

**London Hydro Inc.**  
**Responses to OEB Staff Questions**  
**EB-2023-0037**  
**January 9, 2024**

**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.<sup>1</sup> 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.<sup>2</sup>

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	4.9100
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.

## London Hydro Response

- 1) London Hydro confirms that the Rate Generator Model reflects the 2024 preliminary Uniform Transmission Rates (UTRs) noted above, and the accuracy of the resulting Retail Transmission Service Rates (RTSRs).

### 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.

### London Hydro Response

- 1) London Hydro updated the 2024 Continuity Schedule with the residual balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Sub-account Forgone Revenues from Postponing Rate Implementation (Forgone Revenues Sub-account).
  1. London Hydro confirms it followed the OEB's Guidance for Electricity Distributions with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, issued on August 6, 2020. In its Decision and Rate Order of the 2020 IRM proceeding, the OEB approved the new electricity distribution rates for London Hydro effective May 1, 2020, and also granted the option to postpone their implementation to November 1, 2020. Through the Final Rate Order, the OEB authorized London Hydro to postpone the implementation of its new rates, and a new rate rider to recover the resulting forgone revenue. Upon implementation, it recorded revenues from the approved Rate Rider for Recovery of COVID-19 Forgone Revenue from Postponing Rate Implementation (Forgone Revenue RR) effective November 1, 2020 as instructed, in the same Forgone Revenues Sub-account, drawing down the accumulated balance of the actual forgone revenues.
  2. The Forgone Revenue RR has expired and the residual balance in the Forgone Revenues Sub-account has been audited. London Hydro updated the Billing Determinants on Tab 4 with the OEB-approved rate class specific distribution revenue requirement from its 2022 cost of service rate application (EB-2021-0041). The residual balance of 1509 Forgone Revenues Sub-account was allocated accordingly by the 2024 Rate Generator Model.
  3. The applicable Account 1509 Rate Riders were also calculated on Tab 7 of by the 2024 Rate Generator Model.

**Table 1: Proposed Account 1509 Rate Riders**

Rate Class	Allocation of 1509 Residual Balance	Account 1509 Rate Rider
RESIDENTIAL SERVICE	\$ 9,344.47	\$ 0.01
GENERAL SERVICE LESS THAN 50 KW	\$ 1,981.17	\$ 0.01
GENERAL SERVICE 50 TO 4,999 KW	\$ 2,652.39	\$ 0.15
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	\$ 24.51	\$ 0.29
STANDBY POWER	\$ 94.89	\$ -
LARGE USE SERVICE	\$ 136.85	\$ 5.70
STREET LIGHTING	\$ 223.52	\$ -
SENTINEL LIGHTING	\$ 9.36	\$ -
UNMETERED SCATTERED LOAD	\$ 34.59	\$ -
<b>Total</b>	<b>\$ 14,501.75</b>	

2) Explained in part 1).

**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 RSVA Power, 1589 RSVA 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)
<b>TOTAL</b>	<b>\$ 27,413</b>	<b>\$ (4,354,222)</b>	<b>\$ (24,264)</b>	<b>\$ (74,380)</b>	<b>\$ (4,425,452)</b>

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.

## London Hydro Response

- 1) The updated GA Analysis Workforms are enclosed. Since the earliest year in the current GA Analysis Workform is 2018, a separate worksheet has been created for 2015-2017 and included as Attachment F1. This worksheet includes the GA analysis and the Account 1588 reasonability test for 2015-2017. Attachment F2 contains the GA analyses and Account 1588 reasonability worksheets for 2018-2022.

The impact of the Identified Issue was accrued into 2022 at year-end. The amounts pertaining to each impacted year are reflected in the individual GA Analysis Workforms. These amounts replace the reconciling items previously identified as the differences in GA IESO posted rate and rate charged on the IESO invoice. The 2022 GA Analysis Workform has been updated to reflect the reversing portion of the Identified Issue amount that relates to 2015-2021. The differences between the GA charge allocation to RPP and non-RPP volumes were updated to reflect the actual RPP and non-RPP proportions. The unbilled revenue accrued at year-end has been

compared to the up-to-date actual revenue billed for 2022. The volumetric variance explained in Note 5 Reconciling Items in the original GA Analysis Workforms are now reflected in Note 4 Expected GA Volume Variance section. The principal adjustment items are indicated in the Workforms and are also listed on the Principal Adjustments tab.

The updated 2024 IRM Rate Generator Model is also enclosed as Attachment E. The updated balances proposed for disposition have been provided in the table below.

