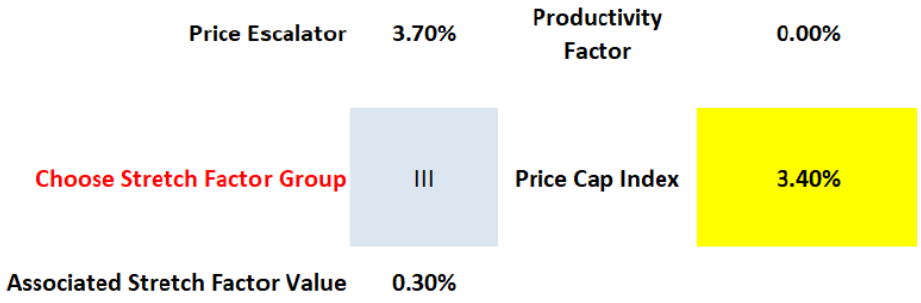
London Hydro Inc.
Responses to OEB Staff Questions
EB-2022-0048
December 7, 2022

Staff Question-1

Ref: Rate Generator Model, Tab 16, Price Escalator
Ref: Rate Generator Model, Tab 17. Inflation Factor for Wireline Pole Attachment Charge and Retail Service Charges

On October 20, 2022, the Ontario Energy Board issued a letter indicating the 2023 inflation factor for electricity distributors to be 3.7%. OEB staff has made the following changes to Tab 16 and Tab 17 to reflect the updated inflation factor.

- Tab 16: Price Escalator (Cell B12) has been updated. As a result of the change to the Price Escalator, the Price Cap Index (Cell D13) has also been updated to 3.40%. Both changes are shown below.



- Tab 17: The Inflation Factor (Cell E39) for the Wireline Pole Attachment Charge has been updated resulting in an updated value for the proposed charge (Cell F39), as shown below.

Wireline Pole Attachment Charge	Unit	Current charge	Inflation factor *	Proposed charge ** [I] ***
Specific charge for access to the power poles - per pole/year	$	34.76	3.70%	36.05

- Tab 17: The Inflation Factor (Cells E42 to E53) applicable to the Retail Service Charges has been updated resulting in updated values for the proposed charges, as shown below.

Retail Service Charges		Current charge	Inflation factor*	Proposed charge ***
One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	107.68	3.70%	111.66
Monthly fixed charge, per retailer	$	43.08	3.70%	44.67
Monthly variable charge, per customer, per retailer	$/cust.	1.07	3.70%	1.11
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.64	3.70%	0.66
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.64)	3.70%	(0.66)
Service Transaction Requests (STR)			3.70%	-
Request fee, per request, applied to the requesting party	$	0.54	3.70%	0.56
Processing fee, per request, applied to the requesting party	$	1.07	3.70%	1.11
Electronic Business Transaction (EBT) system, applied to the requesting party				
up to twice a year		no charge		no charge
more than twice a year, per request (plus incremental delivery costs)	$	4.31	3.70%	4.47
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	$	2.15	3.70%	2.23

Question:

a) Please confirm that the model attached to the staff questions reflects the updates noted.

London Hydro Response

a) London Hydro confirms that the Rate Generator Model reflects the updates noted above.

Staff Question-2

Ref: Rate Generator Model, Tab 17. Time-of-Use RPP Prices and Smart Meter Entity Charge

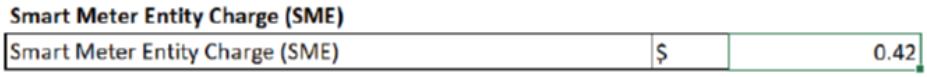
On October 21, 2022, the Ontario Energy Board announced updated Time-of-Use RPP Prices that would be effective starting November 1, 2022. OEB staff has updated the Time-of-Use RPP Prices section in Tab 17 to reflect the announcement, as shown below.

Time-of-Use RPP Prices

As of		November 1, 2022
Off-Peak	$/kWh	0.0740
Mid-Peak	$/kWh	0.1020
On-Peak	$/kWh	0.1510

On September 8, 2022, the Ontario Energy Board issued a Decision and Order which approved the Smart Meter Entity Charge (SME) to be levied and collected by the Independent Electricity System Operator, in its capacity as the Smart Metering Entity,

effective January 1, 2023. The new SME is $0.42 per smart meter per month. OEB staff has updated the data in cell D33 to reflect the approved SMC of $0.42 shown below:



Smart Meter Entity Charge (SME)		
Smart Meter Entity Charge (SME)	$	0.42

Question:

a) Please confirm that the model attached to the staff questions reflects the updates noted.

London Hydro Response

a) London Hydro confirms that the Rate Generator Model reflects the updates noted above.

Staff Question-3

Ref: Rate Generator Model, Tab 3, Continuity Schedule

On September 14, 2022, the OEB published the 2022 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question:

a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2022 OEB-prescribed interest rate of 3.87%.

London Hydro Response

a) London Hydro confirms that Tab 3 of the Continuity Schedule reflects the 3.87% OEB-prescribed interest rate in the carrying charge calculations for the period of October 1, 2022, to April 30, 2023.

