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BY EMAIL AND RESS

November 27, 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-2024-0032 – Hydro One Networks Inc. – Application for 2025 Distribution Rates – Reply Submission

In accordance with Procedural Order No. 1 please find enclosed Hydro One Networks Inc.'s reply submission in the above noted proceeding. Hydro One has included the following attachments as part of this reply submission:

- Attachment 1: Hydro One Distribution DVA Continuity (revised)
- Attachment 2: 2025 Consolidated GA Workform (revised)
- Attachment 3: Evidence of No Double Counting in 1588 and 1589 Reclassification
- Attachment 4: Account 1595 (2021) Reconciliation

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O.1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Hydro One Networks
Inc., for an Order or Orders made pursuant to section 78 of the
Ontario Energy Board Act, 1998 approving just and reasonable
rates and other charges for the distribution of electricity, to be
effective January 1, 2025

Reply Submission
HYDRO ONE NETWORKS INC.

November 27, 2024

1 **A. INTRODUCTION**

2 On August 30, 2024, Hydro One Networks Inc. (Hydro One) submitted an Application for
3 distribution rates and charges effective January 1, 2025 (2025 Annual Update). The
4 Application was made pursuant to section 78 of the *Ontario Energy Board Act, 1998* (the
5 OEB Act).

6
7 In the Application, Hydro One is applying to the OEB for an Order approving:

8
9 a) The 2025 distribution rates and charges, to be effective on January 1, 2025, by way of
10 an update to: (i) the base revenue requirement (after deducting for external revenues)
11 of \$1,848.5 million; (ii) the associated customer and load forecast by rate class as
12 approved by the OEB in the 2023-2027 Custom IR Application; and (iii) the disposition
13 of Group 1 Deferral and Variance Accounts (DVAs)¹ of a credit balance of \$93.5
14 million;² and

15
16 b) The 2025 Retail Transmission Service Rates (RTSR)³ and the Specific Service
17 Charges and Retail Service Charges in effect for January 1, 2025.

18
19 This is Hydro One's reply submission in respect of the 2025 Annual Update Application
20 (Reply Submission). Hydro One submits that the proposed 2025 distribution rates and
21 charges are reasonable and that the Application should be approved as filed.

¹Including the wheeling adjustments to recover amounts in accordance with the wheeling agreements related to two Orillia Power Generation Corporation (OPGC) generation stations embedded in Hydro One's distribution system, which relate to the 2021-2023 period.

² Inclusive of updated projected 2024 interest amounts as filed during interrogatories

³ As updated during interrogatories to reflect 2025 Preliminary UTRs

1 Hydro One has no concerns with OEB staff's submissions supporting Hydro One's
2 proposals on the following matters:

- 3 • Custom RCI Adjustment;
- 4 • Cost Allocation and Rate Design; and
- 5 • RTSR and Sub Transmission Rates.

6
7 In this Reply Submission, Hydro One will address the outstanding aspects of OEB staff's
8 submission on the Group 1 DVAs and Wheeling Adjustments affecting the disposition of
9 Group 1 balances as well as the submissions of Mr. Richard Gruchala.

11 **B. RESPONSE TO OEB STAFF SUBMISSION**

12 **1.1 DISPOSITION OF GROUP 1 DVAS**

13 Hydro One requested disposition of its Group 1 DVA balances amounting to a credit of
14 \$93,151,828 as of December 31, 2023, on a final basis.

15
16 OEB staff supported the disposition of the Group 1 DVA balances, on an interim basis,
17 subject to certain adjustments to the wheeling adjustments (which are addressed in
18 section 1.2), and requested clarification on several matters in Hydro One's Reply
19 Submission.⁴

20
21 Hydro One has addressed each of these matters below:

23 *(1) MATTERS TO BE CLARIFIED RELATING TO ACCOUNTS 1588 and 1589 –* 24 *REVERSAL OF PRINCIPAL ADJUSTMENTS*

25
26 OEB staff submitted that the evidence suggests a need to reverse Hydro One
27 Distribution's 2021 and 2022 Account 1588 and 1589 reclassification adjustments as a
28 2023 principal adjustment,⁵ when Hydro One has previously stated that a reversal of the
29 reclassification adjustments was not required.⁶

⁴ OEB staff submission, p. 8

⁵ OEB staff submission, p. 9

⁶ Response to Exhibit I-01-06

1 OEB staff further requested that Hydro One:

2 i. Clarify why it is proposing two different approaches to recording its principal
3 adjustments in the GA Analysis Workform and DVA Continuity Schedule,
4 specifically in relation to reversing the principal adjustment in Interrogatory
5 Response I-01-05, but not reversing the principal adjustment in Interrogatory
6 Response I-01-06;

7
8 ii. Provide evidence that there has been no double counting in the GA Analysis
9 Workform and DVA Continuity Schedule of the equal and offsetting reclassification
10 adjustments in the amount of \$24,748,877 (2021) and \$20,162,335 (2022) for
11 Account 1588 and 1589.

12
13 In response to OEB staff's submission, Hydro One will reflect the \$44,911,212
14 reclassification adjustment from 2021 and 2022 as a 2023 principal adjustment to conform
15 with the guidance set out in the GA Analysis Workform Instructions. For clarity, Hydro One
16 will discuss the rationale underpinning the responses to Interrogatory I-01-05 and
17 Interrogatory I-01-06.

18
19 Interrogatory I-01-05 related to the \$89,609 principal adjustment (2021) from the 10%
20 reduction to Hydro One – Peterborough Rate Zone's Account 1589 balance for pre-June
21 1, 2021 integration period, as ordered by the OEB in EB-2023-0059.⁷ Since the \$89,609
22 principal adjustment was not recorded in the general ledger in 2023, this adjustment will
23 be reversed on the DVA Continuity Schedule in 2024, consistent with the year in which
24 the entry will flow through the general ledger.

⁷ EB-2023-0059, Decision and Rate Order, June 13, 2024, p. 3

1 In Interrogatory I-01-06, Hydro One stated that a reversal of the reclassification
2 adjustments was not appropriate as the adjustments have already been reflected in the
3 2023 general ledger. This is consistent with the OEB's Accounting Guidance, where
4 principal adjustments do not need to be reversed if they were reflected in the general
5 ledger.⁸ Hydro One clarifies that the Company had initially reflected the reversal of the
6 reclass adjustments under 2023 transactions on the DVA Continuity Schedule (col. O),
7 therefore it is not reversed again as opposed to a 2023 principal adjustment on the DVA
8 Continuity Schedule (col. Q).

9
10 For greater transparency, Hydro One has updated the DVA Continuity Schedule for the
11 presentation of the reversing entry of the \$44,911,212 reclassification adjustments from
12 2021 and 2022 as follows:

- 13 (1) Hydro One has now included the \$44,911,212 adjustment under 2023
14 transactions (col. O), and
- 15 (2) Reversed it under the 2023 principal adjustment (col. Q).

16
17 The revised DVA Continuity Schedule is provided as Attachment 1 to this Reply
18 Submission. The revised Consolidated GA Analysis Workform has accordingly been
19 updated and provided as Attachment 2 to this Reply Submission. Hydro One confirms that
20 the presentation of the GA Analysis Workform is now consistent with the DVA Continuity
21 Schedule, which is showing the reversal of the \$44,911,212 reclass adjustment as a
22 principal adjustment.

⁸ Instructions for Completing GA Analysis Workform – 2025 Rates, April 10, 2024

1 In response to OEB staff's request to provide evidence to confirm that there was no double
2 counting of the reclassification adjustments between the GA Analysis Workform and DVA
3 Continuity Schedule, Hydro One has provided a detailed reconciliation for both principal
4 and interest for the consolidated Account 1588 and 1589 balances⁹ at Attachment 3 to the
5 Reply Submission.

