

Hydro Ottawa Limited
EB-2024-0035
September 25, 2024

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Staff Question-1
Application Updates

OEB staff notes the following list of items to be updated to finalize Hydro Ottawa's 2025 rates and charges:

- Regulated Price Plan (RPP) rates and Regulatory Charges (WMSR, CBR, RRRP). These rates impact Hydro Ottawa's Drycore transformer charges.
- Any updated Uniform Transmission Rates (UTRs), **if available** before the issuance of the OEB's decision in this proceeding.¹ This may impact the calculation of the Low Voltage Rates as well.
 - If the Low Voltage Rates change from those filed in the application for the GS 50 to 1,499 kW, GS 1,500 to 4,999 kW and Large Use classes, this may also impact Hydro Ottawa's Drycore transformer charges
- If any generic OEB Decision and Order is made related to Retail Service Charges and Regulatory Charges prior to the OEB's decision on Hydro Ottawa's 2025 application, those would be reflected in the 2025 tariff of rates and charges.

Please confirm if this is a complete list or identify any missing items.

Staff Question-2
Ref: Tariff and Bill Impact Model, Tab 2 – Current Tariff Schedule

At the above noted reference, there is a drop-down menu which requests applicants to confirm the accuracy of their 2024 Tariff of Rates and Charges generated in the model. Hydro Ottawa has selected "no" to the question "Have you confirmed the accuracy of the tariff sheet".

¹ At Exhibit 8, Tab 3, Schedule 1, page 2, Hydro Ottawa states "Adjustments to Hydro One UTRs typically occur after the implementation of Hydro Ottawa's rates on January 1st of each year. As such, the Parties have agreed to set each year's RTSRs using the previous year's UTRs. As part of the 2021-2025 Approved Settlement Agreement, the differences from the new rates will be captured in Uniform System of Accounts 1584 – Retail Settlement Variance Account ("RSVA") Network, and 1586 - Connection for future disposition."

- (a) Please advise if this selection was in error. If yes, please make the change to the model.
- (b) If the answer to (a) is no, please confirm any inaccuracies in the 2024 Tariff of Rates and Charges populated in the model.

Staff Question-3

Transformer Ownership Allowance

Ref 1: Application, Exhibit 3, Tab 1, Schedule 1, page 4

Ref 2: Tariff of Rates and Charges, effective January 1, 2025

As part of Hydro Ottawa's approved 2021-2025 Approved Settlement Agreement, parties agreed that as of November 1, 2025, the Transformer Ownership Credit will be discontinued for all customers.

With respect to Hydro Ottawa's current application, please confirm if Hydro Ottawa agrees that a sunset date of November 1, 2025 should be added to the line item "Transformer Allowance for Ownership – per kW of billing demand/month" on Hydro Ottawa's Tariff of Rates and Charges, effective January 1, 2025.

Staff Question-4

Proposed Revenue-to-Cost Ratios

Ref: Application, Exhibit 7, Tab 1, Schedule 1, pages 2-3

At the above reference, Hydro Ottawa states:

Sentinel Lighting is the only customer class with a revenue-to-cost ratio outside the OEB policy range. As agreed, the ratio for this customer class is being brought into its policy range over the five year Custom IR period to mitigate the impact of a large rate increase on a small number of class participants. The 2025 proposed revenue-to-cost ratio aligns Sentinel Lighting class to the OEB policy range. **All other classes will remain constant in 2025.**

(OEB staff added emphasis).

OEB staff has reproduced Table 2 of the reference below.

