Atikokan Hydro Inc.

OEB Staff Questions

EB-2022-0015

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Please note, Atikokan Hydro Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

**Ref** **(1): 2023 IRM Rate Generator Model**

OEB staff has made the following generic updates in the Rate Generator Model attached:

1. Updated the [IPI Inflation Factor](https://www.oeb.ca/sites/default/files/OEB_ltr_2023_inflation%20updates_20221020.pdf) to 3.70 % in Tab 16 and Tab 17
2. Updated the [Ontario Electricity Rebate](https://www.oeb.ca/newsroom/2022/ontario-energy-board-announces-changes-electricity-prices-households-and-small) in Tab 20 to 11.7% (as of November 1, 2022)
3. Updated the [electricity prices](https://www.oeb.ca/newsroom/2022/ontario-energy-board-announces-changes-electricity-prices-households-and-small) under the RPP in tab 17 and tab 20
4. Applied a 3.70% Inflation Factor for the [Wireline Pole Attachment Charge](https://www.rds.oeb.ca/CMWebDrawer/Record/760272/File/document) and [Retail Service Charges](https://www.rds.oeb.ca/CMWebDrawer/Record/760266/File/document) in Tab 17
5. Updated regulatory charges effective January 1, 2023, for the Wholesale Market Services rate and the Rural or Remote Electricity Rate Protection charge ([EB-2022-0269](https://www.rds.oeb.ca/CMWebDrawer/Record/764059/File/document)) in Tab 17
6. Updated 2023 [Uniform Transmission Rates](https://www.rds.oeb.ca/CMWebDrawer/Record/764048/File/document) and [Host-RTSRs](https://www.rds.oeb.ca/CMWebDrawer/Record/762653/File/document) in Tab 11
7. Updated the Smart Meter Entity (SME) Charge in Tab 17 to $0.42

**Question:** Please confirm the updates in the attached model.

**Staff Question-2**

**Ref (1): 2023 IRM Application, page 24**

**Ref (2): Account 1595 Analysis Work form**

**Question:** Atikokan Hydro is claiming the disposition of its 1595 (2019) account in the balance of $57,056, which appears to be a high residual balance.OEB staff has attached ref 2), the Account 1595 Analysis Work form to be completed by Atikokan Hydro. Please submit the completed work form as part of your responses and provide the explanation regarding the high residual balance specific to the DVA/GA rate riders.

**Staff Question-3**

**Ref (1): 2023 IRM Rate Generator Model, Tab 4. Billing Det. For Def-Var, November 21, 2022**

**Question:** Atikokan Hydro is requesting disposition of Account 1595 (2018) and has populated the percentage allocations by customer class in Tab 4, Column N. These percentage allocations should be derived from the information used to establish the rate riders originally. Please clarify how these percentages were derived and provide reference to previous filings.

**Staff Question-4**

**Ref (1): 2023 IRM Rate Generator Model, tab 8, November 21, 2022**

**Question:** Please complete tab 8 in the rate generator model based on the approved rate base and regulatory income in the last cost of service application.

**Staff Question-5**

**Ref (1): 2023 IRM Rate Generator Model, Tab 3, November 21, 2022**

**Ref (2): 2021 IRM Rate Generator Model, Tab 3, March 25, 2021**

**Ref (3): 2021 IRM GA Analysis Workform, October 26, 2020**

OEB staff notes that no Group 1 DVAs were approved for disposition in Atikokan Hydro’s 2022 IRM proceeding because the disposition threshold had not been exceeded and Atikokan Hydro did not request disposition.

Regarding Accounts 1588 and 1589, OEB staff notes that the opening principal amounts as of January 1, 2020 in the 2023 IRM Rate Generator Model do not reconcile to the closing December 31, 2019 balances in the 2021 IRM Rate Generator Model. There are also immaterial differences in the Accounts 1588 and 1589 respective interest amounts between the two rate generator models.

There are equal and offsetting differences of $50,671 which match the 2019 principal adjustments in the 2021 IRM GA Analysis Workform, specifically an Account 1588 credit principal adjustment of $50,671 and an Account 1589 debit principal adjustment of $50,671. These differences are shown in the Table 1 below.

