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BY EMAIL

February 27, 2023

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

Dear Ms. Marconi:

Re: EB-2022-0053 Application for 2023 Rates

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

North Bay Hydro Distribution Limited's responses to interrogatories are due by March 10, 2023.

Any questions relating to this letter should be directed to Margaret DeFazio at Margaret.DeFazio@obe.ca or at 416-440-7674. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Margaret DeFazio, P.Eng.
Case Manager

Encl.

OEB Staff Interrogatories
North Bay Hydro Distribution Limited (North Bay Hydro Distribution)
EB-2022-0018

Please note, North Bay Hydro Distribution is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories 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*.

OEB Staff-1

Ref: North Bay Rate Zone IRM Rate Generator Model, Tab 11, 17

OEB staff has updated the North Bay Rate Zone IRM rate generator model for the following items:

1. Updated Uniform Transmission Rates per¹ (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates per decision EB-2021-0110² (Sheet 11)
3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge³ (Sheet 17)

Question(s):

- a) Please confirm that the model attached to these interrogatories reflects these updates.

OEB Staff-2

Ref: Espanola Rate Zone IRM Rate Generator Model, Tab 11, 17

OEB staff has updated the Espanola Rate Zone IRM rate generator model for the following items:

1. Updated Uniform Transmission Rates⁴ (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates per decision EB-2021-0110⁵ (Sheet 11)

¹ Decision and Rate Order EB-2022-0250, 2023 Uniform Transmission Rates. [dec_rate_order_2023_UTRs_20221208_signed.PDF](#)

² <https://www.rds.oeb.ca/CMWebDrawer/Record/762653/File/document>

³ [Decision_Order_2023_Regulatory_Charges_20221208.PDF](#)

⁴ Decision and Rate Order EB-2022-0250, 2023 Uniform Transmission Rates. [dec_rate_order_2023_UTRs_20221208_signed.PDF](#)

⁵ <https://www.rds.oeb.ca/CMWebDrawer/Record/762653/File/document>

3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge⁶ (Sheet 17)

Question(s):

- a) Please confirm that the model attached to these interrogatories reflects these updates.

OEB Staff-3

Ref 1: North Bay Hydro 2023 IRM Application, Page 13

Ref 2: Decision and Rate Order, EB-2021-0046, Page 8

Ref 3: Chapter 3 Filing Requirements, 2022 Edition for 2023 Rate Applications, page 11

Ref 4: North Bay Hydro 2023 GA Analysis Workform

Ref 5: EB-2021-0046, North Bay Hydro's Responses to OEB Staff Questions

North Bay Hydro states in Reference 1 that as of 2020, it had completed its review and had applied the new accounting guidance for Accounts 1588 and 1589 for the historical period 2017-2019. North Bay also states that its 2020 and 2021 RRR balances are consistent with the new accounting guidance.

The OEB indicated in Reference 2 that it expects North Bay Hydro to identify and explain any material adjustments resulting from the application of the accounting guidance on Accounts 1588 and 1589 from 2017 onwards in its application for 2023 rates.

Question(s):

- a) Per Reference 3, a distributor is expected to provide a summary of the review performed, a discussion of the results of the review, and whether any systemic issues were noted.
- i. Please provide a summary of the review performed, a discussion of the results of the review, and whether any systemic issues were noted.
 - ii. Please confirm and explain if there is any adjustment or change made to the 2017-2019 review submitted in North Bay Hydro's 2020 rates proceeding.
 - iii. Please explain if there are any changes made to the review methodology from what North Bay Hydro had previously provided in its responses to the staff's interrogatory question in the 2022 IRM application as per reference 5. If so, what are the changes, and why these changes are made.

⁶ [Decision Order 2023 Regulatory Charges 20221208.PDF](#)

- b) OEB Staff finds North Bay Hydro provided the same explanation as in its 2021 IRM application for GA 2017 reconciling item #7 in Reference 4, which states that North Bay Hydro is currently investigating the driving factors, prior to seeking disposition.
 - i. Please confirm the status of the investigation of the 2017 review
 - ii. Please update the explanation for GA 2017 reconciling item #7 in Note 5 accordingly.
- c) In Reference 4, North Bay Hydro identifies reconciling item #6 of a credit amount of \$186,599 in GA 2017 Note 5. The explanation for this reconciling item states that "Dec and July had material variances between 3rd rate at AQEW and actual rate charged. This is presumed Non-RPP share allocated at % of month.". Please clarify what the 3rd rate at AQEW is in the explanation provided for this reconciling item.
- d) Please confirm that all principal adjustments have already been recorded in North Bay Hydro's general ledger of the respective years.

