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BY EMAIL AND RESS

November 14, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

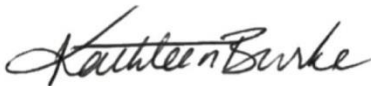
Dear Ms. Marconi,

EB-2024-0033 – Hydro One Networks Inc. 2025 Rate Application for the areas formerly served by Orillia Power Distribution Corporation and Peterborough Distribution Inc. – OEB Staff Questions

In accordance with Ontario Energy Board ("OEB") Staff's email dated October 31, 2024, please find attached responses provided by Hydro One Networks Inc.'s to questions posed by OEB Staff.

An electronic copy of the responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

OEB STAFF QUESTION - 01

Reference:

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.

Interrogatory:

- 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.

Response:

- a) The updated Rate Generator Models for Orillia and Peterborough RZs are provided as attachments to this response (originally filed as Exhibit A-04-01 Attachment 3 and 4).

In addition to the update for Q3 and Q4 2024 for the OEB-prescribed interest rates in Tab 3 (Continuity Schedule), Hydro One has also updated Tab 11 (RTSR - UTRs & Sub-Tx) to reflect the Preliminary 2025 UTRs as issued by the OEB in its November 1, 2024 letter (EB-2024-0244).

For completeness, Hydro One has also included the Consolidated Continuity Schedule (originally filed as Exhibit A-04-01 Attachment 1) as an attachment to this response.

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OEB STAFF QUESTION - 02

Reference:

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.

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

Interrogatory:

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.

Response:

a) Confirmed. Currently there are no customers in the Sentinel Lighting Service rate class for Orillia RZ.

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OEB STAFF QUESTION - 03

Reference:

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	Total Metered	Metered kWh Non-RPF Customer (excluding V
		kWh	kW	
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	309,540
LARGE USE SERVICE CLASSIFICATION	kW	0	0	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	1,522,683	0	1,420
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	415,892	1,192	120
STREET LIGHTING SERVICE CLASSIFICATION	kW	3,340,332	9,170	3,340
Total		767,284,577	826,313	332,740

Threshold Test

Interrogatory:

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.

Response:

a) Confirmed. Currently there are no customers in the Large Use Service rate class for Peterborough RZ.

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OEB STAFF QUESTION - 04

Reference:

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

Interrogatory:

a) Please update the model accordingly.

Response:

a) Customer 3 transitioned from class B to class A as of July 1st, 2024 (i.e. they are currently class A). As a class B customer, they previously contributed to the GA and CBR-B variance accumulation throughout 2023, and as such, should receive an allocation of the YE 2023 balances in these accounts. However, as a current class A customer they will not be eligible for the general GA/CBR-B rate rider. Hydro One has identified this customer as a “transition” customer, even though the transition happened in 2024, to make sure that they are allocated their share of 2023 GA/CBR-B variance account balances.

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OEB STAFF QUESTION - 05

Reference:

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.

Interrogatory:

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

Response:

a) As described on page 21 of Exhibit A-04-01:

“Following OPDC and PDI’s integration with Hydro One, Hydro One’s transmission charges have been settled on an overall basis, and consequently separate transmission demand details by rate zone are no longer available. In this Application, Hydro One uses the same OEB approved methodology to derive the proposed 2025 RTSRs, as in previous IRM applications and most recently in the 2024 IRM application for the Orillia and Peterborough RZs.¹ As the 2020 rate year was the last year before the integration, the approved methodology to establish transmission charges applies the 2020 IESO billing information and billing quantities to the currently effective UTRs and, Hydro One ST rates and losses. This approach will continue annually until all customers are fully transitioned to Hydro One’s rate structure.”

As such, Tab 12 uses billing quantities and billed amount from their last filed RTSR Workform in their 2020 rate application. This results in calculated UTRs/Hydro One ST rates in Tab 12 being different from the inputs in Tab 11 for the historical years. This approach has been previously reviewed and approved by the OEB in Orillia and

¹ This approach was first approved by the OEB in the Decision on 2017 Rates for the Norfolk Power, Haldimand County and Woodstock RZs, EB-2016-0082, December 21, 2016, p. 6.

