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BY EMAIL

January 30, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Greater Sudbury Hydro Inc.
2024 Distribution Rate Application
OEB File Number: EB-2023-0024**

Please find attached OEB staff's submission in the above-referenced proceeding, pursuant to Procedural Order No.1. Greater Sudbury Hydro Inc. has been copied on this filing.

Yours truly,

Vithooshan Ganesanathan
Case Manager

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Greater Sudbury Hydro Inc.

2024 Distribution Rate Application

EB-2023-0024

January 30, 2024

Introduction

Greater Sudbury Hydro Inc. (Greater Sudbury Hydro) filed an Incentive Rate-Setting Mechanism (IRM) application with the Ontario Energy Board (OEB) on October 11, 2023, under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for changes to its electricity distribution rates to be effective May 1, 2024.

Consistent with the Chapter 3 Filing Requirements, Greater Sudbury Hydro applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. The stretch factor assigned to Greater Sudbury Hydro is 0.3%, resulting in a rate adjustment of 4.5% based on the Price Cap adjustment formula. OEB staff has no concerns with Greater Sudbury Hydro's proposed price cap adjustment.

Greater Sudbury Hydro has also requested an update to its Retail Transmission Service Rates (RTSRs) to recover the wholesale transmission rates charged by the Independent Electricity System Operator and its host distributor, Hydro One Networks Inc. OEB staff has no concerns with Greater Sudbury Hydro's requested adjustments to its RTSRs.

In this document, OEB staff makes detailed submissions on the following:

- Group 1 Deferral and Variance Accounts
 - Account 1580 - RSVA Wholesale Market Service & Sub-Account CBR Class B

Group 1 Deferral and Variance Accounts

Background

Greater Sudbury Hydro requested the disposition of its December 31, 2022 Group 1 Deferral and Variance Account (DVA) balances in the debit amount of \$2,309,932, including interest projected to December 31, 2023, on a final basis over 12 months. This amount pertains to variances accumulated in 2021 and 2022. In its interrogatory response, Greater Sudbury Hydro updated Group 1 DVA balances to a debit amount of \$2,458,858 to reflect a withdrawal of its request to dispose of Account 1595 (2020) due to its ineligibility for disposition per the [Chapter 3 Filing Requirements for Electricity Distributors](#).¹ The Group 1 DVA balances exceed the OEB's \$0.001/kWh threshold for disposition.

Other than Account 1580, OEB staff does not take issue with the disposition of Greater Sudbury Hydro's December 31, 2022 Group 1 DVA balances on a final basis.

In its 2023 IRM proceeding,² Greater Sudbury Hydro identified a misallocation error in the 2020 balances between Account 1580 – RSVA Wholesale Market Service Charge (WMS) and Account 1580, Sub-account CBR Class B. The misallocation error was the result of Greater Sudbury Hydro reporting the incorrect 2020 balance in its 2020 Reporting and Record Keeping Requirements (RRR) filing. In its 2020 RRR filing, Greater Sudbury Hydro erroneously reported a credit balance of \$172,700 in Account 1580 – Variance WMS – Subaccount CBR Class B with the incorrect sign (meaning the value should have been (\$172,700), not \$172,700). These two 2020 account balances were later disposed of on a final basis in Greater Sudbury Hydro's 2022 IRM application.³ In the 2023 IRM application, Greater Sudbury Hydro did not request for disposition of Group 1 DVA balances because the total DVA balance did not exceed the pre-set disposition threshold of \$0.001/kWh and as a result, there was no disposition. In the current application, the DVA balances do exceed the threshold and Greater Sudbury Hydro is requesting disposition of Group 1 DVA balances.

In its interrogatory response,⁴ Greater Sudbury Hydro proposed two options to rectify the error as below:

- 1) Option 1: Adjust its general ledger in 2023 to align with the IRM continuity for these two accounts, with no impact on rates already approved or the current IRM rate riders. This would correct the issue and crystalize the disposition of the 2020

¹ Interrogatory response to OEB Staff-04.

² [EB-2022-0034, 2023 IRM Application](#).

³ EB-2021-0026, Decision and Rate Order, March 24, 2022.

⁴ Interrogatory response to OEB Staff-03.

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.

- 2) Option 2: Adjust the IRM continuity through the “Principal Adjustment during 2022”, without modifying the general ledger. 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.

Greater Sudbury Hydro acknowledged that under either option, there could be some intergenerational inequity for new customers or those departing between the 2022 and 2024 IRM rate riders. However, Greater Sudbury Hydro preferred the first option, believing it aligns with OEB expectations and avoids impacting previously approved rates or current IRM rate riders. Additionally, Greater Sudbury Hydro discussed the control it has put in place to prevent future errors.

OEB staff notes that the proposed corrections to Account 1580 are retroactive in nature. In the OEB’s letter Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition (OEB Guidance Letter),⁵ the OEB provided guidance on adjustments to commodity accounts resulting from errors after final disposition and indicated that an asymmetrical approach to the correction of the error may be appropriate in some circumstances. The OEB Guidance Letter also provided an example of this where, if a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve a part or all of the correction and of any associated carrying charges.

In its interrogatory response,⁶ Greater Sudbury Hydro noted that it had considered the four factors in the OEB Guidance Letter and stated the following regarding the error:

- It was within the control of Greater Sudbury Hydro as they acknowledged that care needs to be taken to ensure sub-account balances are submitted with the correct sign.
- It was the first occurrence for Greater Sudbury Hydro.
- It was inadvertent and not due to lack of guidance from the OEB.
- Greater Sudbury Hydro was unable to comment on the prevalence of this among other electricity distributors due to the nature of the error and the potential for subsequent correction.