Deferral and Variance Accounts	Account	Original Forecast Balance for Disposition April 30, 2024	Updated Forecast Balance for Disposition April 30, 2024
<b>Group 1 Accounts</b>			
Smart Metering Entity Charge Variance Account	1551	\$ (505,212)	\$ (505,212)
RSVA - Wholesale Market Service Charge	1580	\$ 10,628,873	\$ 10,628,873
Variance WMS – Sub-account CBR Class B		\$ (642,294)	\$ (642,294)
RSVA - Retail Transmission Network Charge	1584	\$ 4,658,738	\$ 4,658,738
RSVA - Retail Transmission Connection Charge	1586	\$ 2,548,233	\$ 2,548,233
RSVA - Power	1588	\$ (113,555)	\$ (520,112)
RSVA - Global Adjustment Class B	1589	\$ (8,331,262)	\$ (7,770,855)
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595_(2019)	\$ 110,149	\$ 110,149
		<b>\$ 8,353,669</b>	<b>\$ 8,507,519</b>
Impacts Arising from the COVID-19 Emergency, Sub-account Forgone Revenues from Postponing Rate Implementation <sup>6</sup>	1509		\$ 14,502
		<b>\$ 8,353,669</b>	<b>\$ 8,522,021</b>

The updated rate riders are reflected in the tables below with the original numbering from the rate application.

**Table 5: Proposed 2024 Deferral/Variance Account Rate Riders**

Rate Class	Units	Metered kW / kWh	Allocation of Group 1 Account Balances to All Classes	Rate Rider for Deferral/ Variance Accounts
RESIDENTIAL SERVICE	kWh	1,182,228,015	\$ 6,011,352	\$ 0.0051
GENERAL SERVICE LESS THAN 50 KW	kWh	411,990,624	\$ 2,218,271	\$ 0.0054
GENERAL SERVICE 50 TO 4,999 KW	kW	3,594,070	\$ 3,266,334	\$ 0.9088
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	kW	85,204	\$ 22,396	\$ 0.2628
STANDBY POWER	kW	192,800	\$ 58,556	\$ 0.3037
LARGE USE SERVICE	kW	213,690	\$ 639,929	\$ 2.9947
STREET LIGHTING	kW	47,683	\$ 93,221	\$ 1.9550
SENTINEL LIGHTING	kW	1,476	\$ 2,986	\$ 2.0227
UNMETERED SCATTERED LOAD	kWh	5,441,240	\$ 29,734	\$ 0.0055
<b>Total</b>			<b>\$ 12,342,779</b>	

**Table 6: Proposed 2024 Deferral/Variance Account Rate Riders to non-WMP**

Rate Class	Units	Metered kW	Allocated Group 1 Balance - Non-WMP	Rate Rider for Deferral/ Variance Accounts
GENERAL SERVICE 50 TO 4,999 KW	kW	3,567,919	\$ 4,486,000	\$ 1.2573
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	kW	62,602	\$ 27,030	\$ 0.4318
STANDBY POWER	kW	183,800	\$ 79,361	\$ 0.4318
<b>Total</b>			<b>\$ 4,592,391</b>	

**Table 7: Proposed 2024 RSVA Global Adjustment Rate Riders**

Rate Class	Units	Metered kWh	Total GA Variance \$ allocated to Current Class B Customers	Rate Rider for RSVA - Global Adjustment
RESIDENTIAL SERVICE	kWh	17,883,572	-\$ 151,356	\$ (0.0085)
GENERAL SERVICE LESS THAN 50 KW	kWh	67,314,288	-\$ 569,707	\$ (0.0085)
GENERAL SERVICE 50 TO 4,999 KW	kWh	766,824,646	-\$ 6,489,938	\$ (0.0085)
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	kWh	7,744,004	-\$ 65,541	\$ (0.0085)
STANDBY POWER	kWh	17,501,417	-\$ 148,121	\$ (0.0085)
LARGE USE SERVICE	kWh	-	\$ -	\$ -
STREET LIGHTING	kWh	17,000,378	-\$ 143,881	\$ (0.0085)
SENTINEL LIGHTING	kWh	4,446	-\$ 38	\$ (0.0085)
UNMETERED SCATTERED LOAD	kWh	-	\$ -	\$ -
<b>Total</b>			<b>-\$ 7,568,582</b>	

