

**Hydro One Networks Inc.
Orillia and Peterborough rate zones
EB-2024-0033
October 31, 2024**

Please note, Hydro One Networks Inc. (Hydro One) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*, unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref (1): Rate Generator Models, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%, for both Orillia and Peterborough rate zones.

Staff-2

Ref (1): Orillia rate zone Rate Generator Model, Tab 4, Continuity Schedule

Preamble:

There are no kW or kWh entries for the sentinel lighting rate class, please below.

		Total Metered kWh	Total Metered kW	Met C (exc
13				
14				
15				
16	Rate Class	Unit		
17	RESIDENTIAL SERVICE CLASSIFICATION	kWh	110,636,079	0
18	GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	46,747,899	0
19	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	157,323,308	355,717
20	UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	630,085	0
21	SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	0	0
22	STREET LIGHTING SERVICE CLASSIFICATION	kW	355,600	2,900
23	STANDBY POWER SERVICE CLASSIFICATION	kW	0	0
24		Total	315,692,971	358,617
25				

Question(s):

- a) Please confirm if this is correct. If there are kW and kWh entries for the sentinel lighting rate class, please provide them so OEB staff can update Orilla’s rate generator model.

Staff-3

Ref (1): Peterborough rate zone Rate Generator Model, Tab 4, Continuity Schedule

Preamble:

There are no kW or kWh entries for the large use rate class, please below.

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kW Non-RPF Customer (excluding W
RESIDENTIAL SERVICE CLASSIFICATION	kWh	291,862,834	0	2,300
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	111,191,666	0	16,000
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	358,951,169	815,951	309,548
LARGE USE SERVICE CLASSIFICATION	kW	0	0	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	1,522,683	0	1,428
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	415,892	1,192	124
STREET LIGHTING SERVICE CLASSIFICATION	kW	3,340,332	9,170	3,340
	Total	767,284,577	826,313	332,740

Threshold Test

Question(s):

- a) Please confirm if this is correct. If there are kW and kWh entries for the large use rate class please provide them so OEB staff can update Peterborough’s rate generator model.

Staff-4

Ref (1): Peterborough rate zone Rate Generator Model, Tab 6, Continuity Schedule

Preamble:

In the evidence for the Peterborough rate zone, Hydro One indicates that Customer 3 is transitioning from Class B to Class B.

Transition Customers - Non-loss Adjusted Billing Determinants by Customer

Customer	Rate Class		2023	
			July to December	January to June
Customer 1	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh	1,309,657	1,503,450
		kW	2,947	3,151
		Class A/B	A	B
Customer 2	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh	3,451,528	3,900,115
		kW	6,136	6,758
		Class A/B	B	A
Customer 3	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh	1,035,486	856,953
		kW	1,970	1,825
		Class A/B	B	B

Question(s):

- a) Please update the model accordingly.

Staff - 5

Ref (1): Peterborough IRM Rate Generator Model, Tab 11 and Tab 12 for IESO

Preamble:

On Tab 11, the 2023 January to June Network Service Rate is reported as \$5.60 and the July to December is reported as \$5.37. On Tab 12, the January to December Network Rate is reported as \$3.92. On Tab 11, the 2023 January to June Line Connection Service Rate is reported as \$0.92 and the July to December is reported as \$0.88.

On Tab 12, the January to December Connection Service Rate is reported as \$0.97. As well, on Tab 11, the 2023 January to June Transformation Line Connection Service Rate is reported as \$3.10 and the July to December is reported as \$2.98. On Tab 12, the January to December Connection Service Rate is reported as \$2.33.

Question(s):

- a) Please explain the discrepancies and update the Rate Generator Model Tab 12 as needed.

Staff-6

Ref (1): Peterborough IRM Rate Generator Model, Tab 11 and Tab 12 for Hydro One

Preamble:

On Tab 11, the 2023 January to December Network Service Rate is reported as \$4.6545. On Tab 12, the January to December Network Rate is reported as \$3.3980. On Tab 11, the 2023 January to December Line Connection Service Rate is reported as \$0.6056.

On Tab 12, the January to December Connection Service Rate is reported as \$0.8045. As well, on Tab 11, the 2023 January to December Transformation Line Connection Service Rate is reported as \$2,8924. On Tab 12, the January to December Connection Service Rate is reported as \$2.0194.

Question(s):

- a) Please explain the discrepancies and update the Rate Generator Model Tab 12 as needed.

Staff-7

Ref (1): Orillia IRM Rate Generator Model, Tab 11 and Tab 12 for Hydro One

Preamble:

On Tab 11, the 2023 January to December Network Service Rate is reported as \$4.6545. On Tab 12, the January to December Network Rate is reported as \$3.3980. On Tab 11, the 2023 January to December Line Connection Service Rate is reported as \$0.6056.