6
7 *(2) MATTERS TO BE CLARIFIED RELATING TO ACCOUNT 1589 - \$22.5M CREDIT*
8 *RECONCILING ITEM*

9
10 The Consolidated GA Analysis Workform filed with this Application included a credit
11 reconciliation item of \$22.5M to reflect a reconciling calculation performed by Hydro One
12 to more accurately quantify the volume variance related to unaccounted energy losses
13 that is currently estimated in the OEB's GA Analysis Workform. This reconciling item was
14 examined in the 2024 Annual Distribution Rate Update application for Hydro One (EB-
15 2023-0030) and approved for inclusion as part of the Consolidated GA Analysis
16 Workform.¹⁰

17
18 In OEB staff's submission, OEB staff requested that Hydro One explain in more detail why
19 this \$22.5M credit was an appropriate reconciliation item, as well as in the context of its
20 previous statements made in the 2024 Annual Update proceeding that it is using
21 wholesale consumption for RPP settlements, but using retail loss adjusted consumption
22 to apportion the wholesale volumes between Accounts 1588 and 1589.¹¹

23
24 While addressing OEB staff's submissions on this issue, Hydro One identified two
25 corrections (including the \$22.5M credit reconciling item noted above) and one addition to
26 the reconciling items on the GA Analysis Workform. These updates have been reflected
27 in the revised GA Analysis Workform provided at Attachment 2. As a result of these
28 updates, the unresolved difference on the GA Analysis Workform has been reduced from
29 0.7% to 0.1% of expected GA payments to the IESO.

⁹ For the originally filed consolidated balances, please see HONI Consolidated DVA Schedule, filed as Attachment 1 to Exhibit A-04-01, August 30, 2024

¹⁰ See EB-2023-0030/EB-2023-0059, Consolidated GA Workform, August 30, 2024

¹¹ OEB staff submission, p. 10

1 The updates made to the GA Analysis Workform found at Attachment 2 are summarized
2 below:

3

4 **Update #1 – Note 5, Reconciling Item 8**

5 The “LDC customer adjustment on the rate used” was corrected from a credit of
6 \$1,195,744 to a debit of \$2,973,658. The update is required due to a correction to the LDC
7 billing volumes used in the calculation, which was linked to the incorrect source file. The
8 detailed calculation supporting the debit of \$2,973,658 is included in Tab “Note 5 Item 8
9 LDC” of the revised GA Analysis Workform.

10

11 **Update #2 – Note 5, Reconciling Item 9**

12 The “Retail Billed kWh at Weighted Average GA billed paid Adjustment” was corrected
13 from a credit of \$22,461,232 to a credit of \$2,342,682. The update is required as the
14 calculation in the originally filed GA Analysis Workform relied on “\$ Consumption at GA
15 Rate Billed” (cell H53) under column K of the Note 4 Table (\$505,207,497) in Tab “GA
16 2023”. Upon review, Hydro One determined that this reconciling item should be corrected,
17 so that the calculation is consistent with the 2024 Annual Distribution Rate Update
18 application for Hydro One (EB-2023-0030).¹² In the revised GA Analysis Workform found
19 at Attachment 2, Hydro One has used “\$ Consumption at Actual Rate Paid” (cell J53)
20 under column M of the Note 4 table (\$525,326,047).

¹² EB-2023-0030/EB-2023-0059, HONI Dx and OP Settlement Proposal Attachment 1.4_HONI GA Analysis Workform_Settlement_20240524

1 In response to OEB staff's request that Hydro One explain in more detail why this
2 reconciling adjustment is required, Hydro One provides the following:

3
4 To calculate the expected GA volume variance, Hydro One modified the default calculation
5 in the GA Analysis Workform, such that the reconciliation item is the difference between
6 (1) and (2) below:¹³

- 7
8 1. "Hydro One's modified expected GA volume variance" which is the difference
9 between:
- 10 i. Sum of the monthly Non-RPP Class B Wholesale kWh x the monthly GA Actual
11 Rate Paid (\$/kWh), as defined in Cell G57 x Cell J57; and
 - 12 ii. Sum of the monthly Non-RPP Class B Retail billed kWh x the monthly GA Actual
13 Rate Paid (\$/kWh), as defined in Cell J53
- 14
15 2. GA Analysis Workform default calculation of the expected GA volume variance, as
16 defined in Cell K57

17
18 Therefore, for 2023 GA Analysis Workform, the reconciliation item of a credit of
19 \$2,342,682 is calculated as the difference between (1) and (2):

20
21 (1) (6,879,702,611 kWh x \$0.0747462 /kWh) minus \$525,326,047; **less**
22 (2) - \$13,437,454
23 = \$2,342,682¹⁴

24
25 This amount is showing as a credit reconciliation to the Hydro One balance to bridge to
26 Total Expected GA Variance from the Note 4 table of the GA Analysis Workform.

27
28 Hydro One submits that this reconciliation item is appropriate, as distributors can propose
29 modifications to the GA Analysis Workform to accommodate their specific
30 circumstances.¹⁵ In this case, this reconciling item is required by Hydro One because the

¹³ EB-2023-0030/EB-2023-0059, Responses to Interrogatory I-01-13 and Interrogatory I-01-10 respectively

¹⁴ There is a difference of \$352 due to rounding.

¹⁵ Instructions for Completing GA Analysis Workform – 2025 Rates, April 10, 2024

1 Weighted Average GA Rate Paid to the wholesale kWh is different than the weighted
2 average GA Rate paid to the retail volume. To quantify the unaccounted energy loss,
3 Hydro One used "\$ Consumption at Actual Rate Paid" which has already been calculated
4 in Tab "GA 2023", Note 4 table, Column M of the of the GA Analysis Workform, instead of
5 using the Weighted Average GA Actual Rate paid from Column R multiplied by the
6 Retailed Billed kWhs from Column P. As such, this amount is treated as an adjustment
7 item and not a principal adjustment to Hydro One's requested Account 1589 GA balance.

8
9 Hydro One confirms that "for the RPP settlements and the splitting of IESO GA Charge
10 Type 148, it is using wholesale consumption but clarifies that it is using retail loss adjusted
11 consumption to apportion the wholesale volumes between the accounts, consistent with
12 the OEB's Accounting Guidance".¹⁶

13
14 **Update #3 – Note 5, Reconciling Item 10 (New)**

15 Hydro One has identified a new reconciling item, which results from the difference
16 between the estimated \$ Consumption at GA Rate Billed (Tab "GA 2023", Note 4 table,
17 column K) of the GA Analysis Workform and Hydro One's GA revenue practice.

18
19 The OEB's GA Analysis Workform applies two different GA Rates Billed (\$/kWh) to the
20 same unbilled consumptions for the current month and following month's reversal.¹⁷
21 However, Hydro One's GA revenue accounting uses the *same GA rate billed* for the
22 unbilled dollars for the current month accrual and the following month's reversal.
23 Therefore, it is Hydro One's view that the Note 4 table of the GA Analysis Workform
24 oversimplifies the GA revenue accounting practice used by Hydro One. Specifically, the
25 Hydro One Distribution billing system applies the corresponding monthly GA Rate based
26 on the period for billed/unbilled consumptions equivalent to columns F, G, and H of the
27 Note 4 table of the GA Analysis Workform, Tab "GA 2023". Hence, when *Current Month*

¹⁶ EB-2023-0030/EB-2023-0059, Responses to Interrogatory I-01-07 and I-01-02 respectively

¹⁷ The Note 4 table of the GA Analysis Workform applies the same GA rate (column J) to the accrued consumptions (column I) which is derived from the sum of F, G, and H consumption. Inherently, the current month Unbilled Loss Adjusted Consumption (column I) is applied to the **Current Month GA Rate Billed** for the current month \$ Consumption at GA Rate Billed amount (column K); however, it is applied to the **following month GA rate billed** (\$/kWh) when it is reversed in the following month.

1 *Unbilled* Loss Adjusted Consumption (kWh) (column H) is *reversed* in the following month,
2 the same unbilled dollars are also reversed in the following month.

3
4 As a result, a credit reconciliation item of \$27,492,434 has been added to adjust the GA
5 Analysis Workform Note 4 GA revenue calculation to align the calculation with Hydro
6 One's GA Revenue recognition approach. This adjustment is not a principal adjustment to
7 Hydro One's requested Account 1589 amount but represents an adjustment to the OEB's
8 Note 4 estimation calculation in the GA Analysis Workform.

9
10 The supporting calculation of the reconciliation amount is provided in the updated GA
11 Analysis Workform under Tab "Revenue Gap". To further illustrate how Hydro One's billing
12 system uses different GA rates to recognize GA revenue, an illustrative example is
13 provided under Tab "Revenue Gap Example" of the updated GA Analysis Workform.

