



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

**BY EMAIL**

October 13, 2023

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

Dear Ms. Marconi:

**Re: EB-2023-0030 Application for 2024 Rates**

In accordance with Procedural Order No. 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.

Hydro One Networks Inc.'s responses to interrogatories are due by October 27, 2023.

Any questions relating to this letter should be directed to Daniel Kim at [daniel.kim@oeb.ca](mailto:daniel.kim@oeb.ca) or at 416-440-8135. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Daniel Kim  
Distribution Policy & Compliance

Encl.

**OEB Staff Interrogatories  
Hydro One Networks Inc.  
EB-2023-0030**

Please note, Hydro One Networks Inc. (Hydro One) 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*.

**Updated Custom Spreadsheets**

**OEB Staff Question 1**

Upon completing all interrogatories from OEB staff and intervenors, please file an updated set of spreadsheets that reflects the interrogatory responses. Also, provide any applicable updated custom spreadsheets with any corrections or adjustments that Hydro One wishes to make to the pre-filed spreadsheets. Please include documentation of the updates, such as a reference to an interrogatory response or an explanatory note.

**Custom Revenue Cap Index (RCI) Adjustment**

**OEB Staff Question 2**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Table 2 – 2024 Capital Factor, Page 3 of 26**

**Ref 2: Exhibit A, Tab 4, Schedule 1, Table 3 – 2024 Custom RCI by Component (%), Footnote 1, Page 4 of 26**

**Ref 3: EB-2021-0110 *Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022 (JRAP Decision)*, Table 18 – Summary of Revenue Requirement Components for Hydro One Distribution (\$M), page 7 of 11**

Hydro One's Custom RCI is expressed as  $RCI = I - X + C$ , where "I" is the Inflation Factor based on the OEB's two-factor input price index adopted for electricity transmitters and distributors, "X" is the Productivity Factor equal to the sum of Hydro One's custom Industry Total Factor Productivity measure and its custom Stretch Factor, and "C" is Hydro One's Custom Capital Factor, which is designed to recover

incremental revenue each test year to support Hydro One's proposed system plans, but reduced by a Supplemental Stretch Factor on capital<sup>1</sup>.

At the first reference above, "X" is stated as the Productivity Factor, which includes a Stretch Factor.

In the table at the third reference, the JRAP Decision, the Productivity Factor on Capital (Line 9) is shown as (0.45%+0.20%), with 0.45% being the Productivity Factor and 0.20% being the Stretch Factor.

In footnote 3 at the first reference, the Productivity Factor appears to be shown as 0.45%.

At the second reference, it is stated with respect to the Custom Capital Factor that it: "Includes an approved supplemental stretch on capital of 0.20% as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A. The supplemental stretch on capital is included in the 2024 approved Total Capital Related Revenue Requirement as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Table 18, line 9."

- a) In the context of the above observations, please confirm that the calculation of the Capital Factor in the current application is the same as that undertaken in the JRAP Decision and that the Supplemental Stretch Factor 0.20% has been included in the Capital Factor calculation, or if there are any differences, please explain.
- b) Please provide a modified version of "Table 18 – Summary of Revenue Requirement Components for Hydro One Distribution (\$M)", included in the JRAP Decision (Filed: 2022-11-16 EB-2021-0110 Settlement Proposal Page 7 of 11) incorporating an additional column for the 2024 Update calculation shown in Table 2 of the current application. Please provide the same level of detail for the 2024 Update calculations as is provided in the existing columns of this table and include all necessary explanations of the underlying calculations.

---

<sup>1</sup> JRAP Decision, EB-2021-0110, Page 246 of 637.

### **OEB Staff Question 3**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Table 2 – 2024 Capital Factor, Page 3 of 26**

**Ref 2: JRAP Decision, Schedule A, Table 18 – Summary of Revenue Requirement Components for Hydro One Distribution (\$M), page 7 of 11**

In the first reference, Hydro One in Table 2 has used \$1,176.7M for the 2024 Total Capital Related Revenue Requirement (**excluding** working capital and productivity), however, this figure appears to correspond to the 2024 Total Capital Related Revenue Requirement (**including** working capital and productivity) figure from the second reference.

- a) Please confirm the accuracy of the 2024 Capital Related Revenue Requirement (excluding working capital and productivity) figure used in Table 2 and update the Capital Factor, if necessary.