On Tab 12, the January to December Connection Service Rate is reported as \$0.8045. As well, on Tab 11, the 2023 January to December Transformation Line Connection Service Rate is reported as \$2,8924. On Tab 12, the January to December Connection Service Rate is reported as \$2.0194.

Question(s):

- a) Please explain the discrepancies and update the Rate Generator Model Tab 12 as needed.

Staff-8

Ref (1): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (2): A-04-01-06 - Derivation of Wheeling Credits

Preamble:

On April 30, 2020, the OEB approved Hydro One's request to acquire the distribution businesses of Orillia Power Distribution Corporation (Orillia Power Distribution)¹. The integration into Hydro One's distribution system was completed on June 1, 2021. Hydro One is requesting approval to recover and allocate credits for the wheeling and supply of power for two generation stations embedded in Hydro One's distribution system. These amounts are for the years 2021-2023.

Post-integration, credits related to the wheeling agreements are manually calculated and applied to Orillia RZ customers, while equivalent debits are applied to Hydro One Distribution. These credits do not impact the consolidated Group 1 Deferral and Variance Account (DVA) balances or Hydro One's consolidated financial statements.

Question(s):

- a) Hydro One states that the wheeling agreements were updated and remain in place. Please provide copies of the original and updated agreements.
- b) Please confirm how the concept of "wheeling" is applied in the post-integration structure between Hydro One and Orillia Power Generation Corporation. What specific changes, if any, occurred in the definition and practice of wheeling after Orillia Power Distribution's integration into Hydro One?
- c) Please explain how the pre-integration accounting treatment of wheeling credits was managed and how it differs from the proposed approach post-integration. Please provide the reference to Orillia's rate application where the wheeling agreement and its treatment was explained.
- d) Please explain how the calculation of the credits currently differs from the calculation done pre-integration.
- e) Hydro One states that EB-2024-0033 is the first annual update application where these wheeling benefits are proposed to be provided to Orillia RZ customers for the years 2021, 2022, and 2023. Why were the credits for 2021 and 2022 not included in Hydro One's 2023 and 2024 rate applications?
- f) What controls or procedures are in place to ensure the accuracy and consistency of these manual calculations?

¹ EB-2018-0270

- g) How will the wheeling credit benefits be accounted for in future filings and does Hydro One plan to move away from manual calculations?

Staff-9

Ref (1): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (2): A-04-01-06 - Derivation of Wheeling Credits

Ref (3): A-04-01-02

Preamble:

Hydro One has provided an Excel breakdown in Reference 2 for the calculation of the wheeling credit amounts for the affected RSVA accounts. These amounts are a debit and corresponding credit to Hydro One and Orillia Rate Zone's RSVA accounts as summarized below:

Table 1: Wheeling Amounts for 2021-2023²

Account Name	Account Number	2021	2022	2023
RSVA - Wholesale Market Service Charge	1580	\$101,158	\$113,085	\$211,494
Variance WMS – Subaccount CBR Class B	1580	\$18,153	\$20,873	\$24,769
RSVA – Retail Transmission Network Charge	1584	\$210,727	\$389,431	\$416,950
RSVA – Retail Transmission Connection Charge	1586	\$161,591	\$260,916	\$303,672
Total		\$491,629	\$784,306	\$956,885
Interest				\$139,882
Total Impact				\$2,371,702

Question(s):

- Please confirm whether Hydro One is in agreement with OEB staff's summary table above, including the values and calculations. If not, please explain, and update OEB Staff Table 1, as required.
- Please update Table 1 above for yearly interest calculations for each DVA account.
- Please reconcile the amounts in A-04-01-04 to the amounts shown in A-04-01-02 (Allocation of 2023 Group 1 RSVA Balances) and the above Table 1, specifically "Adjustments as per Orillia Wheeling Agreement".
- Please confirm that the wheeling credit amounts for the affected RSVA accounts are shown in the "Transactions Debit / (Credit) During 2023"

² The calculated debit amounts are added to the Group 1 DVA balances allocated to Hydro One and equivalent credit amounts added to the Group 1 DVA balances allocated to Orillia RZ.

columns of the DVA Continuity Schedules. If this is not the case, please explain.

- e) Please explain why the wheeling credit amounts for the affected RSVA accounts are not shown as principal adjustments on the DVA Continuity Schedules.

Staff-10

Ref (1): EB-2023-0030/EB-2023-0059 Settlement Proposal, p. 10, May 24, 2024

Ref (2): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (3): A-04-01-06 - Derivation of Wheeling Credits

Ref (4): [OEB Letter](#), Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, October 31, 2019

Preamble:

In the settlement proposal in the 2024 rates proceeding, at reference 1 above, the Parties agreed to the disposition of 2021 and 2022 Group 1 DVA balances on a final basis for the Hydro One Distribution rate zone, Peterborough rate zone, and Orillia rate zone.