- 1 Peterborough Rate Zones' applications for 2022 (EB-2021-0050), 2023 (EB-2022-
- 2 0040) and 2024 (EB-2023-0059).

OEB STAFF QUESTION - 06

Reference:

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.

Interrogatory:

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

Response:

a) Please see response to OEB Staff Question 05.

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OEB STAFF QUESTION - 07

Reference:

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.

Interrogatory:

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

Response:

a) Please see the response to OEB Staff Question 05 as the same reasons provided for Peterborough RZ apply to Orillia RZ.

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OEB STAFF QUESTION - 08

Reference:

1. Exhibit A -4-1, Page 10-11
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.

Interrogatory:

- 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

¹ EB-2018-0270

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?

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

Response:

a) Copies of the Wheeling Agreements have been filed confidentially with the OEB on November 11, 2024 in Hydro One's Distribution Rates Application (EB-2024-0032), responding to Interrogatory I-01-01, in accordance with the Practice Direction on Confidential Filings.

b) With respect to the application of the concept of "wheeling", there is no change between pre-integration and post-integration. Please refer to part d) below for further details related to how the Wheeling Credits were applied in the pre-integration structure and are applied in the current post-integration structure.

c) Pre-integration, Hydro One Distribution provided the Wholesale Market Service Charge (WMSC) and Retail Transmission Service Rate (RTSR) credits on the Orillia Power Generation Corporation (OPGC) and Orillia Power Distribution Corporation (OPDC) monthly bills, respectively.

Specifically for Hydro One Distribution, the WMSC benefit to OPGC was recognized as a deduction to WMSC revenues and ultimately reflected in the WMSC variance account (1580). The RTSR benefit to OPDC resulted in lower RTSR revenues and ultimately reflected in the RTSR variance accounts (1584 and 1586).

Please refer to OPDC's last Cost of Service Application, EB-2009-0273, Exhibit 2, Tab 3, Schedule 2 for an explanation of the treatment of the Wheeling Agreements.

d) Please refer to the following comparison with respect to the calculation of the Wheeling Credits.

i. WMSC:

- Pre-integration: Hydro One calculated the monthly WMSC credit by applying the applicable WMSC rate to the generator outputs (kWh) and provided the calculated credit to Orillia Power Generation Corporation (OPGC) on their monthly bill. OPGC transferred this monthly credit amount to OPDC, who then recorded it in their WMSC variance account (1580). OPDC customers

1 realized the benefits when OPDC disposed of their WMSC variance account
2 (1580) balance.

- 3
- 4 • Post-integration: Hydro One calculates the WMSC credit in a similar manner
5 as described above (pre-integration). However, Hydro One no longer
6 provides the monthly credit to OPGC (as OPGC is no longer able to pass it
7 on to OPDC). Instead, the annual credit is added to the Orillia RZ's allocated
8 balances in Account 1580, and an equivalent debit amount is added to Hydro
9 One Distribution's allocated balances in Account 1580. This is consistent with
10 the allocation presented in Exhibit A-04-01-02 (Allocation of Group 1 RSVA
11 Balances)

12

13 **ii. RTSR:**

- 14 • Pre-integration: Hydro One deducted the generator output (kW) from OPDC's
15 RTSR billing quantities, and thus billed OPDC based on lower RTSR billing
16 quantities on their Sub-Transmission (ST) bills. This was reflected in the
17 OPDC's RTSR variance accounts (1584 and 1586) balances and
18 subsequently, OPDC customers realized the benefits when these accounts
19 were disposed of.
- 20
- 21 • Post-integration: Hydro One calculates the RTSR credits using the billing
22 quantities (kW) established in the updated Wheeling Agreements and
23 applicable RTSR charges. The calculated credit amount is added to the Orillia
24 RZ's allocated balances in Accounts 1584 and 1586, and an equivalent debit
25 amount is added to Hydro One Distribution's allocated balances in Accounts
26 1584 and 1586. This is consistent with the allocation presented in Exhibit A-
27 04-01-02 (Allocation of Group 1 RSVA Balances).