### **Sub Transmission Rates (ST rates) and Retail Service Transmission Rates (RTSRs)**

#### **OEB Staff Question 4**

**Ref: Exhibit A, Tab 4, Schedule 1, Page 19 of 26 and Attachment 6 and 7**

On September 28, 2023, the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One's 2024 proposed ST rates.<sup>2</sup> The OEB determined to use of preliminary UTRs to calculate 2024 RTSRs to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One's proposed host RTSRs.

As stated by Hydro One, it will update and submit the revised 2024 RTSRs, ST rates and corresponding bill impacts once the 2024 UTRs are issued by the OEB, as well as an updated proposed 2024 tariff of rates and schedule.

OEB staff has updated Hydro One's Attachment 7 of its pre-filed evidence with the preliminary UTRs as follows:

---

<sup>2</sup> EB-2023-0222, OEB Letter 2024 Preliminary UTR and Hydro One ST Rates, September 28, 2023.

UTR	Proceeding	Network \$/kW	Line Connection \$/kW	Transformation Connection \$/kW
2024 Jan 1 Preliminary UTR	EB-2023-0222	\$5.76	\$0.95	\$3.21

- a) Please submit a revised Attachment 7 using the 2024 preliminary UTRs, and ST rate calculations (Attachment 6) and the corresponding bill impacts and updated proposed 2024 tariff schedule.
- b) Attachment 7 spreadsheet cell B16 states “IESO Bill”. Please confirm that the figures in this row of the spreadsheet are the current 2023 UTRs applied to 2024 Forecast Transmission Charge Determinants. If not, please provide a description of how these figures are calculated.
- c) Please provide the percentage allocation of the 2024 Forecast Transmission charges that have been allocated to the ST rate class and the non-ST rate classes.
- d) Please confirm that the RTSRs shown for the demand billed customers are to be adjusted by the total loss factor, as approved by the OEB, and applied to non-loss adjusted charge determinants.

**Bill Impacts**

**OEB Staff Question 5**

**Ref: Exhibit A, Tab 4, Schedule 1, Page 22 of 26**

Hydro One noted that as per the JRAP Decision it will continue to apply mitigation credit to the affected acquired unmetered customers to limit their bill impacts to no more than 10%.

- a) Please confirm that as a result of Hydro One’s proposed 2024 distribution rates, that total bill impacts do not exceed the 10% threshold for any unmetered load customers of the acquired utilities.
- b) Please provide an estimate number of affected customers with a total bill impact greater than 10%, based on the 2024 proposed rates and charges.

## Deferral and Variance Accounts (DVA)

### OEB Staff Question 6

**Ref 1: EB-2020-0030, Hydro One Distribution, 2021 Custom IR Update, Decision and Rate Order, December 17, 2020, Revised: February 18, 2021, Page 17 & 18**

**Ref 2: EB-2023-0030, Exhibit A, Tab 4, Schedule 1, Page 13 of 26, August 17, 2023**

**Ref 3: EB-2023-0030, EB-2023-0059, Responses to OEB Staff Questions, Q7, August 29, 2023**

In Hydro One's 2021 Custom IR Update decision, the OEB made the following findings:

...The OEB accepts Hydro One's proposal to adopt the new Accounting Guidance in a modified manner until the OEB otherwise directs Hydro One. **The OEB notes Hydro One's commitment to bring errors identified after disposing of the DVA balances on a final basis, if any, to the OEB's attention** (including any balances allocated to the Acquired rate zones). The OEB further notes that any revisions proposed by Hydro One may be subject to the OEB's October 31, 2019 letter regarding Adjustments to Correct for Errors in Electricity "Pass-Through" Variance Accounts After Disposition. **[emphasis added]**

In the current application, Hydro One stated that it reviewed all related data and processes and ensured alignment with the Accounting Guidance as of January 1, 2021.

On August 28, 2023 questions to Hydro One, OEB staff inquired about Hydro One's review of historical balances in the context of the Accounting Guidance, as well as other matters. In its August 29, 2023 response, Hydro One did not specifically answer OEB staff's questions. OEB staff notes Hydro One's stated viewpoint that "since the accounting guidance was applied on a prospective basis [beginning January 1, 2021], the historical balances approved on a final basis prior to 2021 were not impacted."

OEB staff respectfully requests that Hydro One answer its questions below, given that Hydro One committed in its 2021 Custom IR Update proceeding to bring forward to the OEB errors identified after disposing of the DVA balances on a final basis.

- a) Please confirm that Hydro One's view is that since the Accounting Guidance was applied on a prospective basis (beginning January 1, 2021), the historical balances approved on a final basis prior to 2021 were not impacted. If this is not the case, please explain.

