

OEB Staff Interrogatories Response Greater Sudbury Hydro Inc. EB-2023-2024

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Staff-1

Ref: (1) 2024 IRM Rate Generator Model, Tab 11
(2) 2024 IRM Rate Generator Model, Tab 15
(3) 2024 IRM Rate Generator Model, Tab 20

Preamble:

On September 28, 2023 the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTR) 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 Greater Sudbury Hydro's Rate Generator Model with the preliminary UTRs and proposed host RTSR by Hydro One as follows:

UTRs

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, Interrogatory Response #4

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					
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:

- a) Please confirm the accuracy of the Rate Generator Model update noted above for the UTRs and RTSRs.

GSHI confirms it has agreed the UTRs to the letter issued by the OEB on September 28th, 2023. GSHI also confirms that it has agreed the RTSRs to Hydro One Networks 2024 Proposed Tariff of Rates and Charges (EB-2023-0030) as filed on October 27th, 2023.

Staff-2

Ref: (1) Manager's Summary, pp. 12-13

Preamble:

In the pre-filed evidence, Greater Sudbury Hydro requests rate riders for 2024 to recover LRAM-eligible amounts previously approved.

In the decision for its 2023 rates, OEB approved the LRAM-eligible amounts for years 2023-2027 arising from persisting savings from completed Conservation Demand Management programs. Greater Sudbury Hydro notes that these amounts are to be adjusted mechanistically by the approved price cap and recovered through a rate rider in the corresponding rate year. The LRAM-eligible amounts approved for prospective disposition from the 2023 rate application is provided below in Table 1.

Table 1: LRAM-Eligible Amounts Approved for Prospective Disposition³

Year	LRAM-Eligible Amount (in 2022 \$)
2023	36,403
2024	37,271
2025	38,851
2026	38,851
2027	38,896

In the pre-filed evidence, Greater Sudbury Hydro inflated the 2024 amount in table 1 above by 4.5%, the OEB approved inflation factor for 2024.

However, OEB staff notes that the calculation completed by Greater Sudbury Hydro does not account for the adjustment for the 2023 year. OEB staff has recalculated the LRAM-eligible amounts in Table 2 below.

Table 2: Re-Calculated LRAM-Eligible Amounts for Prospective Disposition

Year	LRAM-Eligible Amount (in 2022 \$)	LRAM-Eligible Amount (in 2023 \$) ⁴	LRAM-Eligible Amount (in 2024 \$) ⁵
2023	36,403	37,641	-
2024	37,271	38,538	40,272
2025	38,851	40,172	41,980
2026	38,851	40,172	41,980
2027	38,896	40,218	42,028

Questions:

- a) Please confirm if Greater Sudbury Hydro agrees with the values for LRAM-eligible amounts for prospective disposition calculated by OEB staff in Table 2 above. If not, please explain why.

GSHI agrees with the values for LRAM eligible amounts for prospective disposition as calculated by OEB staff in Table 2 above.

- b) If Greater Sudbury Hydro agrees with the values in Table 2 above for LRAM-eligible amounts for prospective disposition, please file an updated Rate

³ EB-2022-0034, Decision and Rate Order, March 23, 2023

⁴ Values are inflated by Greater Sudbury Hydro's OEB approved price cap of 3.4%.

⁵ Values are inflated by Greater Sudbury Hydro's OEB approved price cap of 4.5%.

Generator Model that reflects the updated 2024 LRAM-eligible amount of \$40,272 as noted in Table 2 above.

GSHI provides the following calculation (Table 3 below) based on the corrected figures and confirms it has updated the Rate Generator Model with the new rate riders.

