

**OEB Staff Interrogatories
Enova Power Corp.
EB-2023-0015**

Please note, Enova Power Corp. 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 is aware that Waterloo North Hydro Inc. and Kitchener-Wilmot Hydro have amalgamated and incorporated under the name Enova Power Corp. For the purposes of interrogatories, former Waterloo North Hydro Inc. is referred to as Enova-WNH and former Kitchener-Wilmot Hydro is referred to as Enova-Kitchener-Wilmot.

Staff Question-1

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:

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

Updated for both Rate Generators

Staff Question-2

Ref: 2024 IRM Rate Generator, Tab 11, 15 and 2

On September 28, the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates.¹ 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.

OEB staff has updated Enova's rate generator for each rate zone with the preliminary UTRs/and proposed host RTSR by HONI as follows:

UTRs

Uniform Transmission Rates		Unit	2022 Jan to Mar		2022 Apr to Dec		2023 Jan to Jun		2023 Jul to Dec		2024	
Rate Description			Rate				Rate				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	
Network Service Rate	kW	\$	4.3473	\$	4.6545	\$	4.5778	
Line Connection Service Rate	kW	\$	0.6788	\$	0.6056	\$	0.6056	
Transformation Connection Service Rate	kW	\$	2.3267	\$	2.8924	\$	3.0673	
Both Line and Transformation Connection Service Rate	kW	\$	3.0055	\$	3.4980	\$	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.

Confirmed for both Rate Generators

¹ OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

Staff Questions-3

Ref 1: Manager's Summary, pages 19 & 20, August 18, 2023

Ref 2: EB-2022-0006, Kitchener-Wilmot Hydro Inc., Waterloo North Hydro Inc., Decision and Order, June 28, 2022, p. 32

Enova Power stated that as per the EB-2022-0006 decision relating to the merger of KWHI and WNHI, the effective date of Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes is January 1, 2023.

Enova Power has provided Table 11 in its application which demonstrates the value of the assets beginning in September 2022. Table 11 also shows the forecasted balance of a credit of \$423,824 as at December 31, 2023 in Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

Question(s):

- a) Please explain why Enova Power has calculated the forecasted balance Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes with a September 1, 2022 start date, as opposed to a January 1, 2023 start date, given the OEB EB-2022-0006 decision.

Enova Power began operations as one company effective September 1, 2022. Although the Decision gives a January 1st, 2023 start date for the account, Enova merged its capital and depreciation policies on September 1st, 2022. Therefore, there are cumulative differences in the account beginning September 1, 2022. A new table with a start date of January 1, 2023 is presented in the answer to part f) of this question.

- b) Please explain why there are no capital additions forecasted for the 2023 calendar year (i.e., to December 31, 2023) which should show cumulative differences between the WNHI net property, plant and equipment (PP&E) under the pre-merger capitalization policy and its net PP&E under the post-merger capitalization policy.

There are capital additions. Due to the capitalization policies being merged on September 1st, 2022, there are no cumulative differences. The capital additions

of legacy Waterloo North Hydro are the same as Enova Power. As can be seen below, adding the capital additions to the table does not change the results.

	2022	2023
PP& E Values assuming Previous WNHI Accounting Policies Continued		
Opening net PP&E - September 1, 2022	233,629,346	240,977,479
Actual and Estimated Capital Additions - Sept - Dec 2022, Jan - Dec 2023	10,975,793	20,000,000
Depreciation - Sept - Dec 2022 and Jan - Dec 2023	3,627,659	10,599,389
Closing Net PP&E - December 31, 2022	240,977,479	250,378,090
PP& E Values assuming adoption of KWHI Accounting Policies		
Opening net PP&E - September 1, 2022	233,629,346	241,000,252
Actual and Estimated Capital Additions - Sept - Dec 2022, Jan - Dec 2023	10,975,793	20,000,000
Depreciation - Sept - Dec 2022 and Jan - Dec 2023	3,604,886	10,221,112
Closing Net PP&E - December 31, 2022	241,000,252	250,779,141
Difference in Closing PP&E	(22,773)	(401,051)
Variance Account 1508 -Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes		
Opening Balance	-	(22,773)
Amount added manually	(22,773)	(401,051)
Closing Balance in deferral account	(22,773)	(423,824)

- c) Please confirm that the 2023 depreciation should also show cumulative differences between the WNHI net PP&E under the pre-merger depreciation policy and its net PP&E under the post-merger depreciation policy.