14
15 (3) *MATTERS TO BE CLARIFIED RELATING TO ACCOUNT 1595 (2021)*

16
17 In their submission, OEB staff requested clarification on how the combined principal
18 amount of a credit of \$51.6M and carrying charge amounts of a debit of \$3.6M were
19 calculated, and to provide a reconciliation to the specific approvals from the EB-2020-
20 0030 and EB-2020-0031 evidence.¹⁸

21
22 Upon further review of the EB-2020-0030 and EB-2020-0031 decisions, it appears that
23 the principal and interest total columns of Table 7.1 of the EB-2020-0030 Decision and
24 Rate Order should be corrected by the OEB to be consistent with the totals in Hydro One's
25 DVA Continuity Schedule filed in that proceeding.¹⁹

26
27 To assist with the reconciliation requested by OEB staff, Hydro One produced a correction
28 to Table 7.1 of the EB-2020-0030 decision at Attachment 4 of this Reply Submission. The
29 revised Table 7.1 in Attachment 4 shows that the OEB approved amounts in Hydro One
30 Distribution's 2021 Custom IR Update Application (EB-2020-0030) is a total credit balance

¹⁸ OEB staff submission, p. 11

¹⁹ 2021 Custom IR Update (EB-2020-0030) – HONI DVA Continuity Schedule ([link](#))

1 of \$48M comprised of a credit of \$51.6M (principal) and a *debit* of \$3.6M (total carrying
2 charges²⁰), rather than a credit of \$47.2M (principal) and a *credit* of \$0.7M (which only
3 pertained to projected carrying charges in 2020).

4

5 Hydro One also notes that a typographical error was found in Interrogatory Response I-
6 01-12. The \$51.6M credit principal amount and debit carrying charges of \$3.6M was meant
7 to refer only to the amounts approved for Hydro One Distribution in EB-2020-0030, and
8 not a combined total with dispositions from EB-2020-0030 and EB-2020-0031. The
9 requested reconciliation of the approvals from EB-2020-0030 is as follows:

10

11 **Hydro One Distribution - Table 7.1 (Corrected) from 2021 Custom IR Update**
12 **(EB-2020-0030 Decision) \$M**

Group 1 Accounts	Particulars	Closing Principal Balance as of Dec-31-19	Total Interest	Total Claim
LV Variance Account	1550	8,673,225	199,259	8,872,485
Smart Metering Entity Charge Variance Account	1551	(2,044,264)	(129,729)	(2,173,993)
RSVA - Wholesale Market Service Charge	1580	(64,983,232)	7,144	(64,976,089)
Variance WMS – Sub-account CBR Class B	1580	(930,195)	193,823	(736,372)
RSVA - Retail Transmission Network Charge	1584	(45,638,606)	(4,592,990)	(50,231,595)
RSVA - Retail Transmission Connection Charge	1586	98,356,310	5,076,880	103,433,190
RSVA - Power (excluding Global Adjustment)	1588	12,004,141	1,540,691	13,544,832
RSVA - Global Adjustment	1589	(29,023,141)	1,584,096	(27,439,045)
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	(6,553,738)	24,878	(6,528,859)
Totals for all Group 1 accounts		(30,139,499)	3,904,052	(26,235,447)
Earnings Sharing Mechanism Deferral Account		(21,420,529)	(294,532)	(21,715,062)
Total Group 1 and ESM		(51,560,028)	3,609,520	(47,950,508)

13

14 Based on the reconciliation provided, Hydro One submits that the 1595 (2021) balance
15 requested for disposition is appropriate.

²⁰ Total Carrying Charges = Interest on 2019 Closing Balance + Projected Interest in 2020

1 **1.2 WHEELING AGREEMENTS**

2 Overview

3 As described in Exhibit A-04-01 (Section 3.2.5) and further elaborated in response to
4 Interrogatory I-01-01, Hydro One (as successor to Ontario Hydro) has legacy Wheeling
5 Agreements (as amended) (dating back to the early 1990s) with OPGC (a successor of
6 Orillia Water, Light and Power Commission) which originally enabled the customers of the
7 Orillia Power Distribution Corporation (OPDC) to enjoy the benefits of electricity generated
8 from OPGC's two power generating stations. The continuation of that arrangement under
9 the amended Wheeling Agreements allows OPDC customers (now Orillia RZ customers)
10 to enjoy the benefits of electricity from OPGC's generation stations. In accordance with
11 this arrangement, Orillia RZ customers are entitled to receive the benefits with respect to
12 the following two charges:

- 13 i. Wholesale Market Service Charge (WMSC); and
- 14 ii. Retail Transmission Service Rate (RTSR).

15
16 This legacy arrangement arises because of the fact that the generating stations are
17 embedded in Hydro One's distribution territory.

18
19 With respect to WMSC, prior to the acquisition and integration of OPDC by Hydro One,
20 the transfer of the benefit between OPGC and OPDC was wholly undertaken by those two
21 entities with Hydro One only calculating the monthly WMSC amount by applying the
22 applicable WMSC rate to the generator outputs (kWh) and providing the calculated
23 Wheeling Amount to OPGC on their monthly generation payment statement. OPGC would
24 then transfer the monthly amount to OPDC (as affiliates with common ownership), who
25 then recorded it in their WMSC variance account (1580). OPDC customers realized the
26 benefits when OPDC disposed of their WMSC variance account (1580) balance.²¹ Post-
27 integration, Hydro One calculates the WMSC Wheeling Amount in a similar manner as
28 described above. However, Hydro One no longer provides the monthly Wheeling Amount
29 to OPGC (as OPGC is no longer affiliated with OPDC). Instead, the annual credit is added
30 to the Orillia RZ's allocated balances in Account 1580, and an equivalent debit amount is
31 added to Hydro One Distribution's allocated balances in Account 1580.

²¹ Interrogatory I-01-01

1 Likewise, for the RTSR, prior to acquisition and integration of OPDC by Hydro One, Hydro
2 One deducted the generator output (kW) from OPDC's load meters for determining RTSR
3 billing quantities, and thus billed OPDC based on lower RTSR billing quantities on their
4 Sub-Transmission (ST) bills. This was reflected in OPDC's RTSR variance accounts'
5 (1584 and 1586) balances and subsequently, OPDC customers realized the benefits when
6 these accounts were disposed of.²² Post-integration, the calculated credit amount is added
7 to the Orillia RZ's allocated balances in Accounts 1584 and 1586, and an equivalent debit
8 amount is added to Hydro One Distribution's allocated balances in Accounts 1584 and
9 1586.

10
11 The current Application is Hydro One's first Annual Update Application where the benefits
12 for the years 2021, 2022 and 2023 (the period since integration) are proposed to be
13 provided to the Orillia RZ customers. The total principal amounts for 2021 and 2022 are
14 \$491,629 and \$784,306, respectively.²³ Total interest over the 2021-2023 period applied
15 to these principal amounts is \$91,607,²⁴ resulting in the total Wheeling Amount for 2021
16 and 2022 of \$1,367,542. The total (principal and interest) of the Wheeling Amount for 2023
17 is \$1,005,160.²⁵

18
19 In their submissions, OEB staff agreed that Orillia RZ should be allowed to receive the
20 Wheeling Amounts for all years on an interim basis.²⁶ However, OEB staff took a contrary
21 position with respect to Hydro One Distribution and asserted that it should not be allowed
22 to recover the corresponding 2021 and 2022 amounts (i.e., as debits for a total of
23 \$1,303,172).²⁷ The basis of OEB staff's inconsistent assertions is that OEB staff believes
24 that the disposition of the 2021 and 2022 amounts, is a retroactive adjustment based on
25 the OEB's 2019 Letter Regarding Adjustments to Correct for Errors in Electricity Distributor

²² Interrogatory I-01-01

²³ Exhibit A-04-01, Attachment 4 and Interrogatory I-01-02 (b).

²⁴ Interrogatory I-01-02 (b).

²⁵ Ibid.

²⁶ OEB staff submission, p. 15

²⁷ \$1,303,172 represents the 2021 and 2022 Wheeling Amounts and the accumulated interest over 2021-2022 period.