Table 3 – Corrected LRAM-Eligible Proposed Rate Rider and Calculation

Rate Class	2024 LRAM-Eligible approved amount (a)	2023 Approved inflation minus X factor (b)	2024 Approved inflation minus X factor (c)	Annual Recovery (d) = (a) x 1 + (b) x 1 + (c)	Volume (from tab 4 of rate generator model) (e)	Rate Rider (f) = (d)/(e)	Charge Determinant
GA<50 kW	-24,679	3.40%	4.50%	-26,667	133,108,084	-0.0002	kWh
GS>50 kW	-34,832	3.40%	4.50%	-37,637	783,607	-0.0480	kW
Streetlighting	22,241	3.40%	4.50%	24,032	10,057	2.3896	kW
Total	-37,271			-40,272			

Staff-3

Ref: (1) OEB letter issued on October 31, 2019 – [“Letter re: Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition \(Oct 31, 2019\) \(oeb.ca\)”](#)

(2) Manager’s Summary, pp. 8-10

Preamble:

Reference 1 states that “Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB
- the degree to which other distributors are making similar errors

On page 9 of Reference 2, Greater Sudbury states that:

Greater Sudbury Hydro noted in that application that during preparation of the continuity schedule, that the 2020 balance of (\$172,700) in account 1580 – Variance WMS – Subaccount CBR Class B was submitted with the incorrect sign during GSHI’s 2020 2.1.7 RRR filing. This was not identified during the preparation of the 2022 IRM application and therefore, the incorrect amount was disposed.

On page 10 of Reference 2, Greater Sudbury Hydro states that:

Greater Sudbury Hydro is now proposing to make the adjustment to its general ledger to match the IRM continuity and properly reflect the disposal that occurred. Greater Sudbury Hydro intends to book the following entry in its general in 2023:

DR Variance WMS – Sub-account Class B \$343,095

CR RSVA – Wholesale Market Service Charge \$(343,095)

Questions:

- a) Please explain the financial and regulatory accounting treatment if the proposed principal adjustment is denied.

As noted on the IRM rate generator model submitted as part of this proceeding, a variance currently exists in account "WMS – Sub-account Class B" when comparing the balance per GSHi's 2.1.7 RRR and the continuity of actual claim activity.

If the proposed principal adjustment is denied and no other corrective action is taken, a variance between the 2.1.7 RRR and the continuity of actual claim activity will persist into future years. The variance will persist until some corrective measure is taken. Therefore, it is necessary to make some corrective measure. It is GSHi's view that there are two options to correct this variance:

- 1) GSHi's proposal as submitted in this initial IRM application is to adjust its general ledger to match the IRM continuity and properly reflect the disposal that occurred. This would correct the issue and crystalize the disposition of the 2020 balances in question as they were previously disposed of, with no adjustment to rates already approved and no impact on the current IRM rate riders. At the time of submission of this IRM application GSHi understood this to be the more desirable solution from the perspective of the OEB as no adjustment to previously approved balances or rate riders would be made, therefore this was the solution proposed by GSHi.
- 2) An alternative solution is to adjust the IRM continuity through the "Principal adjustments during 2022" column, with no adjustment made to GSHi's general ledger. A positive value of \$343,095 in account "1580 RSVA – Wholesale Market Service Charge" and a negative value of (\$343,095) in account "1580 Variance WMS – Sub-account CBR Class B" would correct the variance in the continuity and reflect in the balance of each account what should have been disposed of for 2020 year-end balances. The rate riders in this IRM would reflect the correction and be proportionately lower / higher depending on rate class and rate rider. Under this solution the total dollars allocated to each rate class would ultimately be accurate, however some inequity could exist for new customers or customers who departed between the 2022 and 2024 IRM rate riders.

It is GSHi's view that one of these two proposed solutions is necessary to correct the noted variance and avoid the variance persisting on GSHi's future deferral/variance continuities. GSHi will continue to recommend the solution in part 1) above, as it is understood to be the preferred solution by stakeholders.

- b) Please provide Greater Sudbury’s consideration regarding the rates retroactivity issues raised in the OEB’s Oct 31, 2019 letter in Reference 1.
- a. Please also comment on the four factors outlined in Reference 1.