Table 2 – Current and Proposed Rate Class Revenue-to-Cost Ratios

| Rate Class | Revenue-to-Cost Ratios | | | | | |
|--------------------------|------------------------|------------------|------------------|------------------|------------------|-----------------|
| | 2021 Approved | 2022 Approved | 2023 Approved | 2024 Approved | 2025 Proposed | Policy Range |
| Residential | 101.08% | 101.08% | 101.08% | 101.07% | 101.08% | 85-115 |
| GS < 50 kW | 119.92% | 119.94% | 119.89% | 119.93% | 119.94% | 80-120 |
| GS > 50 to 1,499 kW | 90.44% | 90.44% | 90.43% | 90.44% | 90.44% | 80-120 |
| GS > 1,500 to 4,999 kW | 102.32% | 102.32% | 102.32% | 102.32% | 102.32% | 80-120 |
| Large Use | 86.10% | 86.10% | 86.09% | 86.10% | 86.10% | 85-115 |
| Street Lighting | 120.00% | 119.94% | 119.90% | 119.86% | 119.76% | 80-120 |
| Sentinel Lighting | 56.25% | 62.19% | 65.15% | 70.02% | 80.00% | 80-120 |
| Unmetered Scattered Load | 104.51% | 104.61% | 104.57% | 104.64% | 104.71% | 80-120 |
| Standby Power | 33.23% | 33.23% | 33.23% | 33.23% | 33.23% | n/a |

OEB staff observes most of the increase to the Sentinel Lighting class is offset by the Street Lighting class. Please explain the nature of the minor adjustments (increases) to the Residential, GS<50 kW and Unmetered Scattered Load rate classes.

Staff Question-5

Fixed/Variable Split

Ref 1: Application, Exhibit 8, Tab 1, Schedule 1, page 5

Ref 2: Application, Exhibit 8, Tab 1, Schedule 1, page 3, Table 2

Ref 3: EB-2023-0032, Updated Attachment 6-1-1 A – 2024 RRWF, November 8, 2023

At reference 1, the application states:

Maintaining the 2024 fixed/variable ratio for the General Service 1,500 to 4,999 and Large Use classes resulted in a lower fixed charge than the previous year. Consequently, per the November 19, 2020 Decision and Order, the 2025 fixed charges for specific classes will decrease. For these rate classes, adjustments were made to the variable rates to meet the required revenue requirements.

With respect to the Large Use class, a portion of reference 2 is reproduced below:

| 2024 Approved | | 2025 Proposed | |
|---------------|----------|---------------|----------|
| Fixed | Variable | Fixed | Variable |
| 24% | 76% | 24% | 76% |

Please confirm if the 2024 approved fixed and variable percentages for the Large Use class should show 25% and 75%, respectively (rounded) as per reference 3.

Staff Question-6

Ref 1: RTSR Model, Tab 4 – UTRs and Sub-Transmission

Ref 2: Application, Exhibit 8, Tab 3, Schedule 1, page 2

Hydro Ottawa updated the RTSR Model for the 2024 UTRs effective July 1, 2024 as per the OEB’s decision issued on June 27, 2024 (EB-2024-0183).

For clarity in the RTSR Model, please add the effective dates to the two 2024 columns (i.e., January to June, and July to December).

| Uniform Transmission Rates | | Unit | 2023 | 2023 | 2024 | 2024 | 2025 |
|--|----|------|------|---------|---------|---------|---------|
| Rate Description | | | Rate | | Rate | | Rate |
| Network Service Rate | kW | \$ | 5.60 | \$ 5.37 | \$ 5.78 | \$ 6.12 | \$ 6.12 |
| Line Connection Service Rate | kW | \$ | 0.92 | \$ 0.88 | \$ 0.95 | \$ 0.95 | \$ 0.95 |
| Transformation Connection Service Rate | kW | \$ | 3.10 | \$ 2.98 | \$ 3.21 | \$ 3.21 | \$ 3.21 |

Staff Question-7

Ref 1: Application, Exhibit 4, Tab 4, Schedule 1, page 5

Ref 2: Application, Exhibit 4, Tab 4, Schedule 2, page 1

Ref 3: EB-2023-0032, Decision and Rate Order, page 19

Hydro Ottawa states that it is not seeking clearance of its Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) as part of its 2025 application. Further, Hydro Ottawa will continue to use the IESO Evaluation, Measurement, and Verification results for in-service activities to measure CDM savings for LRAMVA disposition in a future rate application.