1 “Pass-Through” Variance Accounts after Disposition (the OEB 2019 Letter).²⁸ On this
2 basis, OEB staff asserts that Hydro One Distribution should not be allowed to recover the
3 corresponding 2021 and 2022 balances.²⁹ Additionally, OEB staff’s qualification that the
4 Orillia RZ should be allowed to receive the Wheeling Amounts for all years and that Hydro
5 One Distribution be allowed to receive the corresponding 2023 debit only, on an interim
6 basis until Hydro One enters into new agreements, is based on OEB staff’s belief that the
7 amounts calculated under the Wheeling Agreements are inaccurate.³⁰

8
9 Hydro One submits that OEB staff’s submissions should be rejected. Hydro One’s request
10 is not a retroactive adjustment and even if the OEB 2019 Letter was applied (which Hydro
11 One submits it should not be), there is no justification for the asymmetric treatment
12 asserted by OEB staff. In addition, the OEB’s approval of the Wheeling Amounts should
13 be on a final basis and not an interim basis as there is no evidence that the amounts that
14 are subject to the Wheeling Agreements are inaccurate and the OEB has no jurisdiction
15 to impose contractual amendments on the parties to the Wheeling Agreements. Hydro
16 One addresses the OEB staff submissions under the headings “Retroactive Adjustments”
17 and “Accuracy of Wheeling Amounts” below.

18
19 Retroactive Adjustments

20 OEB staff submitted that Hydro One’s request to recover the Wheeling Amounts for 2021
21 and 2022 (i.e., debits to Hydro One Distribution RZ and credits to Orillia RZ) constitutes a
22 retroactive adjustment because Hydro One erred by failing to consider the appropriate
23 beneficiaries of the Wheeling Amounts and to include them in the applicable account
24 balances for 2021 and 2022.³¹ Hydro One disagrees with OEB staff’s assertions that Hydro
25 One’s request to reflect the impact of Wheeling Agreements for 2021 and 2022 constitutes
26 the correction of an error. There are no errors in the consolidated Group 1 balances or the
27 allocation of those balances (a fact that OEB staff agrees with).³² Importantly, the wheeling

²⁸ OEB Letter Re: Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, <https://www.oeb.ca/sites/default/files/ltr-Retro-Ratemaking-Guidance-20191031.pdf> [OEB 2019 Letter]

²⁹ OEB staff submission, pp. 16-17

³⁰ OEB staff submission, pp. 17-18

³¹ OEB staff submission, pp. 15-16

³² OEB staff submission, p. 15

1 amounts have not been previously considered and ruled upon by the OEB and as such
2 Hydro One is not seeking any retroactive correction or change of the particular amounts
3 in question. The wheeling arrangement and related amounts formed no part of the OEB's
4 prior determination of the disposition of the accounts in question.

5
6 Notwithstanding the foregoing, OEB staff also asserted that Hydro One has not adequately
7 addressed the OEB's concerns in the OEB 2019 Letter.³³ Based on the information
8 provided above, Hydro One submits that the OEB 2019 Letter does not apply. But in the
9 event the OEB determines that it does apply, Hydro One addresses below the four factors
10 outlined in the OEB 2019 Letter.

11
12 **i. Whether the error was within the control of the distributor**

13 The Wheeling Amounts arise from a unique legacy contractual arrangement
14 between Hydro One and OPGC. At the time of integration, Hydro One's existing
15 processes could no longer account for the Wheeling Agreements and resulting
16 Wheeling Amounts, as the agreements represent a unique arrangement. Once
17 identified, the necessary process adjustments were made related to the change in
18 circumstance from pre-integration to post-integration.

19
20 **ii. The frequency with which the distributor has made the same error**

21 Because of the uniqueness of the wheeling arrangements, the circumstance has
22 not previously occurred. The absence of the 2021 and 2022 Wheeling Amounts
23 from the 2021 and 2022 balances which are included in the current Application is
24 the result of a set of circumstances surrounding the application of Wheeling
25 Amounts, given the acquisition and integration of OPDC.

26
27 Once Hydro One made the process adjustments, Hydro One incorporated the
28 post-integration Wheeling Amounts (credit amounts to the Orillia RZ customers
29 and the corresponding debit amounts to Hydro One Distribution customers). As a
30 result, Hydro One is proposing to provide the Wheeling Amounts under the

³³ OEB staff submission, p. 16

1 methodology proposed in the current Application that is consistent with the
2 Wheeling Agreements.

3

4 **iii. Failure to follow guidance provided by the OEB**

5 Hydro One has not failed to follow guidance provided by the OEB as the issue
6 arises by virtue of a contractual agreement and not because of an OEB guidance.
7 This is the first time the OEB is considering Hydro One's proposed treatment of
8 the agreed arrangement under the Wheeling Agreements post-integration.

9

10 **iv. The degree to which other distributors are making similar errors**

11 The circumstance is unique to Hydro One as a result of the legacy Wheeling
12 Agreements. There is no general distribution sector circumstance in question and
13 no corresponding reason to undertake measures that would inform the behavior of
14 other distributors.

15

16 Furthermore, the impact of including the 2021 and 2022 debit amounts associated with
17 Wheeling Amounts (\$1,367,542) for Hydro One Distribution customers is not material.³⁴
18 This impact contrasts with the OEB's concern raised in the OEB 2019 Letter in respect of
19 "the potential for the balances – and by extension the associated implications for
20 customers - to be very large."³⁵

21

22 In their submission, OEB staff asserts that there was an error and that the error was
23 entirely within Hydro One's control.³⁶ Based on only this assertion and ignoring all other
24 factors related to the OEB 2019 Letter, OEB staff states that an asymmetrical approach
25 should apply whereby all of the Wheeling Amounts should be provided to Orillia RZ
26 customers (the credit amounts), but the corresponding debit amounts for 2021 and 2022
27 should not be passed onto Hydro One Distribution customers.³⁷ Hydro One submits that
28 it is not appropriate to apply the OEB 2019 Letter based on a singular factor. The OEB
29 2019 Letter should be considered and applied as a whole with all criteria applied to the

³⁴ \$1,367,542 allocated over the total forecast consumption for 2025 (33,582,413,047 kWh) would result in an insignificant overall impact (\$0.00004/kWh) for Hydro One Distribution customers.

³⁵ OEB 2019 Letter, *supra* note 27, p. 2

³⁶ OEB staff submission, p. 16

³⁷ OEB staff submission, pp. 16-17

1 facts in question. Contrary to OEB staff's submission, the OEB 2019 Letter is clear in that
2 where an accounting or other error is discovered, the OEB will determine on a case-by-
3 case basis whether to make a retroactive adjustment based on the particular
4 circumstances of each case including several factors, which Hydro One has addressed
5 above. In fact, the OEB 2019 Letter itself provides an example demonstrating that the
6 OEB will consider multiple factors when determining whether or not it would approve part
7 or all of the correction:

8
9 Consistent with the OEB's past practice, an asymmetrical approach to the
10 correction of the error may be appropriate. For example, if a distributor
11 repeats an error, and if correcting the error is solely to the benefit of the
12 distributor, the OEB may not approve part or all of the correction and of any
13 associated carrying charges.³⁸
14

15 The OEB 2019 Letter does not go on to say that any one factor will be used as a sole
16 determinant. The essence of OEB staff's submission is that any one criterion would
17 disallow a correction, which is not the correct interpretation. Furthermore, since OEB staff
18 relies only on whether there was or was not an error to trigger the asymmetric approach,
19 they render all other criteria meaningless. Hydro One submits that the other criteria have
20 a purpose and are considered if in fact there was an error. Even if there was an error as
21 suggested by OEB staff (although Hydro One disagrees with the argument made by OEB
22 staff), the remaining criteria must be considered and to not do so is contrary to the
23 underlying purpose of the OEB 2019 Letter which is to give a case-by-case consideration
24 based on a variety of criteria.

25
26 Hydro One agrees that the Orillia RZ customers are entitled to recovery of the amounts in
27 question as agreed under the Wheeling Agreements, and that the Wheeling Amounts
28 represent an allocation of benefits provided by the wheeling services. However, OEB
29 staff's proposed asymmetric treatment for the 2021 and 2022 Wheeling Amounts fails to
30 recognize that the circumstance is unique and will not recur and does not reflect a breach
31 of OEB guidelines or a generalized sectorial concern. It is in fact to ensure compliance
32 with a legacy contractual arrangement between OPGC and Hydro One. Furthermore, the
33 asymmetric treatment proposed by OEB staff will result in Hydro One Distribution

³⁸ OEB 2019 Letter, *supra* note 27, p. 2

1 customers receiving an unfair benefit by not contributing towards the 2021 and 2022
2 Wheeling Amounts provided to Orillia RZ customers which they have been contributing
3 towards previously.

