

London Hydro Inc.
Responses to OEB Follow-up Staff Questions
EB-2022-0048
January 25, 2023
Updated February 6, 2023

London Hydro Response – General Comments

Thank you for updating the rate generator model. The revised model was reviewed for accuracy, per your request, and London Hydro observed the followings:

The revision to the DVA balances proposed for disposition is accurate in the rate model. The Final Tariff schedule reflects the updated DVA rate riders. - Response to Q11-d).

The distribution rates, RTSRs, and SME rates are also accurate.

Please note the followings:

Tab 17. Regulatory Charges:

Updates to Regulatory charges effective January 1, 2023 are not reflected - EB-2022-0269. The Wholesale Market Service Rate (WMS) – not including CBR changed to \$0.0041/kWh, and the Rural or Remote Electricity Rate Protection Charge (RRRP) changed to \$0.0007/kWh.

Tab 19. Final Tariff Schedule:

The WMS and RRRP rates need updates to the Jan 2023 rates - EB-2022-0269 for each rate class.

The Specific charge for access to the power poles rate needs to be updated to the Jan 2023 rate - EB-2022-0221.

Tab 20. Bill Impacts will update automatically once the above changes are made.

Staff Question – 7

Ref: IRM Rate Generator Tab 17– Distribution Rate Protection Charge
Ref: Decision and Order, EB-2021-0186

OEB staff has made the following update to Tab 17 of the rate generator:

Distribution Rate Protection (DRP) Amount (Applicable to LDCs under the Distribution Rate Protection program):	\$	38.08
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Question:

a) Please confirm the accuracy of the update in the rate generator.

London Hydro Response

a) London Hydro confirms that the Rate Generator Model reflects the approved rates noted above.

Staff Question – 8

Ref: IRM Rate Generator Tab 11 – Retail Service Transmission Rates (RTSRs)

Ref: Decision and Order, EB-2021-0110

OEB staff made the following updates to Tab 11 of the rate generator model:

Uniform Transmission Rates		Unit	2021 Jan to Jun		2021 Jul to Dec		2022 Jan to Mar		2022 Apr to Dec		2023
Rate Description			Rate		Rate		Rate		Rate		Rate
Network Service Rate	kW	\$	4.67	\$	4.90	\$	5.13	\$	5.46	\$	5.60
Line Connection Service Rate	kW	\$	0.77	\$	0.81	\$	0.88	\$	0.88	\$	0.92
Transformation Connection Service Rate	kW	\$	2.53	\$	2.65	\$	2.81	\$	2.81	\$	3.10

Hydro One Sub-Transmission Rates		Unit	2021		2022		2023	
Rate Description			Rate		Rate		Rate	
Network Service Rate	kW	\$	3.4778		\$		4.3473 \$	4.6545
Line Connection Service Rate	kW	\$	0.8128		\$		0.6788 \$	0.6056
Transformation Connection Service Rate	kW	\$	2.0458		\$		2.3267 \$	2.8924
Both Line and Transformation Connection Service Rate	kW	\$	2.8586		\$		3.0655 \$	3.4980

Question:

a) Please confirm the accuracy of these updates in the rate generator.

London Hydro Response

a) London Hydro confirms that the Rate Generator Model reflects the approved rates noted above.

Staff Question- 9

Ref 1: London Hydro's Response to Staff Question- 6

Question:

- a) Please confirm that London Hydro will not be seeking any further disposition of LRAMVA for any year beyond 2021.
- b) Please confirm if London Hydro is seeking disposition of all outstanding LRAMVA balances and whether the LRAMVA will have a zero balance if the disposition is approved
- c) Please confirm that London Hydro will not be seeking to dispose of any balance in the LRAMVA due to LRAM-eligible CDM activities funded by the IESO through the Conservation First Framework or Interim Framework in a future year's application
- d) If not confirmed, please explain why a request for prospective disposition was not submitted as part of this application.

London Hydro Response

- a) Confirmed.
- b) London Hydro confirms that it is seeking the disposition of all outstanding LRAMVA balances and that the LRAMVA account will have a zero balance if the proposed disposition is approved in this proceeding.
- c) Confirmed based on the information that is available to London Hydro today. London Hydro is not aware of any material LRAM-eligible CDM activity impacts that would result from CDM activities funded through the Conservation First Framework or Interim Framework that were not built into its 2022 COS filing. However, London Hydro is not in a position to determine the impact of the framework being modified or extended should that happen.
- d) Please see response provided to part c).

