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BY EMAIL AND RESS

November 1, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2023-0059 – Hydro One Networks Inc. 2024 Rate Application for the areas formerly served by Orillia Power Distribution Corporation and Peterborough Distribution Inc. – Interrogatory Responses

In accordance with OEB's Procedural Order No. 1 issued October 16, 2023, please find attached an electronic copy of the responses provided by Hydro One Networks Inc. (Hydro One) to the interrogatory questions posed by Ontario Energy Board (OEB) Staff.

As I am away between October 27th and November 10th inclusive, I kindly request that all matters pertaining to this Application be directed to Kathleen Burke (Kathleen.Burke@HydroOne.com) or Raman Dhillon (Raman.Dhillon@HydroOne.com) during my absence.

An electronic copy of these responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

Elise Andrey

cc. Kathleen Burke
Raman Dhillon

OEB STAFF INTERROGATORY - 01

Reference:

1. EB-2020-0030, Hydro One Distribution, 2021 Custom IR Update, Decision and Rate Order, December 17, 2020, Revised: February 18, 2021, Page 17 & 1
2. EB-2023-0030, Exhibit A - 4 -1, Page 13 of 26, August 17, 2023
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.

Interrogatory:

- 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.

Response:

a) Confirmed.

b) As noted in part a) above, Hydro One confirms that there were no errors identified in relation to the previously approved and disposed balances as a result of the reclassifications between Accounts 1588 and 1589 as stated in the EB-2023-0030 Application,¹ including the DVA balances disposed on a final basis in the 2021 Custom IR proceeding (EB-2020-0030) and the DVA balances disposed on a final basis in the 2023-2027 Custom IR Application (EB-2021-0110). As such, Hydro One has not identified any errors to report to the OEB in regards to changes to its DVA balances that were disposed on a final basis.

c) Hydro One reviewed all related data and processes to ensure alignment with the Accounting Guidance as of January 1, 2021, including:

- a detailed transaction-level review of all the customer billing including embedded local distribution company (eLDC) and revenue general ledger (GL) recordings;
- a detailed transaction-level review of IESO invoice settlements for Hydro One Distribution including the eLDC components;
- an assessment of the monthly/quarterly/yearly review and control processes to align with the Accounting Guidance; and
- a validation exercise to ensure that all billing system generated reports used for the IESO Regulated Price Plan (RPP) settlement calculation are aligned with the Accounting Guidance.

No further review was performed for pre-2021 balances, for the following reasons:

- the pre-2021 RPP settlement methodology was audited by the OEB and determined to result in reasonable balances that were disposed on a final basis;²
- pre-2021 balances underwent thorough monthly reviews and adhered to Hydro One's control processes; and
- Hydro One did not identify any systemic errors from the past transactions.

d) Confirmed, a review was performed on a consolidated basis which included all three rate zones.

e) Upon adopting the new Accounting Guidance in a modified manner, no historical balances for the pre-2021 period have been considered in the context of the

¹ Application Summary, EB-2023-0030, Section 3.4.

² "Inspection of the Compliance of the RPP Settlement Process and Assessment of the DVA Allocation Methodology for the Acquired Utilities in 2015 and 2016", March 4, 2019; and Decision and Rate Order, EB-2020-0030, December 17, 2020, revised February 18, 2021, pp. 20-21

Accounting Guidance. In its Decision for 2021 rates in EB-2020-0030, the OEB had agreed that it was appropriate for Hydro One to implement the Accounting Guidance prospectively.³

- f) Please see response to part c) for a summary of the reviews and internal controls performed to date.

For the account balances disposed on a final basis as of December 31, 2020, Hydro One has not identified any systemic errors.

In early 2023, Hydro One identified a systemic issue with the eLDCs' settlement process for the post-January 1, 2021 period. To address this issue, Hydro One performed reclassification adjustments to the 2021 and 2022 principal balances as described in EB-2023-0030, Exhibit A-04-01, Section 3.4.2 and Staff Interrogatory 2 of this proceeding.

- g) Please refer to Staff Interrogatory 2 for more details on the proposed principal adjustments associated with eLDC settlement errors for the post January 1, 2021 period.

- h) Not applicable. As noted in response to part e) above, the OEB audited Hydro One's methodology at the time. In its EB-2020-0030 Decision, the OEB agreed that it was appropriate for Hydro One to implement the Accounting Guidance prospectively as of January 1, 2021, as the changes to the current IT framework (to implement the new Accounting Guidance) could be costly and can only be applied on a prospective basis.⁴

³ Decision and Rate Order, EB-2020-0030, December 17, 2020, revised February 18, 2021, p. 17

⁴ Ibid

OEB STAFF INTERROGATORY - 02

Reference:

1. EB-2023-0030, Exhibit A-4-8, Page 13 of 26, August 17, 2023
2. EB-2023-0030 and EB-2023-0059 - Hydro One Responses to OEB Staff Questions, Question #6, August 29, 2023
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.

Interrogatory:

- 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.

- 1 g) If confirmation is not provided to part e) of this interrogatory, please quantify and
2 explain any other impacts.
3
- 4 h) Please quantify the impacts on the annual balances (covering 1) prior to 2021 and 2)
5 2021 and later) for the issues noted in part d) i) and d) ii) of this interrogatory and
6 propose further adjustments to the Accounts 1588 and 1589 balances.
7
- 8 i) Please explain whether the invoices issued by the IESO to Hydro One (including the
9 RPP settlements) were incorrect, or whether it was Hydro One's accounting for the
10 IESO invoices in its general ledger that was incorrect. If either of these items were
11 incorrect, please explain the ramifications for Hydro One, its embedded distributors,
12 and/or any other customers.
13
- 14 j) If there are any other IESO settlement or customer invoice issues that impact the
15 Hydro One Distribution Rate Zone (RZ), Orillia RZ, or the Peterborough RZ, please
16 explain.
17