- b) Please explain how Hydro One fulfills the OEB's directive in its 2021 Custom IR decision of "The OEB notes Hydro One's commitment to bring errors identified after disposing of the DVA balances on a final basis, if any, to the OEB's attention", if Hydro One's view is to apply the Accounting Guidance on a prospective basis.
- c) Please elaborate what type of review Hydro One performed, as per Hydro One's statement that "it reviewed all related data and processes and ensured alignment with the Accounting Guidance as of January 1, 2021", also including the review done on balances prior to January 1, 2021.
- d) Please confirm that this review was done for all three rate zones (Hydro One Distribution, Hydro One Orillia, and Hydro One Peterborough). If this is not the case, please explain.
- e) Upon adopting the new Accounting Guidance in a modified manner, please describe which historical balances have been considered in the context of the Accounting Guidance.
- f) Please provide a summary of the review performed, discuss the results of Hydro One's review, whether any systemic issues were noted, and whether any material adjustments to the account balances have been recorded.
- g) Please provide a summary and description of each adjustment made to the balances.
- h) If Hydro One is not able to perform this exercise, please clearly explain why that is the case, and how the application of the Accounting Guidance to historical balances is not a practical exercise Hydro One can undertake.

### **OEB Staff Question 7**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Table 8, Page 13 of 26, August 17, 2023**

**Ref 2: EB-2023-0030 and EB-2023-0059 - Hydro One Responses to OEB Staff Questions, Question #6, August 29, 2023**

**Ref 3: EB-2023-0030 and EB-2023-0059 - Response to OEB Staff Q7 – Excel Illustrative Example, August 29, 2023**

In Table 8 of its pre-filed evidence, as per Reference 1 and as shown below, Hydro One submitted that the following adjustments should be made for both principal and interest relating to Accounts 1588 and 1589:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2021</b>			
<b>Account 1588 – RSVA Power</b>	24,748,877	67,875	24,816,752
<b>Account 1589 – RSVA GA</b>	(24,748,877)	(67,875)	(24,816,752)
<b>2022</b>			
<b>Account 1588 – RSVA Power</b>	20,162,335	756,256	20,918,591
<b>Account 1589 RSVA GA</b>	(20,162,335)	(756,256)	(20,918,591)

In its August 29, 2023 response to OEB staff question #6, Hydro One stated that the invoices issued by Hydro One Distribution to its embedded distributors were correct.

In its August 29, 2023, response to OEB staff question #7, Hydro One provided an Excel spreadsheet example that shows how it settles with the Independent Electricity System Operator (IESO), bills its embedded distributors, and records Retail Settlement Variance Account (RSVA) balances.

- a) Please explain whether the Regulated Price Plan (RPP) portion and non-RPP portion of IESO Global Adjustment (GA) Charge Type (CT) 148 is being split correctly between Account 1588 and Account 1589, respectively. If this is not the case, please explain.
- b) Please explain the accounting for the IESO invoice on the expense side. Please explain whether the credit RPP portion of IESO CT 142 related to GA recorded in Account 1588 offsets the debit RPP portion of IESO GA CT 148 also recorded in Account 1588. If this is not the case, please explain.



- c) Please explain the accounting for the embedded distributor invoice on the revenue side and whether it reverses that described in part b) of this interrogatory. Please explain whether the debit RPP portion of IESO CT 142 related to GA recorded in Account 1588 offsets the credit RPP portion of IESO GA CT 148 also recorded in Account 1588. If this is not the case, please explain.
- d) Please confirm that the issues identified by Hydro One in the current proceeding relate to the following:
- i. For accounting for the IESO invoice on the expense side, Hydro One previously recorded in its general ledger the credit RPP portion of IESO CT 142 related to GA (as per part b) of this interrogatory) as a credit to Account 1589, instead of Account 1588. If this is not the case, please explain.
  - ii. For accounting for the embedded distributor invoice on the revenue side, Hydro One previously recorded in its general ledger the debit RPP portion of IESO CT 142 related to GA (as per part c) of this interrogatory) as a debit to Account 1589, instead of Account 1588. If this is not the case, please explain.
- e) Please confirm whether the adjustments noted in Table 8 of Reference 1 (as shown in this interrogatory preamble) relate only to the impacts described in part c) and part d) ii) of this interrogatory (i.e., on the revenue side only), or explain in more detail what these adjustments relate to.
- f) If confirmation is provided to part e) of this interrogatory, please quantify and explain why Hydro One is proposing to only adjust for the impacts described in part c) and part d) ii) of this interrogatory (i.e., on the revenue side), when it appears that Hydro One also recorded the IESO invoice incorrectly in its general ledger (i.e., on the expense side, as described in part b) and part d) i) of this interrogatory). Please refer to cells Q13 and R13 of the Excel spreadsheet filed by Hydro One on August 29, 2023.
- g) If confirmation is not provided to part e) of this interrogatory is not the case, please quantify and explain any other impacts.
- h) Please quantify the impacts on the annual balances (covering 1) prior to 2021 and 2) 2021 and later) for the issues noted in part d) i) and d) ii) of this interrogatory and propose further adjustments to the Accounts 1588 and 1589 balances.

