

London Hydro EB-2023-0037 IRs

Staff Question-1

Ref: London_Hydro_Attachment_E_2024-IRM-Rate-Genera ~ Model_20231124
Excel, 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

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
Network Service Rate	kW	\$	4.3473	\$	4.6545	\$	4.9103
Line Connection Service Rate	kW	\$	0.6788	\$	0.6056	\$	0.6537
Transformation Connection Service Rate	kW	\$	2.3267	\$	2.8924	\$	3.3041
Both Line and Transformation Connection Service Rate	kW	\$	3.0055	\$	3.4980	\$	3.9578

Question

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

Staff Question-2

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

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

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

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

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

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

Question(s):

- 1) 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.
- 2) If this balance is not applicable, please explain.

Staff Question-3

Ref: Manager's Summary, pg 20

In the Fall of 2022, London Hydro discovered an issue with the IESO Global Adjustment charges (Identified Issue), which also impacted balances that were previously approved for disposition on a final basis, in Accounts 1588 RSV Power, 1589 RSV GA, 1580 WMS and 1580 CBR Class B for the periods of 2015 to 2022. London Hydro identified this in its 2023 IRM filing.

In this application, London Hydro proposes a disposition of a credit amount of \$4,425,452 retroactive adjustment due to the Identified Issue, relating to previously approved balances for periods of 2015 to 2020. London Hydro provides a table listing the principal adjustments in the respective years for the impacts accounts as follows:

Table 8: Adjustments included in Principal Balances that have been previously cleared

YEAR Impacted	1588 Power	1589 GA	1580 CBR	1580 WMS	TOTAL
2015	\$ -	\$ (857,979)	\$ (3,461)	\$ (8,374)	\$ (869,814)
2016	\$ -	\$ (801,551)	\$ (2,777)	\$ (6,947)	\$ (811,275)
2017	\$ 17,955	\$ (346,408)	\$ (3,656)	\$ (11,976)	\$ (344,085)
2018	\$ 2,218	\$ (443,283)	\$ (2,632)	\$ (8,899)	\$ (452,597)
2019	\$ (1,251)	\$ (625,943)	\$ (3,205)	\$ (12,597)	\$ (642,996)
2020	\$ 8,492	\$ (1,279,057)	\$ (8,533)	\$ (25,586)	\$ (1,304,685)
TOTAL	\$ 27,413	\$ (4,354,222)	\$ (24,264)	\$ (74,380)	\$ (4,425,452)

OEB staff notes that London Hydro has provided the 2021 and 2022 GA Analysis Workforms. OEB staff also notes that London Hydro included the 2021 principal adjustment of the identified issue on 2021 GA analysis workform and included the accumulated principal adjustment including the reversal of the 2021 principal adjustments on the 2022 GA analysis workform.

Question(s)

- 1) Given that the identified issue retroactively impacts the periods of 2015 to 2020, please provide the GA Analysis Workforms including an Account 1588 reasonability worksheets for each of the years 2015 through 2020 with the respective retroactive adjustments reflected in the year.
 - a) If any of the reasonability checks falls outside of the acceptable range of 1%, please explain in detail the reason for the variance.
- 2) Please restate the DVA continuity schedules for Accounts 1588 and 1589 by including the principal adjustments in respective years of 2015 to 2022 and recalculate the carrying charges using the applicable interest rates prescribed by the OEB. London Hydro may provide a separate DVA continuity schedule with only Accounts 1588 and 1589. Please also ensure to apply the
- 3) Please confirm that the total credit adjustment of \$4,425,452 was reflected in the 2022 audited financial statements. If not, please provide the reason why it was not included and when London Hydro will include the adjustment in its audited financial statements.
- 4) For the year 2020, the impact of the identified issue on Account 1589 Global Adjustment is a credit of (\$1,279,057). The previous and subsequent years ranged from (\$346,408) to (\$801,551). Please explain the factors that have resulted in a substantial proposed impact for 2020 as compared to the other years.