Staff Question-4

Ref: Rate Generator Model, Tab 3, Continuity Schedule

London Hydro recorded a Closing Principal Balance as of December 31, 2021 Adjusted for Disposition during 2022 in Account 1580 of $2,678,155. OEB staff also note that in London

Hydro's 2021 IRM rate application, the Closing Principal Balance as of December 31, 2019 Adjusted for Disposition during 2021 in Account 1580 was a credit of $4,145,234.

London Hydro recorded a Closing Principal Balance as of December 31, 2021 Adjusted for Disposition during 2022 in Account 1584 of $3,229,644. OEB staff also note that in London Hydro's 2021 IRM rate application, the Closing Principal Balance as of December 31, 2019 Adjusted for Disposition during 2021 in Account 1584 was a debit of $2,097,956.

Question:

a) Please explain the factors that have resulted in a substantial proposed balance in Account 1580 RSVA – Wholesale Market Service as compared to the balance in the 2021 application.

b) Please explain the factors that have resulted in a substantial proposed balance in Account 1584 RSVA- Network as compared to the balance in the 2021 application.

London Hydro Response

a) The $2,678,155 closing principal balance as of December 31, 2021 Adjusted for disposition during 2022 represents the WMS variances accumulated during Year 2021. The $4,145,234 credit principal balance as of December 31, 2019 Adjusted for disposition during 2021 consists of the WMS variances accumulated during Years 2017, 2018 and 2019.

Account 1580 RSVA - Wholesale Market Service Charge Variances included in disposition	**Closing Principal Balance Dec 31, 2019**	**Closing Principal Balance Dec 31, 2021**
Variance accumulated during Year 2017	$ (3,111,901)	
Variance accumulated during Year 2018	$ (352,295)	
Variance accumulated during Year 2019	$ (681,039)	
Variance accumulated during Year 2021		$ 2,678,155
	$ (4,145,234)	**$ 2,678,155**

The debit increase in the annual variance from Year 2019 to 2021 is mainly caused by the reduction of CT 102 TR clearing credit and the significant increase in charge types 150, 155, and 183, Net Energy Market Settlement Uplift, Congestion Management Settlement Uplift and Generation Cost Guarantee Recovery Debit, respectively.

IESO Invoice - significant changes in WMS charges:		**2019 ($000s)**	**2021 ($000s)**	**Change ($000s)**
CT 102	TR Clearing Account Credit	$ (3,084)	$ (2,316)	$ 769
CT 150	Net Energy Market Settlement Uplift	$ 1,522	$ 2,673	$ 1,151
CT 155	Congestion Management Settlement Uplift	$ 2,210	$ 3,072	$ 862
CT 183	Generation Cost Guarantee Recovery Debit	$ 693	$ 1,542	$ 849
		$ 1,340	$ 4,971	$ 3,631

The WMS recovery rate approved by the OEB has not changed, and therefore, the increased costs have not yet been fully recovered from customers.

Regulatory Recovery Rates	**Year 2019**	**Year 2021**
per Decision and Rate Order	EB-2018-0294	EB-2020-0276
Wholesale Market Service Rate (WMS) - not including CBR	$0.0030/kWh	$0.0030/kWh
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$0.0004/kWh	$0.0004/kWh
Rural or Remote Electricity Rate Protection Charge (RRRP)	$0.0005/kWh	$0.0005/kWh

b) The $2,097,956 RSVA Network principal balances in the 2021 application (representing the audited balance as at December 31, 2019) included the 2017-2019 accumulated variances versus the 2021 closing principal balance adjusted for disposition, which consists of the 2021 annual network variance.

Account 1584 RSVA - Network Variances included in disposition	**Closing Principal Balance Dec 31, 2019**	**Closing Principal Balance Dec 31, 2021**
Variance accumulated during Year 2017	$ 796,777	
Variance accumulated during Year 2018	$ 4,465,513	
OEB-Approved Disposition during Year 2019	$ (3,799,265)	
Variance accumulated during Year 2019	$ 634,931	
Variance accumulated during Year 2021		$ 3,229,644
	$ 2,097,956	**$ 3,229,644**

The substantial principal proposed for disposition resulted from the significant increase in paid network charges, while the recovery RTSR rates were not increased at the same pace. The actual network charges invoiced by the IESO in 2021 were 29% higher than the actual charges in 2019. The forecasted RTSR Network wholesale amount used in the rate generator model for the 2021 RTSR Network rates was 25% higher than the amount used for the 2019 rates, and therefore a larger portion of the paid network charges were not recovered from customers.

Network Wholesale Charge - Actual vs Forecast	**2019 ($000s)**	**2021 ($000s)**	**Change ($000s)**	**Change %**
CT 650 Network Service Charge	$ 22,484	$ 29,018	$ 6,534	29%
RTSR Network Forecast Wholesale $	$ 22,274	$ 27,817	$ 5,543	25%

Staff Question-5

Ref 1: Manager's Summary, page 24
Ref 2: GA Analysis Workform, Tab GA 2021

London Hydro stated that it has initiated further analysis of IESO Global Adjustment charges and is not seeking recovery of $665,239 of the principal amount at this time. London Hydro noted that there is the potential that it has been over-allocated Global Adjustment charges on embedded generation by the IESO during 2021.