- i) Please explain whether the invoices issued by the IESO to Hydro One (including the RPP settlements) were incorrect, or whether it was Hydro One's accounting for the IESO invoices in its general ledger that was incorrect. If either of these items were incorrect, please explain the ramifications for Hydro One, its embedded distributors, and/or any other customers.
- j) If there are any other IESO settlement or customer invoice issues that impact the Hydro One Distribution Rate Zone (RZ), Orillia RZ, or the Peterborough RZ, please explain.

### **OEB Staff Question 8**

**Ref 1: EB-2023-0030 and EB-2023-0059, Hydro One Consolidated 2024 Custom IR Models, DVA Continuity Schedule, August 17, 2023**

**Ref 2: EB-2023-0030, Hydro One Distribution 2024 Custom IR Update, DVA Continuity Schedule, August 17, 2023**

**Ref 3: EB-2023-0059, Orillia RZ and Peterborough 2024 IRM Rate Generator Models, Tab 3, Continuity Schedule, August 17, 2023**

**Ref 4: EB-2023-0030 and EB-2023-0059, Allocation of Group 1 DVAs, HONI\_Dx\_Annual Update\_A-04-01-02\_Allocation of Group 1 RSVA Balances\_20230817, August 17, 2023**

OEB staff notes that the December 31, 2020 Group 1 DVA balances that were approved on a final basis in Hydro One Distribution's 2023 Custom IR proceeding were carried forward as the opening January 1, 2021 Group 1 DVA balances in the Hydro One Consolidated 2024 Custom IR models. These balances were carried forward rather than the sum of the December 31, 2020 Group 1 DVA balances that were approved in the Hydro One Distribution 2023 Custom IR DVA Continuity Schedule, the Orillia RZ 2023 IRM Rate Generator Model, and the Peterborough 2023 IRM Rate Generator Model.

OEB staff also notes that certain cells in the in the Hydro One Consolidated 2024 Custom IR models do not equal the sum of those in the showing in the Hydro One Distribution 2024 Custom IR Rate Generator Model, the Orillia RZ 2024 IRM Rate Generator Model, and the Peterborough 2024 IRM Rate Generator Model.

Furthermore, OEB staff notes that some of the Group 1 DVA balance reconciliations at A-4-1-2 (Reference 4) do not match the underlying rate generator models.

- a) Other than Account 1595 (2015) and Account 1595 (2017), please explain why the December 31, 2020 Group 1 DVA balances that were approved on a final basis in Hydro One Distribution’s 2023 Custom IR proceeding were carried forward as the opening January 1, 2021 Group 1 DVA balances in the Hydro One Consolidated 2024 Custom IR models. These balances were carried forward rather than the sum of the December 31, 2020 Group 1 DVA balances that were approved in the Hydro One Distribution 2023 Custom IR DVA Continuity Schedule, the Orillia RZ 2023 IRM Rate Generator Model, and the Peterborough 2023 IRM Rate Generator Model.

Please update the evidence as required.

- b) Please explain why certain cells in the in the Hydro One Consolidated 2024 Custom IR models do not equal the sum of those in the showing in the Hydro One Distribution 2024 Custom IR Update Rate Generator Model, the Orillia RZ 2024 IRM Rate Generator Model, and the Peterborough 2024 IRM Rate Generator Model.

For example, for Account 1586 Transactions Debit / (Credit) during 2021, there is a difference of approximately \$0.8 million.