4
5 ACCURACY OF WHEELING AMOUNTS

6 In their submissions, OEB staff noted that Hydro One's methodology for calculating the
7 RTSR amounts for both the Connection and Network pools of the wheeling benefit post-
8 integration relies on quantities established in the 2016 amendment of the Wheeling
9 Agreements and that Hydro One's reliance on billing quantities (kW) established in 2016
10 introduces a risk of material inaccuracies.³⁹ OEB staff proceeded to say that Hydro One
11 should update its agreement to reflect more up-to-date data or justify why these amounts
12 remain appropriate.⁴⁰ Additionally, OEB staff submitted that on an interim basis, the Orillia
13 RZ should be allowed to receive the Wheeling Amounts, and that such balances may be
14 made final after the finalization of a new agreement, after any further adjustments have
15 been made to these balances that have not yet already been disposed on a final basis.⁴¹

16
17 Hydro One submits that it is not within the OEB's jurisdiction to order Hydro One to amend
18 the executed Wheeling Agreements between Hydro One and OPGC that have been in
19 operation since 2016. The post-integration approach and methodology with respect to the
20 calculation of the RTSR Wheeling Amounts was agreed upon by both parties subject to
21 the Wheeling Agreements. As such, the OEB should not impose a contractual amendment
22 on the parties as suggested by OEB staff. Additionally, Hydro One can confirm that
23 examined billing quantities after 2016 are consistent, with no material differences from the
24 billing quantities in the existing Wheeling Agreements. As such, Hydro One submits that
25 the OEB should disregard OEB staff's submission that the Wheeling Amounts are
26 inaccurate as the calculation was performed in accordance with the Wheeling Agreements
27 and requests that the disposition should be on a final basis.

28
29 Moreover, OEB staff relied on the OEB's Decision in the 2024 annual rate update
30 application for the Hydro One – Orillia and Peterborough Rate Zones (EB-2023-0059),

³⁹ OEB staff submission, p. 17

⁴⁰ OEB staff submission, p. 17

⁴¹ OEB staff submission, p. 17

1 pointing to the OEB's denial of Hydro One's request to update Low Voltage service rates.
2 It is unclear to Hydro One as to how the OEB's determinations in the above noted
3 proceeding are relevant to the issue of the accuracy of the Wheeling Amounts in the
4 current application. Notwithstanding the above, Hydro One submits that unlike Low
5 Voltage service rates which the OEB approves, the Wheeling Amounts are driven by the
6 long-standing contractual agreements between Hydro One and OPGC, and as a result,
7 the two should not be conflated. Hydro One further submits that there is no overlap
8 between Low Voltage service rates and the Wheeling Amounts.

9
10 **C. RESPONSE TO MR. RICHARD GRUCHALA**

11 Mr. Gruchala submitted that Hydro One's GIS methodology to establish density
12 boundaries has not been applied appropriately to certain core cluster(s) of contiguous
13 customers and recommended that it should be amended.⁴² Further, Mr. Gruchala
14 submitted that more immediate action is warranted to ameliorate and mitigate the
15 mounting financial impacts on certain customers.⁴³

16
17 Hydro One submits that reviewing the methodology used to establish density boundaries,
18 as approved by the OEB for the duration of the Custom IR period, is out of scope for an
19 Annual Update Application during a Custom IR period. As noted in Interrogatory I-02-03,
20 Hydro One's next rebasing application for the rate period 2028-2032 will include evidence
21 on the Company's plans for density boundary reviews during that period.

22
23 **D. PROCEDURAL MATTERS**

24 Hydro One submits that consistent with prior years, in order to allow for a reasonable time
25 to implement the approved distribution rates and charges effective January 1, 2025, Hydro
26 One would require the Final Tariff of Rates and Charges to be issued by the OEB by
27 December 13, 2024. In the event that the OEB is not able to issue the Final Tariff of Rates
28 and Charges by December 13, 2024, Hydro One submits that a later implementation date
29 (including foregone revenue calculation) would be required.

⁴² R Gruchala submission, p. 2

⁴³ R Gruchala submission, p. 2

1 **E. CONCLUSION**

2 Based on the foregoing, it is Hydro One's submission that its proposed 2025 distribution
3 rates and charges are reasonable and that the Application should be approved as filed.

4

5 **F. ATTACHMENTS**

- 6 • Attachment 1: Hydro One Distribution DVA Continuity (revised)
7 • Attachment 2: 2025 Consolidated GA Workform (revised)
8 • Attachment 3: Evidence of No Double Counting in 1588 and 1589 Reclassification
9 • Attachment 4: Account 1595 (2021) Reconciliation

10

11 **All of which is respectfully submitted on November 27, 2024.**

12

13

By its counsel,

14

15



16

17

Raman Dhillon

18

GA Analysis Workform for 2025 Rate Applications

Version 1.0

Input cells

Drop down cells

Utility Name

Note 1

For Account 1589 and Account 1588, determine if a or b below applies and select the appropriate year related to the account balance in the drop-down box to the right.

- a) If the account balances were last approved on a final basis, select the year of the year-end balances that were last approved on a final basis.
- b) If the account balances were last approved on an interim basis, and
 - i) there are no changes to the previously approved interim balances, select the year of the year-end balances that were last approved for disposition on an interim basis. OR
 - ii) there are changes to the previously approved interim balances, select the year of the year-end balances that were last approved for disposition on a final basis. An explanation should be provided to explain the reason for the change in the previously approved interim balances.

Year Selected

2022

(e.g. If the 2022 balances that were reviewed in the 2024 rate application were to be selected, select 2022)

Instructions:

- 1) Determine which scenario above applies (a, bi or bii). Select the appropriate year to generate the appropriate GA Analysis Workform tabs, and information in the Principal Adjustments tab and Account 1588 tab.
 For example:
 - Scenario a - If 2022 balances were last approved on a final basis - Select 2022 and a GA Analysis Workform for 2023 will be generated. The input cells required in the Principal Adjustment and Account 1588 tabs will be generated accordingly as well.
 - Scenario bi - If 2022 balances were last approved on an interim basis and there are no changes to 2022 balances - Select 2022 and a GA Analysis Workform for 2023 will be generated. The input cells required in the Principal Adjustment and Account 1588 tabs will be generated accordingly as well.
 - Scenario bii - If 2022 balances were last approved on an interim basis, there are changes to 2022 balances, and 2021 balances were last approved for disposition - Select 2021 and GA Analysis Workforms for 2022 and 2023 will be generated. The input cells required in the Principal Adjustment and Account 1588 tabs will be generated accordingly as well.
- 2) Complete the GA Analysis Workform for each year generated.
- 3) Complete the Account 1588 tab. Note that the number of years that require the reasonability test to be completed are shown in the Account 1588 tab, depending on the year selected on the Information Sheet.
- 4) Complete the Principal Adjustments tab. Note that the number of years that require principal adjustment reconciliations are all shown in the one Principal Adjustments tab, depending on the year selected on the Information Sheet.

See the separate document GA Analysis Workform Instructions for detailed instructions on how to complete the Workform and examples of reconciling items and principal adjustments.

Year	Annual Net Change in Expected GA Balance from GA Analysis	Net Change in Principal Balance in the GL	Reconciling Items	Adjusted Net Change in Principal Balance in the GL	Unresolved Difference	\$ Consumption at Actual Rate Paid	Unresolved Difference as % of Expected GA Payments to IESO
2023	\$ 6,681,096	\$ (21,442,314)	\$ 28,758,396	\$ 7,316,082	\$ 634,986	\$ 525,326,047	0.1%
Cumulative Balance	\$ 6,681,096	\$ (21,442,314)	\$ 28,758,396	\$ 7,316,082	\$ 634,986	\$ 525,326,047	N/A

Account 1588 Reconciliation Summary

Year	Account 1588 as a % of Account 4705
2023	-4.0%
Cumulative Balance	-4.0%

GA Analysis Workform

Note 2 **Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)**

Year		2023		
Total Metered excluding WMP	C = A+B	28,610,308,299	kWh	100%
RPP	A	16,998,575,212	kWh	59.4%
Non-RPP	B = D+E	11,611,733,087	kWh	40.6%
Non-RPP Class A	D	6,302,208,067	kWh	22.0%
Non-RPP Class B'	E	5,309,525,020	kWh	18.6%

*Non-RPP Class B consumption reported in this table is not expected to directly agree with the Non-RPP Class B Including Loss Adjusted Billed Consumption in the GA Analysis of Expected Balance table below. The difference should be equal to the loss factor.

