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BY EMAIL

October 18, 2023

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

Dear Ms. Marconi:

Re: EB-2023 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 November 1, 2023.

Any questions relating to this letter should be directed to Kelli Benincasa at Kelli.Benincasa@oeb.ca or at 416-440-7624. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Kelli Benincasa

Kelli Benincasa
Incentive Rate Setting & Regulatory Accounting

Encl.

**OEB Staff Interrogatories
Hydro One Networks Inc.
EB-2023-0059**

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*.

OEB Staff Question 1

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 2

Ref 1: EB-2023-0030, 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:

Table 8 - Reclassification Adjustments for Hydro One Distribution's Embedded Distributors (\$M)			
	Principal	Interest	Total
2021			
Account 1588 – RSVA Power	24,748,877	67,875	24,816,752
Account 1589 – RSVA GA	(24,748,877)	(67,875)	(24,816,752)
2022			
Account 1588 – RSVA Power	20,162,335	756,256	20,918,591
Account 1589 RSVA GA	(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, 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 3

Ref 1: EB-2022-0040, 2023 IRM Decision and Order (Hydro One Orillia and Peterborough), December 8, 2022, page 14

Ref 2: EB-2022-0040, 2023 IRM Hydro One Orillia and Peterborough, Draft Rate Order, Table 2, December 13, 2022, page 5

Ref 3: EB-2022-0040, 2023 IRM, Exhibit I, Tab 1, Schedule 5, (OEB Staff Interrogatory #5), October 12, 2022

Ref 4: EB-2023-0059, Peterborough 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023

Ref 5: EB-2023-0059, Exhibit A, Tab 4, Schedule 1, Page 15, August 17, 2023

In the 2023 IRM Decision and Order relating to the Hydro One Peterborough rate zone, the OEB determined that Account 1589 should be reduced by 30%, as “a reasonable buffer against the risk of an overcharge to ratepayers.” The OEB also noted a “concern about potential inaccuracy of the balances.”

In the 2023 IRM draft rate order, Hydro One applied a 30% reduction to the Peterborough rate zone December 31, 2020 claim for Account 1589. The calculated reduction was \$814,315.

In an interrogatory response, Hydro One confirmed that the Orillia rate zone and Peterborough rate zone variances accumulated in the accounts post-integration (i.e., post June 1, 2021) comply with the Accounting Guidance (related to Accounts 1588 and 1589). Hydro One further noted that previous Peterborough and Orillia staff continued to perform the accounting for the commodity accounts between the acquisition date and the integration date of June 1, 2021.

Hydro One stated it does not have all the detailed principal transaction data from the pre-integration period to confirm that the pre-integration commodity balances of the former utilities complied with the Accounting Guidance.

Hydro One also noted that in EB-2019-0061, Orillia Power confirmed that they implemented the Accounting Guidance in processes retroactive to January 2019 and applied the guidance in the context of 2017 and 2018 historical balances. Hydro One stated that it is not aware of a similar confirmation for Peterborough.

Notwithstanding the above, in the current application for the Orillia rate zone and the Peterborough rate zone, Hydro One confirmed that it has implemented the new Accounting Guidance in a modified manner since January 1, 2021 on a prospective basis.

- a) OEB staff notes that the “Transactions Debit / (Credit) during 2021” in the 2024 IRM model for the Peterborough rate zone is a debit of \$916,768 for Account 1588 and a credit of \$895,668 for Account 1589. For each of Account 1588 and Account 1589, please break down these amounts between two periods:
 - i. January 1, 2021 to May 31, 2021
 - ii. June 1, 2021 to December 31, 2021
- b) Please provide the calculations and the dollar amount equal to a reduction of 30% to Account 1588 and Account 1589 covering the period January 1, 2021 to May 31, 2021, if debit balances are calculated in part a) i) above.
- c) Please provide the calculations and the dollar amount equal to an additional credit refund of 30% of Account 1588 and Account 1589 covering the period January 1, 2021 to May 31, 2021, if credit balances are calculated in part a) i) above.
- d) OEB staff notes the OEB’s concerns with the Peterborough rate zone’s Account 1589 December 31, 2020 balance and its ordered 30% reduction of this balance in the 2023 IRM decision.

Please explain Hydro One's view if the OEB orders either a further reduction of 30% to Account 1588 and Account 1589 (in the event of a debit balance) covering the period January 1, 2021 to May 31, 2021, or an additional credit refund of 30% of Account 1588 and Account 1589 for the same period (in the event of a credit balance), given that Hydro One is unable to confirm that Peterborough has implemented the Accounting Guidance for that period.

