

Hydro Hawkesbury Inc. (Hydro Hawkesbury)

2019 IRM Application

EB-2018-0040

Application Analysis

September 11, 2018

Staff Question #1

Ref: Rate Generator Model - Tab 12 “RTSR – Historical Wholesale”

The IRM model calculates the historical wholesale RTSR rates using the “Units Billed” and “Amount” data entered on Tab 12. These calculated rates should match the approved Hydro One Sub-transmission rates on tab 11.

- a) Cells E39 & E40 February & March
 Cells E43 –E48 June to November
 The approved network rate for 2018 is \$3.1942
- b) Cells E43-E48 October. The approved line connection rate for 2018 is \$0.7710
- c) Cells M43-M45 June to August. The approved transformation connection rate for 2018 is \$1.7493

Please provide explanation for the following discrepancies.

Hydro One	Network			Line Connection			Transformation Connection			Total Connection	
	Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January	11,982	\$3.1942	\$ 36,272	11,502	\$0.7710	\$ 8,920	11,982	\$1.7493	\$ 20,860	\$	30,190
February	12,298	\$3.1942	\$ 39,345	12,298	\$0.7710	\$ 9,475	12,298	\$1.7493	\$ 21,403	\$	30,985
March	11,770	\$3.1942	\$ 37,322	11,770	\$0.7710	\$ 9,081	11,770	\$1.7493	\$ 20,603	\$	29,684
April	15,718	\$3.1942	\$ 50,200	15,718	\$0.7710	\$ 12,118	15,718	\$1.7493	\$ 27,485	\$	30,613
May	15,294	\$3.1942	\$ 48,852	15,294	\$0.7710	\$ 11,782	15,294	\$1.7493	\$ 26,754	\$	30,546
June	12,720	\$3.1941	\$ 40,626	12,720	\$0.7710	\$ 9,807	12,720	\$1.7493	\$ 22,256	\$	30,057
July	13,407	\$3.1943	\$ 42,820	13,407	\$0.7710	\$ 10,337	13,407	\$1.7494	\$ 23,454	\$	33,791
August	11,815	\$3.1941	\$ 37,735	11,815	\$0.7710	\$ 9,109	11,815	\$1.7493	\$ 20,687	\$	29,776
September	11,575	\$3.1941	\$ 37,301	11,575	\$0.7710	\$ 8,984	11,575	\$1.7493	\$ 20,428	\$	29,432
October	10,008	\$3.1941	\$ 32,354	10,008	\$0.7710	\$ 7,785	10,008	\$1.7493	\$ 17,894	\$	25,440
November	11,055	\$3.1941	\$ 35,314	11,055	\$0.7710	\$ 8,524	11,055	\$1.7493	\$ 19,340	\$	27,054
December	11,730	\$3.1942	\$ 37,485	11,730	\$0.7710	\$ 9,044	11,730	\$1.7493	\$ 20,515	\$	29,583
Total	140,580	\$ 3.1942	\$ 477,297	140,580	\$ 0.7710	\$ 115,312	140,580	\$ 1.7493	\$ 241,827	\$	328,030

HHI Response : the discrepancy in RTSR rates was due to a rounding error. HHI has re-entered the amounts using 2 decimals which resolved the issue. The revised model is attached to these responses.

Staff Question #2

Ref: IRM Model Tab 3: Account 1580 Variance WMS – Sub-account CBR Class B

This question is related to RRR 2.1.7 filing for account 1580 sub-account CBR Class A and sub-account CBR Class B.

It is noted that Hydro Hawkesbury reported \$0 balances under the above two accounts in RRR 2.1.7 filing. As these two accounts have non-zero balances as reported in continuity schedule, these balances should also be reported in RRR. The only difference in filing between the continuity schedule and RRR is with the control account 1580. (The control account 1580 in continuity schedule excludes balances in CBR Class A and CBR Class B; the control account in RRR includes the two sub-accounts' balances.) Therefore, in the Variance column, it is expected to see a variance in cell BV23 only of sub account 1580 Class A plus sub account 1580 Class B and no variance reported in columns BV24 or BV25.