**OEB Staff Table 1 – Differences in Account 1586 Balances**

Account 1586 Transactions Debit / (Credit) during 2021					
Hydro One Distribution	Hydro One Orillia	Hydro One Peterborough	Sum of Three Rate Zones OEB Staff Calculations	Hydro One Consolidated Hydro One Calculations	Difference
(12,235,298)	(227,379)	21,486	(12,441,191)	(11,680,603)	(760,588)

- c) Please explain whether Hydro One agrees with OEB staff’s calculations and values in OEB Staff Table 1 and update as required. Please also review all of the models and numbers again (and not solely those described in OEB Staff Table 1) and update the evidence as required.

- d) Please explain why some of the Group 1 DVA balance reconciliations at A-4-1-2 (Reference 4) do not match the underlying rate generator models.

For example, for Account 1586 Transactions Debit / (Credit) during 2021, there is a difference of approximately \$14.9 million.

**OEB Staff Table 2 – Further Differences in Account 1586 Balances**

Account 1586 Reconciliations at A-4-1-2						
January 1, 2021 to May 31, 2021			June 1, 2021 to December 31, 2021			Total
Hydro One Distribution	Hydro One Orillia	Hydro One Peterborough	Hydro One Distribution	Hydro One Orillia	Hydro One Peterborough	
(21,745,318)	1,698	706,939	(5,344,269)	(44,302)	(109,640)	(26,534,892)
OEB Staff Comparison of Account 1586 A-4-1-2 to Hydro One Consolidated 2024 Custom IR Update Model						
Hydro One Consolidated OEB Staff Calculations	Hydro One Consolidated Hydro One Calculations	Difference				
(26,534,892)	(11,680,603)	(14,854,289)				

- e) Please explain whether Hydro One agrees with OEB staff's calculations and values in OEB Staff Table 2 and update as required. Please also review all of the models and numbers again (and not solely those described in OEB Staff Table 2) and update the evidence as required.
- f) Please provide a qualitative high-level description as to how the calculations in the Allocation of Group 1 DVAs spreadsheet at Reference 4 work and how they relate to the DVA Continuity Schedules filed in EB-2023-0030 and EB-2023-0059.

- g) Please explain why the sum of the Account 1595 balances in column AP of the Hydro One Consolidated 2024 Custom IR model of a debit of \$27,174,373 does not match the December 31, 2022 RRR 2.1.7 balance of a credit of \$65,113,145.

### **OEB Staff Question 9**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Page 13 of 26, August 17, 2023**

**Ref 2: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, Tab GA 2022, Tab Account 1588, August 17, 2023**

At Reference 1, Hydro One noted that the GA Analysis Workform for Hydro One's consolidated Account 1588 and 1589 balances has been provided to support the reasonability of these account balances. The reasonability of the threshold test for Accounts 1588 and 1589 is determined on a consolidated basis.

At Reference 2, Hydro One indicated the 2021 and 2022 consolidated Account 1589 balances are reasonable, as the "Unresolved Difference as % of Expected GA Payments to IESO" are within +/-1%, as per Tab GA 2021 and Tab GA 2022 of the GA Analysis Workform.

Hydro One indicated the 2021 and 2022 consolidated Account 1588 balances are reasonable, as the "Account 1588 as % of Account 4705" are generally around +/-1%, as per Tab Account 1588 of the GA Analysis Workform.

- a) The reasonability tests of the thresholds mentioned above are determined on a consolidated basis. Please provide what would be the result of these Account 1588 and Account 1589 reasonability tests on an individual basis for the Orillia RZ, Peterborough RZ, and the Distribution RZ.

### **OEB Staff Question 10**

**Ref 1: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, Tab Account 1588, August 17, 2023**

**Ref 2: EB-2023-0030, Hydro One Distribution 2024 Custom IR Update Model, DVA Continuity Schedule**

**Ref 3: EB-2020-0030, 2021 Custom IR Update, Hydro One Distribution Consolidated DVA Continuity Schedule, November 26, 2020 (Ex 1-1 - Hydro One Consolidated Continuity Schedule RSVA balances\_20201126)**

**Account 1588**

***Tab 1588 Reasonability of the GA Analysis Workform (Reference 1)***

Transactions (\$49,883,247)

***DVA Continuity Schedule (Reference 2)***

Hydro One Consolidated 2024 Custom IR Update model  
Transactions Debit / (Credit) during 2021 (\$37,083,615)  
Less: 2021 OEB-Approved Disposition \$12,799,633  
Net Balance (\$49,883,248)

**Account 1589**

***Tab GA 2021 of the GA Analysis Workform (Reference 1)***

Net Change in Principal Balance in the GL \$48,738,566

***DVA Continuity Schedule (Reference 2)***

Hydro One Consolidated 2024 Custom IR Update model  
Transactions Debit / (Credit) during 2021 \$16,298,778  
Less: 2021 OEB-Approved Disposition during 2021 (\$32,439,788)\*  
Net Balance \$48,738,566

\*Note that Hydro One has shown an OEB-approved disposition balance as per the 2021 Custom IR Update proceeding of a credit of \$32,197,076 in Tab GA 2021 of the GA Analysis Workform, when the OEB-approved amount was a credit of \$32,439,788. There is an immaterial difference of a credit of \$242,712.