Confirmed. The 2023 depreciation is calculated both ways – using the legacy WNHI depreciation policy and using the Enova Power depreciation policy.

- d) Please confirm that depreciation has been forecasted to December 31, 2023.

Confirmed

- e) Please explain why the 2022 depreciation amounts in Table 11 are different (as opposed to the same values), given that the start date of the DVA is January 1, 2023, as per the OEB EB-2022-0006 decision.

The depreciation amounts are different because the change in depreciation policy started September 1, 2022, with the merger of the two companies. The results of Table 11 in the original Application show the capital assets of WNHI being depreciated using the newly adopted useful lives starting September 1, 2022.

- f) Please update Table 11 as applicable to reflect all of the above questions, including showing a revised December 31, 2023 forecasted balance in Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

The table below shows the results starting January 1, 2023. The opening balances are different since the depreciation policy change started September 1, 2022.

	2023
PP& E Values assuming Previous WNHI Accounting Policies Continued	
Opening net PP&E - January 1	240,977,479
Estimated Additions 2023	20,000,000
Depreciation - 2023	<u>10,599,389</u>
Closing Net PP&E - December 31	250,378,090
PP& E Values assuming adoption of KWHI Accounting Policies	
Opening net PP&E - January 1	241,000,252
Estimated Additions 2023	20,000,000
Depreciation - 2023	<u>10,221,112</u>
Closing Net PP&E - December 31	250,779,141
Difference in Closing PP&E	(401,051)
Variance Account 1508 -Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes	
Opening Balance January 1, 2023	-
Amount added manually	<u>(401,051)</u>
Closing Balance in deferral account	(401,051)

Staff Questions-4

Ref 1: EB-2022-0006, Kitchener-Wilmot Hydro Inc., Waterloo North Hydro Inc., Accounting Order, July 28, 2022

Ref 2: EB-2022-0006, Kitchener-Wilmot Hydro Inc., Waterloo North Hydro Inc., Decision and Order, June 28, 2022, p. 32

Ref 3: Manager's Summary, pages 19 & 20, August 18, 2023

The OEB's EB-2022-0006 Accounting Order required Enova Power to establish and use Account 1508 Other Regulatory Assets, sub account Impact of Post-Merger Accounting Policy Changes to record the cumulative difference between WNHI net PP&E under the pre-merger capitalization policy and pre-merger depreciation policy and its net PP&E under the post-merger capitalization policy and post-merger depreciation policy.

In its EB-2022-0006 decision and order, the OEB determined that the account will only reflect changes of WNHI adopting KWHI's accounting policies (including depreciation estimates) and not capture impacts from both legacy distributors.

Enova Power noted that all new assets are adopting Enova Power's capitalization policy which is the same as the legacy utilities.

Question(s):

- a) Please confirm that the PP&E amounts recorded in Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes relate to PP&E of the former WNHI and not both WNHI and KWHI.

Confirmed

- b) Please explain at a high level the drivers and the nature of significant amounts recorded in Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

In evaluating the differences between legacy WNHI and legacy KWHI policies, major differences show up in the estimated useful lives. As an example, legacy WNHI depreciated poles over 45 years, but legacy KWHI depreciated the same asset over 40 years. Enova Power will depreciate these poles over 40 years resulting in a higher depreciation expense for Enova Power on its legacy WNHI

pole assets. The list of major contributors to the balance of the 1508 account with the estimated useful life used by each legacy WNHI and Enova Power are listed below:

		WNH	Enova Power
		Useful Life	
1830 Poles, Towers and Fixtures	561,308	45	40
1835 Overhead Conductors and Devices	(866,923)	15-45	25-60
1845 Underground Conductors and Devices	(496,666)	35	40
1908 Building and Fixtures	(269,293)	15-60	15-50
1930 Transportation Equipment	581,687	5-15	8-10
Others	<u>66,062</u>	various	various
	<u>(423,824)</u>		

- c) Please update Table 11 as applicable to reflect all of the above questions, including showing a revised December 31, 2023 forecasted balance in Account 1508 – Other Regulatory Assets, Sub-Account Impact of Post-Merger Accounting Policy Changes.

n/a

Staff Question-5

Ref 1: 2024 WNRZ IRM Rate Generator, Tab 1, Information Sheet

Ref 2: 2024 WNRZ IRM Rate Generator, Tab 16.1, 16.2

Ref 3: 2024 WNRZ IRM Rate Generator, Tab 11, Row 44& 59

Ref 4: 2024 ENOVA Application, Low Voltage Service Rates, Page 16

In WNRZ Rate Generator's information sheet, Waterloo North Rate Zone is selected as "Transmission Connected".