⁵ [Letter re: Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition \(October 31, 2019\)](#) (OEB Guidance Letter).

⁶ Interrogatory response to OEB Staff-03.

Greater Sudbury Hydro further noted that they believed that the OEB Guidance Letter is primarily intended to address those errors where the impact could have a material effect on the customer's bill. In its interrogatory response,⁷ Greater Sudbury Hydro provides an analysis of the error and the impact on the different customer classes and types. The analysis is provided in Table 4 of interrogatory responses to OEB Staff-03 b). Greater Sudbury Hydro calculates the potential rate riders if the sign had been correct. This is compared to the rates included in the Tariff of Rates and Charges, which were calculated using the incorrect sign in the 2022 IRM application. The total impact of making the correction to rectify the error to be a debit amount of \$16K, which results in either a nil or immaterial impact for each class and type of customer.

Table 1: Analysis of Disposition Balance Error

Customer Class	Billing Determinants	Units	Original Tariff		Recalculated Tariff		Original Revenue Reconciliation		Revised Revenue Reconciliation		Difference	Difference per Customer/Connection
			DVA RR	CBR RR	DVA RR	CBR RR	DVA RR	CBR RR	DVA RR	CBR RR		
Residential	381,949,546	kWH	0.0007	0.0002	0.0011	-0.0002	267,364.68	76,389.91	420,144.50	- 76,389.91	-	
GS Less Than 50 KW	128,297,209	KWH	0.0008	0.0002	0.0012	-0.0002	102,637.77	25,659.44	153,956.65	- 25,659.44	0.00	
GS 50 to 4,999 kW Class B (excl WMP)	640,749	kW	0.3216	0.0891	0.492	-0.0879	206,064.88	57,090.74	315,248.51	- 56,321.84	4,228.94	8.81
GS 50 to 4,999 kW Class A	127,307	kW	0.3216	-	0.492	-	40,941.93	-	62,635.04	-	- 21,693.11	-4,338.62
GS 50 to 4,999 kW WMP	6,257	kW	1.0739	-	1.0739	-	6,719.39	-	6,719.39	-	-	-
Unmetered Scattered Load	1,032,903	KWH	0.0006	0.0002	0.001	-0.0002	619.74	206.58	1,032.90	- 206.58	-	
Sentinel Lighting	998	KW	0.3373	0.0822	0.4877	-0.8120	336.63	82.04	486.72	- 810.38	742.31	2.13
Street Lighting	18,315	KW	0.3763	0.0788	0.5205	-0.0778	6,891.93	1,443.22	9,532.96	- 1,424.91	227.11	0.02
Total Difference all classes -											16,494.75	

As a result, Greater Sudbury Hydro proposes an adjustment to its general ledger to match the IRM continuity by booking the following entry in its general ledger in 2023, which is option 1 referred to above:

- DR Variance WMS – Sub-account Class B \$343,095
- CR RSVA – Wholesale Market Service Charge \$343,095

Submission

OEB staff supports the final disposition of Group 1 DVA balances, updated in accordance with a retroactive principal adjustment to the Account 1580 2020 balance. OEB staff is of the view that the error resulted from insufficient care being taken. Greater Sudbury Hydro acknowledged that the error was within its control and that it will take more care going forward to ensure this is the case for sub-account balances submitted.

⁷ Application, p. 10; Interrogatory response to OEB Staff-03.

Greater Sudbury Hydro stated that it was the first and only occurrence - an isolated unintentional issue. As noted in the OEB Guidance Letter,⁸ the OEB expects electricity distributors to disclose errors that have been discovered in their accounting records and to record correcting adjustments to the affected accounts in the year in which the error is discovered. Therefore, OEB staff emphasizes that Greater Sudbury Hydro should make the retroactive adjustment through a principal adjustment in the year 2020 and recalculate the cumulative interests accordingly.

OEB staff notes that neither option provided by Greater Sudbury Hydro would ultimately generate an accurate solution for its customers, putting aside the issue of customers who had left Greater Sudbury Hydro's service or had moved to the different rate classes since 2022. Option 1 of adjusting the general ledger in 2023 does not rectify the misallocation issue because the error remains in the impacted account. Rectifying the error in accordance with the four factors set out in the OEB Guidance Letter is still OEB staff's expectation, rather than not rectifying the error as stated by Greater Sudbury Hydro in its response to staff interrogatory. Option 2 of booking a principal adjustment in 2022 does not provide the ultimate accurate solution as well because the error originated from 2020. OEB staff is of the view that there would not be a rates retroactivity issue associated with either option proposed by Greater Sudbury Hydro. The OEB Guidance Letter provides an approach for electricity distributors to request the OEB to correct the rates retroactively after considering the four factors set out in the OEB Guidance Letter.

OEB staff acknowledges that the error may not materially impact customers. However, if uncorrected the balances can increase and, as noted in the OEB Guidance Letter, such errors are a concern given the potential for the balances – and by extension the associated implications for customers – to be very large. OEB staff notes that there should not be an additional cost for Greater Sudbury Hydro to correct the error because the adjustment will be included in this rate application and be disposed of along with this year's DVA rate riders.

OEB staff submits that, as an attachment to its reply submission, Greater Sudbury Hydro should provide an updated Rate Generator Model which includes the principal adjustment of a debit of \$343,095 in account '1580 RSVA – Wholesale Market Service Charge' and a credit of (\$343,095) in account '1580 Variance WMS – Sub-account CBR Class B' for the year 2020 in the continuity schedule. This should also include updates to the rate rider calculations, proposed tariff schedule, and bill impacts.

~All of which is respectfully submitted~

⁸ OEB Guidance Letter, p. 2.