18 **Response:**

- 19 a) As per the OEB's Accounting Guidance, the RPP portion and non-RPP portion of IESO
20 GA charge type 148 is correctly split between Account 1588 and 1589 based on
21 estimated accrued RPP vs. Non-RPP customer retail loss adjusted consumptions.
22
- 23 b) The credit RPP portion of IESO CT 142 related to GA recorded in Account 1588 offsets
24 the debit RPP portion of IESO GA CT 148, which are both recorded into Account 1588
25 starting January 1, 2021.
26
- 27 c) In early 2023, Hydro One identified that the debit RPP portion of IESO CT 142 related
28 to GA (for embedded distributors only) was incorrectly recorded in Account 1589 in
29 2021 and 2022. This error was corrected on the revenue side going back to January
30 1, 2021, such that it reverses the credit RPP portion of IESO CT 142 related to GA on
31 the expense side. After the correction, the debit RPP portion of IESO CT 142 related
32 to GA invoiced to embedded distributors is correctly recorded to Account 1588, which
33 offsets the credit RPP portion of IESO GA CT 148 also recorded in Account 1588.
34
- 35 d)
- 36 i. Not confirmed. To account for the IESO invoice on the expense side, Hydro One
37 has been correctly recording in its general ledger the credit RPP portion of IESO
38 CT 142 related to GA as a credit to Account 1588. There were no errors on the
39 expense side.
- 40 ii. Confirmed.

1 e) Confirmed.

2
3 f) As discussed in part d) ii. above, Hydro One recorded the IESO invoice correctly in its
4 general ledger on the expense side. It adjusted the impacts on the revenue side in
5 order to reclassify the embedded distributors' RPP declaration amounts related to the
6 GA portion to commodity revenue.

7
8 In the Excel spreadsheet filed by Hydro One on August 29, 2023, rows 10 to 15
9 (including cells Q13 and R13) provide an illustration of the accounting process Hydro
10 One followed before adopting the OEB's Accounting Guidance beginning January 1,
11 2021. Rows 24 to 35 provide an overview of Hydro One's actual implementation of the
12 Accounting Guidance and the reclassification adjustments related to the revenue side.

13
14 g) Not applicable.

15
16 h) The impacts on the annual balances covering the post 2021 period are confirmed in
17 Table 8 of Exhibit A-04-01 (EB-2023-0030). Prior to 2021, there were no errors or
18 impacts affecting the annual balances.

19
20 i) The invoices issued by the IESO to Hydro One and Hydro One's accounting for the
21 IESO invoices in its general ledger were both correct.

22
23 j) Not applicable.

OEB STAFF INTERROGATORY - 03

Reference:

1. EB-2022-0040, 2023 IRM Decision and Order (Hydro One Orillia and Peterborough), December 8, 2022, Page 14
2. EB-2022-0040, 2023 IRM Hydro One Orillia and Peterborough, Draft Rate Order, Table 2, December 13, 2022, Page 5
3. EB-2022-0040, 2023 IRM, Exhibit I-1-5, (OEB Staff Interrogatory #5), October 12, 2022
4. EB-2023-0059, Peterborough 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023
5. EB-2023-0059, Exhibit A-4-1, 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.

Interrogatory:

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:

1. January 1, 2021 to May 31, 2021
2. 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.

Response:

a) The breakdown for each of Account 1588 and Account 1589 between (i) pre-integration period (Jan 1, 2021 – May 31, 2021) and (ii) post-integration period (June 1, 2021 - Dec 31, 2021) for the Peterborough RZ are as follows:

Account	Jan 1, 2021 - May 31, 2021 Transactions (Pre-integration)	June 1, 2021 - Dec 31, 2021 Transactions (Post-integration)	Jan 1, 2021 - Dec 31, 2021 Transactions (Full Year Total)
1588	(\$877,026)	\$1,793,794	\$916,768
1589	\$880,181	(\$1,775,849)	(\$895,668)

b) A reduction of 30% to the debit balances from part a) above covering the January 1, 2021 to May 31, 2021 (pre-integration) period is as follows:

Account	Jan 1, 2021 - May 31, 2021 Transactions (A)	30% Reduction to Debit Transactions (B = A * 30%)	Jan 1, 2021 - May 31, 2021 Transactions (Net of 30% reduction) (A - B)
1588	(\$877,026)	-	-
1589	\$880,181	\$264,054	\$616,127

c) An additional refund of 30% to the credit balances from part a) above covering the January 1, 2021 to May 31, 2021 (pre-integration) period is as follows:

Account	Jan 1, 2021 - May 31, 2021 Transactions (A)	30% of Credit Transactions (B = A * 30%)	Jan 1, 2021 - May 31, 2021 Transactions (With 30% Additional Credit Refund) (A + B)
1588	(\$877,026)	(\$263,108)	(\$1,140,134)
1589	\$880,181	-	-

d) In the last IRM proceeding (2023), the OEB reduced the debit balance in Account 1589 by 30%, or \$814,315, as “a reasonable buffer against the risk of an overcharge to ratepayers”. In that case:

- Account 1588 balances ranged between 1% and 6% of Account 4705 during the 2017 to 2020 period. This variability gave rise to concerns about the accuracy of the commodity balances
- The amounts covered the 2017 to 2020 period which were meant to be audited by OEB Staff, however, OEB Staff were unable to complete the audit

These criteria do not exist in this Application:

- Account 1588 and 1589 balances were below the 1% threshold for 2021 on a consolidated basis and aligns with the Chapter 3 Filing Requirements¹
- Peterborough RZ spent significant time in 2020 correcting the RSVA balances that OEB staff intended to audit. PDI's auditors confirmed the corrections were accurate in 2020² such that the historical error was fixed and did not persist into 2021

Given these circumstances, Hydro One does not believe any further adjustments are necessary.

In addition, adjustments are not necessary for practical reasons, as the credit and debit balances largely offset each other:

Account	Jan 1, 2021 - May 31, 2021 Transactions (Pre-integration)
1588	(\$877,026)
1589	\$880,181

Even if a 30% reduction is applied to both accounts, the Account 1588 and 1589 balances would net out.

If OEB staff is proposing that a 30% reduction be applied asymmetrically, where a reduction of 30% is applied on a debit Account 1589 balance and an additional 30% refund is applied on a credit Account 1588 balance, this proposal is unreasonable. It does not make sense to apply a 30% reduction to debit balances and a 30% addition to credit balances and to do so would result in an unjustified windfall to customers.