**Table 1**

**Differences in Accounts 1588 and 1589 Principal Balances**

**Between Rate Generator Models**

|  |  |  |  |
| --- | --- | --- | --- |
| **Account** | **2021 IRM Rate Generator Model** | **2023 IRM Rate Generator Model** | **Difference** |
| **Closing Principal Balance as of Dec 31, 2019** | **Opening Principal Amounts as of Jan 1, 2020** |
| 1588 | (66,736) | (16,064) | (50,672) |
| 1589 | 45,635 | (5,037) | 50,672 |

**Questions:**

1. Please confirm the accuracy of Table 1 that was compiled by OEB staff.
2. If Table 1 is not accurate, please explain, and update Table 1, as applicable.
3. Please update the opening principal amounts as of January 1, 2020 in the 2023 IRM Rate Generator Model to match the closing December 31, 2019 balances in the 2021 IRM Rate Generator Model.
4. In the alternative, please explain why Atikokan Hydro is of the view that no changes are required.

**Staff Question-6**

**Ref (1): Manager’s Summary, November 21, 2022, p. 22**

**Ref (2): 2023 IRM Rate Generator Model, Tab 3, November 21, 2022**

**Ref (3): 2021 IRM GA Analysis Workform, October 26, 2020**

Atikokan Hydro stated that it had a 2019 principal adjustment of a credit of $50,671 to Account 1588. Atikokan Hydro noted that this principal adjustment was previously requested and approved in EB-2020-0004 (its 2021 IRM proceeding), but was recorded in the 2020 general ledger.

OEB staff notes Atikokan Hydro’s 2019 principal adjustments, as shown in the 2021 IRM GA Analysis Workform, are an Account 1588 credit principal adjustment of $50,671 and an Account 1589 debit principal adjustment of $50,671.

OEB staff further notes that in the 2023 IRM Rate Generator Model, Atikokan Hydro has shown the same principal adjustments for 2020 as the 2019 principal adjustments, specifically an Account 1588 credit principal adjustment of $50,671 and an Account 1589 debit principal adjustment of $50,671.

**Questions:**

1. Please confirm that the 2019 Account 1588 credit principal adjustment of $50,671 and the Account 1589 debit principal adjustment of $50,671 were both recorded in the 2020 general ledger.
2. If yes, please explain why these principal adjustments were not reversed as 2020 principal adjustments in the 2023 IRM GA Analysis Workform and Tab 3 of the 2023 IRM Rate Generator Model (i.e., shown as an Account 1588 debit principal adjustment of $50,671 and an Account 1589 credit principal adjustment of $50,671) and instead the same 2019 amounts have been duplicated as 2020 principal adjustments.
3. If no, please explain why not.

**Staff Question-7**

**Ref (1): 2023 IRM Rate Generator Model, Tab 3, November 21, 2022**

**Ref (2): 2023 IRM GA Analysis Workform, November 21, 2022**

In the 2023 IRM Rate Generator Model, regarding 2020 principal adjustments, Atikokan Hydro has shown an Account 1588 credit principal adjustment of $50,671 and an Account 1589 debit principal adjustment of $50,671.

The 2020 Account 1588 credit principal adjustment of $50,671 in the 2023 IRM Rate Generator Model reconciles to the amounts shown in the Account 1588 Reasonability Tab of the 2023 IRM GA Analysis Workform.

No amount relating to these 2020 principal adjustments has been recorded in Tab GA 2020 of the GA Analysis Workform.

However, based on the above OEB staff question, OEB staff notes that the sign of such 2020 principal adjustments currently presented on the record may need to be reversed.

OEB staff also notes that the Tab Principal Adjustments of the 2023 IRM GA Analysis Workform does not have the years inserted in certain cells in column A and column M.