- 5) For the year 2021, the impact of the identified issue on Account 1588 Power is a debit of \$390,367. The years previous and subsequent ranged from (\$32,621) to \$17,955. Please explain the factors that have resulted in a substantial proposed impact for 2021 as compared to the other years.

Staff Question-4

Ref: Manager's Summary, pg 21

London Hydro explained the identified issue as follows:

London Hydro undertook a detailed analysis of global adjustment (GA) charges during 2022. It noticed that behind the meter generation volume had been allocated global adjustment (GA) costs and that the final billed consumption for Class A customers changed after it was submitted to the IESO. The current month Class A consumption report is based on initial meter reads which are not yet finalized for billing. (That is what is available at the time Class A consumption must be submitted to the IESO.)

London Hydro further states its actions taken as follows:

In response to the Identified Issue, London Hydro undertook multiple steps. The first step was to correct the actual volumes for behind the meter embedded generation and Class A volumes. The revisions were submitted to the IESO in multiple phases, starting in November 2022 and concluding in the spring of 2023. The IESO issued the related credits for GA, CBR and WMS charges from December 2022 to March 2023.

Question(s)

- 1) OEB staff understands that the utilities submit the embedded generation (EG) and class A volumes to the IESO on a monthly basis for the GA allocation.

Please clarify that the reason for allocating the GA to London Hydro's behind-the-meter embedded generations is that London Hydro had submitted inaccurate volumes (both EG and Class A) to the IESO since 2015 and has not identified issue until 2022? If so, please provide the reasons why the errors were made.

- 2) Please confirm if and how the related credits received from the IESO have been recorded and reflected in the corresponding DVAs.
 - i) Please provide the entries using one month's credits received from the IESO as an example.
 - ii) Please confirm that London Hydro has accrued the IESO credit received in 2023 to Account 1588 in 2022. If not, please explain why not.

Staff Question – 5

Ref: Manager's Summary, pg. 22 and pg.23

In Table 9 of the reference, London Hydro provided the revised volumes and the revised IESO charge types of the identified issue:

Table 9: Identified Issue Volume Revisions and Related IESO Credits

YEAR	Volume Revisions		IESO Invoice		
	Embedded Generation	Class A Load	CT 2148 (GA) \$	CT 1351 (CBR) \$	Ct 9990 (WMS) \$
2015	(10,428,270)	-	\$ (857,979)	\$ (3,461)	\$ (8,374)
2016	(8,651,344)	-	\$ (801,551)	\$ (2,777)	\$ (6,947)
2017	(9,827,010)	-	\$ (965,832)	\$ (3,656)	\$ (11,976)
2018	(7,175,744)	-	\$ (625,355)	\$ (2,632)	\$ (8,899)
2019	(10,266,291)	-	\$ (1,104,779)	\$ (3,205)	\$ (12,597)
2020	(20,852,854)	(713,311)	\$ (2,476,032)	\$ (8,533)	\$ (25,586)
2021	(29,141,628)	2,092,832	\$ (2,256,804)	\$ (8,494)	\$ (37,039)
2022	(27,321,002)	7,574,258	\$ (1,820,082)	\$ (4,979)	\$ (36,662)
2015-2022	(123,664,142)	8,953,779	\$ (10,908,415)	\$ (37,737)	\$ (148,080)

London Hydro further states that:

The GA adjustments recorded in CT 2148 for Years 2015 and 2016 was attributed to non-RPP consumption as this was the approach that existed at that time. The GA charged on the additional behind the meter embedded generation volume accumulated in Account 1589 and was recovered from non-RPP Class B customers when variance accounts were disposed of.

Starting in 2017, the approach used was to allocate GA costs to Accounts 1588 and 1589 based on the RPP/non-RPP percentage split. As a result, the GA adjustments recently accepted by the IESO for the periods 2017 and after, were allocated between RPP and non-RPP consumption for the related period of time.