As such, Hydro One believes that the balances should not be adjusted. They will net out and have minimal impact on customers.

e) Please see response to part d) above.

¹ Chapter 3 Filing Requirements, Section 3.2.6.3 state that no further explanations are required if balances are below the 1% threshold

² EB-2022-0040, Responses to OEB Staff Interrogatory 3 and 5

OEB STAFF INTERROGATORY - 04

Reference:

1. EB-2023-0030 and EB-2023-0059, Hydro One Consolidated 2024 Custom IR Models, DVA Continuity Schedule, August 17, 2023
2. EB-2023-0030, Hydro One Distribution 2024 Custom IR Update, DVA Continuity Schedule, August 17, 2023
3. EB-2023-0059, Orillia RZ and Peterborough 2024 IRM Rate Generator Models, Tab 3, Continuity Schedule, August 17, 2023
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.

Interrogatory:

- 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.

Response:

a) Hydro One's Consolidated DVA Continuity Schedule (Reference 1) reflects the consolidated balances for Hydro One. As such, Hydro One Distribution's December 31, 2020 closing balances were carried over as the opening January 1, 2021 balances in the Consolidated DVA Continuity Schedule, as the Orillia and Peterborough RZs were not yet consolidated with Hydro One Distribution until the integration into Hydro One was completed on June 1, 2021. As a result, the opening January 1, 2021 Group 1 DVA balances in the Consolidated DVA Continuity Schedule accurately consists of only December 31, 2020 Group 1 DVA balances that were approved on a final basis in Hydro One Distribution's 2023 Custom IR rate proceeding.

At integration (June 1, 2021), the Orillia RZ and Peterborough RZ balances were reflected as transactions on the Consolidated DVA Continuity Schedule for 2021 as that is when the balances were integrated into Hydro One.

Starting in 2022, the opening balances are consolidated and equal to the sum of the Group 1 balances associated with Hydro One Distribution, Orillia RZ and Peterborough RZ.

b) The difference identified in OEB Staff Table 1 equals the sum of the 2021 opening balances for the Peterborough and Orillia RZs as per each of their Rate Generator Models. As described in part a) above, these balances were reflected as transactions on the Consolidated DVA Continuity Schedule as at integration. Following the integration year starting from 2022 and onwards, the sum of the Transactions for the three RZs match the consolidated Transactions.

The following table reconciles the identified difference from OEB Staff Table 1:

	Opening Principal Amounts as of Jan-1-2021 for Account 1586
Peterborough RZ IRM Model	\$575,813
Orillia RZ IRM Model	\$184,775
Sum	\$760,588

c) Hydro One agrees with OEB Staff's Table 1 calculation and the values. However, please refer to part b) above for the explanation as to the identified difference and why the comparison is not appropriate. Hydro One has reviewed the relevant models and numbers, and confirms that the numbers are accurate. There is no need to update the evidence, as the identified difference is due to presentation differences for 2021 (the integration year for Orillia and Peterborough RZs).

d) In OEB Staff Table 2, the calculation of the Hydro One consolidated amount by OEB staff (-\$26,534,892) reflects the December 31, 2021 **closing** principal balance on a consolidated basis. This figure aligns with the 2021 Closing Principal Balance in the Consolidated DVA Continuity Schedule.

Hydro One's calculation of the consolidated balance (-\$11,680,603) reflects 2021 **principal transactions**, specifically being comprised of:

- i. 2021 Transactions for Hydro One Distribution; and
- ii. 2021 Integration Balances for Peterborough RZ and Orillia RZ and their 2021 Transactions, consistent with the explanation provided in part b) above.

As a result, the "Hydro One consolidated balance" calculated by OEB Staff is not derived on the same basis as Hydro One's calculation, and thus, the comparison is not appropriate.

As outlined in reference 4 (Exhibit A-04-01 Attachment 2, Tab "2021"), the columns in the first table represent the life-to-date (LTD) Pre-integration Utility Specific Transactions and Interest as of the end of May 2021. These figures reflect May 2021 LTD balances, which include the opening balances as of January 2021 and transactions from January to May 2021 (and not just transactions for 2021).

e) Hydro One agrees with OEB Staff's Table 2 calculation and the values. However, please refer to part d) above for the explanation as to the identified difference and why the comparison is not appropriate. Hydro One has reviewed all relevant models and numbers, and confirms that all amounts are correct and do not require updates.

f) The Group 1 DVA balances are allocated to Hydro One Distribution, Peterborough RZ and Orillia RZ using the methodology approved in the OEB's Inspection Report,¹ which is primarily based on relevant historical sales volumes. Where possible, specific amounts were directly assigned to the appropriate RZs. Direct assignments are described in the table notes provided in the Allocation of Group 1 DVAs file (Reference 4).

For the integration year, the 2021 closing balances in Reference 4 are the 2021 closing balances in the DVA Continuity Schedules filed in EB-2023-0030 and EB-2023-0059. The 2022 Transactions, Interest and closing balances calculated in Reference 4 match the 2022 Transactions, Interest and closing balances provided in the Consolidated DVA Continuity Schedules filed in EB-2023-0030 and EB-2023-0059.

¹ EB-2021-0110, Interrogatory Response to G-Staff-311, Attachment 1, Page 1 of 21, November 29, 2021

- 1 g) The sum of Account 1595 balances on the consolidated DVA continuity schedule
2 (debit \$27,174,373) and RRR 2.1.7 balance (credit \$65,113,145) are not matching due
3 to the amount reported for 1595 (2021) – DTA on the RRR. For the RRR, the initial
4 amount approved for disposition in EB-2020-0194 as tracked by Hydro One was
5 captured in Account 2405, while the drawdowns of this balance are captured in
6 Account 1595. In the Consolidated DVA Continuity Schedule, the approved amount
7 net of dispositions was reflected in 1595 (2021) – DTA.
8
9 Hydro One notes that Account 1595 (2021) – DTA is not being proposed for disposition
10 in this proceeding as the rate rider expired in 2023.

OEB STAFF INTERROGATORY - 05

Reference:

1. EB-2023-0059, Orillia 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023
2. EB-2022-0040, 2023 IRM Application model, Orillia rate zone, August 3, 2022 (HONI_OPDC_PDI_Appendix E-2_20220803)
3. EB-2023-0059, Peterborough 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, August 17, 2023
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

Interrogatory:

- 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.