- e) If Hydro One disagrees with a potential further reduction of 30% to Account 1588 and Account 1589 (in the event of a debit balance) covering the period January 1, 2021 to May 31, 2021, or an additional credit refund of 30% of Account 1588 and Account 1589 for the same period (in the event of a credit balance), please explain and also propose alternative remedies to protect the interest of ratepayers.

OEB Staff Question 4

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 5

Ref 1: EB-2023-0059, Orillia 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023

Ref 2: EB-2022-0040, 2023 IRM Application model, Orillia rate zone, August 3, 2022 (HONI_OPDC_PDI_Appendix E-2_20220803)

Ref 3: EB-2023-0059, Peterborough 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023

Ref 4: EB-2022-0040, 2023 IRM Application model, Peterborough rate zone, August 3, 2022, (HONI_OPDC_PDI_Appendix F-2_20220803)

OEB staff notes discrepancies between the 2021 principal transactions for Accounts 1588 and 1589 between Hydro One’s 2023 IRM application and 2024 IRM application for both the Orillia rate zone and Peterborough rate zone. These discrepancies are noted below in OEB Staff Table 3 and OEB Staff Table 4.

OEB staff notes immaterial differences for 2021 interest amounts related to the above-noted accounts and filings with the OEB.

**OEB Staff Table 3 – Orillia Rate Zone Discrepancies –
Accounts 1588 and 1589**

						Transactions Debit / (Credit) during 2021	
						Account 1588	Account 1589
Orillia Rate Zone							
HONI_OP_A-04-01-03_2024 IRM Model – Orillia RZ_20230817						634,155	(956,972)
HONI_OPDC_PDI_Appendix E-2_20220803						514,435	(775,081)
Differences						119,719	(181,890)

**OEB Staff Table 4 – Peterborough Rate Zone Discrepancies –
Accounts 1588 and 1589**

	Transactions Debit / (Credit) during 2021	
	Account 1588	Account 1589
Peterborough Rate Zone		
HONI_OP_A-04-01-04_2024 IRM Model - Peterborough RZ_20230817	916,768	(895,668)
HONI_OPDC_PDI_Appendix F-2_20220803	619,299	(1,295,751)
Differences	297,469	400,083

- a) Please confirm that Hydro One agrees with the values and calculations shown in OEB Staff Table 3 and OEB Staff Table 4.
- b) If Hydro One does not agree, please explain and update OEB Staff Table 3 and OEB Staff Table 4, as applicable.
- c) Please explain the differences in these tables and update the 2024 IRM evidence as required.

OEB Staff Question 6

**Ref 1: EB-2023-0030, Exhibit A, Tab 4, Schedule 1, Page 13 of 26, August 17, 2023;
EB-2023-0059, Exhibit A, Tab 4, Schedule 1, Page 15 of 34**

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.

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 7

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	<u>(\$49,883,247)</u>
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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	<u>\$12,799,633</u>
Net Balance	<u>(\$49,883,248)</u>

Account 1589

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

Net Change in Principal Balance in the GL	<u>\$48,738,566</u>
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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	<u>(\$32,439,788)*</u>
Net Balance	<u>\$48,738,566</u>

*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 8

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 9

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 10

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 11

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,¹ 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.

¹ EB-2020-0030

OEB staff also notes that although this interrogatory relates to primarily to Hydro One Distribution, it also impacts items such as the GA Analysis Workform which is consolidated across the Hydro One Distribution RZ, Orillia RZ, and Peterborough RZ.

- 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.

OEB Staff Question 12

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,² the OEB has approved a rate rider to capture forgone revenue resulting from an implementation date for approved

² For example, EB-2021-0016, E.L.K. Energy Inc., Decision and Rate Order, June 30, 2022, p. 5

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.
 - 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 13

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.

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%.

OEB Staff Question 14

Ref 1: Manager's Summary, Exhibit A, Tab 4, Section 2.2.4, p.8 - 9

Ref 2: Manager's Summary, Exhibit A, Tab 4, Section 3.3, p.22

On page 8, Hydro One noted that it integrated its previously embedded delivery point for its Orillia and Peterborough rate zones on June 1, 2021 and deregistered the delivery point meters. In reference 2, Hydro One further noted that the host and embedded distributor transactions between Hydro One and the Orillia and Peterborough rate zones were eliminated after the integration, so the actual volumes and LV costs for each rate

zone are not available and Hydro One is no longer able to issue LV expense invoices to its former embedded distributors.