On Tab GA 2021 and Tab Principal Adjustments of the GA Analysis Workform, London Hydro has referred to this credit of $665,239 as a "potential CT 148 true-up with the IESO" and a "potential over allocated GA on embedded generation."

Questions:

a) Please provide a high level summary regarding the nature of the adjustment, the drivers of the adjustment, and how the $665,239 credit principal adjustment to Account 1589 has been calculated.

b) Please explain whether this issue identified by London Hydro does not impact Account 1588. If it does impact Account 1588, please explain and quantify the impact.

c) Please confirm that London Hydro is not aware of any other issues potentially impacting the Account 1588 and Account 1589 balances being requested for disposition in the current proceeding. If there are other issues, please explain and quantify.

d) Please explain whether London Hydro is seeking interim disposition of the Account 1589 balance (and potentially the Account 1588 balance) in this proceeding, as opposed to final disposition, given that London Hydro has indicated that this amount of a credit of $665,239 is a "potential" CT148 true-up with the IESO.

e) Please provide London Hydro's viewpoint on the interim disposition of Account 1588, due to the interconnectivity between Account 1588 and Account 1589.

f) Please provide London Hydro's viewpoint on the interim disposition of all Group 1 DVAs, in the event that Account 1588 is cleared on an interim basis, given that Account 1588 is part of the Group 1 DVA rate riders.

London Hydro Response

a) Embedded generation and Class A volumes are submitted to the IESO on a monthly basis. London Hydro reviewed its monthly submissions to the IESO and invoices received from the IESO. During this review, it was discovered that behind the meter generation volume were being allocated Global Adjustment costs and that the final billed consumption for Class A customers changed after it was submitted to the IESO. Due to time constraints, the Class A current month consumption report submitted to the IESO is based on the initial meter read information that has not been finalized for billing.

The principal adjustment made by London Hydro in this application was calculated using the Final Global Adjustment published price for each affected month applied to the volume difference. It is an estimate.

The calculated non-RPP portion of the expected CT 148 adjustment is $665,239.

	KWH	CT 148 on difference	RPP Portion	Remained in RSVA GA
Embedded Generation	23,685,609	$ 1,745,561	$ 1,142,785	$ 602,777
Class A consumption	(2,063,028)	$ 181,081	$ 118,619	$ 62,463
		$ 1,926,642	$ 1,261,403	**$ 665,239**

London Hydro has submitted the proposed adjustments to CT 148 to the IESO. The RPP Portion of the revisions that London Hydro will propose to the IESO via RPP Settlement True-Up is dependent on how the IESO processes the adjustments London Hydro has submitted to CT 148. This should be known in mid-December. Once the IESO reflects the CT 148 adjustments on an invoice, London Hydro can determine the RPP portion and make that submission to the IESO. How the IESO processes the RPP portion of the adjustments will not be known, until early 2023.

b) The issue identified by London Hydro is expected to impact Account 1588. The actual amount of the impact can only be calculated once the IESO reflects the CT 148 adjustments London Hydro has submitted on an invoice. (i.e. London Hydro sees how the IESO processes the adjustments.)

c) Confirmed, London Hydro has not identified any additional issues.

d) Given that London Hydro does not know what adjustments the IESO will accept, and if any other accounts will be impacted by the revisions submitted to the IESO. London Hydro updates its request to be for interim disposition of the balances in all Group 1 Accounts.

e) Explained in part d).

f) Explained in part d).

Staff Question- 6

Ref 1: Manager's Summary- Lost Revenue Adjustment Mechanism Variance Account (LRAMVA), page 26

The 2021 CDM Guidelines (section 8) indicates that "Distributors filing an application for 2023 rates should seek disposition of all outstanding LRAMVA balances related to previously established thresholds. Distributors not rebasing for 2023 rates who have complete information on eligible savings (i.e., needing only to account for persistence of savings in future years) may seek a rate adjustment on a prospective basis to address amounts that would otherwise be recorded in the LRAMVA for all years until their next rebasing application." London Hydro also indicates on page 29 of their application that they do not request any lost revenues from CDM programs beyond Year 2021.

Question:

a) Please confirm whether London Hydro is seeking prospective disposition. If not, please provide a rationale as to why.

London Hydro Response

a) London Hydro is not seeking rate adjustments on a prospective basis to address amounts that could otherwise be recorded in the LRAMVA until the next rebasing application.

   The LRAMVA disposition claim in this application consists of all outstanding LRAMVA balances related to previously established thresholds in the 2013 and 2017 cost of service applications. The requested amount includes the lost revenues from the 2020-2021 CDM programs and the prior year program savings persistence into 2020 and 2021.

   London Hydro stated in its 2022 cost of service rate application (EB-2021-0041) that it met most of its CDM plan objectives and believed that no future significant impacts would be realized. The impacts of CDM programs were incorporated into London Hydro's cost of service load forecast. Ref. EB-2021-0041, Exhibit 3, section 3.2.6 CDM Adjustments.