Response:

- a) Hydro One agrees with the values and calculations in OEB Staff Tables 3 and 4. The calculated differences are associated with reclassification adjustments made earlier this year for embedded distributors' RPP declaration amounts from Account 1589 to Account 1588 for \$24.8M (in 2021) and \$20.9M (in 2022).¹ In the 2024 IRM Rate Generator models (References 1 and 3), the reclassified amounts are directly assigned to Hydro One Distribution and are excluded from the consolidated balances allocated to the three rate zones. The sum of the consolidated balances in Accounts 1588 and 1589 remain the same, but the consolidated amounts allocated to each rate zone have changed which results in the different 2021 transactions presented in OEB Staff Tables 3 and 4.

The tables provided below provide an example of the different consolidated 2021 amounts allocated to each rate zone. The sum of the 2021 consolidated Account 1588 and 1589 balance is \$15.4M, but the allocated balances to each rate zone is different in the 2024 IRM Rate models (Reference 1 and 3) because of the \$13.6M reclassification adjustment directly assigned to Hydro One Distribution.

¹ EB-2023-0030, Exhibit A-04-01, Section 3.4.2

1

2023 Rate Application - (EB-2022-0040 Appendix G)

Deferral Variance Account (DVA)	USofA	Principal Jun-Dec 2021			
		Consolidated	Hydro One Distribution	Peterborough RZ	Orillia RZ
RSVA - Power (excluding Global Adjustment)	1588	\$56,128,230	\$54,029,691	\$1,496,326	\$602,212
RSVA - Global Adjustment	1589	(\$40,683,642)	(\$38,626,836)	(\$1,393,622)	(\$663,183)
Sum of Account 1588 and 1589		\$15,444,588	\$15,402,855	\$102,704	(\$60,971)

2024 Rate Application - (Exhibit A, Tab 4, Schedule 1, Attachment 2)

Deferral Variance Account (DVA)	USofA	Principal Jun-Dec 2021			
		Consolidated	Hydro One Distribution	Peterborough RZ	Orillia RZ
RSVA - Power (excluding Global Adjustment)	1588	\$67,286,484	\$64,770,758	\$1,793,794	\$721,932
RSVA - Global Adjustment	1589	(\$51,841,896)	(\$49,220,973)	(\$1,775,849)	(\$845,074)
Adjustment RSVA - Power (excluding Global Adjustment)	1588	\$13,590,623	\$13,590,623		
Adjustment RSVA - Global Adjustment	1589	(\$13,590,623)	(\$13,590,623)		
Sum of Account 1588 and 1589		\$15,444,588	\$15,549,785	\$17,945	(\$123,142)

2

3 b) Please see response to part a) above.

4

5 c) Please see response to part a) above.

OEB STAFF INTERROGATORY - 06

Reference:

1. EB-2023-0030, Exhibit A -4 -1, Page 13 of 26, August 17, 2023; EB-2023-0059, Exhibit A- 4-1, Page 15 of 34
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

Interrogatory:

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.

1 **Response:**

2 Since the Acquired Utilities were integrated with Hydro One, the RSVA balances for Hydro
3 One Distribution and its Acquired Utilities have been tracked and reported on a
4 consolidated basis. In addition, Hydro One receives one consolidated invoice from the
5 IESO for the settlement of commodity, bulk transmission and wholesale settlement costs
6 for all service territories, which does not separate the commodity and GA costs for the
7 acquired utilities. Therefore, Hydro One cannot conduct reasonability tests for each of
8 Orillia RZ, Peterborough RZ, and Hydro One Distribution, but can confirm that the
9 consolidated Account 1588 and 1589 balances are both below the 1% threshold from
10 which the allocated balances are derived.

11
12 Consistent with past applications in Hydro One Distribution's 2021 Custom IR Update
13 Application in EB-2020-0030, the Acquired Utilities' 2021 Rate Update in EB-2020-0031,
14 and Hydro One Distribution's 2023 Custom IR rebasing application in EB-2021-0110, the
15 OEB accepted the results of the consolidated GA Analysis Workform as support to dispose
16 of Hydro One Distribution and its acquired utility's DVA balances on a final basis.

OEB STAFF INTERROGATORY - 07

Reference:

1. EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, Tab Account 1588, August 17, 2023
2. EB-2023-0030, Hydro One Distribution 2024 Custom IR Update Model, DVA Continuity Schedule
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>
--------------	-----------------------

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>
---	---------------------

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.

Interrogatory:

- 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.

Responses:

- a) The "Net Change in Principal Balance" of the GA Analysis Workform has been updated to match the "Transaction" column in the DVA Continuity Schedule for Accounts 1588 and 1589. The updated 2021 and 2022 transactions amount in Note 5 of the GA Analysis Workform no longer include OEB-approved dispositions, which are shown as a separate column on the DVA Continuity Schedule.
- b) The GA Analysis Workform has been updated to be consistent with the DVA Continuity Schedule, where the "OEB-approved disposition amounts" have now been removed as a reconciliation item in Note 5.
- c) Based on the responses to parts a) and b) above, an updated GA Analysis Workform has been filed in response to this interrogatory to be consistent with the DVA schedule.
- d) After the GA Analysis Workform was updated in response to this interrogatory and Staff Interrogatory 10, the Account 1588 and 1589 reasonability tests are confirmed to be below 1% materiality threshold.
- e) Confirmed. The OEB-approved amount for Account 1589 was \$32,439,788 as per the 2021 Custom IR Update proceeding, however, this amount has now been removed in the updated GA Analysis Workform.

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OEB STAFF INTERROGATORY - 08

Reference:

1. EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2021, GA 2022, Tab Account 1588, August 17, 2023
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
3. EB-2021-0110, Exhibit I-1-G-Staff-312 (OEB Staff Interrogatory #312), November 29, 2021
4. EB-2020-0030, Exhibit I-1-11 (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.

Interrogatory:

- 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.

