, pursuant to the provincial pooling mechanism. The annual transactions in this account reflect the variance between revenues received from the IESO through the funding adder for renewable energy generation and the actual revenue requirement associated with the in-servicing of Distributed Generation assets.
- b) Hydro One has not requested disposition of this account, as it intends to continue receiving revenues from the Renewable Generation Connection Funding Adder for the in-servicing of Distributed Generation assets. Hydro One plans to file a prudence review required for additional funding in a separate application and confirms that it intends to continue this account. This approach is similar to the one taken for

- 1 Haldimand County Hydro's Account 1533 in EB-2021-0033, which was approved by
- 2 the OEB.¹

¹ EB-2021-0033, Decision and Order, December 21, 2021, p. 9.

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OEB STAFF INTERROGATORY - 17

Reference:

1. Appendix E-2 – Orillia DVA Continuity Schedule
2. Appendix F-2 – Peterborough DVA Continuity Schedule
3. Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040, September 14, 2017

As noted in reference 3, the OEB established Account 1522 Pension & OPEB Forecast Accrual versus Cash Payment Differential Carrying Charge, and related control and contra-accounts. Account 1522 tracks the differences between the forecast accrual amounts recovered in rates and the actual cash payments made for both pension and OPEBs. Only the carrying charges applied to the account is subject to disposition. In the Orillia and Peterborough DVA Continuity Schedules, there are no balances for the Account 1522.

Interrogatory:

- a) Please indicate whether Account 1522 and related accounts are applicable for each of Orillia and Peterborough. Please explain why it is or is not applicable.
- b) Please provide the balances for the Account 1522 accounts for each year in which it is applicable and provide any supporting calculations.
- c) Please revise the DVA Continuity Schedule as needed.

Response:

- a) Account 1522 and related accounts are not applicable for Orillia and Peterborough on the basis of the following:

Excerpt from Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040, September 14, 2017, pages 6 and 20:

Since most electricity distributors in Ontario participate in the OMERS pension plan, they are not affected by the accrual versus funding contribution debate for recovery of pension costs. As OMERS is accounted for as a DC plan for financial statement reporting purposes, the annual contributions made to the plan (funding contribution method) will equal the accrual accounting cost (accrual method).

1 Utilities who are members of OMERS do not need to post pension entries
2 to the account. Utilities do not need to post OPEB entries if both the amount
3 embedded in rates and recognized on the financial statements is based on
4 the cash paid to beneficiaries for the period. This would likely be the case
5 for smaller utilities with OPEB plans that are not material and therefore, do
6 not warrant the cost of an actuarial valuation.

7

8 Orillia and Peterborough both participated in the OMERS pension plan.

9

10 Given that Orillia and Peterborough have not rebased for many years, it is reasonable
11 to expect that actual OPEB costs have exceeded what is embedded in rates.
12 Therefore, no carrying charge would be applicable.

13

14 b) Please refer to response (a).

1 **OEB STAFF INTERROGATORY - 18**

2
3 **Reference:**

- 4 1. Appendix E-1: Orillia 2023 IRM Rate Generator, Tab 17
5 2. Appendix F-1: Peterborough 2023 IRM Rate Generator, Tab 17
6

7 In both the Orillia and Peterborough rate generator, OEB staff has updated the Smart
8 Metering Entity charge to \$0.42, effective January 1, 2023, based on OEB Letter
9 issued September 8, 2022 (EB-2022-0137).
10

11 **Interrogatory:**

- 12 a) Please confirm the update in the IRM rate generator for Orillia in Ref 1.
13
14 b) Please confirm the update in the IRM rate generator for Peterborough in Ref 2.
15

16 **Response:**

17 a) HONI confirms that OEB staff updated the Smart Meter Entity (SME) charge from
18 \$0.43 to \$0.42 in Tab 17 of the Orillia IRM.¹ However, Tab 19 of this file does not
19 reflect the SME update as expected. The updated SME charge is reflected in the
20 updated tariff rate schedule, which have been filed in response to OEB Staff
21 Interrogatory 9, part b), Attachment 5. Consistent with the process in an IRM
22 application, HONI expects that OEB staff will update the SME charge as well as the
23 regulatory charges, transmission charges, and the Wireline Pole Attachment charge
24 and retail service charges that are adjusted by the OEB issued 2023 inflation rate in
25 Orillia's final 2023 tariff schedule.
26

27 b) HONI confirms that OEB staff updated the SME charge from \$0.43 to \$0.42 in Tab 17
28 of the Peterborough's IRM.² However, Tab 19 of this file does not reflect the SME
29 update as expected. The updated SME charge is reflected in the updated tariff rate
30 schedule, which have been filed in response to OEB Staff Interrogatory 9, part b),
31 Attachment 6. Consistent with the process in an IRM application, HONI expects that
32 OEB staff will update the SME charge as well as the regulatory charges, transmission
33 charges, and the Wireline Pole Attachment charge and retail service charges that are
34 adjusted by the OEB issued 2023 inflation rate in Peterborough's final 2023 tariff
35 schedule.

¹ Filed under EB-2022-0040 as OEB Staff_IRs_HONI_OPDC_PDI_Appendix E-1_20220928 on September 28, 2022.

² Filed under EB-2022-0040 as OEB Staff_IRs_HONI_OPDC_PDI_Appendix F-1_20220928 on September 28, 2022.

Filed: 2022-10-12
EB-2022-0040
Exhibit I
Tab 1
Schedule 1
Page 2 of 2

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