Staff Question- 10

Ref 1: London Hydro's Response to Staff Question- 5

London Hydro stated that it has initiated further analysis of IESO global adjustment charges and is not seeking recovery of a \$665,239 principal amount of Account 1589 at this time.

London Hydro noted that there is the potential that it has been over-allocated global adjustment charges on embedded generation by the IESO during 2021. London Hydro also suggested that Class A volumes submitted to the IESO were incorrect.

OEB staff refers to these issues as the “Identified Issue” in the OEB staff questions that follow.

On Tab GA 2021 and Tab Principal Adjustments of the GA Analysis Workform, London Hydro has referred to this credit of \$665,239 as a “potential CT 148 true-up with the IESO” and a “potential over allocated GA on embedded generation.”

As per Table A below, London Hydro provided the following calculation of the credit \$665,239 Account 1589 principal adjustment in its response to OEB staff questions in the current proceeding related to the Identified Issue.

Table A: London Hydro’s Proposed Account 1589 Credit Principal Adjustment

	KWH	CT 148 on difference	RPP Portion	Remained in RSVA GA
Embedded Generation	23,685,609	\$ 1,745,561	\$ 1,142,785	\$ 602,777
Class A consumption	(2,063,028)	\$ 181,081	\$ 118,619	\$ 62,463
		\$ 1,926,642	\$ 1,261,403	\$ 665,239

London Hydro provided the following explanation for the Identified Issue:

- Embedded generation and Class A volumes are submitted to the IESO on a monthly basis.
- London Hydro reviewed its monthly submissions to the IESO and invoices received from the IESO. During this review, it was discovered that behind the meter generation volumes were being allocated global adjustment costs and that the final billed consumption for Class A customers changed after it was submitted to the IESO.
- Due to time constraints, the Class A current month consumption report submitted to the IESO is based on the initial meter read information that has not been finalized for billing.

London Hydro has submitted the proposed adjustments to CT 148 to the IESO. The RPP portion of the revisions that London Hydro will propose to the IESO via the RPP settlement true-up is dependent on how the IESO processes the submitted adjustments. This should be known in mid-December. Once the IESO reflects the CT 148 adjustments on an invoice, London Hydro can determine the RPP portion and make that submission to the IESO. How the IESO processes the RPP portion of the adjustments will not be known until early 2023.

London Hydro stated that the Identified Issue is expected to impact Account 1588. The actual amount of the impact can only be calculated once the IESO reflects the CT 148

adjustments London Hydro has submitted on an invoice. (i.e. London Hydro sees how the IESO processes the adjustments.)

Despite London Hydro's statements, OEB staff notes that London Hydro has not provided an estimated dollar impact to Account 1588 of the Identified Issue on a "best efforts" basis.

Questions:

- a) Please confirm that there are two components of the Identified Issue, but if either is not the case, please explain:
 - i. Embedded generation of 23,685,609 kWh was allocated global adjustment amounts when it should not have been allocated such amounts, which is why this contributes to a proposed credit principal adjustment to Account 1589.
 - ii. Class A consumption was under allocated 2,063,028 kWh when it should have been allocated this consumption kWh, thereby causing CT 147 to be understated and CT 148 to be overstated, which is why this contributes to a proposed credit principal adjustment to Account 1589.
- b) Regarding the Identified Issue, please further describe on a high-level basis the impact on CT 147 and any associated DVAs and quantify on a "best efforts basis", broken down by year.
- c) Please describe the period(s) that the Identified Issue \$665,239 amount impacts Account 1589 and revise Table A to show balances by year.
- d) Please also provide an additional table showing proposed Account 1588 impacts from the Identified Issue on a high-level basis, also showing balances by year, based on a "best efforts basis" to estimate these impacts.
- e) Please explain how the amounts in Table A and the Identified Issue impacts CT 1142 settlement and true-ups on a high-level basis and how this impacts the Account 1588 balance, also broken down by year.
- f) Has London Hydro received any response from the IESO regarding the proposed adjustments submitted? If so, please provide the IESO's response and explain if, and how, the IESO's response would change any proposed adjustments.