- a) Please explain the variance in sub account 1580 Class B of (\$31,014).
- b) If the balance is incorrect, please update Hydro Hawkesbury's RRR 2.1.7 and notify your case manager when this is completed.

Account Descriptions	Account Number	on Dec-31-17 Balances		2.1.7 RRR		Variance RRR vs. 2017 Balance (Principal + Interest)
		Total Interest	Total Class	Ac of Dec 31, 2017		
Group 1 Accounts						
LV Variance Account	1590	3,096	65,435	290,212		(1)
Smart Metering Billing Charge Variance Account	1591	(19)	(298)	(1,263)		(0)
RONA - Wholesale Market Service Charge ²	1580	(6,088)	(134,208)	(484,886)		31,014
Variance WMS - Sub-account CBR Class A ²	1580	0	0	0		0
Variance WMS - Sub-account CBR Class B ²	1580	1,172	40,823	0		(31,014)
RONA - Retail Transmission Network Charge	1584	(4,875)	(179,847)	(43,487)		(0)
RONA - Retail Transmission Connection Charge	1586	(1,741)	(86,526)	87,208		0
RONA - Power ²	1588	12,426	361,015	(367,359)		0

HHI Response : Hydro Hawkesbury reported \$0 balances under the above two accounts in RRR 2.1.7 filing. As these two accounts show non-zero in the continuity schedule, the RRR 2.1.7 should be amended to reflect the same balances as in the continuity schedule.

The only difference in filing between the continuity schedule and RRR is in the control account 1580. The control account 1580 in continuity schedule excludes balances in CBR Class A and CBR Class B while the control account in RRR 2.1.7 includes the two sub-accounts' balances. This being the reason and explanation for the variance shown in the continuity schedule. (The variance in cell BV23 only of sub account 1580 Class A plus sub account 1580 Class B and no variance reported in columns BV24 or BV25.)

Staff Question #3

Ref: Account 1595 Analysis Workform

OEB staff notes that Hydro Hawkesbury is not requesting disposition of its Account 1595 and did not provide the 1595 Analysis Workform. The summary of the questions and answers addressed at the IRM Process Orientation Webinar dated July 23, 2018, states:

“Starting for the 2019 rate applications, distributors who meet the requirements for disposition of residual balances of Account 1595 sub-accounts (i.e. one year has passed since the sunset date of the rate rider recovery period and the amounts are supported by audited balances), must complete the 1595 Analysis Workform, irrespective of whether the distributor is requesting disposition or not. The new Workform will help the OEB assess if the residual balances in the Account 1595 Sub-accounts for each vintage year are reasonable. This is consistent with the requirement to file the DVA continuity schedule irrespective of whether a distributor has triggered the disposition threshold test. The full Workform will only need to be completed where an initial test, at the group account level, identifies that there is a material residual account balance exceeding 10% of the original amounts approved for disposition.”

a) Please complete the 1595 Analysis Workform.

[HHI Response: HHI confirms that the amounts highlighted in the DVA continuity schedule file along with the draft rate order for EB-2017-0048 indicates that the balances in 1595 \(2013/2014/2015\) were sought and approved for disposition. Furthermore, HHI notes that these three accounts are not eligible for analysis as one year has NOT passed since the sunset date of the rate rider recovery period and as such, the amounts have not been audited. Therefore 1595 Analysis Workform is not required in this case.](#)

Staff Question #4

Ref: DVA Continuity Schedule, Account 1595

Please explain why the applicant is showing disposition amounts in the column titled “Disposition during 2018 instructed by the OEB” for accounts 1595 (2013), 1595 (2014), and 1595 (2015) when no balances were approved for disposition related to these accounts as part of the EB-2017-0048 Settlement Proposal (revised February 20, 2018).

[HHI Response: see response to Question #3 above.](#)

Staff Question #5
Ref: GA Analysis Workform

In the instructions on Account 1589 RSVA – Global Adjustment Analysis Workform, it states that each distributor is required to check off box in Cell F25 to indicate that it uses the same rate to bill customers (also used for unbilled revenue).

- a) Please review and confirm that Hydro Hawkesbury uses the same rate to bill customers. If the answer is yes, please check the box. If the answer is no, please explain.