- a) For transactions during 2021, please explain why Hydro One has shown the “Transactions” of a credit of \$49,883,247 and “Net Change in Principal Balance in the GL” of a debit of \$48,738,566, in Tab 1588 Reasonability and Tab GA 2021, respectively.
- b) Please address why Hydro One has recorded the amounts noted in part a) of this interrogatory after subtracting the 2021 OEB-approved disposition balances, when the DVA amounts approved by the OEB are recorded in separate columns of the DVA continuity schedule.
- c) Please confirm that there has been double counting of these OEB-approved disposition amounts. Please correct the evidence that shows that the OEB-approved dispositions have been incorrectly classified in the GA Analysis

Workform, specifically in Tab GA 2021 and Tab Account 1588 Reasonability. These amounts should only be in the “OEB-Approved Disposition During 2021” columns in the 2024 Custom IR Update HONI Consolidated DVA continuity schedule and not in the “Transactions Debit / (Credit) during 2021” column, nor reflected in Tab GA 2021 and Tab Account 1588 Reasonability of the GA Analysis Workform.

- d) After the evidence is corrected in response to these questions and other interrogatories, if large percentages (i.e., greater than +/-1%) in Tab GA 2021, Tab GA 2022, and Account 1588 Reasonability in the GA Analysis Workform remain, specifically the “Account 1588 as % of Account 4705” for Account 1588 and the “Unresolved Difference as % of Expected GA Payments to IESO” for Account 1589, please explain.
- e) Please confirm that the correct OEB-approved amount for Account 1589 was a credit of \$32,439,788 on a consolidated basis, as per the 2021 Custom IR Update proceeding, rather than the credit of \$32,197,076 shown in Tab GA 2021 of the GA Analysis Workform. If required, please update the evidence.

### **OEB Staff Question 11**

**Ref 1: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, GA 2022, Tab Account 1588, August 17, 2023**

**Ref 2: EB-2023-0030 and EB-2023-0059, Orillia RZ and Peterborough 2024 IRM Rate Generator Models, Hydro One Distribution 2024 Custom IR Update models, DVA Continuity Schedules, August 17, 2023**

**Ref 3: EB-2021-0110, Exhibit I, Tab 1, Schedule G-Staff-312 (OEB Staff Interrogatory #312), November 29, 2021**

**Ref 4: EB-2020-0030, Exhibit I, Tab 1, Schedule 11 (OEB Staff Interrogatory #11), October 30, 2020**

Other than two principal adjustments listed below, OEB staff has noted that the principal adjustments / reconciling items on Tab GA 2021 and Tab GA 2022 are not shown on the Principal Adjustments tab of the GA Analysis Workform. These amounts are also not carried forward to the DVA Continuity Schedules of the 2024 rate models (as per Reference #2).

The two principal adjustments are listed below that are shown as principal adjustments on Tab Principal Adjustments of the GA Analysis Workform and the DVA Continuity Schedule:

1. For 2021, debit Account 1588 and credit Account 1589 by \$24,748,877
2. For 2022, debit Account 1588 and credit Account 1589 by \$20,162,335

In an interrogatory response in Hydro One Distribution's 2023 Custom IR proceeding (Reference 3), Hydro One stated that the disposition balances in the DVA Continuity Schedules are anchored to audited balances. Hydro One noted that the GA Analysis Workform true-up calculations are based on a high-level estimate only; its purpose is to help validate the reasonableness of the balance recorded in Account 1589. Since it is a high-level estimation only, Hydro One does not believe it is appropriate to include it as part of the year-end disposition balance.

Hydro One further echoed the same statements in response to an interrogatory in its 2021 Custom IR Update proceeding.