On page 8 and 9, Hydro One noted that it reclassified post-integration cost of power LV revenues, recovered from Orillia and Peterborough customers to Sub-transmission revenue for Hydro One. This reclassification was processed in July 2022, resulting in a direct allocation of LV amounts to each rate zone, which will continue until the next rebasing decision.

Question(s):

- a) Please state if Hydro One agrees that LV service rates constitute a distribution rate.
- b) Please explain why Hydro One eliminated the delivery point meters prior to rate harmonization.
- c) Please state how many meters were deregistered and describe the distribution system, including connection points, for each of the two rate zones.
- d) Please provide the work order to deregister these meters.
- e) Please describe how Hydro One intended to track the variance between the LV service rates collected from Orillia and Peterborough customers and the cost for this service without the necessary metering data to establish the LV expenses to these rate zones.
- f) Please confirm that the reclassification of LV revenues to Sub-transmission revenues was completed prior to the OEB allowing LV service rate updates as part of an incentive rate-setting application.
- g) Please provide the decision or rate order that allowed Hydro One to reclassify revenues from Orillia and Peterborough customers as described.
- h) Please provide a cost estimate for reinstating these meters.

OEB Staff Question 15

Ref 3: Decision and Rate Orders (EB-2018-0270 and EB-2018-0242), p. 9

As part of the MAADs proceedings (EB-2018-0270 and EB-2018-0242), the OEB found that:

The OEB accepts the preliminary calculation for the Year 11 revenue requirement and agrees that it is appropriate to update the cost of capital, tax rates and LV Charges at the end of the deferred rebasing period.

Question:

Please explain why Hydro One is requesting to update the LV charge for Orillia and Peterborough customers in year 4 of its rebasing period, giving its commitment to update the LV charge in year 11 and its current rate freeze.

OEB Staff Question 16

Ref: Manager's Summary, Exhibit A, Tab 4, Section 2.2.3, p.8

Hydro One noted that prior to the reclassification, it was able to directly assign LV costs to Orillia and Peterborough following integration on June 1, 2021.

Question:

- a) Please describe Hydro One's direct allocation methodology.
- b) If the allocation methodology is dependent on any measure of energy or demand usage by Orillia and Peterborough, please describe how the energy or demand measures were derived.
- c) If the allocation methodology is not dependent on demand usage by Orillia and Peterborough, please explain how it reflects cost causation.

OEB Staff Question 17

Ref: Manager's Summary, Exhibit A, Tab 4, Section 2.2.4, p.8

Hydro One notes that the delivery point meters for Orillia and Peterborough rate zones were deregistered, and the associated host and embedded distributor transactions were eliminated.

Question(s):

- a) Please provide monthly metering data for the last calendar year available as well as the last year of LV expense invoice issue to Orillia and Peterborough prior to deregistering the meters.
- b) As a scenario, please estimate the LV charges that would result from using wholesale metering data from part a) with current 2023 ST rates to estimate expense, and RRR data from the same year as part a) as the billing determinants to derive rates.
- c) Please provide a table for each rate zone, showing the data for each delivery point over a five-year period prior to the deregistration of the meter. Please provide a column showing the average consumption data for each delivery point.

OEB Staff Question 18

Ref 1: Manager's Summary, Exhibit A, Tab 4, Section 3.3, p. 22-23

Ref 2: Orillia Rate Generator, Tab 16.1 and Peterborough Rate Generator, Tab 16.1

On page 22, Hydro One noted that due to the elimination of the former embedded delivery points, actual volumes and LV costs for each rate zone are not available. Tables 9 and 10 on page 23 show an average monthly billing quantity of 21,327 kW for Orillia and 81,868 kW for Peterborough.

The LV expenses provided in the Rate Generator models (Tab 16.1) are based on Hydro One's 2023 Sub-transmission rates and the average monthly billing volumes used to establish the current LV Service Rates in the respective cost of service procedural for each rate zone.

Question(s):

- a) Please confirm that the volumes used are based on average monthly billing quantities from the rate zones' last Cost of Service application in 2010 and 2013, respectively.
- b) Please provide a load forecast estimating 2024 load data for each rate zone using a geomean methodology.
- c) Please provide variance analysis and explain why it would be appropriate to set LV service rates for Orillia and Peterborough's customers based on 2010 and 2013 data.
- d) Please compare the volumes shown in Tables 9 and 10 with the last five years of historical volume data for each of the former embedded distributor.

OEB Staff Question 19

Ref 1: 2024 IRM Rate Generator Model Orillia RZ, Continuity Schedule, Tab 3

Ref 2: Orillia RZ IRM Rate Generator – DVA Tabs Instructions - 2024 Rates

Ref 3: OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.
2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.
3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
- b) If this balance is not applicable, please explain.

