OEB Staff Questions
Oakville Hydro Distribution Inc.
EB-2026-0063

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Staff Question-1

Ref. 1: Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 14, 2026, the OEB published the Q4 2026 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2026 OEB-prescribed interest rate of 2.87%.

Response:

Oakville Hydro has updated Tab 3 (Continuity Schedule) to reflect the Q4 2026 OEB-prescribed interest rate of 2.87% and filed an updated Rate Generator Model.

Staff Question-2

Ref. 1: Manager's Summary, page 7, section 12.2

Ref. 2: Commodity Accounts Analysis Workform, Account 1588 tab, Notes 7, 7a and 7b

Preamble:

Oakville Hydro's 2025 activity in Account 1588 is a credit of $3,102,809. This is 2.34% of the $132,743,866 recorded in Account 4705 and exceeds the 1% reasonability threshold.

At Reference 1, Oakville Hydro states, "Analysis to date confirms 1.4% of the variance is directly attributable to minor differences in the weighted average price per kWh billed to customers and that paid per kWh to the IESO. The remaining variance is made up of variances between actual and accrued unbilled revenues caused by volume and rate differences."

At Reference 2, Oakville Hydro quantifies the price difference at $1.85 million. No amount is recorded for the current year CT 1142/142 true up (Note 7a, item 2b) or the current year unbilled to actual revenue difference (Note 7a, item 3b), and no reconciling items are recorded in Note 7b.

Question(s):

a) Please provide a complete explanation of the 2025 Account 1588 variance of $3,102,809, quantifying each principal adjustment in Note 7a and each reconciling item in Note 7b of Reference 2, and update the reasonability test.
b) Please break down the $1.85 million price difference between RPP and non RPP customers. For each portion, please explain why the energy revenue billed differed from the cost paid to the IESO.
c) Reference 1 attributes the remaining variance to differences between actual and accrued unbilled revenues. Please explain why no amount is recorded for Note 7a items 2b and 3b. If either adjustment is required, please quantify it and update the Commodity Accounts Analysis Workform and Tab 3 of the Rate Generator Model.
d) Please provide Oakville Hydro's view on each of the following alternatives to final disposition of the Account 1588 and Account 1589 balances, and the reasons for that view.
    a. Interim disposition of the Account 1588 and Account 1589 balances.
    b. Partial disposition, where the other Group 1 balances are disposed as proposed and the Account 1588 and Account 1589 balances are held for disposition in a future application.

Response:

Oakville Hydro had not updated its settlement model in line with the updated Illustrative Commodity Model related to the implementation of the Market Renewal Program. This has now been done and settlement calculations from May 1st, 2025, have been revised in line with the updated guidance. The revised calculations result in an increase in the amount payable to the IESO of $3,354,290.77 and a corresponding reduction in Account 1588.

The updated 2025 activity in Account 1588 is well within the 1% reasonability threshold. A summary of the revised calculations, along with the resulting accounting adjustments, are included as an attachment – "Attachment 1 - IESO Settlement Adjustment Summary.xlsx". The $3,354,290.77 will be settled with the IESO.

a) The adjustment noted above of $3,354,290.77, had it been recorded monthly, would have yielded a 2025 Account 1588 variance of $251,481. In the revised Rate Generator model submitted with this response, the adjustment of $3,354,290.77 has been provisionally added to the principal adjustment column. The updated 2025 activity is well below the 1% reasonability threshold.
b) Although this question is no longer pertinent, the point being made was that many customers (non-RPP) are billed commodity costs based on market pricing at the time energy is consumed. Customers have different consumption profiles that won't necessarily align with the average rates used or published by the IESO.
c) The updated calculations have driven updated calculations of principal adjustments. Note 7a item 2b is populated – the initial submission mistakenly included in item 1b. No unbilled adjustment is required for item 3b with actuals booked to December accounting month.
d)
    a. <u>Interim disposition of the Account 1588 and Account 1589 balances.</u>
    Oakville Hydro would be agreeable to interim disposition using the updated calculations and balances submitted. The other Group 1 balances should be disposed as proposed
    b. <u>Partial disposition</u>
    Oakville Hydro does not believe this is a good option as disposition of Account 1589 would be delayed. This account contains a material balance payable to customers.

Staff Question-3

Ref. 1: Manager's Summary, page 8, section 12.3

Ref. 2: Commodity Accounts Analysis Workform, Account 1588 tab, Note 7b

Preamble:

On April 28, 2025, the OEB issued final updates to its Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 (Accounting Guidance) and an updated Illustrative Commodity Model related to the implementation of the Independent Electricity System Operator (IESO)'s Market Renewal Program (MRP), effective May 1, 2025. The Accounting Guidance states that, "In Tab "Variances in ac 1588" of the updated Illustrative Commodity Model, two new tables are added to quantify the energy variances that are included in Account 1588 for records-keeping purposes. While the quantification tables are not required to be filed with the OEB at this time, these tables assist the distributors in explaining the 1% threshold test in Account 1588."

The updated Illustrative Commodity Model introduced two new reconciliation tables under the "Variances in ac 1588" tab to quantify energy cost variances arising from the implementation of MRP. On page 11 of the Accounting Guidance, the OEB stated that these tables are intended for record-keeping purposes and are not required to be filed with the OEB. However, these two reconciliation tables may assist the distributors in explaining the 1% threshold test in Account 1588 where applicable.