Note 3 **GA Billing Rate**
 GA is billed on the
 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 **2017**

Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh) F	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh) G	Add Current Month Unbilled Loss Adjusted Consumption (kWh) H	Non-RPP Class B Including Losses Adjusted Consumption, Adjusted for Unbilled (kWh) I = F-G+H	GA Rate Billed (\$/kWh) J	\$ Consumption at GA Rate Billed K = F*J	GA Actual Rate Paid (€/kWh) L	\$ Consumption at Actual Rate Paid M = F*L	Expected GA Variance (\$) N=K-M
January	7,464,796			7,464,796	0.06687	\$ 499,171	0.08227	\$ 514,129	\$ 14,958
February	5,817,676			5,817,676	0.10569	\$ 715,868	0.08636	\$ 588,970	\$ 130,897
March	7,340,794			7,340,794	0.08469	\$ 695,332	0.07138	\$ 569,441	\$ 99,892
April	5,079,586			5,079,586	0.06874	\$ 417,938	0.10778	\$ 565,361	\$ 237,383
May	5,813,682			5,813,682	0.10523	\$ 651,948	0.12207	\$ 801,639	\$ 149,690
June	5,876,754			5,876,754	0.11064	\$ 738,140	0.11848	\$ 781,983	\$ 7,077
July	5,718,634			5,718,634	0.10662	\$ 695,170	0.11280	\$ 645,084	\$ 50,086
August	5,982,108			5,982,108	0.11600	\$ 887,942	0.10106	\$ 604,791	\$ 83,211
September	5,722,633			5,722,633	0.12799	\$ 795,082	0.08884	\$ 507,272	\$ 221,780
October	5,969,617			5,969,617	0.10212	\$ 671,823	0.12683	\$ 793,487	\$ 131,646
November	5,740,110			5,740,110	0.11184	\$ 684,828	0.09704	\$ 597,020	\$ 83,806
December	5,968,614			5,968,614	0.08381	\$ 690,578	0.09207	\$ 599,284	\$ 48,879
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	76,122,606	-	-	76,122,606		\$ 7,325,705		\$ 7,377,371	\$ 51,666

HHI Response: Revenues are recorded in the month of consumption. The rate for unbilled revenues it the same as the rate used to bill the clients. Therefore, the box should have been checked.

- b) Hydro Hawkesbury did not input data in columns G “Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)” and H “Add Current Month Unbilled Loss Adjusted Consumption (kWh)”. Please explain why no data in inputted and revise the GA Analysis Workform as needed.

Note 4 Analysis of Expected GA Amount				
Year	2017			
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 Consumption, Adjusted for Unbilled (kWh)
	F	G	H	I = F-G+H
January	7,484,796			7,484,796
February	8,817,576			8,817,576
March	7,840,794			7,840,794
April	8,079,986			8,079,986
May	8,513,682			8,513,682
June	8,676,784			8,676,784
July	5,718,834			5,718,834
August	5,982,108			5,982,108
September	5,722,838			5,722,838
October	5,589,517			5,589,517
November	5,740,110			5,740,110
December	5,965,614			5,965,614
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	76,122,606			76,122,606

HHI Response: Revenues are recorded in the month of consumption. Therefore, no adjustment for unbilled revenue is required. Clients are all billed from the 1st to the last day of the month.

Staff Question #6

Ref: GA Analysis Workform

The amount entered in cell C62 of Note 5 in the GA Analysis workform does not correspond to the “Transactions debit / (credit) in 2017” column for account 1589 in the DVA continuity schedule. Accordingly, please update the GA Analysis workform with the appropriate balance and then re-complete the analysis in Note 5 of the GA Analysis workform.

HHI Response: The amount presented in cell C62 is the amount which was recalculated by HHI and is more accurate than the original amounts. New reports and new information became available.

Staff Question #7

Ref: GA Analysis Workform Instructions, Responses provided to Appendix A

The Applicant has provided its responses to the questions in Appendix A of the GA Analysis Workform Instructions.

- a) In response to Question 2a. the Applicant has indicated that it divides the TOU revenues by the RPP rate to estimate the RPP kWh consumption for the month for purposes of performing its initial settlement with the IESO. Please clarify what

GA rate is used in this calculation i.e. a weighted avg, first estimate, second estimate.