- a) Please confirm that Hydro One is of the view that other than the two principal adjustments noted in the preamble, no principal adjustments / reconciling items on Tab GA 2021 and Tab GA 2022 should be shown on the Principal Adjustments tab of the GA Analysis Workform (nor in the DVA Continuity Schedules of the rate generator models) because Hydro One prefers to dispose of audited balances.
- b) If this is not the case, please explain.
- c) Please explain why Hydro One is proposing to reflect only the above-noted two principal adjustments (i.e., using only a select approach), as opposed to including all relevant principal adjustments in the Principal Adjustments tab of the GA Analysis Workform and the DVA Continuity Schedules.
- d) Please explain whether Hydro One would consider including all relevant principal adjustments in the Principal Adjustments tab of the GA Analysis Workform and the DVA Continuity Schedules in the current proceedings (EB-2023-0030 and EB-2023-0059), to be consistent with other electricity distributors. If not, please explain why not.



## **OEB Staff Question 12**

**Ref 1: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, Tab GA 2022, Tab Account 1588, August 17, 2023**

In the GA Analysis Workform, OEB staff notes that Hydro One has not completed the reconciliation of the calculated loss factor to the “Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000kW.”

- a) Please complete the reconciliation noted in the preamble to this interrogatory.
- b) Please explain any significant differences in the cell titled “Difference” for Tab GA 2021 and Tab GA 2022.

## **OEB Staff Question 13**

**Ref 1: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, Tab GA 2022, Tab Account 1588, August 17, 2023**

In the GA Analysis Workform, there was a reconciling item in Tab GA 2021 of a debit of \$14,165,558. There was a reconciling item in Tab GA 2022 of a credit of \$1,753,652.

Both of these amounts were explained by Hydro One as follows:

*Retail Billed Rate: to calculate Line Loss, the Retail Sales volume should not be anchored to the weighted average Cost rate; it should be anchored to the monthly Actual GA rate.*

- a) Please provide a high-level analysis to explain the above-noted debit of \$14,165,558 and the credit of \$1,753,652.
- b) Please provide more context regarding Hydro One’s above-noted explanation including what Hydro One means regarding the weighted average cost rate and how Hydro One calculates the weighted average.

## **OEB Staff Question 14**

**Ref 1: EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2022, August 17, 2023**

**Ref 2: EB-2023-0030 and EB-2023-0059 - Hydro One Responses to OEB Staff Questions, August 29, 2023, Question #3**

**Ref 3: EB-2023-0030, Hydro One Distribution 2024 Custom IR Update models, DVA Continuity Schedules, August 17, 2023**

**Ref 4: EB-2022-0057, Oshawa PUC Networks Inc, Decision and Rate Order, December 8, 2022, p. 8 & 9**

In the GA Analysis Workform, Tab GA 2022, a debit of \$3,178,045 is recorded which relates to a “pricing calculation error in the 2021 GA Rate Rider setup resulted in \$3.17M GA liability to be disposed in future.”

In its August 29, 2023 response to OEB staff questions, Hydro One confirmed that for Hydro One Distribution it had transferred a credit of \$3.2 million to Account 1589 from Account 1595 (2021) in the 2022 transactions portion of the DVA Continuity Schedule. This \$3.2 million amount was not refunded to Hydro One’s customers as part of its 2021 Custom IR Update rate riders,<sup>3</sup> due to incorrect billing determinants used in the 2021 Custom IR Update proceeding.

OEB staff notes that there is a similar precedent in a 2023 IRM case where the OEB approved a sub-account of Account 1595 to be refunded only to non-RPP customers (as opposed to all customers), as it was global adjustment in nature. This precedent involves 2023 IRM Oshawa PUC Networks Inc.

- a) Please explain whether Hydro One would be agreeable to transfer the credit of \$3.2 million recorded in the Account 1589 2022 transactions portion of the DVA Continuity Schedule to Account 1595 (2021). In Hydro One’s response, please also address the prior OEB precedent outlined in the above preamble.
- b) If Hydro One agrees with the above approach (i.e., the past OEB precedent), please update the evidence, including the DVA Continuity Schedule and the GA Analysis Workform.
- c) If Hydro One would not be agreeable, please explain.