- 28
- 29 e) The 2023 Applications (Orillia and Peterborough RZs,² Hydro One Distribution³) only
30 reflected balances up to and including 2020. As such, the impact of Wheeling Credits
31 for 2021 or 2022 was not applicable to the 2023 Applications.

32

33 Although the 2024 Applications (Orillia and Peterborough RZs,⁴ Hydro One
34 Distribution⁵) did dispose of accumulated balances for 2021 and 2022, the impact of
35 the Wheeling Credits was not included in addition to the allocated balances for 2021
36 and 2022. Hydro One did not include the impact for the Wheeling Credits in the 2024

² EB-2022-0040

³ EB-2021-0110

⁴ EB-2023-0059

⁵ EB-2023-0030

Applications and instead included the impact for the period since integration (2021, 2022 and 2023) in the current application (2025 Application).

- f) Consistent with the calculations outlined in Exhibit A-04-01-04 (Derivation of Wheeling Credit Amounts) the following inputs are required in order to calculate the benefits associated with the Wheeling Agreements:

WMSC Credit Calculation:

Billing Units: Monthly generation output (kWh) are required per generation station. This is available directly from the generator station's meter readings.

Rates: Applicable WMSC (minus IESO fees) and the Rural and Remote Rate Protection (RRRP) Charge are applied to the above-mentioned units to derive the WMSC wheeling credit amounts.

RTSR Credit Calculation:

Billing Units: Monthly RTSR billing units are required (kW) per generation station for Network and Connection charges. These inputs are stipulated in the updated Wheeling Agreements.

Rates: Applicable RTSR Network and Connection charges are applied to the above-mentioned billing units to derive the RTSR wheeling credit amounts.

Hydro One has an established process in place that requires multi-level review and approval of the calculations to ensure accuracy of the calculated credits.

Hydro One notes that with respect to the reference to manual calculations in Exhibit A-04-01, prior to integration Hydro One was required to do the calculations on a similar basis and reflect these benefits directly on the bills issued to OPDC as an ST customer and OPGC as further described under part d) above. However, now that OPDC is no longer billed by Hydro One, there is a need to perform the calculation for the annual benefits for Orillia RZ customers and include the calculated credits in addition to the Group 1 DVA balances allocated to Orillia RZ. This is the basis for the reference to manual calculations in Exhibit A-04-01.

- g) Hydro One plans to calculate the benefits associated with the Wheeling Agreements on a consistent manner with the approach utilized in the current Application in future applications for Orillia RZ.

Please refer to part f) above which further addresses the concept of manual calculations.

OEB STAFF QUESTION - 09

Reference:

1. Exhibit A -4-1, Page 10-11
2. A-04-01-06 - Derivation of Wheeling Credits
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 2021-2023¹

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

¹ 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.

Interrogatory:

- a) 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.
- b) Please update Table 1 above for yearly interest calculations for each DVA account.
- c) 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".
- d) Please confirm that the wheeling credit amounts for the affected RSVA accounts are shown in the "Transactions Debit / (Credit) During 2023" 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.

Response:

- a) Hydro One agrees with the summary table provided by OEB staff. However, Hydro One notes that the total impact should add to \$2,372,702 (the summary table shows the total impact as \$2,371,702).
- b) Please see the requested table for the calculated amounts for 2021, 2022 and 2023 below:

Account Name	Account Number	2021 - Principal (A)	Interest for 2021 (A1)	Interest for 2022 (A2)	Interest for 2023 (A3)	2022 - Principal (B)	Interest for 2022 (B1)	Interest for 2023 (B2)	2023 - Principal (C)	Interest for 2023 (C1)	Total Principal (A+B+C)	Total Interest (A1+A2+A3+B1+B2+C1)
RSVA - Wholesale Market Service Charge	1580	\$101,158	\$577	\$1,937	\$5,103	\$113,085	\$2,166	\$5,705	\$211,494	\$10,670	\$425,737	\$26,158
Variance WMS – Subaccount CBR Class B	1580	\$18,153	\$103	\$348	\$916	\$20,873	\$400	\$1,053	\$24,769	\$1,250	\$63,795	\$4,069
RSVA – Retail Transmission Network Charge	1584	\$210,727	\$1,201	\$4,035	\$10,631	\$389,431	\$7,458	\$19,647	\$416,950	\$21,035	\$1,017,108	\$64,007
RSVA – Retail Transmission Connection Charge	1586	\$161,591	\$921	\$3,094	\$8,152	\$260,916	\$4,997	\$13,163	\$303,672	\$15,320	\$726,179	\$45,648
Total		\$491,629				\$784,306			\$956,885		\$2,232,819	\$139,882
Total Impact												\$2,372,701

1 c) Hydro One notes that the Derivation of Wheeling Credit Amounts is included in
2 Attachment A-04-01-06 in this Application. The amounts shown in Exhibit A-04-01-06
3 (Derivation of Wheeling Credit Amounts) reflect the principal amounts only. In the table
4 provided in part b) above, the total principal amount for 2021 (A) is consistent with the
5 total shown in tab “2021” in Exhibit A-04-01-06 (cell N20). Similarly, the total principal
6 amounts for 2022 (B) and 2023 (C) are consistent with the total amounts shown in
7 tabs “2022” and “2023” respectively of Exhibit A-04-01-06 (cell N28).

8
9 The table in part b) above also confirms that the total principal and interest amounts
10 (2021-2023 combined) for each of the impacted RSVAs are consistent with those
11 shown as “Adjustments as per Orillia Wheeling Agreement” in Exhibit A-04-01-02
12 (Allocation of Group 1 RSVA Balances).

13
14 d) Confirmed.

15
16 e) Exhibit A-04-01-02 (Allocation of Group 1 RSVA Balances) reflects the allocation of
17 consolidated 2023 principal and interest balances to Hydro One Distribution,
18 Peterborough RZ and Orillia RZ. The allocated balances, combined with the impact of
19 the Wheeling Credits for the calculated amounts for 2021, 2022 and 2023 (the period
20 since integration), were therefore recorded as transactions in 2023 for both principal
21 (from Table 2 of Exhibit A-04-01-02) and interest (from Table 3 of Exhibit A-04-01-02)
22 in Exhibit A-04-01-03 (2025 IRM Rate Generator Model-Orillia RZ).² As further stated
23 in Exhibit A-04-01, this is Hydro One’s first annual update application where these
24 benefits are proposed to be provided to the Orillia RZ customers and as such it was
25 shown under 2023 transactions.

² Please also refer to Table 2, footnote 3 and Table 3, footnote 2 in Exhibit A-04-01-02.

OEB STAFF QUESTION - 10

Reference:

1. EB-2023-0030/EB-2023-0059 Settlement Proposal, Page. 10, May 24, 2024
2. Exhibit A / Tab 4 / Schedule 1 / page 10-11
3. A-04-01-06 - Derivation of Wheeling Credits
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.

Interrogatory:

- 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.

Response:

- a) In the preamble to this interrogatory, OEB Staff notes that "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." For clarification, Hydro One is not proposing to adjust 2021-2022 balances previously approved for disposition

1 in the current Application. There were no accounting errors in the tracked consolidated
2 balances for 2021 and 2022, or in the allocated balances previously disposed of for
3 2021 and 2022 and as such, no adjustment is required. Hydro One is proposing to
4 incorporate the impact of the Wheeling Agreements into the 2023 transactions in the
5 current Orillia and Peterborough RZs (EB-2024-0033) and Hydro One Distribution
6 (EB-2024-0032) Applications. Additionally, as Hydro One reports these balances on a
7 consolidated basis, there is no impact resulting from the Wheeling Agreements on the
8 consolidated balances.