OEB Staff-4

Ref 1: North Bay Hydro 2023 GA Analysis Workform

Ref 2: North Bay Hydro 2023 NBRT IRM Rate Generator Model

OEB staff finds the net change in principal balance in the GL stated in GA 2020 (\$296,276) does not agree to the transactions during 2020 amount of \$269,726 stated in the continuity schedule.

Question(s):

- a) Please explain the discrepancies noted above and update the relevant schedule/model as applicable.

OEB Staff-5

Ref 1: North Bay Hydro 2023 GA Analysis Workform

Ref 2: North Bay Hydro 2023 NBRT IRM Rate Generator Model

Per the Principal Adjustments tab in reference 1, It appears that North Bay Hydro didn't book the 2021 principal adjustments to Accounts 1588 (\$130,949) and 1589 (\$15,515) in the general ledger because that the year recorded in the GL cells for these adjustments are entered as "N/A". OEB staff finds that these adjustments are identified as principal adjustments during 2021 in the continuity schedule in Reference 2.

Question(s):

- a) Please clarify whether the principal adjustments mentioned above are recorded in North Bay Hydro's general ledger. If so, please update the note section of the Principal Adjustment tab in the reference 1. If not, why not.

OEB Staff-6

Ref 1: 2023 ERT IRM Rate Generator Model

Ref 2: Espanola Hydro's 2021 Cost of Service Application, DVA continuity Schedule file at Settlement Proposal, May 10, 2021

Ref 3: Espanola Hydro's 2022 IRM Application, ERHDC_2022-IRM-Rate-Generator-Model_20220218

Per the Decision and Rate Order for its 2022 rate application (EB-2021-0022), Espanola Hydro deferred the disposition of Accounts 1588 and 1589 to investigate potential errors in the DVAs. Espanola rate zone's last final disposal of Accounts 1588 and 1589 was in the 2021 cost of service (CoS) rate application for the 2019 balances. OEB staff notes that for Accounts 1588 and 1589, the 2019 closing balances in the DVA continuity schedule filed in this application do not match the 2019 closing balances in the DVA continuity schedule filed in the 2021 cost of service settlement proposal:

Closing Balance as of Dec 31, 2019			
Account 1588	(Per the DVA continuity Schedule in this application)	(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)	Difference
Principle	373,973	(23,801)	397,773
Interest	(12,469)	(34,911)	22,442
Total	361,504	(58,712)	420,215

Closing Balance as of Dec 31, 2019			
Account 1589	(Per the DVA continuity Schedule in this application)	(Per the DVA continuity Schedule in 2021 CoS settlement Proposal dated May 10, 2021)	Difference
Principle	(208,211)	50,628	(258,839)
Interest	(12,899)	5,117	(18,015)
Total	(221,110)	55,745	(276,854)

Question(s):

- a) Please update the DVA continuity schedule in this application to ensure that the 2019 ending balances for all DVAs match with the 2019 ending balances in Espanola Hydro Hydro's 2021 cost of service DVA continuity schedule for the settlement proposal.
- b) Please address the control issue presented in the preparation of the DVA continuity schedule as OEB staff notes that the variances in the closing balances mentioned above were the same issues discussed in the staff interrogatories for the 2022 rate application where Espanola Hydro had already updated the continuity schedule to match the 2019 ending balances as submitted in the 2021 cost of service DVA continuity schedule.

OEB Staff-7

Ref 1: 2023 ERT GA Analysis Workform

Ref 2: 2023 ERT IRM Rate Generator Model, Tab 3 Continuity Schedule

OEB staff notes that the 2020 principal adjustment of \$72,669 and 2021 principal adjustment of a credit amount of \$94,158 for Account 1588 stated in Reference 1 Note 7 do not agree to the principal adjustment amounts in Reference 1 note 9 which is shown below:

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>		
	1		
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	-	
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals		
	3 Unbilled to actual revenue differences		
	4 GA Unadjusted months allocation correction	94,158	2,021
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	94,158	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	94,158	

OEB staff further notes that the principal adjustments for periods 2020 and 2021 are different from the amounts provided in Reference 2. Below is summary table for the discrepancies.

Account 1588 Principal Adjustments	A. DVA Continuity Schedule	B. Workform (Note 7)	C. Workform (Note 9)	Difference (A-B-C)
2020	(164,681)	72,669	94,158	(331,508)
2021	-	(94,158)	-	94,158
Total	(164,681)	(21,489)	94,158	(237,350)

Question(s):

- Please explain the discrepancies noted above and update the relevant schedule/model as applicable.
- Please provide the reasons beside the line loss differences for the Account 1588 balance being greater than 1% of the Account 14805 balance if the updated Note 7 did not pass the reasonability test.