London Hydro Response

- a)
 - i. Confirmed.
 - ii. The Class A consumption was underreported to the IESO and, therefore, CT 148 was overstated. CT 147 would not be affected.

- b) Class A customers pay global adjustment based on their percentage contribution to the top five peak Ontario demand hours (i.e. peak demand factor) over a year-long period, therefore, CT 147 would not have been affected.
- c) At the time of the discovery of the Identified Issue, the impact was estimated for the year 2021 only as presented in Table A. The amount was deducted from the 2021 principal balance of Account 1589. Since then, it was discovered that the Identified Issue started in 2015. London Hydro submitted revisions to the IESO for the impacted years of 2015-2022, and it received the first set of adjustments. Ref. Response to Q11 part c.

As described in response to Question 11, Part a), the next step is to analyze the changes to volumes and cost allocations to RPP and non-RPP consumption. This analysis is currently taking place, and therefore, London Hydro is not able to provide final impact amounts. It is estimated on a “best effort basis” at this time, that approximately 35%-40% of the GA credits received will impact Account 1589 and will be refunded to non-RPP customers.

IESO Invoice (\$000)	2018	2019	2020	2021	2022	TOTAL
CT 2148 Class B GA	\$ (625)	\$ (1,105)	\$ (2,476)	\$ (2,257)	\$ (1,066)	\$ (7,529)
Approximate Impact to Accounts - (\$000)						
1588 - Approx. 62.5%	\$ (391)	\$ (690)	\$ (1,548)	\$ (1,411)	\$ (666)	\$ (4,706)
1589 - Approx. 37.5%	\$ (235)	\$ (414)	\$ (929)	\$ (846)	\$ (400)	\$ (2,823)

- d) As described in Part c), the RPP portion of the GA credit can be estimated on a “best effort basis” being approximately 60%-65%, and is allocated to Account 1588. The GA portion of the RPP Settlement true-up is expected to offset this credit as described in part e) of the response. The net impact to Account 1588 is expected from the other components of the RPP Settlement true-up.

Account 1588 Impact	2018	2019	2020	2021	2022	TOTAL
CT 2148 GA Allocation	\$ (391)	\$ (690)	\$ (1,548)	\$ (1,411)	\$ (666)	\$ (4,706)
CT 142 RPP Settlement True-up						
Impacted by the volume revisions and change in RPP portion						
The reduced Paid GA price is expected to offset most of the GA credit (CT 2148)						
CT 148 GA cost allocation is impacted by the change in RPP portion						
The net impact is expected to be a much lesser amount than the impact to Account 1589						

- e) The GA credit (CT 2148) from the Identified Issue will impact the Paid GA price used in the RPP Settlement (CT 142).

The Paid GA Price is determined by taking the total GA charge divided by the purchased Class B volume. The total GA charge generally includes CT 148 on the IESO invoice and CT 2148, if any. This calculation is illustrated below:

	Original	Updated
IESO CT 148	\$ 18,750,000	\$ 18,750,000
IESO CT 2148		-\$ 181,000
GA cost for month	\$ 18,750,000	\$ 18,569,000
Purchased Class B volume	223,800,000	223,800,000
Paid GA Price	\$ 0.08378	\$ 0.08297

The RPP Settlement is calculated using the formula of:

$$\text{RPP volumes at wholesale level} * (\text{RPP Price} - (\text{HOEP} + \text{Paid GA Price}))$$

The GA credit will be lower in the above RPP Settlement formula due to the lower Paid GA Price. This is the RPP portion of the GA credit that is to be returned to the IESO.

Another impact is due to the change in the RPP/NRPP portions due to volume updates. London Hydro is currently analyzing the changes in volumes and RPP/NRPP portions affecting the settlement true-up calculations. No actual amounts are available yet broken down by year, it is estimated to be approximately 60-65% of the GA credits received.

The RPP Settlement (CT 142) true-up amount is posted to Account 1588.

- f) London Hydro received adjustments related to the first set of revisions submitted for the period of January 2018 to September 2022. London Hydro submitted additional revisions in December 2022 and January 2023 for 2015, 2016 and 2017. The IESO communicated to London Hydro that the remaining adjustments related to Years 2015-2017 will be processed in the coming months.