**Table 12: Proposed Direct Settlement for RSVA GA to Transition Customers**

Customer	Customer Specific GA Allocation During the Period They Were a Class B customer	Monthly Equal Payments
Customer 1	\$ (18,056)	\$ (1,505)
Customer 2	\$ (7,591)	\$ (633)
Customer 3	\$ (40,027)	\$ (3,336)
Customer 4	\$ (8,941)	\$ (745)
Customer 5	\$ (53,294)	\$ (4,441)
Customer 6	\$ (636)	\$ (53)
Customer 7	\$ (3,198)	\$ (266)
Customer 8	\$ (39,193)	\$ (3,266)
Customer 9	\$ (11,154)	\$ (930)
Customer 10	\$ (19,796)	\$ (1,650)
Customer 11	\$ -	\$ -
Customer 12	\$ (54)	\$ (5)
Customer 13	\$ (333)	\$ (28)
<b>Total</b>	<b>\$ (202,274)</b>	

- 2) London Hydro enclosed a separate Continuity Schedule for Accounts 1588 and 1589 restated by including the principal adjustments and the applicable interest in respective years of 2015 to 2022. The updated work form is titled "LH\_Attachment\_E1\_Restated\_Continuity\_Sch\_Commodity".
- 3) London Hydro confirms that the \$4,425,452 credit adjustment was reflected in the 2022 audited financial statements.
- 4) The driver for the credit adjustments for years 2015 to 2020 is mainly the revisions to the embedded generation volumes. It is approximately twice as significant for 2020 than for the previous year. CT 2148 GA credit for 2020 is also twice as significant than it is for the previous year. The allocated non-RPP portion of the GA credit also reflects similar trend in Account 1589.

YEAR	Volume Revisions		IESO Invoice	RSVA
	Embedded Generation	Class A Load	CT 2148 (GA) \$	1589 GA
2019	(10,266,291)	-	\$ (1,104,779)	\$ (625,943)
2020	(20,852,854)	(713,311)	\$ (2,476,032)	\$ (1,279,057)

- 5) The revisions made to the embedded generation and class A volumes resulted in credits received from the IESO, as well as a true-up of the RPP settlement for each



impacted period. The RPP settlements were reviewed and trued up for the GA cost considering the credits received. They were also reviewed and trued up for volume differences and changes in the RPP/non-RPP portions, where required. In 2021, the Class A volumes required an update in the calculation, which also impacted the RPP/non-RPP percentages. The resulting \$390,367 net true-up for the year was accrued into Account 1588 for the 2022 year-end.

#### **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.



## London Hydro Response

- 1) Global Adjustment/Embedded Generation: London Hydro submitted accurate information to the IESO. However, it wasn't the correct information to be used to settle Global Adjustment charges. London Hydro used the same information to make the embedded generation submission to the IESO as London Hydro uses when submitting the Gross Load Billing information to Hydro One. All generation was included, not just the amount of generation being sent to the grid. The reason this issue was not discovered earlier was because the data was accurate but not for the purpose it was being used for. In addition, the Global Adjustment variance account balances were not large enough to identify that there was an issue.

Class A: The volumes that London Hydro submitted were the best available at the time the submission needed to be made to the IESO. The possibility that adjustments could be made to the Class A volumes later, before they were considered final and that they needed to be updated in a subsequent IESO submission, was what had been missed in London Hydro's previously existing process. The reason it had not been identified earlier was that the balances were not large enough to attract attention. The issue was discovered when the Global Adjustment/Embedded Generation issue was reviewed and analyzed.

Processes for both items have been adjusted to ensure the best and most current information is used in IESO settlements on a go forward basis.

- 2) London Hydro confirms the related credits were received and recorded in the corresponding DVAs.
  - i. Sample entries to record the credits received from the IESO for the month of January 2017:

### 1. IESO credits received - CT 2148 RPP/Non-RPP portions, CT 1351, CT 9990:

DR	\$	58,676	IESO Payable
CR	\$	(30,547)	1588 Power
CR	\$	(27,037)	1589 GA
CR	\$	(220)	1580 CBR
CR	\$	(871)	1580 WMS

### 2. Accrued RPP Settlement TU (CT 142):

DR	\$	13,555	1588 Power
CR	\$	(13,555)	IESO Payable

3. True up GA cost allocation based on final RPP/Non-RPP %:

DR	\$	17,939	1588 Power
CR	\$	(17,939)	1589 GA

- ii. London Hydro confirms that the IESO credits received in 2023 were accrued into 2022 to Account 1588.