Response:

a) Confirmed. Not applicable.

b) Hydro One does not agree that it is using a select approach to reflect principal adjustments on the DVA continuity schedule. Rather, the approach used is consistent with Hydro One's historical practice, where it is anchoring the disposition balances on the DVA Continuity Schedule to its audited balances and its audited financial statements. The two principal adjustments captured on the DVA Continuity Schedule are reclassification adjustments related to the audited balances between two specific accounts. The reconciliation items on the GA Analysis Workform related to timing differences will be captured in the following year's closing balances on the DVA Continuity Schedule. For example, items including prior year-end or current year-end unbilled to actual true-ups will reverse in the following year's transactions on the DVA Continuity Schedule.

As noted in EB-2021-0110 and EB-2020-0030, the GA Analysis Workform true-up calculations are based on high-level estimations, which would not be appropriate to include in the disposition balances. In the EB-2020-0030 proceeding specifically, Hydro One indicated to the OEB that there was no systematic solution for Hydro One to conduct a meter reading calendarization calculation to comply with the OEB accounting guidance and settle with the IESO on a monthly basis.¹

¹ EB-2020-0030, Response to OEB Staff IR 11 a), October 30, 2020

- 1 c) Consistent with past practice and the limitations outlined in response to part c) above,
2 Hydro One's proposal anchors the disposition balances in the DVA Continuity
3 Schedule to audited actual balances, which has been accepted by the OEB in the most
4 recent two rebasing applications EB-2017-0049 and EB-2021-0110 (in addition to prior
5 applications), and also in the annual distribution update applications for Hydro One
6 Distribution and the acquired utilities thereafter. The GA Analysis Workform continues
7 to be a tool to assess the reasonability of Account 1588 and 1589 balances for
8 disposition.
9
- 10 d) For the reasons noted above, Hydro One believes that its presentation of principal
11 adjustments on the DVA Continuity Schedule and GA Analysis Workform continues to
12 be appropriate.

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OEB STAFF INTERROGATORY - 09

Reference:

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."

Interrogatory:

- 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.

Response:

- a) Hydro One is unable to complete the reconciliation of the calculated loss factor "Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000 kW". Unlike other distributors that have an OEB approved loss factor for the Secondary Metered Customer < 5,000 kW customer class, Hydro One Distribution has rate class specific loss factors.

In addition, as the GA Analysis Workform has been completed on a consolidated basis, it has resulted in calculated loss factors that include customers from all of Hydro One's rate zones (Hydro One Distribution, Norfolk, Haldimand, Woodstock and the Orillia and Peterborough RZs).

As Hydro One's loss factors are approved by rate class and by rate zone, different loss factor values are applied to different rate classes for Secondary Metered Customer < 5,000 kW. Therefore, there is no single value that can be used as a benchmark for this calculation.

- b) Please see response in part a) above.

OEB STAFF INTERROGATORY - 10

Reference:

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.

Interrogatory:

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.

Response:

a) To calculate the expected GA volume variance, Hydro One modified the default calculation in the GA Analysis Workform, such that the reconciliation item is the difference between (1) and (2) below:

1. "Hydro One's modified expected GA volume variance" which is the difference between:

i. Sum of the monthly Non-RPP Class B Wholesale kWh x the monthly GA Actual Rate Paid (\$/kWh), as defined in Cell G57 x Cell J57; and

ii. Sum of the monthly Non-RPP Class B Retail billed kWh x the monthly GA Actual Rate Paid (\$/kWh), as defined in Cell J53

2. GA Analysis Workform's default calculation of the expected GA volume variance, as defined in Cell K57

Please see below analysis to explain the derivation of the reconciling items of debit \$14,165,558 in Tab GA 2021 and credit of \$1,753,652 in Tab GA 2022.

2021

For 2021 GA Analysis Workform, the reconciliation item of \$14,165,558 is calculated as the difference between (1) and (2):

1. (6,736,692,587 kWh x \$0.07675/kWh) minus \$525,557,402; less
 2. \$5,654,964
- = \$14,165,558

Please note that there was a typographical error at Cell J57 in Tab GA 2021 which has now been corrected on the updated GA Analysis Workform attached to Staff Interrogatory 7. There is, however, no change to the result of the analysis.

2022

For 2022 GA Analysis Workform, the reconciliation item of \$1,753,652 is calculated as the difference between (1) and (2):

1. (6,950,838,205 kWh x \$0.05290/kWh) minus \$369,876,263; less
 2. -\$3,919,589
- = \$1,753,652

- b) Hydro One is of the view that the “Weighted Average GA Actual Rate Paid” applied to the wholesale volumes is not the same rate applied to the retail billed volumes, as contemplated in the OEB’s GA workform instructions. The “weighted average cost rate” refers to the “Weighted Average GA Actual Rate Paid (\$/kWh)” in Note 4 from the GA Analysis Workform (Cell J57 in Tabs GA 2021 and GA 2022).

Hydro One uses the annual Weighted Average GA Actual Rate Paid (Cell J57 in Tabs GA 2021 and GA 2022) applied to the wholesale volumes according to the definition from the GA Analysis Workform, where it is equal to annual Non-RPP Class B \$ GA paid (i.e. non-RPP portion of CT 148 on IESO invoice) divided by Non-RPP Class B Wholesale kWh.

The annual Weighted Average GA Actual Rate Paid applied to the retail billed volume can be derived based on the Analysis of Expected GA Amount table (Note 4) from the GA Analysis Workform, by using column M (\$ Consumption at Actual Rate Paid) divided by column I (Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled kWh).

1 The annual Weighted Average GA Actual Rate Paid derived based on wholesale
2 volumes is different than the rate that is derived based on retail billed volumes. As
3 such, Hydro One has calculated the expected GA volume variance on a different basis
4 than the calculation in the default GA Analysis Workform.

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OEB STAFF INTERROGATORY - 11

Reference:

1. EB-2023-0030 and EB-2023-0059, GA Analysis Workform, Tab GA 2022, August 17, 2023
2. EB-2023-0030 and EB-2023-0059 - Hydro One Responses to OEB Staff Questions, August 29, 2023, Question #3
3. EB-2023-0030, Hydro One Distribution 2024 Custom IR Update models, DVA Continuity Schedules, August 17, 2023
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.

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.

Interrogatory:

- 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.