9
10 Hydro One did not file evidence to address concerns raised by the OEB in the October
11 31, 2019 letter regarding adjustments to correct for errors in “Pass-Through” variance
12 accounts after disposition, as the incorporation of the Wheeling Credits into 2023
13 transactions does not represent the correction of an error. As noted in response to
14 OEB Staff Question 8, part e), Hydro One did not include the impact for the Wheeling
15 Credits in any previous applications, and has calculated the Wheeling Credits within
16 the current applications. Since there are no errors in the consolidated Group 1
17 balances or the allocation of those balances, the factors outlined in the October 31,
18 2019 letter¹ do not apply in this circumstance.

19
20 b) Hydro One disagrees with the premise of the question, as it has not requested a
21 correction to the approved balances in the current application as further explained in
22 part a) above. However, in order to be responsive to the question Hydro One is
23 providing the following response.

24
25 Hydro One is aware of two recent examples where the OEB has approved corrections
26 to Hydro One balances that were disposed of on a final basis, where such corrections
27 were a credit to customers. This includes:

- 28
- 29 • EB-2021-0110 (HONI 2023-27 Custom IR Application) - November 16, 2022.
30 Through the settlement process, the correction to Transmission external revenues
31 was accepted and disposed over a one-year period starting in 2023.
 - 32
 - 33 • EB-2023-0291 (Application for RGCRP for HONI Distribution, Haldimand and
34 Peterborough RZs) - May 7, 2024. Through the settlement process, a correction in
35 the Account 1533 balance for the Peterborough RZ was accepted.

¹ OEB’s letter, October 31, 2019, p. 2

OEB STAFF QUESTION - 11

Reference:

1. EB-2024-0032/EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated
2. EB-2024-0032/ EB-2024-0033 A-04-01-1_DVA Continuity Schedule, Consolidated
3. EB-2023-0030/EB-2023-0059 Settlement Proposal, Table 7, Page. 27, May 24, 2024
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.

Interrogatory:

- 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).

Response:

- a) The 2023 GA Analysis Workform does not include the \$89,609 disallowance on the Peterborough rate zone as it is not a transaction that occurred in 2023. However, this amount was reflected as both principal (\$88,018) and interest (\$1,591) credit adjustments under the 2021 principal and interest adjustments of the Consolidated DVA Continuity Schedule submitted as part of EB-2023-0030/EB-2023-0059 Settlement Proposal.
- b) The total disallowance was recorded as a credit to the respective principal and interest balances in Hydro One's 2024 general ledger. These amounts will be reversed as debits to the respective principal and interest adjustment for the 2024 balances in the DVA Continuity Schedule as part of the 2026 annual update.

OEB STAFF QUESTION - 12

Reference:

1. EB-2023-0030, Partial Decision and Rate Order, December 14, 2023, Page. 16
2. Instructions for Completing GA Analysis Workform – 2025 Rates
3. EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated
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”.

Interrogatory:

- 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

1 equal and offsetting reclassification adjustments to the 2021 and 2022 balances in
2 Accounts 1588 and 1589 of \$24,748,877 for 2021 and \$20,162,335 for 2022.

- 3
4 b) If Hydro One proposes to deviate from the OEB's "Instructions for Completing GA
5 Analysis Workform – 2025 Rates", please explain.

6
7 **Response:**

- 8 a) Hydro One does not consider a reversal of these adjustments appropriate in the
9 current application. The adjustments have already been reflected in 2021 and 2022
10 DVA Continuity Schedules and were recorded in the 2023 general ledger. The
11 amounts form part of the "Net Change in Principal Balance in the GL" amount of
12 \$23.4M in the GA Analysis Workform. Therefore, no reversal is required since this was
13 a one-time correction on the DVA Continuity Schedule.

- 14
15 b) Hydro One considers the above treatment compliant with the OEB's "Instructions for
16 Completing GA Analysis Workforms – 2025 Rates" and does not propose to deviate.
17 The "Principal Adjustment" section of the GA Analysis Workform provides opportunity
18 for an "explanation if not to be reversed in current application". Hydro One has
19 identified these amounts as "One time correction" entries.