With reference to the OEB’s Oct 31, 2019 letter, GSHi notes the following:

- 1) From the letter: *“Such errors, which have been discovered in a number of cases after an account balance has been disposed of through a final order, are of particular concern given the potential for the balances – and by extension the associated implications for customers – to be very large.”* GSHi interprets that this letter is primarily intended to address those errors where the impact could have a material effect on the customer’s bill. To gauge the materiality of GSHi’s issue, GSHi has quantified the impact to its customers in “Table 2 – Analysis of Disposition Balance Error” as submitted in the IRM application. GSHi includes an additional table 4 below to expand on this analysis and quantification of the impact on customers.

Table 4 – Disposition Balance Difference – Further Analysis

Customer Class	Units	Difference	Difference per Customer/ Connection (Annual average)	A	B	C	D	C/D	
				Net Tariff Difference (\$/unit)	Typical kW or kWh (Note 1)	Impact on a typical bill, tax impacted	Typical bill, after tax (Note 1)	Impact percentage of typical bill	
Residential	kWh	\$ -		\$ -					No impact
GS Less Than 50 KW	KWh	\$ -		\$ -					No impact
GS 50 to 4,999 kW Class B (excl WMP)	kW	\$ 4,228.94	\$ 8.81	\$ 0.0066	190.00	\$ 1.25	\$ 12,331.86	0.0102%	
GS 50 to 4,999 kW Class A	kW	\$ (21,693.11)	\$ (4,338.62)	\$ (0.1704)	2,037.00	\$ (347.10)	\$112,794.25	-0.3077%	
GS 50 to 4,999 kW WMP	kW	\$ -		\$ -					No impact
Unmetered Scattered Load	KWh	\$ -		\$ -					No impact
Sentinel Lighting	KW	\$ 742.31	\$ 2.13	\$ 0.7438	0.21	\$ 0.16	\$ 32.12	0.4863%	
Street Lighting	KW	\$ 227.11	\$ 0.02	\$ 0.0124	1,605.00	\$ 19.90	\$131,196.32	0.0152%	
Total Difference all classes		\$ (16,494.75)							

Note 1: All inputs except for Class A are from 2022 IRM Rate Generator Model FINAL
Class A inputs were queried from GSHi billing system, this is average Class A bill data in calendar 2022.

The OEB’s October 31st, 2019 letter indicates that the balances and implications for customers can, under some circumstances, be large. The above table quantifies the impact on a typical customer bill for the affected rate classes to illustrate the immaterial nature in the situation in question. The impact is less than 0.5% per month, per bill in all cases. The largest percentage impact of 0.4863% per bill is an absolute dollar value of \$0.16, which would be considered immaterial by most measures. The largest absolute dollar impact is \$347.10 per bill, in the customer’s favour (lower bill), for Class A customers or a (-0.3077%) impact per bill. The absolute total dollar amount impact for all rate classes (\$16,494.75) is so small that variance in actual billed units vs. projected billed

units used to calculate the rate rider would typically cause a greater variance in dollars ultimately settled through the rate rider.

As another indication of materiality, GSHi's materiality based on its 2020 Cost of Service rate application Revenue Requirement is \$133,527, so the total difference of this matter (\$16,494.75) as a percentage of GSHi materiality for rate setting purposes is 12.35%.

GSHi believes that the above illustrates the immaterial impact to customers in this instance and believes that implementing one of the two solutions presented in the response to part (a) of this question is an adequate resolution to the issue.