OEB Staff-8

Ref 1: 2023 ERT IRM Rate Generator Model, Tab 3 Continuity Schedule

Ref 2: 2023 ERT GA Analysis Workform

For Account 1589, OEB staff notes that the 2020 principal adjustment of a credit amount of \$94,158 stated in Reference 2 does not agree with the principal adjustment amount in Reference 1:

Account 1589 Principal Adjustments	DVA Continuity Schedule	Workform (Note 9)	Difference
2020	164,681	(94,158)	258,839

OEB staff further notes that the net change in principal balance in the GL stated in Note 5 GA 2021 (a credit amount of \$25,531) does not match with the 2021 transactions of \$119,255 for Account 1589 stated in Reference 1.

Question(s):

- Please explain the discrepancies noted above for the 2020 principal adjustment and update the relevant schedule/model as applicable.
- Please explain the discrepancies noted above for the 2021 transactions and update the relevant schedule/model as applicable.

OEB Staff-9

Ref 1: North Bay 2023 IRM Application, Section 15, Page 16

Ref 2: North Bay 2023 IRM Application. Appendix O

Ref 3: 2023-ERT_GA_Analysis_Workform_20221123, Note 9

As per Reference 1, North Bay Hydro has completed the review of the potential errors in the invoicing from the Espanola rate zone's host distributor related to GA Deferral charges. North Bay Hydro states that the confusion is related to inconsistencies between provided PDF copies of host distributor invoices and the host distributor's excel invoices. The excel versions were prepopulated with consumption data that was different from the PDF invoice itself (this did not affect the charges as these figures are not formulas). Compounding the confusion was that the excel version combined the GA deferral amounts, while the PDF version did not. The reconciliation of the reference charges is provided by North Bay Hydro in Reference 2.

Question(s):

- a) Please provide the Excel version and the PDF version of the charges from Espanola rate zone's host distributor as mentioned in Reference 2.
 - i. Please demonstrate how the referenced charges are reconciled in Appendix O.
 - ii. Please update the reconciliation as needed.
- b) Please confirm if there is no impact to the GL as per the outcome of the review conducted mentioned in Reference 1. If so, please quantify the impact and update the relevant schedule/model as applicable.

OEB Staff-10

Ref 1: North Bay Hydro Revised Manager's Summary, page 19

Ref 2: Espanola Hydro RRR 2.1.5.6 ROE Filing for 2021

Ref 3: RRR 2.1.5.6 ROE Complete Filing Guide, March 2016

In Reference 1, North Bay Hydro states an error was made in determining the "Appendix 6 PILs Adjustments" which includes PILs expenses recovery of the net impact of Espanola rate zone's prior approved ICM recognition (\$1,095,000 Revenue, \$296,313 Expense, Net \$798,687).

North Bay Hydro further states that the net impact of ICM recognition is a non-taxable event in 2021, it should not have been included in the Appendix 6 PILs adjustments. North Bay Hydro provided in Table 13 below for the summarized calculation for the Espanola rate zone's 2021 ROE:

TABLE 13 – 2.1.5.6 AS FILED

2.1.5.6 - 2021 RRR Filing		
Income		
Reported Net income	1,599,639	
Appendix 1 Adjustments	(1,130,702)	Add
Appendix 2 Adjustments	-	
Appendix 3 Adjustments	44,331	
Appendix 4 Adjustments	247,800	
Unrealized Gains/Losses	(577,075)	
	183,993	
PILs Reported	18,197	Add
Appendix 6 PILs Adjustments	(204,024)	Less
Adjusted Regulated Net Income	406,214	(A)
Rate Base		
WCA	652,262	
Average PP&E	6,089,049	
	6,741,311	
Deemed Equity @ 40%	2,696,524	(B)
ROE	15.06%	(A)/(B)

North Bay Hydro provides Table 14 below which shows the removal of the net ICM impact from income for tax purposes is grouped within line 6 in Schedule 1 from its 2021 tax return for the Espanola rate zone.

TABLE 14 – SCHEDULE 1 – ERT 2021 TAX

Deduct:

Other deductions:

	1 Description 705	2 Amount 395
1	Movement in reg deferred taxes	594,630
2	Actual benefits paid	9,286
3	Accrued future benefit costs	299
4	Interest rate swap mark to market adj	577,075
5	Deferred revenue amortization	11,133
6	Movement in reg assets/liab	1,079,171
7	decrease in regulatory liabilities	260,893
8	other comprehensive income	4,566
	Total of column 2	2,537,053

North Bay Hydro also provides Table 16 below for the Appendix 6 adjustments.