Note 3 **GA Billing Rate**

GA is billed on the

Please confirm that the same GA rate is used to bill all customer classes. If not, please provide further details

Please confirm that the GA Rate used for unbilled revenue is the same as the one used for billed revenue in any particular month

Note 4 **Analysis of Expected GA Amount**

Year	2023									
Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B Including Loss Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh)	\$ Consumption at GA Rate Billed	GA Actual Rate Paid (\$/kWh)	\$ Consumption at Actual Rate Paid	Expected GA Price Variance (\$)	
	F	G	H	I = F-G+H	J	K = F*J	L	M = I*L	N=M-K	
January	620,867,354	732,242,877	761,943,718	650,568,195	0.03138	\$ 20,414,830	0.05377	\$ 34,981,052	\$	14,566,222
February	602,399,571	761,943,718	761,678,956	602,134,810	0.06285	\$ 37,844,173	0.08249	\$ 49,670,100	\$	11,825,928
March	686,030,548	761,678,956	730,551,525	654,903,117	0.06989	\$ 45,771,179	0.08031	\$ 52,595,269	\$	6,824,090
April	577,586,956	730,551,525	692,680,224	539,715,655	0.08249	\$ 44,521,144	0.09853	\$ 53,178,183	\$	8,657,039
May	604,929,442	692,680,224	645,660,468	557,909,686	0.08249	\$ 46,021,970	0.09962	\$ 55,578,963	\$	9,556,993
June	543,649,836	645,660,468	630,118,207	528,107,575	0.09853	\$ 52,034,439	0.08293	\$ 43,795,961	\$	(8,238,478)
July	528,438,270	630,118,207	672,257,805	570,577,868	0.09962	\$ 56,840,967	0.04949	\$ 28,237,899	\$	(28,603,069)
August	605,352,962	672,257,805	668,615,540	601,710,697	0.05377	\$ 32,353,984	0.07606	\$ 45,766,116	\$	(13,412,131)
September	538,288,925	668,615,540	655,825,773	525,499,158	0.05837	\$ 30,673,386	0.05093	\$ 26,763,672	\$	(3,909,714)
October	589,619,268	655,825,773	643,450,244	577,243,739	0.07332	\$ 42,323,511	0.08498	\$ 49,054,173	\$	6,730,662
November	559,066,523	643,450,244	694,720,640	610,336,918	0.07040	\$ 42,967,719	0.07090	\$ 43,272,888	\$	305,168
December	573,206,388	694,720,640	762,283,974	640,769,722	0.08340	\$ 53,440,195	0.06622	\$ 42,431,771	\$	(11,008,424)
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	7,029,436,043	8,289,745,977	8,319,787,074	7,059,477,140		\$ 505,207,497		\$ 525,326,047	\$	20,118,550

Annual Non-RPP Class B Wholesale kWh	Annual Non-RPP Class B Retail billed kWh	Annual Unaccounted for Energy Loss kWh	Weighted Average GA Actual Rate Paid (\$/kWh)*	Expected GA Volume Variance (\$)
O	P	Q=O-P	R	P=Q*R
6,879,702,611	7,059,477,140	-179,774,529	0.07475	(13,437,454)

*Equal to (AQEW - Class A + embedded generation kWh)/(Non-RPP Class B retail kWh/Total retail Class B kWh)

**Equal to annual Non-RPP Class B \$ GA paid (i.e. non-RPP portion of CT 148 on IESO invoice) divided by Non-RPP Class B Wholesale kWh (as quantified in column O in the table above)

Total Expected GA Variance \$ 6,681,096

Calculated Loss Factor 1.3296
 Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000kW
 Difference 1.3296

a) Please provide an explanation in the text box below if columns G and H for unbilled consumption are not used in the table above.

b) Please provide an explanation in the text box below if the difference in loss factor is greater than 1%.

This is not applicable for Hydro One Distribution, since the loss factors approved by OEB are different for each customer rate category. There is no one universal approved loss factor for all secondary metered customers <5MW.

Note 5 **Reconciling Items**

	Item	Amount	Explanation	Principal Adjustment on DVA Continuity Schedule	Principal Adjustments If "no", please provide an explanation
	Net Change in Principal Balance in the GL (i.e. Transactions in the Year)	\$ (21,442,314)			
	CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - prior year	\$ 1,449,765	as titled	No	It was not treated as Principal Adjustment for 2022 Year End on 2022 GA workform
	CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - current year	\$ 209,939	as titled	Yes	
	2a Remove prior year end unbilled to actual revenue differences	\$ 5,321,189	Remove Dec 2022 GA Unbilled estimated vs. Actual incurred in 2023	No	It was not treated as Principal Adjustment for 2022 Year End on 2022 GA workform
	2b Add current year end unbilled to actual revenue differences	\$ 3,579,201	Remove Dec 2023 GA Unbilled estimated vs. Actual incurred in 2024	Yes	
	3a Remove difference between prior year accrual/forecast to actual from long term load transfers				
	3b Add difference between current year accrual/forecast to actual from long term load transfers				
	4 Remove GA balances pertaining to Class A customers				
	5a Significant prior period billing adjustments recorded in current year				
	5b Significant current period billing adjustments recorded in other year(s)				
	6 Differences in GA IESO posted rate and rate charged on IESO invoice				
	7 CT 2148 for current period corrections recorded in other years	\$ 148,547	Adjustment of Class B Global Adjustment due to change in reported Class A load posted in 2023 for Dec 2022 [Reversal of amount disclosed on 2022 GA workform]	No	It was not treated as Principal Adjustment for 2022 Year End on 2022 GA workform
	8 LDC Customers adjustment on the Rate used	\$ 2,973,658		No	Adjustment to Note 4 balance only
	9 Retail billed kWh at Weighted Average GA Paid Rate adjustment	\$ (2,342,682)	Adjustment to Note 4 estimation: to calculate Line Loss, the Retail Sales volume is not anchored to the weighted average Cost rate; it is based on the \$ Consumption at Actual Rate Paid (M) from Note 4	No	Adjustment to Note 4 balance only
	10 Adjustment to Note 4 table, reflect HONI Dx GA revenue calculation practice that is different than Note 4 approach.	\$ (27,492,434)	Please see HONI 2025 Reply Submission	No	Adjustment to Note 4 balance only
	11 eLDC RPP declaration pass through RPP GA reclass to GA incorrectly reversal in 2023	\$ 44,911,213	eLDCs RPP Declaration settlements GA portion was recorded into RSVA GA incorrectly in 2021 and 2022 and corrected in 2023	Yes	
Note 6	Adjusted Net Change in Principal Balance in the GL	\$ 7,316,082			
	Net Change in Expected GA Balance in the Year Per Analysis	\$ 6,681,096			
	Unresolved Difference	\$ 634,986			
	Unresolved Difference as % of Expected GA Payments to IESO	<u>0.12%</u>			

Account 1588 Reasonability

Note 7 Account 1588 Reasonability Test

Year	Account 1588 - RSVA Power			Account 4705 - Power Purchased	Account 1588 as % of Account 4705
	Transactions ¹	Principal Adjustments ²	Total Activity in Calendar Year		
2023	- 43,854,284	40,348,764	84,203,048	2,106,022,185	-4.0%
Cumulative	- 43,854,284	40,348,764	84,203,048	2,106,022,185	-4.0%

The annual Account 1588 balance relative to cost of power is expected to be small. If it is greater than +/-1%, provide an explanation in the text box below.

Notes

- 1) The transactions should equal the "Transaction" column in the DVA Continuity Schedule. This is also expected to equal the transactions in the general ledger (excluding transactions relating to the removal of approved disposition amounts as that is shown in a separate column in the DVA Continuity Schedule)
- 2) Principal adjustments should equal the "Principal Adjustments" column in the DVA Continuity Schedule. Principal adjustments adjust the transactions in the general ledger to the amount that should be requested for disposition.