London Hydro further provided the impact to DVA balances in Table 10 below:

Table 10: Identified Issue Impacts to RSVA Accounts

YEAR Impacted	1588 Power	1589 GA	1580 CBR	1580 WMS	TOTAL
2015	\$ -	\$ (857,979)	\$ (3,461)	\$ (8,374)	\$ (869,814)
2016	\$ -	\$ (801,551)	\$ (2,777)	\$ (6,947)	\$ (811,275)
2017	\$ 17,955	\$ (346,408)	\$ (3,656)	\$ (11,976)	\$ (344,085)
2018	\$ 2,218	\$ (443,283)	\$ (2,632)	\$ (8,899)	\$ (452,597)
2019	\$ (1,251)	\$ (625,943)	\$ (3,205)	\$ (12,597)	\$ (642,996)
2020	\$ 8,492	\$ (1,279,057)	\$ (8,533)	\$ (25,586)	\$ (1,304,685)
2021	\$ 390,367	\$ (589,435)	\$ (8,494)	\$ (37,039)	\$ (244,601)
2022	\$ (32,621)	\$ (677,215)	\$ (4,979)	\$ (36,662)	\$ (751,477)
TOTAL	\$ 385,159	\$ (5,620,872)	\$ (37,737)	\$ (148,080)	\$ (5,421,530)

OEB staff compiled a table below to compare the IESO CT 2148 to the total adjustments recorded in Accounts 1588 and 1589 (see Oeb Staff - Table 1 below)

Table 1: Comparison of IESO CT 2128 (GA Prior Period Adjustments) with Total Adjustments recorded in Accounts 1588 and 1589

Comparison of Adjustments to 1588 and 1589 to IESO 2148 Credits					
	A	B	C=A+B	D	E=D-C
	1588	1589	Sum of adjustments to 1588 and 1589	IESO CT 2148	Difference
2015	-	(857,979)	(857,979)	(857,979)	-
2016	-	(801,551)	(801,551)	(801,551)	-
2017	17,955	(346,408)	(328,453)	(965,832)	(637,379)
2018	2,218	(443,283)	(441,065)	(625,355)	(184,290)
2019	(1,251)	(625,943)	(627,194)	(1,104,779)	(477,585)
2020	8,492	(1,279,057)	(1,270,565)	(2,476,032)	(1,205,467)
2021	390,367	(589,435)	(199,068)	(2,256,804)	(2,057,736)
2022	(32,621)	(677,215)	(709,836)	(1,820,082)	(1,110,246)
	385,160	(5,620,871)	(5,235,711)	(10,908,414)	(5,672,703)

Questions:

- 1) Please clarify the statement of “The GA adjustments recorded in CT 2148 for Years 2015 and 2016 was attributed to non-RPP consumption as this was the approach that existed at that time”.
 - a. Please clarify what was the approach at the time.

- b. Please clarify if London Hydro prorated the GA charges (CT 148) on the IESO invoices into RPP and Non-RPP portions in 2015 and 2016. If not, please explain why not.
 - c. Please clarify how the IESO issued the 2015 and 2016 credits to London Hydro: did IESO amend the 2015 and 2016 IESO invoices or did the IESO issue one/several CT 2148 credits in a number of invoices in 2022 and 2023? If it is the latter, please provide a list showing how the CT 2148 credits were shown on the respective IESO invoices.
- 2) Please clarify the statement of “The GA charged on the additional behind the meter embedded generation volume accumulated in Account 1589 and was recovered from non-RPP Class B customers when variance accounts were disposed of.”
 - a. Please explain why in 2015 and 2016 London Hydro’s accounting approach results in the GA charged on the additional behind the meter EG volume is accumulated in Account 1589.
- 3) OEB staff provides the comparison in OEB staff-Table 1 above. Please explain the reason for the differences.
 - a. If the difference amount represents the RPP portion of the CT 2148 of which the IESO credits have been received by London Hydro, please explain why certain adjustment amounts are still recorded in Account 1588?
 - b. Please explain the 2021 adjustment amount of \$390,367 in Account 1588.