Tab 16.1- LV Expense shows that WNRZ is connected to different service points with different low voltage rates.

Question:

- a) Please explain the reason why WNRZ selected Transmission Connected while charged by Low Voltage Rates.

WNRZ is both Transmission Connected through its four transformer stations and is embedded to three distributors – Hydro One, Grandbridge Energy and Enova Power.

- b) Please provide a description of ENOVA's system, explaining how WNRZ and KWRZ are embedded within each other as well as different host distributors.

Prior to the merger, WNHI and KWHI operated as two distinct utilities. When KWHI last filed its Cost of Service (EB-2019-0049), it allocated costs to the Embedded Distributor class – WNHI. Since the former KWHI collects these costs through rates from WNHI, it cannot discontinue this rate class until Enova Power rebases in 2033.

As per the EB-2022-0006, Decision and Order, June 28, 2022, p. 28:

The OEB accepts the Applicants' explanation as to why the host/embedded distributor relationship will need to continue until their next rebasing application, as the rates charged by Kitchener-Wilmot Hydro were determined at its last cost of service application, based on an allocation of costs.

- c) Please confirm if the host distributor for 3567 Nafziger Rd, Fountain St N, Elmira, and Pentland respectively belongs to the former Kitchener Hydro, Energy+, Hydro One legacy rate zones and Hydro One.

The host distributors are as follows:

3567 Nafziger Rd,	Enova Power (formerly Kitchener-Wilmot Hydro)
Fountain St N,	Grandbridge Energy (formerly Energy +)
Elmira	Hydro One
Pentland	Hydro One

- d) ENOVA states in the application that the IRM rate generator for WNRZ did not correctly calculate the Low Voltage Service rate for the GS>50 rate class. OEB staff has updated the rate generator. Please confirm the updated LV rates are correct in the attached WNRZ model.

Confirmed

Staff Question-6

Ref 1: 2024 WNRZ IRM Rate Generator, Tab 3, Continuity Schedule

Ref 2: 2024 KWRZ IRM Rate Generator, Tab 3, Continuity Schedule

OEB staff has compiled tables below comparing WNRZ and KWRZ's continuity balances from the 2023 rate application and the 2024 rate application.

LDC NAME	Enova Power_WN						
Account Descriptions	Account Number	From 2023 Rate Application		From 2024 filed application		Staff Calculation	
		Closing Principal Balance as of Dec 31, 2021	Closing Interest Amounts as of Dec 31, 2021	Opening Principal Amounts as of Jan 1, 2022	Opening Interest Amounts as of Jan 1, 2022	Principal variance Between Closing Balance as of Dec 31, 2021 and Opening Balance as of Jan 1, 2022	Interest variance Between Closing Balance as of Dec 31, 2021 and Opening Balance as of Jan 1, 2022
LV Variance Account	1550	354,943	3,958	354,943	3,958	0	0
Smart Metering Entity Charge Variance Account	1551	(36,286)	190	(36,286)	190	0	0
RSVA - Wholesale Market Service Charge5	1580	498,269	(4,084)	498,269	(4,084)	0	0
Variance WMS – Sub-account CBR Class A5	1580	0	0	0	0	0	0
Variance WMS – Sub-account CBR Class B5	1580	(339,776)	0	(339,776)	0	0	0
RSVA - Retail Transmission Network Charge	1584	2,236,864	(891)	2,236,864	(891)	0	0
RSVA - Retail Transmission Connection Charge	1586	(508,835)	(4,450)	(508,835)	(4,450)	0	0
RSVA - Power4	1588	(1,214,250)	(20,225)	(1,214,250)	(20,225)	0	0
RSVA - Global Adjustment4	1589	(2,178,429)	(112,993)	(2,178,429)	(112,993)	0	0
Disposition and Recovery/Refund of Regulatory Balances (2009)3	1595	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2016 and pre-2016)3	1595	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2017)3	1595	(39,743)	141,719	0	0	39,743	(141,719)
Disposition and Recovery/Refund of Regulatory Balances (2018)3	1595	60,545	(62,426)	0	0	(60,545)	62,426
Disposition and Recovery/Refund of Regulatory Balances (2019)3	1595	1,459,900	(1,455,220)	0	0	(1,459,900)	1,455,220
Disposition and Recovery/Refund of Regulatory Balances (2020)3	1595	153,321	(114,403)	153,321	(114,403)	0	0
Disposition and Recovery/Refund of Regulatory Balances (2021)3	1595	(32,367)	(100,012)	(32,367)	(100,012)	0	0

