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.

**Response:** Atikokan confirms the updates.

**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.

**Response:** Atikokan has discussed with OEB staff and the Account 1595 Analysis is not required to be completed.Please refer to pages 24 and 25 of the 2023 IRM Application for tables 12, 13 and 14 for an analysis explaining the high residual balance specific to the DVA/GA rate rider of 1595 (2019).

**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.

**Response:** Atikokan inadvertently rounded the percentage allocations. The original and specific allocations from previous filings were as follows:

**1595 (2018)**

RESIDENTIAL SERVICE CLASSIFICATION 25.0%

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION 13.9%

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION 59.8%

STREET LIGHTING SERVICE CLASSIFICATION 1.3%

**1595 (2019)**

RESIDENTIAL SERVICE CLASSIFICATION 29.4%

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION 16.1%

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION 52.9%

STREET LIGHTING SERVICE CLASSIFICATION 1.5%

The changes have been made to the rate generator on tab 4.

**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.

**Response:** Atikokan has completed tab 8 in the rate generator model. Please note, Atikokan no longer receives the small business credit for tax purposes and will review this further.

**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.

**Response:**

1. Atikokan confirms accuracy of Table 1 compiled by OEB staff.
2. Not applicable, Table 1 compiled by OEB is confirmed accurate.
3. Atikokan has updated 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 Rate Generator Model. Atikokan has further updated the opening interest amounts as of January, 2020 in the 2023 IRM Rate Generator Model to match the closing December 31, 2019 balances in the 2021 IRM Rate Generator Model.
4. Not applicable, changes agreed and changed.

**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.

**Response**

1. Atikokan confirms 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. The principal adjustments were not reversed in the original application of the 2023 IRM Rate Generator Model because Atikokan populated the IRM from the general ledger and 2022 IRM and not the previously approved 2021 IRM which explains and creates the differences noted in Staff Question 5, Table 1.

However, Atikokan has made the applicable changes including the reversal to the Rate Generator as per OEB Staff questions. The revised Rate Generator will be submitted as part of Atikokan response to staff questions.

1. Not applicable.

**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.

**Response:**

1. Confirmed, 2023 GA Analysis workform has been updated for an account 1588 debit principal adjustment of $50,671 and account 1589 credit principal adjustment of $50,671 for the reversal.
2. Not applicable. See response to a)
3. Atikokan confirms the credit principal adjustment shown in the Account 1588 Reasonability Tab of the 2023 IRM GA Analysis Workform needs to be changed to a debit principal adjustment of $50,671.

The credit principal adjustment change to a debit does not change cell C19 from -36.1% to -9.8%. Atikokan also changed cells F19 and F20 which is discussed further below.

1. Cell G19 on Account 1588 Reasonability Tab did not change to -9.8% as predicted by OEB staff with the change in principal adjustment from credit of $(50,671) to debit of $50,671 because cell C19 in the workform also needed to be changed to match transactions column from DVA Continuity and match what was recorded in Atikokan’s 2020 GL.
2. Atikokan confirms that Tab GA 2020 of the GA Analysis Workform needs to be updated to reflect a credit principal of $50,671. The unresolved difference does not change. See next response.
3. The unresolved difference in the Tab GA 2020 Workform did not change after the change of a principal adjustment to a credit from a debit because the adjustment was not included in the C75; net change in principal balance in the GL. Atikokan had updated this as well. The adjustments are timing and do not affect the actual 2020 transactions nor claim totals.
4. Atikokan has updated Tab Principal Adjustment of the 2023 IRM GA Analysis Workform for the year in column A and column M. Atikokan has submitted the GA Analysis Workform with revisions as part of its response to staff questions.

**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.

**Response:**

1. Atikokan has discussed the question further with OEB staff and no further action is required.
2. Atikokan confirms the approved loss factors allowed for an over-recovery of its 2020 and 2021 energy purchases. The actual line losses were less than the OEB approved, contributing to the credit of 1588 balance.

Atikokan further reviewed the Account 1588 Reasonability Tab. In review, it’s been determined that both accounts 1588 and 1589 contain correct variances including correct split of CT 148 in Atikokan’s spreadsheet computations used to calculate the 1588/1589 balances; however, 4705 is understated and 4707 overstated by the same amount because the RPP portion of CT148 was recorded in 4707 and not account 4705. Atikokan has changed cells F19 and F20 in Tab 1588 to show the correct amounts that should have been recorded to 4705. The amended workform is submitted with Atikokan’s responses. As a result of these explanations the impact is lessened of Account 1588’s percentage of Account 4705. The revised Note 7 table from Tab Account 1588 is as follows.



**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.

**Response:**

1. No changes have been made to the Account 1588 and 1589 balances in response to OEB staff questions; therefore, there are no proposed changes to the rate rider recovery periods.
2. No changes are required. While OEB staff noted discrepancies to the opening balances of 2020, it was merely differences in the timing of clerical entries and the period the principal adjustment was approved for. Responses to OEB staff questions did not affect the balances of the accounts as of December 31, 2021; no changes have been made to the total claim numbers of both 1588 and 1589.