At Reference 1, Oakville Hydro refers only to the OEB's February 21, 2019 accounting guidance. Oakville Hydro's 2025 Account 1588 activity exceeds the 1% threshold and no reconciling items are recorded in Note 7b at Reference 2.

Question(s):

a) Has Oakville Hydro utilized Table 42 and/or 43 of the updated Illustrative Commodity Model to track or quantify the MRP-related energy variances recorded in Account 1588?
    i) If so, please explain whether the variances recorded in Table 42 and Table 43 were material in 2025, respectively. Please provide the corresponding quantum of the variances if the variance(s) are material.
    ii) If not, please explain why not.
b) Please explain whether MRP-related activities recorded in Account 1588 contributed to Oakville Hydro's Account 1588 balance exceeding the 1% threshold test in 2025.
    i) If yes, please provide a detailed explanation and the applicable completed reconciliation Tables 42 and/or 43 from the updated Illustrative Commodity Model corresponding to the material variances identified.
c) Please confirm that Oakville Hydro recorded its 2025 transactions in Accounts 1588 and 1589 in accordance with the Accounting Guidance.

Response:

a) Oakville Hydro has not utilized Table 42 and/or 43 of the updated Illustrative Commodity Model to track or quantify the MRP-related energy variances recorded in Account 1588 as the activity in Account 1588, as updated, is below the 1% reasonability threshold.
b) Oakville Hydro had not updated its settlement model in line with the updated Illustrative Commodity Model related to the implementation of the Market Renewal Program. This has now been done and settlement calculations from May 1st, 2025, have been revised in line with the updated guidance. The updated 2025 activity in Account 1588 is well within the 1% reasonability threshold.
c) The revised calculations were prepared in accordance with the Accounting Guidance. The initial submission, as noted in response to question 2, was based on calculations prepared without the settlement model updates issued effective May 1st 2025.

Staff Question-4

Ref. 1: Commodity Accounts Analysis Workform, Principal Adjustments tab, Note 9

Preamble:

Note 9 of Reference 1 states, “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.”

Oakville Hydro records 2025 current year CT 148 true ups of a $259.15 debit in Account 1589 and a $100,825.65 debit in Account 1588.

Question(s):

a) Please explain why the 2025 CT 148 true ups in Accounts 1588 and 1589 are not equal and offsetting.
b) Please explain how the $100,825.65 principal adjustment to Account 1588 was calculated. If any part relates to RPP settlements, please show it separately as a CT 1142/142 true up and update the Commodity Accounts Analysis Workform.

Response:

a) The $100,825.65 debit in Account 1588 was mistakenly labelled under CT148. This has been correct to CT1142.
b) This is calculated from the true-up of RPP Energy and Revenue actual kWh volumes. Note the recalculated amount is $84,752.

Staff Question-5

Ref. 1: Manager's Summary, page 5, Table 4

Ref. 2: Manager's Summary, page 7, section 11.5

Ref. 3: Rate Generator Model, Tab 6.2 CBR B, Tab 6.1a GA Allocation and Tab 6.2a CBR B_Allocation

Preamble:

At Reference 2, Oakville Hydro states that "a separate CBR Class B rate rider has been calculated." Table 4 at Reference 1 shows a CBR Class B rate rider of $0.0000 for every rate class. Tab 6.2 at Reference 3 calculates a CBR Class B rate rider for every rate class, for example $0.0005 per kWh for the Residential class, and these riders appear in the proposed Tariff of Rates and Charges.

Tabs 6.1a and 6.2a at Reference 3 allocate Account 1589 and CBR Class B amounts to two customers that moved between Class A and Class B in 2025. The Manager's Summary does not address these customers.

Question(s):

a) Please confirm that the CBR Class B rate riders calculated in Tab 6.2 are the riders Oakville Hydro proposes.
b) Please explain how Oakville Hydro proposes to settle the customer specific amounts allocated to the two transition customers in Tabs 6.1a and 6.2a.

Response:

a) Confirmed, the CBR Class B rate riders calculated in Tab 6.2 are the riders Oakville Hydro proposes. Table 4 in the Managers Summary had not been updated with final numbers. Below is an updated version of Table 4:

Rate Class	Unit	Deferral/Variance Account Rate Rider (Excl. Global Adjustment)	Deferral/Variance Account Rate Rider for Non-WMP	Rate Rider for Disposition of Capacity Based Recovery Account for Class B Customers
RESIDENTIAL SERVICE CLASSIFICATION	kWh	$(0.0037)	$0.0000	$0.0005
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	$(0.0036)	$0.0000	$0.0005
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kW	$(0.0647)	$(1.2455)	$0.1980
GENERAL SERVICE 1,000 KW AND GREATER SERVICE CLASSIFICATION	kW	$(1.6209)	$0.0000	$0.2204
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	$(0.0036)	$0.0000	$0.0005
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	$(1.3042)	$0.0000	$0.1966
STREET LIGHTING SERVICE CLASSIFICATION	kW	$(1.2973)	$0.0000	$0.1964
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	kW	$(1.5540)	$0.0000	$0.2369

b) As in previous years, Oakville Hydro will add the specific amounts to the transition customers' bills as rate riders for the duration approved.