In the OEB’s decision in Hydro Ottawa’s 2024 Custom IR Update application (EB-2023-0032), the OEB accepted Hydro Ottawa’s intent to keep the LRAMVA account open until rebasing and to not seek disposition of 2021 or 2022 LRAMVA amounts or seek prospective disposition within the 2024 proceeding.

- (a) Please confirm the years associated with the outstanding amounts and the approximate total claim.
- (b) Please confirm that Hydro Ottawa will bring forward its LRAMVA balance for disposition in its next rate application.

Staff Question-8

Ref: Application, Exhibit 9, Tab 2, Schedule 1, page 1

At the above noted reference, Hydro Ottawa states that its Group 1 deferral and variance account balances meet the \$0.001 per kWh threshold as noted in *Chapter 3 Filing Requirements for Electricity Distribution Rate Applications*.

Please provide the threshold calculation.

Staff Question-9

Ref: 2025 GA Analysis Workform

In the GA 2023 tab, a reconciling item with a credit amount of \$3,879,628 is reported for the differences in the GA between the IESO posted rate and the rate charged on the IESO invoice.

In the Principal Adjustments tab, a credit amount of \$5,562,864 is included as a principal adjustment to Account 1588 for the current year unbilled to actual revenue differences. OEB staff notes that the unbilled to actual revenue difference for last year which is reversed on this year's analysis workform is a credit of \$199,233.

- (a) Please provide a detailed explanation of the reconciling item between the GA IESO posted rate and the rate charged on the IESO invoice.
 - i. Please provide a table showing the month-by-month breakdown of these differences. The table should show the rates difference between the actual GA rates charged by the IESO and the IESO posted rates and multiplied by the volume with the total difference amounting to a credit amount of \$3,879,628.
- (b) Please explain in detail the nature of the significant unbilled to actual revenue differences of a credit amount of \$5,562,864 reported in Account 1588 and why the unbilled accrual has increased significantly from last year.
 - i. Please confirm if the external auditor has audited this unbilled accrual as part of the 2023 audit of the financial statements. Please explain why line item(s) on the financial statements did this unbilled accrual included.

Staff Question-10

Ref 1: Exhibit 9, Tab 3, Schedule 1, Page 1 of 8

Ref 2: [Chapter 3 Filing Requirements](#), June 18, 2024

In reference 1, Hydro Ottawa states that the 1595 (2021) Sub-Account has been excluded from the proposed disposition because "the two-year period following the expiry of the associated rate rider has not yet elapsed."

Page 16 of reference 2 states,

January 1 rate year – If 2021 rate riders expire on December 31, 2021, the balance of sub-account 1595 (2021) is eligible to be disposed after the account balance as of December 31, 2023, has been audited. Therefore, sub-account 1595 (2021) would be eligible for disposition in the 2025 rate year.

- (a) Please explain why Hydro Ottawa believes the disposal criteria for Account 1595 (2021) Sub-Account have not been met.
- (b) Please update the 2025 Deferral and Variance Account Continuity Schedule as applicable.

Staff Question-11

Ref: Attachment 9-1-1 (A) OEB Workform Deferral and Variance Account (Continuity Schedule)_20230815

Account 1580 RSVA – Wholesale Market Service charge shows a total claim credit balance of \$8.7 million compared to the approved debit balance of \$14.09 million from last year's application.

- (a) Please explain the substantial decrease in the account balance sought for disposition in the current application and the key drivers for the decrease.
- (b) Please provide the break down of the variance into WMS revenues collected from the customers and WMS charged by the IESO in 2023 and tie this difference to the variance amount booked in Account 1580.
- (c) Please confirm that the 2023 principal transactions, with a credit amount of \$8.11 million, do not include current-period and prior-period adjustments. If not confirmed, please provide the details of these adjustments.