Staff Question- 6

Ref: Manager’s Summary, pg 21

London Hydro confirms that it has now completed its analysis of the Identified Issue. The required adjustments have been submitted to the IESO and that the IESO has accepted the adjustments that London Hydro submitted. London Hydro is proposing to dispose of the adjusted RSVA balances in this application.

Question

- 1) Please clarify when the IESO communicated to London Hydro its acceptance of the adjustments.
- 2) London Hydro states that the IESO accepted the adjustments that it submitted. By accepting the adjustments, did the IESO make any indications that they found the corrections reasonable and accurate?

Staff Question - 7

Ref: London_Hydro_Attachment_F_GA Analysis Workform 2024.xls, Principal Adjustments tab

Question(s)

- 1) Please confirm whether the billing adjustment of \$91,613 posted in 2022 related to year 2021 is identified in the right year in the GA Analysis Workform, Account 1588.
- 2) Please confirm whether the billing adjustment of (\$176,450) posted in 2022 related to year 2021 is identified in the right year in the GA Analysis Workform, Account 1589.
- 3) If either of the 2 questions above resulted in any changes, please update the related workform and schedules.

Staff Question-8

Ref: London_Hydro_Attachment_E_2024-IRM-Rate-Genera ~ Model_20231124 Excel, tab 3

At the above reference, London Hydro is requesting clearance of a high balance relating to Account 1580 which is a debit of \$ 10,628,873, relating to only one year of balances (2020). This is notably driven by the high transactions in 2022 of \$ 7,121,705.

OEB staff also notes higher balances than previously claimed for London Hydro's 2022 IRM for Account 1584 and Account 1586 of \$4,658,738 and \$2,548,233, respectively.

Question(s)

- 1) Please explain the large requested claim and 2022 transactions for account 1580 – RSVA Wholesale Market Service charge as at December 31, 2022.
- 2) Please explain the large requested claim and 2022 transactions for account 1584 and 1586 as at December 31, 2022.

Staff Question-9

Ref: 2024 IRM Application, page 43

The CIS upgrade project was originally planned to take place between 2021 – 2023; with a go live date in 2023. The total capital cost was estimated to be \$18.5 million.

2021	\$500,000
2022	\$6,500,000
2023	\$11,500,000
Total	\$18,500,000

London Hydro did not seek ACM funding of the CIS project in its 2023 IRM application because at the time of filing that application, it was felt that the project would not go into service until late in 2023 or potentially early in 2024. As a result, the revenue requirement impact in 2023 would be minimal, if there was any revenue requirement impact in 2023 at all.

Primarily as a result of robust labour market opportunities over the last couple of years, London Hydro has experienced greater than expected turnover of internal staff and contract labour that has led to the projected go-live date to be extended. There is a

shortage of SAP skills available in the labour market and when there is turnover it can take months to recruit and onboard qualified candidates. The cost of replacement staff can be much greater than the staff that left the project. An update to the project plan is being worked on. A revised go-live date and capital budget will be available in late October.

A revised go-live date will allow London Hydro to deliver the project on the revised timeline without compromising project quality. There has been no change in project scope. Consistent with the EB-2021-0041 Settlement Agreement, London Hydro has capped the total project costs at \$18.5 million for purposes of rate recovery through the ACM.

Question(s)

- 1) Please provide the updated timeline for the CIS project including the expected in service date.
- 2) Considering the recruitment challenges, what efforts are being made to mitigate further delays in the project timeline?
- 3) Please provide the actual costs incurred to date for this project and the remaining budget.
- 4) Please provide the estimated costs to be incurred for this project. If the expected total costs are higher than \$18.5M, please explain why.
- 5) Considering the cap on total project costs for rate recovery through the ACM, how does London Hydro plan to manage any additional costs incurred due to delays or labour-related challenges within this budget constraint?