

# Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589

Pre-settlement presentation to OEB staff  
EB-2023-0030/EB-2023-0059

February 28, 2024

Updated: March 21, 2024

# Agenda

1. Timeline of Events
2. Accounting and Settlement Process Review
  - Pre-2021 (Pre-adoption of OEB's Accounting Guidance)
  - Post-2021 (Post-adoption of OEB's Accounting Guidance)
3. Response to OEB staff's question on data availability
4. Modified Approach – Hydro One Clarification

# Timeline of Events

	OEB	Hydro One	
Year	RSVA	RSVA Balance	Accounting
2018	OEB initiated an audit on HONI's RPP settlements process <sup>1</sup>	2018 RSVA balance approved by OEB in 2021 Custom IR Proceeding (on a final basis)	
2019	Feb 21, 2019: The OEB issued an Accounting Guidance for Accounts 1588/1589 Mar 4, 2019: OEB concluded RPP audit	2019 RSVA balance approved by OEB in 2021 Custom IR Proceeding (on a final basis)	
2020	OEB approved the modified approach for HONI on a prospective basis in EB-2020-0030 <sup>2</sup>	2020 RSVA balance approved by OEB in 2023-27 JRAP Proceeding (on a final basis)	
2021		Subject of EB-2023-0030/EB-2023-0059 proceedings (not yet approved)	HONI adopted the modified approach on prospective basis starting in 2021 (as approved by the OEB)
2022			
2023			Correction proposed for embedded LDC's (eLDC) CT142 in Commodity & GA 2021/2022 balances

[1] Inspection of compliance of RPP settlement process and assessment of DVA allocation methodology for Acquired Utilities

[2] EB-2020-0030, 2021 HONI Dx Custom IR Proceeding, Decision and Order, Dec. 17, 2020, p. 17

## **Accounting and Settlement Process Review – Walkthrough**

# Pre-2021 (Pre-adoption of OEB's Accounting Guidance)

Pre-Adoption of OEB Accounting Guidance							
1588 Commodity			1589 Global Adjustment				
Revenue		Cost	Revenue		Cost		
1	RPP Revenue	2	Total Purchased Volume at HOEP	1	Class B Non-RPP GA Revenue	3	CT 148 - Class B – GA Settlement Amount
1	Non-RPP Revenue	4	CT142 [RPP Revenue - RPP Energy]			4	CT 142 [- RPP GA]
6	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	5	6	eLDC CT142 [-RPP GA]	5	eLDC CT142 [-RPP GA]

1	Billing Driven
2	IESO Invoice + Generation Payment/Declaration
3	IESO Invoice
4	RPP Settlement CT142 split by component
5	Declared by eLDCs via IESO Invoice for CT142
6	Mirror #5 and invoiced to eLDCs for CT142

The graphics are illustrative of revenues and costs charged to accounts 1588 and 1589 and are not T-accounts

# Pre-2021 (Pre-adoption of OEB's Accounting Guidance) – Hydro One Dx

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

**Class B**  
= Class B RPP + Class B non RPP

Class B Non-RPP @ GA  
+ RPP @ GA  
- RPP @ GA

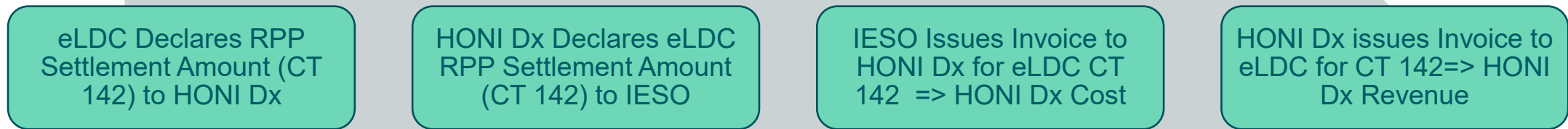
RPP @ HOEP  
+ Non-RPP @ HOEP  
+ RPP @ RPP  
- RPP @ HOEP

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# Pre-2021 (Pre-adoption of OEB's Accounting Guidance) – eLDC CT 142 Flowthrough

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

The amount declared by the eLDC for CT142 is used throughout this process; HONI does not make any adjustment



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# Post-2021 (Post-adoption of OEB's Accounting Guidance) – Hydro One Dx

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

Post-Adoption of OEB Accounting Guidance			
With the eLDC CT142 RPP Settlement flowthrough Error (2021 - 2022)			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705	eLDC CT142 [-RPP GA]	
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
	eLDC CT142 [-RPP GA]		

Post 2021, CT 148 Class B GA split btw RPP and Non RPP Portion based on the proportionate share of kWh volumes sold for RPP and Non-RPP

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# Post-2021 (Post-adoption of OEB's Accounting Guidance) – Hydro One Dx

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

Post-Adoption of OEB Accounting Guidance			
With the eLDC CT142 RPP Settlement flowthrough Error (2021 - 2022)			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705	eLDC CT142 [-RPP GA]	
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
	eLDC CT142 [-RPP GA]		