In the current proceeding, Hydro One is proposing to adjust 2021-2022 balances that were previously approved for disposition on a final basis in its 2024 rate proceedings.

OEB staff notes that Hydro One has not specifically addressed the OEB’s October 31, 2019 letter, regarding adjustments to correct for errors after disposition.

For example, the OEB outlined factors that it may consider to determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case.

Question(s):

- a) Please describe how Hydro One has addressed the OEB’s concerns noted in the OEB’s October 31, 2019 letter regarding adjustments to correct for errors in Electricity Distributor “Pass-Through” Variance Accounts after disposition. Without limiting the generality of this request, please ensure that you address the four factors shown at p.2 of the letter.
- b) Please provide OEB precedents where the OEB has approved corrections to Hydro One balances previously disposed on a final basis, specifically where such corrections were a credit to customers. Please provide the EB# and the date of the respective OEB decision.

Staff-11

Ref (1): EB-2024-0032/EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated

Ref (2): EB-2024-0032/ EB-2024-0033 A-04-01-1_DVA Continuity Schedule, Consolidated

Ref (3): EB-2023-0030/EB-2023-0059 Settlement Proposal, Table 7, p. 27, May 24, 2024

Ref (4): EB-2023-0030/EB-2023-0059, Settlement Proposal, Attachment 1.4,_HONI GA Analysis Workform_Settlement, 20240524

Preamble:

On tab “Principal Adjustments” of the GA Analysis Workform, Hydro One is showing a debit of \$4,562,448 for Account 1588 and a debit of \$3,789,140 for Account 1589 for “Total Current Year Principal Adjustments”. Normally this would show on the opposite sign in the DVA Continuity Schedule in column AG “Variance RRR vs. 2023 Balance (Principal + Interest)”.

Although the DVA Continuity Schedule is showing a credit of \$4,562,448 for Account 1588, Account 1589 is showing a credit of \$3,699,531. There is the following difference shown for Account 1589.

	Account 1589 Amount
GA Analysis Workform	\$3,789,140
DVA Continuity Schedule	<u>\$3,699,531</u>
Difference	<u>\$89,609</u>

In the EB-2023-0030/EB-2023-0059 Settlement Proposal related to Hydro One’s 2024 rate proceedings, the Parties agreed to a 10% disallowance on the Peterborough rate zone Account 1589 pre-integration balance from January 1, 2021 to May 31, 2021. This amount was \$89,609. A credit of \$88,018 was recorded as a 2022 principal adjustment in that proceeding.

Question(s):

- a) Please explain why \$89,609 is shown as a debit to Account 1589 in the GA Analysis Workform in the current proceeding for 2025 rates (included as part of the \$3,789,140), when it was approved as a credit in Hydro One’s 2024 IRM rate

proceeding for the Peterborough rate zone.

- b) If the \$89,609 was recorded as a credit in Hydro One's 2024 general ledger, please explain whether it should be reversed as a debit principal adjustment for 2024 balances in the DVA Continuity Schedule (to be disposed in 2026 rates), as opposed to 2023 balances in the current proceeding (to be disposed in 2025 rates).

Staff-12

Ref (1): EB-2023-0030, Partial Decision and Rate Order, December 14, 2023, p. 16

Ref (2): Instructions for Completing GA Analysis Workform – 2025 Rates

Ref (3): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated

Ref (4): EB-2023-0030/EB-2023-0059, Settlement Proposal, Attachment 1.4,_HONI GA Analysis Workform_Settlement, 20240524

Preamble:

In the 2024 Custom IR Update proceeding decision for Hydro One Distribution, it was noted that Hydro One made equal and offsetting reclassification adjustments to the 2021 and 2022 balances in Accounts 1588 and 1589, of \$24.8 million for 2021 and \$20.9 million for 2022. These adjustments pertained to the Hydro One Distribution rate zone only.

The OEB has posted on its website “Instructions for Completing GA Analysis Workform – 2025 Rates”. In Appendix A “GA Analysis Workform – Examples of Reconciling Items and Principal Adjustments”, an example was shown regarding how to reflect principal adjustments in the general ledger and the DVA Continuity Schedule.

In the GA Analysis Workform filed by Hydro One on May 24, 2024 for its 2024 Custom IR Update proceeding, tab “Principal Adjustments”, shows the following was recorded in Hydro One’s general ledger:

- 2023 general ledger – equal and offsetting reclassification adjustments to the 2021 and 2022 balances in Accounts 1588 and 1589, of \$24,748,877 for 2021 and \$20,162,335 for 2022
- 2024 general ledger – Account 1589 credit of \$88,018

However, the above noted amounts that Hydro One stated were recorded in its 2023 general ledger were not shown as reversing amounts in the GA Analysis Workform filed in the current proceedings for 2025 rates. In the current proceedings’ GA Analysis Workforms these amounts were labelled as a “One time correction”.