LDC NAME	Enova Power_KW							
Account Descriptions	Account Number	From 2023 Rate Application		From 2024 filed application		Staff Calculation		
		Closing Principal Balance as of Dec 31, 2021	Closing Interest Amounts as of Dec 31, 2021	Opening Principal Amounts as of Jan 1, 2022	Opening Interest Amounts as of Jan 1, 2022	Principal variance Between Closing Balance as of Dec 31, 2021 and Opening Balance as of Jan 1, 2022	Interest variance Between Closing Balance as of Dec 31, 2021 and Opening Balance as of Jan 1, 2022	
LV Variance Account	1550	0	0	0	0	0	0	
Smart Metering Entity Charge Variance Account	1551	(58,273)	(5)	(58,273)	(5)	0	0	
RSVA - Wholesale Market Service Charge5	1580	507,594	(3,301)	507,594	(3,301)	0	0	
Variance WMS – Sub-account CBR Class A5	1580	0	0	0	0	0	0	
Variance WMS – Sub-account CBR Class B5	1580	(301,422)	(1,293)	(301,422)	(1,293)	0	0	
RSVA – Retail Transmission Network Charge	1584	8,694,181	9,275	8,694,181	9,275	0	0	
RSVA – Retail Transmission Connection Charge	1586	(131,208)	(1,216)	(131,208)	(1,216)	0	0	
RSVA - Power4	1588	3,553	(957)	3,553	(957)	0	0	
RSVA - Global Adjustment4	1589	(70,165)	3,574	(70,165)	3,574	0	0	
Disposition and Recovery/Refund of Regulatory Balances (2009)3	1595	0	0	0	0	0	0	
Disposition and Recovery/Refund of Regulatory Balances (2016 and pre-2016)3	1595	0	0	0	0	0	0	
Disposition and Recovery/Refund of Regulatory Balances (2017)3	1595	0	0	0	0	0	0	
Disposition and Recovery/Refund of Regulatory Balances (2018)3	1595	963,659	(145,072)	0	0	(963,659)	145,072	
Disposition and Recovery/Refund of Regulatory Balances (2019)3	1595	102,109	(23,641)	0	0	(102,109)	23,641	
Disposition and Recovery/Refund of Regulatory Balances (2020)3	1595	(132,838)	42,244	(132,838)	42,244	0	0	
Disposition and Recovery/Refund of Regulatory Balances (2021)3	1595	(79,751)	125,526	(79,751)	125,526	0	0	

Questions:

- a) Please explain the difference in WNRZ's Account 1595 (2017), Account 1595 (2018), and Account 1595 (2019) between the two IRM applications.

Account 1595 (2017), 1595 (2018) and 1595 (2019) balances were not available to be completed in the 2024 IRM Rate Generator due to these lines being hidden and the spreadsheet being locked. Account 1595 (2017) was disposed in the 2020 IRM rate application (EB-2019-0071). Accounts 1595 (2018) and 1595 (2019) were disposed in the 2023 IRM rate application (EB-2022-0067). Enova

Power is not requesting disposition of these accounts as they have been previously disposed.

- b) Please explain the difference in WNRZ's Account 1595 (2018), and Account 1595 (2019) between the two IRM applications.

Assuming that this question refers to KWRZ.

Account 1595 (2018) and 1595 (2019) were not available to be completed in the 2024 IRM Rate Generator due to these lines being hidden and the spreadsheet being locked. Both of these accounts were disposed in the 2023 IRM rate application (EB-2022-0045). Enova Power is not requesting disposition of these accounts as they have been previously disposed.