2) GSHi will comment on the four factors outlined in the OEB's October 31st, 2019 letter:

- a) *"Whether the error was within the control of the distributor"* – In this instance the error was within control of the distributor. GSHi completed its 2020 2.1.7 RRR submission and as part of that submission the sub-account balance for 1580 WMS Class B was submitted with the incorrect sign. The IRM deferral/variance continuity for 2022 rates, using 2020 year-end balances, then reconciled to the submitted 2.1.7 value that had the incorrect sign. Given the nature of the sub-account balance in the RRR submission it was not possible for an integrity check to be programmed by OEB staff into the submission portal, therefore care needs to be taken by the distributor to ensure sub-account balances are submitted with the correct sign. For regular trial balance amounts submitted as part of 2.1.7 GSHi gains some comfort over the accuracy of the signs of submitted account balance values as there are integrity checks programmed into the OEB's portal for regular balance sheet and income statement accounts. GSHi imports its balances into the portal where possible, which minimizes potential reversed sign errors.
- b) *"The frequency with which the distributor has made the same error"* – This is the first time GSHi has made this error.
- c) *"Failure to follow guidance provided by the OEB"* – Guidance from the OEB on submission of values for RRR 2.1.7 and preparation of the IRM rate model would certainly expect that care be taken to ensure signs are correct, and otherwise verified against the distributor's general ledger. GSHi will take more care going forward to ensure this is the case for sub-account balances submitted.
- d) *"The degree to which other distributors are making similar errors"* – Given the nature of the error and potential for subsequent

correction, GSHi can't comment on the prevalence of this error among other LDCs.

- c) Please confirm and explain whether the intergenerational inequity is affected by the error. If not, why not.

GSHi presents two options to correct this variance in part a) of this response. It is GSHi's understanding that under either solution there would be some amount of intergenerational inequity.

Under option 1, where GSHi adjusts its general ledger to match the actual disposition already performed, the rate riders approved for final disposition in GSHi's 2022 IRM would be crystalized and so too would the theoretical variance by rate class as presented in Table 1 of this response above. The customers in the rate classes noted will have net under or over-recoveries crystalized, and the ultimate impact spread across all rate classes once any residual variance is rolled into a future 1595 balance and disposed of across all rate classes.

Under option 2, where GSHi adjusts the IRM continuity through the "principal adjustments" column, any active customers in the rate classes during the effective period of the rate riders who subsequently left the service territory would theoretically be affected by intergenerational inequity. The same would be said for customers who were not active during the 2022 rate rider but who will be active during the 2024 rate rider.

- d) Please describe Greater Sudbury Hydro's processes that have been implemented to prevent mistakes like those mentioned in Reference 2.

The thorough data integrity checks programmed into the OEB's portal for submitting 2.1.7 RRR balances ensures that most balances reported are reported with the correct sign. The "Total balancing" check ensures that RRR accounts are reported with the correct sign, as a reversed sign would cause an integrity check to indicate an issue. GSHi imports its trial balance amounts into the OEB portal to significantly reduce the potential for error. In subsequent years since the error was discovered GSHi takes care to manually verify that the sign reported in the 2.1.7 sub-account submission is accurate. GSHi also takes care to ensure that sub-account balances as presented in the IRM continuity agree to the general ledger at the appropriate year-end.

Staff-4

Ref: (1) [Chapter 3 Filing Requirements for Electricity Distributors \(oeb.ca\)](#), pp.13 & 14
(2) Manager's Summary, p. 12

Reference 1 states that "Distributors only become eligible to seek disposition of these residual balances two years after the expiry of the rate rider" and "May 1 rate year – If 2020 rate riders expire on April 30, 2021, the balance of subaccount 1595 (2020) is eligible to be disposed after the account balance as of December 31, 2023 has been audited. Therefore, sub-account 1595 (2020) would be eligible for disposition in the 2025 rate year."

On Reference 2: Greater Sudbury Hydro states that "Sub Account 2020 rate riders expired April 20, 2021 – balance of \$(148,926)"

- a) Given that Accounts 1595 (2020) is not yet eligible to dispose until 2025 IRM application, please confirm if Greater Sudbury Hydro's will withdraw its request to dispose this account in this proceeding.

GSHI withdraws its request to dispose of this account as part of this application and has modified the Rate Generator Model as necessary.