Question(s):

- a) Please explain why Hydro One has not reversed the amounts recorded in its 2023 general ledger (as per the GA Analysis Workforms filed by Hydro One on May 24, 2024) as 2024 principal adjustments in the current proceedings’ GA Analysis Workforms (for 2025 rates) and DVA Continuity Schedules. These amounts are the equal and offsetting reclassification adjustments to the 2021 and

2022 balances in Accounts 1588 and 1589, of \$24,748,877 for 2021 and \$20,162,335 for 2022.

- b) If Hydro One proposes to deviate from the OEB's "Instructions for Completing GA Analysis Workform – 2025 Rates", please explain.

Staff-13

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform,
Consolidated

Preamble:

In the consolidated GA Analysis Workforms, tab “Principal Adjustments” Hydro One has recorded the “CT 148 true-up of GA Charges based on actual RPP volumes”, as a debit of \$142,370 to Account 1588 and a debit of \$209,939 to Account 1589 for 2023 balances.

Question(s):

- a) Please explain why the amounts recorded as 2023 balances as CT 148 true-ups in the GA Analysis Workform are not equal and offsetting for Accounts 1588 and 1589.

Staff-14

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated

Ref (2): Instructions for Completing GA Analysis Workform – 2025 Rates

Preamble:

In the consolidated GA Analysis Workform, tab “Account 1588”, “Account 1588 as % of Account 4705” shows a percentage of a credit of 1.9%. This amount is higher than the OEB’s general threshold of +/-1%, as discussed in the OEB’s “Instructions for Completing GA Analysis Workform – 2025 Rates”, p. 1.

In the Workform, Hydro One explained that “retail sales volume was higher than the purchased volume in 2023, resulting in a bigger RSVA commodity regulatory liability.”

In the OEB’s “Instructions for Completing GA Analysis Workform – 2025 Rates”, p. 6, the OEB stated that “typically, large balances are not expected for Account 1588, as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated based on approved line losses.”

Question(s):

- a) Please explain whether Hydro One means that its line loss factor embedded in its base rates was too high, when compared to actual line losses experienced by Hydro One.

Staff-15

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform,
Consolidated

Preamble:

In the consolidated GA Analysis Workform, tab “GA 2023”, Hydro One shows a credit of \$22,461,232 for Account 1589 as a reconciling item (and not a principal adjustment).

Hydro One stated that this amount relates to “retail billed kWh at Weighted Average GA billed Rate adjustment.”

Question(s):

- a) Please further explain the credit of \$22,461,232 for Account 1589.
- b) Please explain why the credit of \$22,461,232 for Account 1589 has been recorded as a reconciling item, as opposed to a principal adjustment, and thereby not reflected as a credit on the DVA Continuity Schedule.

Staff-16

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform,
Consolidated

Preamble:

In the consolidated GA Analysis Workform, tab “GA 2023”, Hydro One shows a credit of \$1,195,744 for Account 1589 as a reconciling item (and not a principal adjustment).

Hydro One stated that this amount relates to “LDC Customers adjustment on the Rate used”.

Question(s):

- a) Please further explain the credit of \$1,195,744 for Account 1589.
- b) Please explain why the credit of \$1,195,744 for Account 1589 has been recorded as a reconciling item, as opposed to a principal adjustment, and thereby not reflected as a credit on the DVA Continuity Schedule.

Staff-17

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated

Ref (2): EB-2023-0030/EB-2023-0059 Settlement Proposal, p. 11, May 24, 2024

Preamble:

In the consolidated GA Analysis Workform, tab “GA 2023”, Hydro One has shown the following amounts:

- CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - prior year debit of \$1,449,765
- Remove prior year end unbilled to actual revenue differences debit of \$5,321,189

In the the settlement proposal in the 2024 rates proceeding, at reference 2 above, the Parties agreed that starting with the January 1, 2023 Accounts 1588 and 1589 balances, Hydro One shall use a consistent approach for any principal adjustments identified on the GA Analysis Workform and on the DVA Continuity Schedule.”

Question(s):

- a) Please confirm that Hydro One has not reversed its prior year amounts of \$1,449,765 and \$5,321,189 in the tab “Principal Adjustments” of the current proceedings’ GA Analysis Workforms because these amounts were not recorded as credits in Hydro One’s proceedings for 2024 rates; and rather, that Hydro One is recording the principal adjustments consistently going forward, starting January 1, 2023. If this is not the case, please explain.