TABLE 16 – APPENDIX 6 Reconciliation

App 6 - Tax Adjustment			
		App 6 Calculated	
	Adjustments	As filed	Revised
PIL's included		18,197	18,197
APP1			
ICM	(798,687)	(211,652)	-
LRAM	(329,270)	(87,257)	(87,257)
CDM	(2,745)	(727)	(727)
APP3	44,331	11,748	11,748
APP4	247,800	65,667	65,667
Tax Adjustment		(204,024)	7,628

North Bay Hydro recalculated the 2021 ROE of 7.22% using the updated tax adjustment figure of \$7,628 in Table 16.

Page 22 of the ROE Guidance per Reference 3 provides the instruction for Current Tax Adjustment required to reconcile to RRR trial balance (Cell fb) on the ROE filing that:

This cell represents the current tax effect of any reconciling items required to balance net income on the AFS to the RRR trial balance. An example would be current taxes associated with non-rate-regulated business income included in the AFS, but not the RRR trial balance. The line item may not be applicable when a distributor does not have non-rate-regulated business.

Question(s):

- a) In Table 13, the reported net income of \$1,599,639 is added or deducted with a number of adjustments to derive the adjusted regulated net income of \$406,214. One of the adjustments is the PILs reported of \$18,197, which is added to the reported net income. Please confirm that the reported net income of \$1,599,639 includes the deduction of the actual PILs reported of \$18,197 and the add-back on the ROE calculation of the PILs reported of \$18,197 basically cancels the impact of the actual PILs reported in 2021 on the 2021 ROE. If not confirmed, please explain how the 2021 actual PILs reported of \$18,197 impact the 2021 ROE for Espanola rate zone.
- b) Please provides a table laying out when and how the PILs for the associated ICM revenues mentioned above are recognized over the years. Please modify the table as needed.

	2014	2015	2016	2017	2018 etc.
ICM rate rider revenues included in the actual tax return					
Actual PILs paid on the ICM revenue on the tax return					

- c) Please provide a breakdown of the line 6 Movement in reg. assets/liab. (\$1,079,171) in Schedule 1 provided in table 14.
- d) In Table 16, please confirm whether the PILs included of \$18,197 has removed the impact of ICM rate rider revenues \$.
- e) Please provide a variance analysis using the lines in the approved revenue requirement work form as approved in Espanola's 2021 cost of service proceeding and Espanola's 2021 actual revenues and expenses with the associated regulatory adjustments.

OEB Staff-11

Ref 1: Espanola Hydro RRR 2.1.5.6 ROE Filing for 2021

Ref 2: North Bay Hydro Revised Manager's Summary, p.19

OEB staff notes that the Espanola rate zone reported total non-rate regulated adjustments of a credit amount of \$1,130,702 in Appendix 1 in Reference 1. This amount is comprised of ICM income of \$798,687 (comprised of \$1,095,000 rate rider revenues net of \$296,313 of depreciation) and LRAMVA rate rider income of \$329,270. The reported tax impact on the total non-rate regulated adjustments as stated in Appendix 6 is a credit amount of \$299,636.

Per Reference 2, North Bay Hydro revised the Appendix 6 PILs adjustments to a debit amount of \$7,628 from a credit amount of \$204,024. The net change of \$ \$211,652 represents the tax impact of the net ICM rate rider income of \$798,687 ($26.5\% \times \$798,687$).

Question(s):

- a) Please confirm:
 - i. If the LRAMVA rate rider revenues are included in the Movement in Reg. Assets/Liab of \$1,079,171 as reported by North Bay Hydro in the "Deductions" section of Schedule 1 from its 2021 tax return for the Espanola rate zone.
 - ii. If there is any LRAMVA revenues pertaining to 2021 should be included in the ROE calculation
- b) If so, please explain why an adjustment similar to the ICM adjustment to the Appendix 6 PILs adjustment is not proposed. If part a above is not confirmed, please explain when and how the PILs for the associated LRAMVA rate rider revenue mentioned above are recognized.
- c) Per the 2021 CoS application, Espanola rate zone's rates were effective May 1, 2021. The 2021 ROE calculated in this application is for the calendar year. Has North Bay Hydro considered using a blended ROE of the prorated 2021 CoS ROE and the previously approved ROE as the approved ROE for 2021?
- d) In the 2021 CoS settlement agreement, rates were effective May 1, 2021, but implemented July 1, 2021. Please confirm if North Bay Hydro has considered the foregone revenue realized in the four months (Jan.- April) from 2022 in its 2021 ROE calculation. If not, why not.
 - i. Please quantify the impact of the four months' forgone revenues collected in 2022 on the 2021 ROE.