CT 142 [- RPP GA] settlement amount is moved to Commodity Cost

RPP Settlement amount (CT142) is calculated based on OEB Accounting Guidance for Commodity Account

The graphics are illustrative of revenues and costs charged to accounts 1588 and 1589 and are not T-accounts

# Post-2021 (Post-adoption of OEB's Accounting Guidance) – Hydro One Dx

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

Post-Adoption of OEB Accounting Guidance			
With the eLDC CT142 RPP Settlement flowthrough Error (2021 - 2022)			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705	eLDC CT142 [-RPP GA]	
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
	eLDC CT142 [-RPP GA]		

RPP @ HOEP
+ Non-RPP @ HOEP
+ RPP @ GA
+ RPP @ RPP
- RPP @ HOEP
- RPP @ GA

The graphics are illustrative of revenues and costs charged to accounts 1588 and 1589 and are not T-accounts

# Post-2021 (Post-adoption of OEB's Accounting Guidance) – eLDC CT 142 Flowthrough

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

Post-Adoption of OEB Accounting Guidance			
With the eLDC CT142 RPP Settlement flowthrough Error (2021 - 2022)			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705	eLDC CT142 [-RPP GA]	
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
	eLDC CT142 [-RPP GA]		

Post 2021, eLDC CT142 [- RPP GA] cost portion is reflected in Account 1588

Post 2021, eLDC CT142 [- RPP GA] revenue was stranded and should have been reflected in Account 1588

The total invoiced amount to eLDCs for their RPP settlement amount (CT142) is correct as declared. The issue is the eLDC CT 142 RPP GA was stranded in the GA Revenue account.

The graphics are illustrative of revenues and costs charged to accounts 1588 and 1589 and are not T-accounts

# Post-2021 (Post-adoption of OEB's Accounting Guidance) – eLDC CT 142 Flowthrough

Pre-Adoption of OEB Accounting Guidance			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	CT 148 - Class B – GA Settlement Amount
Non-RPP Revenue	CT142 [RPP Revenue - RPP Energy]		CT 142 [- RPP GA]
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]

Post-Adoption of OEB Accounting Guidance			
With the eLDC CT142 RPP Settlement flowthrough Error (2021 - 2022)			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705	eLDC CT142 [-RPP GA]	
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
	eLDC CT142 [-RPP GA]		

Correction in 2023 for eLDC CT142 RPP Settlement Flowthrough Error			
1588 Commodity		1589 Global Adjustment	
Revenue	Cost	Revenue	Cost
RPP Revenue	Total Purchased Volume at HOEP (1)	Class B Non-RPP GA Revenue	Charge Type 148 - Non-RPP - 4707
Non-RPP Revenue	Charge Type 148 - RPP - 4705		
	CT142 [RPP Revenue - RPP Energy]		
	CT 142 [- RPP GA]		
eLDC CT142 [RPP Revenue - RPP Energy]	eLDC CT142 [RPP Revenue - RPP Energy]		
eLDC CT142 [-RPP GA]	eLDC CT142 [-RPP GA]		

In EB-2023-0030, Exhibit A-04-01, Section 3.4.2: eLDC [- RPP GA] revenue amount in CT 142 was corrected from GA Revenue (1589) to Commodity Revenue (1588).

The graphics are illustrative of revenues and costs charged to accounts 1588 and 1589 and are not T-accounts

**Additional Follow-up Items with OEB Staff**

# Response to OEB staff's question on data availability

## Pre 2021

RPP Settlement Amount is calculated based on kWh volume sold for RPP [slide 6]

Loss Adj. Consumption Data Required: Class B RPP

Used for: RPP Energy and RPP GA

## Post 2021

OEB Accounting Guidance for Commodity Account [slide 9]

Loss Adj. Consumption Data Required: Class B RPP, Class B Non-RPP, Class A

Used for: (1) Allocate Class B GA cost (2) Calculate RPP settlement Amount

### Constraint:

Data only available starting from Jan 2021, so cannot go back retroactively

# Modified Approach – Hydro One Clarification

**Reference:** APH Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, Page 9

**Preamble:** Two RPP settlement true-up claims are to be performed

## First True-up

- a) The first true-up is done the month following the initial RPP settlement claim. The first true-up relates to the update of the GA 2nd estimate price with the actual GA price. In addition, this would include any differences between estimated and actual wholesale power cost at the HOEP.



## Second True-up

- b) The second true-up is done once the actual kWh sales volumes for RPP settlements are known. Actual kWh volumes should be known no later than the third month after the trade/calendar month, with the majority of distributors having actual kWh sales volumes by the end of the second month.



# Modified Approach – Hydro One Clarification

**Reference:** APH Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, Page 29  
**Preamble:** CT 148 Class B GA Settlement Amount True-up Calculation

Calculate true-up adjustment of CT 148 based on the actual proportionate share of kWh volumes sold for RPP and Non-RPP.