Reasons for large Account 1588 balance, relative to cost of power purchased

2023

Retail sales volume was higher than the purchased volume in 2023, resulting in a bigger RSVA commodity regulatory liability

GA Analysis Workform - Account 1588 and 1589 Principal Adjustment Reconciliation

Note 8 **Breakdown of principal adjustments included in last approved balance:**

Account 1589 - RSVA Global Adjustment			
	Adjustment Description	Amount	To be reversed in current application?
1	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2021 instead of 1588	(24,748,877)	Yes
2	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2022 instead of 1588	(20,162,335)	Yes
3			
4			
5			
6			
7			
8			
Total		(44,911,213)	
Total principal adjustments included in last approved balance			
Difference		(44,911,213)	

Account 1588 - RSVA Power			
	Adjustment Description	Amount	To be Reversed in Current Application?
1	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2021 instead of 1588	24,748,877	Yes
2	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2022 instead of 1588	20,162,335	Yes
3			
4			
5			
6			
7			
8			
Total		44,911,213	
Total principal adjustments included in last approved balance			
Difference		44,911,213	

Note 9 **Principal adjustment reconciliation in current application:**

Notes

- 1) The "Transaction" column in the DVA Continuity Schedule is to equal the transactions in the general ledger (excluding transactions relating to the removal of approved disposition amounts as that is shown in a separate column in the DVA Continuity Schedule)
- 2) Any principal adjustments needed to adjust the transactions in the general ledger to the amount that should be requested for disposition should be shown separately in the "Principal Adjustments" column of the DVA Continuity Schedule
- 3) The "Variance RRR vs. 2023 Balance" column in the DVA Continuity Schedule should equal principal adjustments made in the current disposition period. It should not be impacted by reversals from prior year approved principal adjustments.
- 4) Principal adjustments to the pro-ration of CT 148 true-ups (i.e. principal adjustment #1 in tables below) are expected to be equal and offsetting between Account 1588 and Account 1589, if not, please explain. If this results in further adjustments to RPP settlements, this should be shown separately as a principal adjustment to CT 1142/142 (i.e. principal adjustment #2 in tables below)

Complete the table below for the current disposition period. Complete a table for each year included in the balance under review in this rate application. The number of tables to be completed is automatically generated based on data provided in the Information Sheet

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>			
1	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2021 instead of 1588	24,748,877	2023
2	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2022 instead of 1588	20,162,335	2023
3			
4			
5			
6			
7			
8			
Total Reversal Principal Adjustments		44,911,213	
<i>Current year principal adjustments</i>			
1	CT 148 true-up of GA Charges based on actual Non-RPP volumes	209,939	2024
2	Unbilled to actual revenue differences	3,579,201	2024
3			
4			
5			
6			
7			
8			
Total Current Year Principal Adjustments		3,789,140	
Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model		48,700,352	

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>			
1	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2021 instead of 1588	(24,748,877)	2023
2	Embedded LDC RPP declaration pass through RPP GA recorded to 1589 in 2022 instead of 1588	(20,162,335)	2023
3			
4			
5			
6			
7			
8			
Total Reversal Principal Adjustments		(44,911,213)	
<i>Current year principal adjustments</i>			
1	CT 148 true-up of GA Charges based on actual RPP volumes	142,370	2024
2	CT 1142/142 true-up based on actuals	2,530,053	2024
3	Unbilled to actual revenue differences	1,890,026	2024
4			
5			
6			
7			
8			
Total Current Year Principal Adjustments		4,562,448	
Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model		(40,348,764)	

LDC ONLY	Non-RPP LDC Class B Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP LDC Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh)	Actual GA	\$ Consumption at GA Rate Billed	\$ Consumption at Actual GA Rate Billed	Difference \$
	F	G	H	I = F-G+H	J	P	K = I*J	O=I*P	Q=O-K
2023-Jan	140,973,759	157,464,580	163,021,796	146,530,975	0.03138	0.05377	4,598,141.99	7,878,970.52	3,280,828.53
2023-Feb	136,650,311	163,021,796	156,806,813	130,435,327	0.06285	0.08249	8,197,860.32	10,759,610.15	2,561,749.83
2023-Mar	119,239,137	156,806,813	172,532,059	134,964,383	0.06989	0.08031	9,432,660.70	10,838,989.57	1,406,328.87
2023-Apr	127,954,808	172,532,059	151,567,095	106,989,845	0.08249	0.09853	8,825,592.31	10,541,709.42	1,716,117.11
2023-May	128,670,420	151,567,095	118,516,379	95,619,704	0.08249	0.09962	7,887,669.34	9,525,634.87	1,637,965.52
2023-Jun	98,531,645	118,516,379	118,738,952	98,754,218	0.09853	0.08293	9,730,253.14	8,189,687.34	(1,540,565.81)
2023-Jul	111,540,816	118,738,952	139,578,128	132,379,992	0.09962	0.04949	13,187,694.80	6,551,485.80	(6,636,209.00)
2023-Aug	123,877,454	139,578,128	124,311,244	108,610,570	0.05377	0.07606	5,839,990.35	8,260,919.96	2,420,929.61
2023-Sep	95,959,494	124,311,244	130,065,929	101,714,179	0.05837	0.05093	5,937,056.63	5,180,303.13	(756,753.49)
2023-Oct	118,674,345	130,065,929	122,954,237	111,562,652	0.07332	0.08498	8,179,773.68	9,480,594.21	1,300,820.53
2023-Nov	113,798,399	122,954,237	142,913,820	133,757,982	0.0704	0.0709	9,416,561.95	9,483,440.94	66,878.99
2023-Dec	115,856,110	142,913,820	171,669,604	144,611,893	0.0834	0.06622	12,060,631.88	9,576,199.56	(2,484,432.32)
Total				1,445,931,721			103,293,887.11	106,267,545.48	2,973,658.37

GA Workform Note 4 and Note 5 GA Revenue Estimation

	Non RPP Class B Non LDC						Non RPP Class B LDC						Total Non RPP Class B \$ Consumption at GA Rate Billed
	Non-RPP Class B non LDC Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B Non LDC Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh) 1st Estimate	\$ Consumption at GA Rate Billed	Non-RPP Class B LDC Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B LDC Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh) Actual	\$ Consumption at GA Rate Billed	
	a	b	c	d=a-b+c	e	f=dxe	a'	b'	c'	d'=a'-b'+c'	e'	f'=d'xe'	
January	479,893,595	574,778,297	598,921,922	504,037,220	0.03138	15,816,687.97	140,973,759	157,464,580	163,021,796	146,530,975	0.05377	7,878,970.52	23,695,658.49
February	465,749,260	598,921,922	604,872,144	471,699,482	0.06285	29,646,312.46	136,650,311	163,021,796	156,806,813	130,435,327	0.08249	10,759,610.15	40,405,922.62
March	566,791,412	604,872,144	558,019,466	519,938,734	0.06989	36,338,518.11	119,239,137	156,806,813	172,532,059	134,964,383	0.08031	10,838,989.57	47,177,507.68
April	449,632,147	558,019,466	541,113,129	432,725,810	0.08249	35,695,552.08	127,954,808	172,532,059	151,567,095	106,989,845	0.09853	10,541,709.42	46,237,261.50
May	476,259,022	541,113,129	527,144,089	462,289,982	0.08249	38,134,300.66	128,670,420	151,567,095	118,516,379	95,619,704	0.09962	9,525,634.87	47,659,935.52
June	445,118,191	527,144,089	511,379,255	429,353,357	0.09853	42,304,186.23	98,531,645	118,516,379	118,738,952	98,754,218	0.08293	8,189,687.34	50,493,873.57
July	416,897,453	511,379,255	532,679,677	438,197,876	0.09962	43,653,272.38	111,540,816	118,738,952	139,578,128	132,379,992	0.04949	6,551,485.80	50,204,758.18
August	481,475,508	532,679,677	544,304,296	493,100,127	0.05377	26,513,993.82	123,877,454	139,578,128	124,311,244	108,610,570	0.07606	8,260,919.96	34,774,913.78
September	442,329,431	544,304,296	525,759,844	423,784,979	0.05837	24,736,329.24	95,959,494	124,311,244	130,065,929	101,714,179	0.05093	5,180,303.13	29,916,632.37
October	470,944,923	525,759,844	520,496,007	465,681,087	0.07332	34,143,737.27	118,674,345	130,065,929	122,954,237	111,562,652	0.08498	9,480,594.21	43,624,331.48
November	445,268,124	520,496,007	551,806,819	476,578,936	0.0704	33,551,157.11	113,798,399	122,954,237	142,913,820	133,757,982	0.0709	9,483,440.94	43,034,598.05
December	457,350,278	551,806,819	590,614,370	496,157,829	0.0834	41,379,562.94	115,856,110	142,913,820	171,669,604	144,611,893	0.06622	9,576,199.56	50,955,762.50
Total	5,597,709,346	6,591,274,945	6,607,111,018	5,613,545,419		401,913,610.27	1,431,726,697	1,698,471,032	1,712,676,056	1,445,931,721		106,267,545.48	508,181,155.75