**Questions:**

1. Please confirm that Note 9 of the Tab Principal Adjustments of the GA Analysis Workform needs to be updated to show 2020 principal adjustments of an Account 1588 debit principal adjustment of $50,671 and an Account 1589 credit principal adjustment of $50,671. If confirmed, please update the evidence.
2. If this is not the case, please explain.
3. Please confirm that the 2020 amount shown in the Account 1588 Reasonability Tab of the 2023 IRM GA Analysis Workform needs to be changed from a credit principal adjustment of $50,671 to a debit principal adjustment, and that the “Account 1588 as % of Account 4705”, cell G19, changes from -36.1% to -9.8%.if confirmed, please update the evidence.
4. If this is not the case, please explain.
5. Please confirm that the Tab GA 2020 of the GA Analysis Workform needs to be updated to reflect a credit principal adjustment of $50,671, and that the revised cell C93 (i.e., Unresolved Difference as % of Expected GA Payments to IESO) changes to -6.6% from 0.4%. If confirmed, please update the evidence. Please also explain the unresolved difference of -6.6%.
6. If this is not the case, please explain.
7. In the Tab Principal Adjustments of the 2023 IRM GA Analysis Workform, please insert the years required in certain cells in column A and column M.

**Staff Question-8**

**Ref (1): Manager’s Summary, November 21, 2022, p. 21 & 22**

**Ref (2): 2023 IRM GA Analysis Workform, November 21, 2022**

Atikokan Hydro stated that in review of its 2020 Account 1588 balance relative to the cost of power, an explanation is required with Account 1588 being -36.1% of Account 4705. OEB staff notes that this percentage is shown in the Account 1588 Reasonability Test shown in the GA Analysis Workform, specifically the “Account 1588 as % of Account 4705”, cell G19.

In consideration of line losses, Atikokan Hydro noted that the calculated actual annual line loss has been less than the line loss charged to customers, as per the OEB-approved line loss factor of 1.0945%. Atikokan Hydro stated that this supports that the Account 1588 account contributes to a credit refund to the customer and further provides the explanation and reasoning behind a greater than expected Account 1588 variance balance relative to the annual cost of power.

Atikokan Hydro further suggested that for the year 2021, regarding the Account 1588 Reasonability Test shown in the GA Analysis Workform, the cost of power was -5.2% of Account 4705 (specifically the “Account 1588 as % of Account 4705”, cell G20). Atikokan Hydro noted that this is a result of line losses as explained previously for 2020.

However, OEB staff notes that on Tab GA 2020 and Tab GA 2021 of the GA Analysis Workform in cell K63, the line loss difference shows 0.0000 for 2020 and 0.0001 for 2021.

OEB staff also notes that based on the response to an above OEB staff question, the 2020 amount shown in the Account 1588 Reasonability Tab of the 2023 IRM GA Analysis Workform, specifically the “Account 1588 as % of Account 4705”, cell G19, may change from -36.1% to -9.8%.

**Questions:**

1. Please explain Atikokan Hydro’s suggestions that the -36.1% amount (or if revised to -9.8% based on an OEB staff question) for 2020 and the -5.2% amount for 2021 shown in the Account 1588 Reasonability Tab of the GA Analysis Workform are due to actual line losses being less than OEB-approved, in light of the zero line loss difference shown in cell K63 on Tab GA 2020 and Tab GA 2021 of the GA Analysis Workform.
2. Please confirm that Atikokan Hydro’s approved loss factors allowed for an over-recovery of its 2020 and 2021 energy purchases and since revenue was over-recovered on the incremental losses, the credit amount of these losses is directly attributable to the Account 1588 balance. If this is not the case, please explain.

**Staff Question-9**

**Ref (1): Manager’s Summary, November 21, 2022, p. 14**

Atikokan Hydro stated that it seeks and has calculated for recovery DVA rate riders with a one year (12 month) recovery period, but has calculated and seeks a two year (24 month) recovery period for the rate riders for the disposition of Global Adjustment balances. The two-year recovery period of GA balances is part of the mechanism to mitigate bill increases for customer bill impacts exceeding 10%.

**Questions:**

1. If any changes to the Account 1588 and 1589 balances in this proceeding are required in response to OEB staff’s questions, please explain whether the proposed general DVA rate rider recovery period of 12 months and the GA rate rider recovery period of 24 months need to be changed.
2. If Atikokan Hydro is of the view that no changes are required, please explain.