¹ EB-2020-0030

1 b) If Hydro One agrees with the above approach (i.e., the past OEB precedent), please
2 update the evidence, including the DVA Continuity Schedule and the GA Analysis
3 Workform.

4
5 c) If Hydro One would not be agreeable, please explain.

6
7 **Response:**

8 a) Hydro One supports its current proposed approach to dispose of the \$3.2 million credit
9 (as captured under the Account 1589 2022 transactions) and return the amount to the
10 affected customers as soon as possible. The approach is also consistent with its
11 audited 2022 balances proposed for disposition.

12
13 Please refer to part c) below for the rationale.

14
15 b) Not applicable.

16
17 c) Hydro One's proposed approach is to return the \$3.2 million credit to non-transition
18 GA customers as part of 2024 rates.

19
20 Specifically, the proposal achieves several outcomes:

- 21 i. returning the credit balance to the specific legacy customers affected (non-
22 transition GA customers); and
23 ii. returning the credit in 2024.

24
25 While the approach associated with 2023 IRM Oshawa PUC Networks Inc. will provide
26 the first benefit listed above, it would not provide the second benefit listed above as
27 the 1595 (2021) balance will not be disposed until 2025 at the earliest. As such, Hydro
28 One believes that the proposed approach which will result in returning the \$3.2 million
29 credit in 2024 will be the most beneficial to customers.

OEB STAFF INTERROGATORY - 12

Reference:

1. EB-2023-0059, Exhibit A,-2-1, Page 5 of 8, August 17, 2023
2. EB-2023-0030, Exhibit A- 2-1, Page 3 of 4, August 17, 2023
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,¹ 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.

Interrogatory:

- 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.

¹ For example, EB-2021-0016, E.L.K. Energy Inc., Decision and Rate Order, June 30, 2022, p. 5

1 **Response:**

- 2 a) Hydro One supports the use of a rate rider that would be approved as part of this
3 Application to capture any foregone revenue resulting from approved 2024 rates that
4 would be implemented subsequent to the effective date of the 2024 rates, rather than
5 the establishment of a deferral account to capture the foregone revenue.
6
7 b) Not applicable.

OEB STAFF INTERROGATORY - 13

Reference:

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.

Interrogatory:

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%.

Response:

The following updated DVA Continuity Schedule and IRM Rate Generator Models are provided as attachments to this interrogatory:

- Attachment 1 – Hydro One Consolidated DVA Continuity Schedule
- Attachment 2 – 2024 IRM Model – Orillia RZ
- Attachment 3 – 2024 IRM Model – Peterborough RZ

For the updated Hydro One Distribution DVA Continuity Schedule, please refer to Staff Interrogatory 1 from the EB-2023-0030 proceeding.

The revised Orillia and Peterborough RZ IRM Models also include updates from Staff Interrogatory 21 and 23.

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OEB STAFF INTERROGATORY - 14

Reference:

1. Manager's Summary, Exhibit A, Tab 4, Section 2.2.4, Pages 8 - 9
2. Manager's Summary, Exhibit A, Tab 4, Section 3.3, Page 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.

Interrogatory:

- 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.

1 g) Please provide the decision or rate order that allowed Hydro One to reclassify
2 revenues from Orillia and Peterborough customers as described.

3
4 h) Please provide a cost estimate for reinstating these meters.

5
6 **Response:**

7 a) For embedded distributors, as per the OEB's Chapter 3 Filing Requirements for
8 Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications,
9 Section 3.2.3 of the filing requirements states that LV charges are considered pass-
10 through cost of power (i.e. not distribution rate), and are not considered to be related
11 to their distribution of electricity.

12
13 For host distributors, part of their distribution revenue requirement is recovered from
14 their embedded distributors' LV rates, in this case, would constitute distribution rates.

15
16 Both former PDI and OPDC were embedded distributors with Hydro One as the only
17 host distributor, and therefore LV charges are not considered to be part of their base
18 distribution rates.

19
20 b) As mentioned in part a) above, both former PDI and OPDC were embedded
21 distributors as part of Hydro One (their only host distributor). After the acquisition of
22 PDI and OPDC and as part of integration, Hydro One identified and deregistered a
23 number of redundant wholesale meters that were no longer required for settlement
24 and billing purposes (upon integration). As the host distributor, only upstream Hydro
25 One wholesale meters are required. This aligns with the government and the OEB's
26 consolidation policy expectations that the distribution sector should continue to seek
27 efficiencies.¹

¹ EB-2014-0138, Rate-Making Associated with Distributor Consolidation", p. 4

- c) Four (4) meters were deregistered for OPDC and ten (10) meters were deregistered for PDI upon integration. The connection points are provided in the table below:

Rate Zone	Meter Point Location
Peterborough	Dobbin DS F1
Peterborough	Dobbin TS M4
Peterborough	Dobbin TS M6
Peterborough	Dobbin TS M7
Peterborough	Dobbin TS M8
Peterborough	Lakefield PME
Peterborough	Norwood DS F2
Peterborough	Norwood DS F3
Peterborough	Otonabee TS M25
Peterborough	Otonabee TS M26
Orillia	Orillia TS M1
Orillia	Orillia TS M4
Orillia	Orillia TS M5
Orillia	Orillia TS M8

- d) Hydro One worked with the IESO and PDI and OPDC's meter service providers (MSPs) to identify and deregister the redundant wholesale meters. Hydro One created internal work order numbers for each meter point location listed in part c) above.
- e) As outlined in Section 2.2.4 of Exhibit A-04-01, the cost of LV services cannot be tracked post-integration due to the deregistration of the identified meters. As such, Hydro One is not proposing to continue tracking the variance between the service rates collected and the cost for this service post-integration.
- f) Confirmed.
- g) As outlined in Section 2.2.4 of Exhibit A-04-01, prior to integration, part of Hydro One's ST revenue was recognized as LV revenue from OPDC and PDI customers and tracked as part of the LV Variance Account. After integration, OPDC and PDI's LV revenue was reclassified to ST revenue. This allows Hydro One to recover the ST revenue that are associated with OPDC and PDI directly from these customers' LV charges. As such, this reclassification was considered and made during the normal course of business, and not as part of a specific OEB decision. Further rationale was provided in Section 2.2.4 of Exhibit A-04-01.