OEB STAFF QUESTION - 13

Reference:

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.

Interrogatory:

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.

Response:

a) The CT 148 true-up of GA charges was based on the difference between what was accrued by the 2023 year-end and what was charged by the IESO for 2023. The true-up of CT 148 then is allocated into Commodity and GA cost accounts, and then reflected in Account 1588 and 1589 respectively. Since the true-up amount is allocated between RPP portion and Non RPP Class B portion, the amounts adjusted in 1588 and 1589 are not offsetting each other.

The 2023 CT 148 true-up per IESO invoice recognized in 2024 was \$352,308. This amount is then allocated between the RPP portion as a commodity cost of \$142,370 reflected in 1588 and the Non RPP Class B portion as GA cost of \$209,939 respectively.

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OEB STAFF QUESTION - 14

Reference:

1. EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated
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.”

Interrogatory:

- 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.

Response:

- a) The 2023 Account 1588 balance exceeded the +/-1% materiality threshold as retail sales volume was higher than the purchased volume in 2023. Hydro One does not mean that the loss factors embedded in base rates are too high.

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OEB STAFF QUESTION - 15

Reference:

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."

Interrogatory:

- 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.

Response:

- a) For the 2023 GA Analysis Workform, the reconciliation item of \$22,461,232 is calculated as:

(7,059,477,140 kWh x \$0.074746/kWh) minus \$505,207,497

- b) The \$22,461,232 has been reported as a reconciling item (as opposed to a principal adjustment) to the Account 1589 balance because this reconciling item reflects an adjustment made to the OEB's estimation methodology to calculate the "Weighted Average GA Actual Rate Paid" as noted in the previous proceedings (EB-2023-0030/EB-2023-0059¹). A principal adjustment is not required as the general ledger already reflects this calculation adjustment.

The annual Weighted Average GA Actual Rate Paid derived based on wholesale volumes is different than the rate that is derived based on retail billed volumes. As such, Hydro One has calculated the expected GA volume variance on a different basis than the calculation in the default GA Analysis Workform, which has resulted in the reconciling item of \$22,461,232.

¹ EB-2023-0030, Interrogatory Response to I-01-13

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OEB STAFF QUESTION - 16

Reference:

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".

Interrogatory:

- 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.

Response:

- a) As disclosed on the GA Workform Note 3, Hydro One does not bill customers at the same GA rate. Hydro One bills Non-LDC Non-RPP Class B customers at the 1st estimation GA rate published by the IESO. Hydro One bills LDC Non-RPP Class B customers at the actual GA rate.

In Note 4, to calculate the Expected GA Amount per the GA Workform, the total Non RPP Class B Billed Consumptions are used in columns C to E, which includes both LDC and Non-LDC customers. However, the calculation applies the 1st estimation GA rate in column G to all Non-Class B billed consumptions to estimate the expected GA amount. This is different than how Hydro One bills its Non RPP Class B customers.

Therefore, a further adjustment of \$1,195,744 is required to the Note 4 Expected GA Amount calculation to align with Hydro One's billing practices.

- b) This adjustment is not treated as a principal adjustment on the DVA Continuity Schedule, as it has already been included in the general ledger.

1 This adjustment is calculated as:

2

3

Adjustment Amount

4

$= \sum$ (*Monthly LDC NonRPP Class B Consumption*

5

\times *Monthly Actual GA rate*

6

$-$ *\$ Consumption at GA Rate Billed per Note 4)*

7

OEB STAFF QUESTION - 17

Reference:

1. EB-2024-0032/ EB-2024-0033 A-04-01-05_GA Analysis Workform, Consolidated
2. EB-2023-0030/EB-2023-0059 Settlement Proposal, Page. 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."

Interrogatory:

- 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.

Response:

- a) Confirmed. There has been no reversal of the referenced prior year amounts.

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