**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)
<b>2015-2022</b>	<b>(123,664,142)</b>	<b>8,953,779</b>	<b>\$ (10,908,415)</b>	<b>\$ (37,737)</b>	<b>\$ (148,080)</b>

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)
<b>TOTAL</b>	<b>\$ 385,159</b>	<b>\$ (5,620,872)</b>	<b>\$ (37,737)</b>	<b>\$ (148,080)</b>	<b>\$ (5,421,530)</b>

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
<b>2015</b>	-	(857,979)	(857,979)	(857,979)	-
<b>2016</b>	-	(801,551)	(801,551)	(801,551)	-
<b>2017</b>	17,955	(346,408)	(328,453)	(965,832)	(637,379)
<b>2018</b>	2,218	(443,283)	(441,065)	(625,355)	(184,290)
<b>2019</b>	(1,251)	(625,943)	(627,194)	(1,104,779)	(477,585)
<b>2020</b>	8,492	(1,279,057)	(1,270,565)	(2,476,032)	(1,205,467)
<b>2021</b>	390,367	(589,435)	(199,068)	(2,256,804)	(2,057,736)
<b>2022</b>	(32,621)	(677,215)	(709,836)	(1,820,082)	(1,110,246)
	<b>385,160</b>	<b>(5,620,871)</b>	<b>(5,235,711)</b>	<b>(10,908,414)</b>	<b>(5,672,703)</b>

**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.

## **London Hydro Response**

- 1) London Hydro confirms that the GA adjustments received in CT 2148 for Years 2015 and 2016 were attributed to non-RPP consumption as the result of the GA allocation approach employed at that time.
- a) During 2015 and 2016, London Hydro used Method B to book the GA costs and CT 142 GA credit. Method B is described in Appendix A of the GA Analysis Work Form Instructions, GA Methodology Description, issued May 20, 2020, under section 1 Approach to recording CT 1142/142 and CT 148. Under Method b) CT 148 is booked into 1589. The portion of CT 142 equaling RPP minus HOEP for RPP consumption is booked into 1588. The portion of CT 142 equaling GA credit related to RPP consumption is credited into 1589. Total CT 148 GA cost less CT 142 GA credit should equal with CT 148 Non-RPP GA costs.
  - b) London Hydro did not prorate the GA charges (CT 148) into RPP and Non-RPP portions in 2015 and 2016, according to Method B approach, as described in a).
  - c) The IESO issued the total GA credits under CT 2148 on the January 2023 invoice. It provided a detailed list of credits for each month in 2015 and 2016 under the Issue numbers that totaled to the credit in the invoice under CT 2148. London

Hydro was able to identify the GA credits for each impacted month from the issue details.

- 2) The GA charged on the additional behind the meter generation was recovered from non-RPP customers through the GA Rate Riders billed, as the costs were included in the 1589 variance account balance.
  - a) Under Method B, all GA charges were booked to 1589 including the additional GA charges, and remained in 1589 until the date of disposition. The GA Rate Rider calculations included all variances.
- 3) The differences in OEB Staff – Table 1 represents the RPP Settlement true-up amounts. The wholesale level class B volume is impacted by the revisions submitted to the IESO for both class A and embedded generation volumes. The “paid” GA price calculation is impacted by the GA credits received (CT 2148).
  - a) Since the wholesale volumes, the RPP/Non-RPP percentages and the GA paid prices have changed, the complete calculation of the RPP settlements were trued up for each month impacted. The impact of this true-up is booked to Account 1588.
  - b) The \$390,367 adjustments in Year 2021 consists of:
    1. (\$1,475,287) RPP portion of GA credit received (CT 2148),
    2. \$2,057,736 RPP settlement true-up (CT 142), and
    3. (\$192,082) GA cost allocation true-up for the change in RPP/Non-RPP percentage

<b>1588 Power</b>	
1.	\$ (1,475,287) Record CT 2148 GA credit received - CT 2148 RPP portion
2.	\$ 2,057,736 RPP Settlement TU (CT 142) accrued
3.	\$ (192,082) True up GA cost allocation based on final RPP/Non-RPP %
	<b>\$ 390,367 Net Impact</b>

**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?

## London Hydro Response

- 1) The adjustments were completed over a few months, with the final adjustments being accepted by the IESO on the January 2023 Invoice that was posted on February 14, 2023. However, when the IESO processed the adjustments that London Hydro submitted for the Identified Issues, there were occasions when something else that London Hydro had submitted in the past also got modified by the IESO when it should not have. This was resolved on the March Invoice which was posted on April 18<sup>th</sup>, 2023.
- 2) The IESO did not directly comment on the reasonableness or the accuracy of the corrections. London Hydro notes, however, that the corrections related only to the separation of behind the meter generation volumes from the total generation volumes for the purposes of calculating the charges to London Hydro's customers and that further to the adjustment process the IESO has provided the requested credits to the benefit of ratepayers.