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- 1 h) As explained in part b) above, it is unnecessary and inefficient to maintain redundant
- 2 meters. Given that Hydro One does not intend to reinstate redundant meters, a cost
- 3 has not been established.

OEB STAFF INTERROGATORY - 15

Reference:

Decision and Rate Orders (EB-2018-0270 and EB-2018-0242), Page 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.

Interrogatory:

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.

Response:

At the time of the MAADs proceedings (EB-2018-0270 and EB-2018-0242), updates to LV service rates were done during rebasing applications. Hydro One is proposing to update the LV charges in this Application since they are not base distribution rates (i.e., the current rate freeze applies to base distribution rates), and the OEB subsequently provided the option to allow embedded/partially embedded distributors to update their 2024 LV service rates.¹

The proposed change to the 2024 LV rates does not affect Hydro One's commitment to update the OPDC and PDI Year 11 revenue requirement which will include LV charges that the acquired customers would have been charged in Year 11 by Hydro One, in the absence of the acquisition.

¹ OEB Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications Chapter 3, section 3.2.5, issued on June 15, 2023

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OEB STAFF INTERROGATORY - 16

Reference:

Manager's Summary, Exhibit A, Tab 4, Section 2.2.3, Page 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.

Interrogatory:

- 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.

Response:

- a) Hydro One was able to directly assign amounts to the Orillia and Peterborough RZs based on billing data. The LV costs that are directly assigned to the Orillia and Peterborough RZs following integration on June 1, 2021 were based on the total amount that Hydro One directly billed for LV charges to these customers post-integration.
- b) Not applicable. Please see part a) above.
- c) Not applicable. Please see part a) above.

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OEB STAFF INTERROGATORY - 17

Reference:

Manager's Summary, Exhibit A, Tab 4, Section 2.2.4, Page 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.

Interrogatory:

- 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.

Response:

a)

2020 Monthly Charge Determinants and LV Expenses for Orillia RZ			
Month	Number of Accounts	Billed kW	Total LV Expense (\$)
January	4	51,918	103,844
February	4	49,556	99,119
March	4	45,206	90,419
April	4	38,254	76,516
May	4	46,448	92,905
June	4	50,626	101,259
July	4	57,270	114,548
August	4	56,250	112,507
September	4	45,957	91,922
October	4	43,810	87,627
November	4	47,193	94,393
December	4	52,335	104,678
Total		584,822	1,169,739

2020 Monthly Charge Determinants and LV Expenses for Peterborough RZ			
Month	Number of Accounts	Billed kW	Total LV Expense (\$)
January	8	63,260	128,840
February	8	59,918	122,052
March	8	39,976	82,009
April	8	35,183	72,005
May	8	58,417	118,676
June	8	62,521	127,043
July	8	72,308	146,781
August	8	66,041	134,055
September	8	53,100	107,869
October	8	45,645	93,164
November	8	49,572	101,245
December	8	58,341	119,017
Total		664,280	1,352,755

- 1 b) The LV charges that would result from using the 2020 data from part a) with current
2 2023 ST rates to estimate the 2022 LV Expense, and RRR data from the same year
3 as part a) as the billing determinants to derive rates are provided in the tables below:

Orillia Rate Zone - Rate Class		Units	Allocation based on Tx-Connection Revenue %	Allocated 2022 LV Expense	Total Metered kWh	Total Metered kW	LV Rate/kWh	LV Rate/kW
RESIDENTIAL SERVICE CLASSIFICATION		kWh	38.7%	332,671	111,992,841		0.0030	0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION		kWh	13.3%	114,111	40,188,260		0.0028	0.0000
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION		kW	47.2%	405,659	150,188,125	382,277	0.0000	1.0612
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION		kWh	0.2%	2,076	731,190		0.0028	0.0000
SENTINEL LIGHTING SERVICE CLASSIFICATION		kW	0.0%	-			0.0000	0.0000
STREET LIGHTING SERVICE CLASSIFICATION		kW	0.6%	5,552	2,530,928	7,017	0.0000	0.7913
STANDBY POWER SERVICE CLASSIFICATION		kW		0			0.0000	0.0000
Total			100.0%	860,070				

Peterborough Rate Zone - Rate Class		Units	Allocation based on Tx-Connection Revenue %	Allocated 2022 LV Expense	Total Metered kWh	Total Metered kW	LV Rate/kWh	LV Rate/kW
RESIDENTIAL SERVICE CLASSIFICATION		kWh	44.7%	451,710	303,804,719	0	0.0015	0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION		kWh	13.7%	138,865	101,517,554	0	0.0014	0.0000
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION		kW	37.0%	374,305	306,524,310	749,126	0.0000	0.4997
LARGE USE SERVICE CLASSIFICATION		kW	3.9%	39,833	33,895,713	65,072	0.0000	0.6121
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION		kWh	0.3%	3,020	2,207,625	0	0.0014	0.0000
SENTINEL LIGHTING SERVICE CLASSIFICATION		kW	0.1%	556	530,320	1,400	0.0000	0.3968
STREET LIGHTING SERVICE CLASSIFICATION		kW	0.3%	2,826	2,534,793	7,294	0.0000	0.3875
Total			100.0%	1,011,116				

- 4 c) As embedded distributors, Peterborough and Orillia RZs were billed on demand rather
5 than consumption by Hydro One as their host distributor. Consistent with the response

1 to part a) above, the average total billed demand from 2016 to 2020 at each embedded
2 billing delivery point is provided in the table below:
3

Annual Total Billed Demand (kW)							
LDC	Billing Delivery Point	2016	2017	2018	2019	2020	5-year Average (2016- 2020)
Orillia RZ	Orillia TS	549,400	575,860	610,926	578,418	584,822	579,885
Peterborough RZ	Dobbin DS	58,688	21,455	37,548	4,411	1	24,421
Peterborough RZ	Dobbin TS	526,745	633,845	626,638	566,554	575,037	585,764
Peterborough RZ	Otonabee TS	88,966	87,116	92,559	89,052	89,242	89,387

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OEB STAFF INTERROGATORY - 18

Reference:

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

Interrogatory:

- 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.