OEB Staff Question 20

Ref: Rate Generator Model, Tab 3, Continuity Schedule

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.

Question:

Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

OEB Staff Question 21

Ref: 2024 IRM Rate Generator, Tab 11, 15 and 20

On September 28, 2023 the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates.³ The OEB determined to use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) 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 Network Inc.'s proposed host RTSRs.⁴ Any further updates to Hydro One's proposed host RTSR will be reflected in the final rate generator.

OEB staff has updated LDC's rate generator with the preliminary UTRs and proposed host RTSR by HONI as follows:

UTRs

Uniform Transmission Rates	Unit	2022		2023		2024
Rate Description		Jan to Mar	Apr to Dec	Jan to Jun	Jul to Dec	Rate
Network Service Rate	KW	\$ 5.13	\$ 5.46	\$ 5.60	\$ 5.37	\$ 5.76
Line Connection Service Rate	KW	\$ 0.88	\$ 0.88	\$ 0.92	\$ 0.88	\$ 0.95
Transformation Connection Service Rate	KW	\$ 2.81	\$ 2.81	\$ 3.10	\$ 2.98	\$ 3.21

Hydro One Sub-Transmission Rates

Hydro One Sub-Transmission Rates	Unit	2022		2023		2024
Rate Description		Rate	Rate	Rate	Rate	Rate
Network Service Rate	KW	\$ 4.3473	\$ 4.6545	\$ 4.5778	\$ 4.5778	\$ 4.5778
Line Connection Service Rate	KW	\$ 0.6788	\$ 0.6056	\$ 0.6056	\$ 0.6056	\$ 0.6056
Transformation Connection Service Rate	KW	\$ 2.3267	\$ 2.8924	\$ 3.0673	\$ 3.0673	\$ 3.0673
Both Line and Transformation Connection Service Rate	KW	\$ 3.0055	\$ 3.4980	\$ 3.6729	\$ 3.6729	\$ 3.6729

Question: Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

³ OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

⁴ EB-2023-0030, Hydro One's 2024 Custom IR Annual Update Application

OEB Staff Question 22

Kindly describe your experience and provide any feedback related to the IRM online platform as well as the over-all process.

OEB Staff Question 23

Ref 1: Orillia Rate Generator, Tab 16.1 and Peterborough Rate Generator, Tab 16.1
Ref 2: Managers Summary Pg 23, Table 9 and 10

Peterborough Rate Zone

MONTH	DESCRIPTION	SERVICE POINT	KW	RATE
	Service Charge	Peterborough		824.2800
	Facility Charge for connection to Comm	Peterborough	34,010.00	1.5442
	Rate Rider for Disposition of Group 1 D	Peterborough	81,868.00	-0.1340
	Rate Rider for Disposition of Group 2 D	Peterborough	81,868.00	-0.0072
Total				

Orillia Rate Zone

MONTH	DESCRIPTION	SERVICE POINT	KW	RATE
	Service Charge	Orillia		824.2800
	Facility Charge for connection to Comm	Orillia	34,010.00	1.5442
	Rate Rider for Disposition of Group 1 D	Orillia	34,010.00	-0.1340
	Rate Rider for Disposition of Group 2 D	Orillia	34,010.00	-0.0072
Total				

Table 9 - Estimated Historical LV Expenses for Orillia RZ (\$)

Hydro One Distribution ST Charge	Monthly Billing Quantity	2018	2019	2020	2021	2022
Service Charge	4	23,642	26,231	26,851	27,972	29,423
Common ST Lines	21,327 kW	308,439	369,400	380,149	392,459	414,801
Total		332,082	395,631	407,000	420,431	444,224

Table 10 - Estimated Historical LV Expenses for Peterborough RZ (\$)

Hydro One Distribution ST Charge	Monthly Billing Quantity	2018	2019	2020	2021	2022
Service Charge	8	47,285	52,461	53,702	55,943	58,845
Common ST Lines	81,868 kW	1,184,012	1,418,024	1,459,286	1,506,540	1,592,306
Total		1,231,297	1,470,485	1,512,988	1,562,483	1,651,151

- a) Please explain why the August Peterborough kW is 34,010 row 85 and not 81,868, as stated in the Managers Summary. Please update if the kW is incorrect.
- b) Please explain why the April Orilla kW is 34,010 rows 53-55 and not 21,327, as stated in the Managers Summary. Please update if the kW is incorrect.