---

<sup>3</sup> EB-2020-0030

## **OEB Staff Question 15**

**Ref 1: EB-2023-0030, Hydro One Distribution 2024 Custom IR Update model, DVA Continuity Schedule, August 17, 2023**

**Ref 2: EB-2021-0110, Hydro One Distribution 2023 Custom IR, DVA Continuity Schedule, November 16, 2022 (HONI\_JRAP\_Settlement Proposal\_Attachment Update\_Attachment 2\_Schedule 6.0\_20221116, Tab 2a. Continuity Schedule)**

**Ref 3: EB-2017-0049, Hydro One Distribution 2018 Custom IR, Decision and Order, March 7, 2019, p. 168**

**Ref 4: EB-2017-0049, Hydro One Distribution 2018 Custom IR, Draft Rate Order, Page 18, April 5, 2019, p. 18, Table 7**

Regarding Account 1595, Disposition and Recovery/Refund of Regulatory Balances (2019) – HONI, OEB staff notes that the January 1, 2021 opening balance at Reference 1 of a debit of \$9,024,717 for principal and a credit of \$3,523,712 for interest reconciles to the closing December 31, 2020 balances at Reference 2.

However, at Reference 2, Account 1595 (2019) – HONI cell F34 (principal) and cell K34 (interest) does not show the OEB-approved balance relating to the 2019 rate year (i.e., OEB-Approved Disposition during 2019).

OEB staff notes that a credit balance of \$52.6 million was approved for disposition in Hydro One Distribution's 2018 Custom IR decision. This amount was updated to a credit of \$54.5 million in the draft rate order.

- a) Please confirm that Account 1595 (2019) – HONI relates to DVAs approved for disposition in Hydro One Distribution's 2018 Custom IR application, as the decision and order was issued on March 7, 2019 and the draft rate order was issued on April 5, 2019. If this is not the case, please explain.
- b) For Account 1595 (2019) – HONI, please provide a new spreadsheet that shows activity from January 1, 2019 to December 31, 2020 similar to the columns shown at the Reference 2 spreadsheet (i.e., column D through column W of Reference 2).
- c) In the new spreadsheet, please show the OEB-approved balance relating to the 2018 rate year that was approved in 2019 (i.e., OEB-Approved Disposition during 2019) for both principal and interest, as well as any other cells that need to be updated. Please also reference to the appropriate evidence in the Hydro One Distribution 2018 Custom IR proceeding.

- d) If the January 1, 2021 opening balance of Account 1595 (2019) – HONI at Reference 1 of a debit of \$9,024,717 for principal and a credit of \$3,523,712 for interest needs to be modified, please update the Reference 1 spreadsheet and any other related evidence.

### **OEB Staff Question 16**

**Ref 1: EB-2023-0059, Exhibit A, Tab 2, Schedule 1, Page 5 of 8, August 17, 2023**

**Ref 2: EB-2023-0030, Exhibit A, Tab 2, Schedule 1, Page 3 of 4, August 17, 2023**

**Ref 3: Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service, December 15, 2022, page 66 & 67**

Hydro One has requested that the OEB's rate order for this proceeding be effective January 1, 2024, for each of the Hydro One Distribution, Orillia, and Peterborough rate zones.

In order to address the possibility that the requested rate order cannot be made effective by that time, Hydro One requested an interim rate order making its current distribution rates and charges effective on an interim basis as of January 1, 2024. Hydro One also requested the approval of a Foregone Revenue Deferral Account to recover any differences between the interim rates and final rates effective January 1, 2024, based on the OEB's decision and order.

OEB staff notes that in certain previous proceedings,<sup>4</sup> the OEB has approved a rate rider to capture forgone revenue resulting from an implementation date for approved new rates that were subsequent to the effective date of such rates, rather than establishing a DVA to capture such impacts.

- a) Please provide Hydro One's viewpoint regarding the use of foregone revenue rate riders rather than the establishment of a deferral account to capture the foregone revenue.
- b) If Hydro One prefers the deferral account treatment, please provide the following for each of Hydro One Distribution and Orillia/Peterborough:
- i. A draft accounting order for this new DVA.

---

<sup>4</sup> For example, EB-2021-0016, E.L.K. Energy Inc., Decision and Rate Order, June 30, 2022, p. 5

- ii. Discussion on the causation, materiality, and prudence criteria required when requesting the establishment of a new DVA, in accordance with the OEB's direction in its filing requirements.

### **OEB Staff Question 17**

#### **Ref: EB-2023-0030 and EB-2023-0059, Orillia RZ and Peterborough 2024 IRM Rate Generator Models, Hydro One Distribution 2024 Custom IR Update models, DVA Continuity Schedules, August 17, 2023**

On September 12, 2023, the OEB published the 2023 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.

- a) Please update all DVA Continuity Schedules of the EB-2023-0030 and EB-2023-0059 rate generator models as necessary to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.