## 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.

## London Hydro Response

- 1) London Hydro confirms the \$91,613 posted in 2023, related to Year 2021, is identified in the right year in the GA Analysis Workform.
- 2) London Hydro confirms the sum of billing adjustments in the amount of (\$176,450) related to Year 2021, posted in 2023 to Account 1589, is identified in the right year in the GA Analysis Workform.
- 3) N/A.

### 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.

## London Hydro Response

- 1) The high principal variance in account 1580 – RSVA Wholesale Market Service charge represents the under recovered variance between the Wholesale Market Service (WMS) costs and the Rural or Remote Electricity Rate Protection (RRRP) costs paid to the IESO and the WMS and RRRP charges billed to customers. The high balance is attributed to the significant increase in WMS and RRRP costs in 2022, while the regulatory charge recovery rates billed to customers remained unchanged. Ref. OEB Decision and Order EB-2020-0276 and EB-2021-0300, effective January 1, 2021 and 2022, respectively.



- 2) The substantial principal requested claim for Accounts 1584 and 1586 resulted from the significant increase in UTR charges paid to the IESO, while the recovery RTSR rates were not increased at the same pace. The UTR Connection rates charged by the IESO to the distributor increased on January 1, and the UTR Network service rate increased on January 1st and April 1st in 2022.

The 2022 RTSRs charged by London Hydro to its customers were forecast based on the 2021 UTR rates in the 2022 COS proceeding (EB-2021-0041), and updated effective May 1, 2022, therefore, a large portion of the paid network and connection charges were not recovered from customers.

### **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
<b>Total</b>	<b>\$18,500,000</b>

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?

### London Hydro Response

- 1) The prepare and validation phases are completed. The realization phase is starting.

Q4 2023 Business Process Documentation Completion

Q1 2024 Design, Functional Specs and Technical Specs

Q2 2024 Build, Infrastructure

Q3 2024 Testing, Training, Parallel Runs, Integrations, Organizational Change

Q4 2024 Deploy and Data Migration Go-live, Vulnerability Assessments, Penetration Testing

Expected in-service date is early Q4 2024.

- 2) London Hydro has been actively monitoring and taking appropriate measures to mitigate any further delays:
  - London Hydro is using a mix of external firms, independent consultants, and internal staff to deliver the project. Significant effort is being devoted to ensuring that existing staff remain with the project. This includes recognizing their efforts and ensuring a positive work environment (e.g. culture, work hours, prioritizing activities, knowledge transfer ). When there is staff turnover, aggressive recruitment is undertaken expeditiously.

- London Hydro has appropriate governance in place through the PMO and Steering Committee to proactively manage any project risks. We continuously look at whether we have the right resources, the right number of resources and the right mix of resources. We have found it has been helpful to utilize resources from external firms temporarily when internal staff leave the organization and the project until they can be replaced in the marketplace.
- Internal staff cross-training is underway to minimize the impact of attrition when it happens. Project vendors also expanded their bench strength with skilled resources to on-board quickly if more attrition was to occur.

As described above, we are doing what we can to minimize the risk of staff turnover and the resulting impact staff turnover has when it does occur. However, given prevailing labour market conditions, we anticipate this will be an ongoing challenge for the remainder of the project.

3) 2021 Actual	\$612,000
2022 Actual	\$3,542,000
2023 Projection	\$6,732,000 (including \$386,000 of capitalized interest)
2024 Budget	\$10,647,000 (including \$647,000 of capitalized interest)
Total	\$21,533,000

- 4) Estimated costs have been provided in answer to part 3) above. As described in the evidence, the main reason costs are higher than \$18.5 million is because of staff turnover and the capitalization of interest. Due to a shortage of SAP skills available in the market, the cost of replacement staff can be much greater than the staff that left the project. The original \$18.5 million cost estimate did not include capitalized interest.
- 5) Consistent with the EB-2021-0041 Settlement Agreement, London Hydro will absorb the additional project costs until the next Cost of Service rebasing application which is scheduled to set rates for the 2027 Test Year. In that proceeding, London Hydro plans to justify the prudence of the additional costs and seek approval to include the full undepreciated capital cost in rate base for rate-setting on a go forward basis.