HHI Response: The RPP actual revenues (Time of Use Rates) are divided by the RPP rate (ON-OFF-MID PEAK) in order to obtain the exact kWh sold to the RPP customers.

The kWh obtain is then multiplied by the actual GA rate as per invoice from IESO and Hydro One (This rate is also found on the IESO portal) first estimate rate because this is the rate used to bill the clients.

- b) In response to Question 2b, it is not clear how the true-up is being performed. The question relates to how the utility trues up the estimates it had used in its initial IESO submission completed on the 4th day of the following month. For example, the IESO settlement for December consumption is completed by January 4th. Presumably for that specific settlement the utility will estimate its RPP kWh for December and the GA rate (since the final GA rate is not yet available at that time). The question would like you to explain the process of how you then go back and true-up that IESO settlement completed on January 4th once you know the actual RPP kWh for December and the actual GA rate for December etc. The response provided by the Applicant does not address this process.

- c) HHI Response: December consumption is only billed in January. The adjustment is done on the 4th day of February. The portion charged by Hydro One and IESO which is for RPP clients is claimed back on form 1598.

- d) The response to question 2f is not complete. The question has asked you to provide the dollar value of the true-up performed for 2017. Please provide.

HHI Response: \$13,956.68

- e) In response to question 3b, the applicant has indicated that there are no GA amounts in account 1588 as both GA RPP and Non RPP are recorded directly to account 1589. On this basis please explain the process in which the applicant trues up account 1589 so as to ensure that only GA Non RPP balances are left in the account for disposition to Non RPP customers. Would there be two parts to

this process, the recording of the portion of CT 1142 relating to GA RPP, and then adjusting it for the true-up to actual? Please explain each in detail.

HHI Response: GA charged to non-RPP customers is included in revenues. There is no GA charged to RPP customers. GA paid to Hydro One and IESO is recorded in account 4707. A calculation is made to determine the portion paid which relates to RPP customers. This portion is recovered from IESO with form 1598. The recovery is credited to account 4707. At the end of the month, the revenues are compared to the expenses and the difference, which is the variance, is sent to account 1589.

- f) For a given month, Is the initial GA expense recorded in the G/L prior to the receipt of CT 148 from the IESO – so it is initially based on an estimate such kWh multiplied by the second GA estimate?
- i. If yes, is that estimate then trued up once the actual invoice from the IESO is received? When does that happen?
 - ii. If no, does that mean that the applicant only records the GA expense one-time a month and it is recorded based on the actual CT 148 charge received from the IESO?

HHI Response: HHI record the GA paid when the invoices from IESO and Hydro One are received. They are recorded in the month of consumption.

- g) In its response to question 3f, the applicant has not quantified the amount of the true-up required.

HHI Response: \$-0.11

- h) The Applicant has misunderstood question 4. The Applicant received approval to dispose of its 2016 DVA balance during its 2018 rates proceeding. The question is referring to whether the Applicant was ordered by the OEB to record certain principal adjustments to accounts 1588 and 1589 in the column titled “Principal Adjustments during 2016” of that DVA schedule. Please review the final DVA schedule from your 2018 rate proceeding and respond to question 4 accordingly.

HHI Response: No adjustments were requested by OEB. Only the approved disposals were recorded.

Staff Question #8

Ref: DVA Continuity Schedule, Account 1588

With respect to the balance in Account 1588 as at December 31, 2017, given that the variance between RPP revenue and the cost of energy attributable to RPP customers is settled with the IESO on a monthly basis and the Applicant has indicated that all required RPP settlement true-ups for 2017 have been accrued as part of the 2017 ending balance in the DVA continuity schedule, the expectation is that any remaining amounts in account 1588 should be relatively small and close to zero (the difference between amounts billed at the approved total loss factor versus actual system losses for the year).

Accordingly, please explain what the remaining variance in Account 1588 as of December 31, 2017 pertains to.

HHI Response: The variance in account 1588 at the end of 2017 includes the 2016 balances which were approved to be disposed of. The disposal was recorded on January 1, 2018. This is the date where the new rates came into effect. The other portion is the 2017 variances.