Response:

- a) Confirmed.
- b) The requested load forecast estimating 2024 load data using the geomean methodology for each rate zone is presented in the following table¹:

Load Forecast (12-month sum in kW)	
LDC	Forecast
Orillia RZ	579,551
Peterborough RZ	676,900

¹ Using 5 years of historical monthly data.

- c) The variance between the billing quantities from Orillia RZ and Peterborough RZ's last cost of service rate applications and the load forecast provided in part b) above is calculated in the table below.

LDC	Total Annual Billed kW		
	As Filed (Last COS)	Load Forecast (Geomean)	Difference
Orillia RZ	255,924	579,551	323,627
Peterborough RZ	982,416	676,900	(305,516)

Hydro One proposed to set the LV rates based on billing quantities from their respective most recent cost of service applications (for each of Peterborough and Orillia) to be consistent with the approved methodology to establish RTSRs during a deferred rebasing period. This approach is further described in the Application, Exhibit A-04-01, Section 3.3.

- d) The table below provides the volumes shown in Tables 9 and 10 with the last five years of historical volume data.

Historical LV Volumes for Orillia RZ							
Hydro One Distribution ST Charge	Charge Determinant	Monthly Billing Quantity					
		Last Cost of Service (2010)	2016	2017	2018	2019	2020
	Number of Accounts	4	4	4	4	4	4
Common ST Lines	Billed kW	21,327	45,783	47,988	50,910	48,201	48,735

Historical LV Volumes for Peterborough RZ							
Hydro One Distribution ST Charge	Charge Determinant	Monthly Billing Quantity					
		Last Cost of Service (2013)	2016	2017	2018	2019	2020
	Number of Accounts	8	8	8	8	8	8
Common ST Lines	Billed kW	81,868	52,823	61,868	63,062	55,001	55,357

OEB STAFF INTERROGATORY - 19

Reference:

1. 2024 IRM Rate Generator Model Orillia RZ, Continuity Schedule, Tab 3
2. Orillia RZ IRM Rate Generator – DVA Tabs Instructions - 2024 Rates
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.

Interrogatory:

- 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.

1 **Response:**

- 2 a) Orillia Power elected not to adjust its 2020 rates under the Price Cap IR option, and to
3 forego the Price Cap adjustment pending the outcome of the merger, amalgamation,
4 acquisition, and divestiture (MAAD) application at that time.¹ Therefore, there are no
5 forgone revenues from postponing its 2020 base distribution rates implementation.
6
7 b) Please see response to part a) above.

¹ EB-2019-0061, Decision and Rate Order, April 16, 2020.

OEB STAFF INTERROGATORY - 20

Reference:

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.

Interrogatory:

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

Response:

Please see response to Staff Interrogatory 13.

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OEB STAFF INTERROGATORY - 21

Reference:

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.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.² 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 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	

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

² EB-2023-0030, Hydro One's 2024 Custom IR Annual Update Application

1 **Interrogatory:**

2 Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the
3 resulting Retail Transmission Service Rates following these updates.
4

5 **Response:**

6 Hydro One confirms that the Peterborough IRM model update provided by OEB staff is
7 accurate. With respect to the Orillia IRM model update, Hydro One notes that the model
8 was not updated. Therefore, Hydro One has updated the Orillia IRM model with the
9 preliminary UTRs and the Hydro One proposed Sub Transmission RTSR.
10

11 Please see updated IRM models filed in response to Staff Interrogatory 13.

OEB STAFF INTERROGATORY - 22

Interrogatory:

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

Response:

As part of the OEB's IRM Online Project, Hydro One tested the Pivotal UX platform for 2024 rates using its Peterborough RZ and had an overall good experience with the new IRM online platform. However, there continues to be custom model updates to both Orillia and Peterborough RZ IRM Models that are being addressed with OEB staff.

Hydro One's specific experience and feedback related to the IRM online platform was directly to OEB staff in September 2023.

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OEB STAFF INTERROGATORY - 23

Reference:

1. Orillia Rate Generator, Tab 16.1 and Peterborough Rate Generator, Tab 16.1
2. Managers Summary Page 23, Table 9 and 10

Peterborough Rate Zone

81					
82	AUGUST				
83	MONTH	DESCRIPTION	SERVICE POINT	KW	RATE
84		Service Charge	Peterborough		824.2800
85		Facility Charge for connection to Comm	Peterborough	34,010.00	1.5442
86		Rate Rider for Disposition of Group 1 D	Peterborough	81,868.00	-0.1340
87		Rate Rider for Disposition of Group 2 D	Peterborough	81,868.00	-0.0072
88	Total				
89					

Orillia Rate Zone

49					
50	APRIL				
51	MONTH	DESCRIPTION	SERVICE POINT	KW	RATE
52		Service Charge	Orillia		824.2800
53		Facility Charge for connection to Comm	Orillia	34,010.00	1.5442
54		Rate Rider for Disposition of Group 1 D	Orillia	34,010.00	-0.1340
55		Rate Rider for Disposition of Group 2 D	Orillia	34,010.00	-0.0072
56	Total				
57					

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

1 **Interrogatory:**

- 2 a) Please explain why the August Peterborough kW is 34,010 row 85 and not 81,868, as
3 stated in the Managers Summary. Please update if the kW is incorrect.
4
5 b) Please explain why the April Orillia kW is 34,010 rows 53-55 and not 21,327, as stated
6 in the Managers Summary. Please update if the kW is incorrect.
7

8 **Response:**

- 9 a) The August Peterborough RZ kW of 34,010 (row 85) was a typo and has been
10 corrected to 81,868 kW in Tab 16.1 of the Peterborough IRM model. Hydro One
11 requested OEB staff to modify the subsequent tabs of the IRM model to reflect the
12 correction. OEB staff accordingly modified the IRM Model which is provided as
13 Attachment 3 to Staff Interrogatory 13.
14
15 b) The April Orillia RZ kW of 34,010 (rows 53-55) was a typo and has been corrected to
16 21,327 kW in Tab 16.1 of the Orillia IRM model. Hydro One requested OEB staff to
17 modify the subsequent tabs of the IRM model to reflect the correction. OEB staff
18 accordingly modified the IRM Model which is provided as Attachment 2 to Staff
19 Interrogatory 13.