Reconcile to Note 4 and Note 5

Note 4: \$ Consumption at GA Rate Billed (K)

505,207,497.38

Note 5 Item 8 \$: LDC Customers adjustment on the Rate used

2,973,658.37

From Hydro One General Leger Records for GA Revenue

	Non-RPP Class B non LDC Billed \$	Deduct Previous Month Unbilled \$	Add Current Month Unbilled \$	GA Rate Billed Accrued \$
January	28,746,969.74	40,878,761.60	26,796,778.12	14,664,986.26
February	23,107,214.71	26,796,778.12	40,935,068.01	37,245,504.60
March	35,218,583.23	40,935,068.01	48,501,307.78	42,784,823.00
April	35,910,213.89	48,501,307.78	53,523,068.02	40,931,974.13
May	102,114,427.87	53,523,068.02	50,103,316.29	98,694,676.14
June	45,401,151.41	50,103,316.29	58,867,058.78	54,164,893.90
July	49,565,404.14	58,867,058.78	65,141,658.55	55,840,003.91
August	51,819,628.98	65,141,658.55	39,867,789.89	26,545,760.32
September	33,961,763.92	39,867,789.89	37,535,635.97	31,629,610.00
October	33,284,880.66	37,535,635.97	43,950,208.54	39,699,453.23
November	38,988,440.88	43,950,208.54	47,435,806.01	42,474,038.35
December	39,357,290.84	47,435,806.01	59,076,380.75	50,997,865.58
				535,673,589.42

Including +\$44.9M eLDC 2023 and 2022 adjustment as it was booked in Hydro One Dx 2023 GA Revenue General Ledger which is then reversed in Note 5 item 11 as a reversal

508,181,155.75

Note 5 Item 10 The GA Revenue Difference:

Hydro One GA Revenue:	535,673,589.42
GA workform estimated GA Revenue:	508,181,155.75
Difference	27,492,433.67

One Customer July 2023 GA Revenue Calculation Example

The purpose of this example is to show how different GA Revenue Rates are used for Hydro One GA revenue recognition, that is different than GA workform Note 4 estimations.

OEB's GA Workform Note 4 GA Revenue Estimation

Fiscal Period July 2023	Metering Period		Including Loss Factor Billed Consumption (kWh)	\$ Consumption at GA Rate Billed Estimated by Note 4	OEB Estimated Revenue	
			I	J	k=l x J	
July Billed	Jun/07/2023-Jul/07/2023	a	8,000			
June Month End Unbilled	Jun/08/2023-Jun/30/2023	b	5,000			
July Month End Unbilled	Jul/08/2023-Jul/31/2023	c	6,000			
Accrued		d=a-b+c	9,000	0.09962	896.58	Note 4 is using 1st Estimate GA Rate from July to apply to accrued volume

Hydro One Billing System GA Revenue Example - Recorded in the SAP General Ledger

Fiscal Period July 2023	Metering Period		Including Loss Factor Billed Consumption (kWh)	GA Rate (\$/kWh)	GA Dollar by SAP (\$)	
			n	o	m=n x o	
July Billed	Jun/07/2023-Jul/07/2023	a	8,000	0.09883	790.62	Combination of 1st Estim GA rates from June and July which is a Weighted Average GA rate
June Month End Unbilled	Jun/08/2023-Jun/30/2023	b	5,000	0.09853	492.65	1st Estimate GA Rate from June
July Month End Unbilled	Jul/08/2023-Jul/31/2023	c	6,000	0.09962	597.72	1st Estimate GA Rate from July
Accrued		d=a-b+c	9,000	0.09952	895.69	

Note 5 Item 10 The GA Revenue Difference:

Hydro One GA Revenue:	895.69
GA workform estimated GA Revenue:	896.58
Difference	- 0.89

Account Descriptions	2023										
	Account Number	Opening Principal Amounts as of Jan-1-23	Transactions Debit/(Credit) during 2023	OEB-Approved Disposition during 2023	Principal Adjustments(1) for 2023	Closing Principal Balance as of Dec-31-23	Opening Interest Amounts as of Jan-1-23	Interest Jan-1 to Dec-31-23	OEB-Approved Disposition during 2023	Interest Adjustments(1) during 2023	Closing Interest Amounts as of Dec-31-23
Group 1 Accounts											
Initial Pre-Filed											
RSVA - Power (excluding Global Adjustment) ⁴	1588	(40,437,489)	(43,854,284)	(4,231,111)	4,562,448	(75,498,213)	(995,854)	(2,563,319)	(113,230)		(3,445,943)
RSVA - Global Adjustment ⁴	1589	(33,631,694)	23,468,899	(11,520,396)	3,789,140	5,146,740	(641,263)	496,007	(246,274)		101,018
As Revised in Reply Submission											
RSVA - Power (excluding Global Adjustment) ⁴	1588	(40,437,489)	1,056,929	(4,231,111)	(40,348,764)	(75,498,213)	(995,854)	(1,739,188)	(113,230)	(824,131)	(3,445,943)
RSVA - Global Adjustment ⁴	1589	(33,631,694)	(21,442,314)	(11,520,396)	48,700,352	5,146,740	(641,263)	(328,124)	(246,274)	824,131	101,018
Move from transactions to adjustments											
RSVA - Power (excluding Global Adjustment) ⁴	1588	-	44,911,213	-	(44,911,213)	-	-	824,131	-	(824,131)	-
RSVA - Global Adjustment ⁴	1589	-	(44,911,213)	-	44,911,213	-	-	(824,131)	-	824,131	-

Hydro One Distribution - Table 7.1 (Corrected) from 2021 Custom IR Update (EB-2020-0030 Decision)

Group 1 Accounts	Particulars	Closing Principal Balance as of Dec-31-19	Total Interest	Total Claim
LV Variance Account	1550	\$ 8,673,225	\$ 199,259	\$ 8,872,485
Smart Metering Entity Charge Variance Account	1551	\$ (2,044,264)	\$ (129,729)	\$ (2,173,993)
RSVA - Wholesale Market Service Charge	1580	\$ (64,983,232)	\$ 7,144	\$ (64,976,089)
Variance WMS – Sub-account CBR Class B	1580	\$ (930,195)	\$ 193,823	\$ (736,372)
RSVA - Retail Transmission Network Charge	1584	\$ (45,638,606)	\$ (4,592,990)	\$ (50,231,595)
RSVA - Retail Transmission Connection Charge	1586	\$ 98,356,310	\$ 5,076,880	\$ 103,433,190
RSVA - Power (excluding Global Adjustment)	1588	\$ 12,004,141	\$ 1,540,691	\$ 13,544,832
RSVA - Global Adjustment	1589	\$ (29,023,141)	\$ 1,584,096	\$ (27,439,045)
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	\$ (6,553,738)	\$ 24,878	\$ (6,528,859)
Totals for all Group 1 accounts		\$ (30,139,499)	\$ 3,904,052	\$ (26,235,447)
Earnings Sharing Mechanism Deferral Account		\$ (21,420,529)	\$ (294,532)	\$ (21,715,062)
Total Group 1 and ESM		\$ (51,560,028)	\$ 3,609,520	\$ (47,950,508)

1595 (2021) residual balance - Calculation

	Particulars	Principal	Interest	Total
EB 2020-0030 (HONI)	[1]	\$ (51,560,028)	\$ 3,609,520	\$ (47,950,508)
<i>EB 2020-0030 (HONI) [Note 1]</i>	[2]	\$ 3,178,045	\$ 26,460	\$ 3,204,505
EB 2020-0031 (LDC Acquireds: Norfolk, Haldimand, Woodstock)	[3]	\$ (5,887,885)	\$ (271,782)	\$ (6,159,667)
Total	[4]=[1+2+3]	\$ (54,269,868)	\$ 3,364,198	\$ (50,905,670)
Drawdowns/Disposals	[5]	\$ 49,237,098	\$ (821,115)	\$ 48,415,984
1595 (2021) residual balance included for disposition in 2025 Annual Update	[6]=[4-5]	\$ (5,032,770)	\$ 2,543,084	\$ (2,489,686)

Note 1 - (2021 DVA & GA reallocation booked post OEB decision)