Staff Question- 11

Ref 1: London Hydro's Response to Staff Question- 5

London Hydro stated that the Identified Issue is expected to impact Account 1588. The actual amount of the impact can only be calculated once the IESO reflects the CT 148 adjustments London Hydro has submitted on an invoice. (i.e. London Hydro sees how the IESO processes the adjustments.)

London Hydro stated that how the IESO processes the RPP portion of the adjustments will not be known until early 2023.

Regarding the Identified Issue, London Hydro stated that it does not know what adjustments the IESO will accept, and if any other accounts will be impacted by the revisions submitted to the IESO.

In its response to OEB staff questions, London Hydro revised its request to receive OEB's approval of all Group 1 accounts on an interim basis, as opposed to a final basis, in the current proceeding.

OEB staff notes that typically the record of an IRM proceeding would need to be closed in February, to provide enough lead-time to render an OEB decision for May 1 rates (with implementation on May 1), such that OEB decisions are typically issued in March.

Questions:

- a) As per London Hydro's statement that "how the IESO processes the RPP portion of the adjustments will not be known until early 2023", please provide the exact month in 2023 when London Hydro will be made aware of the impacts.
- b) Given that London Hydro has not quantified the impact to Account 1588 of the Identified Issue and the impact of a credit of \$665,239 to Account 1589 is material, if London Hydro will not be able to quantify more precise impacts to Accounts 1588 and 1589 until February 2023 or later, would London Hydro be agreeable to withdrawing its request to clear any Account 1588 and Account 1589 balances in the current proceeding? If this is not the case, please explain.
- c) Please explain and quantify on a high-level basis how the proposed adjustments to Accounts 1588 and 1589 from the Identified Issue may impact other Group 1 accounts, on a "best efforts basis", given that London Hydro is uncertain at this time if other accounts will be impacted.
- d) If there is significant uncertainty regarding the impacts of the Identified Issue to Group 1 accounts other than Accounts 1588 and 1589, would London Hydro be agreeable to withdrawing its request to clear any Group 1 balances in the current proceeding? If this is not the case, please explain.

London Hydro Response

- a) The impacts of the Identified Issue related adjustments will be the result of a multi-step process.

Step 1: After the issue was identified, the first step is to determine and submit the embedded generation revisions to the IESO. The related credits will be issued by the IESO on its invoice. It has taken the IESO a couple of months to provide the credits after the revisions have been submitted.

Step 2: The next step in the process is to recalculate and true-up the RPP Settlements with the IESO for each affected period with the revised GA costs, updated RPP/NRPP portions, and Class A volumes. This step also includes the allocation of GA credits to RPP and non-RPP consumption, Accounts 1588 and 1589, respectively.

Step 3: The final step of the process is to return the non-RPP portion of the GA and other credits to customers via approved rate riders.

London Hydro performed Step 1 in three phases. First, it submitted revisions to embedded generation and class A volumes for Years 2018-2022 in November 2022.

The related credits were received from the IESO in December 2022. The revisions for Years 2015 and 2016 were submitted to the IESO in December 2022. The revisions for Year 2017 were submitted in January 2023. The credits related to Years 2015-2017 are still to be received by London Hydro. The timing of receiving these credits are dependent on the IESO processing the adjustments.

London Hydro is currently in the process of analyzing and preparing the RPP settlement true-ups with the revised GA costs, volumes and RPP/NRPP portions. Considering the complexity of this analysis, London Hydro wishes to take time to pay attention to all important detail to arrive at accurate results to keep its customers whole.

It is difficult to provide the exact month when the impacts can be accurately stated, as the process is still in its first step. London Hydro estimates that step 1 may conclude by the beginning of the second quarter of 2023. Then, step 2 may conclude 1-2 month(s) after.

- b) Considering the time required to process each step related to the Identified Issue and be able to accurately determine the actual impact on the affected RSVA accounts, London Hydro is agreeable to withdraw its request to clear balances in Accounts 1588 and 1589, as well as in 1580 WMS and CBR.
- c) Accounts 1588, 1589, 1580 WMS, and CBR will be impacted based on the adjustment received from the IESO for the first set of revisions submitted:

IESO Invoice	2018	2019	2020	2021	2022	TOTAL
CT 2148 Class B GA	\$ (625,355)	\$ (1,104,779)	\$ (2,476,032)	\$ (2,256,804)	\$ (1,066,086)	\$ (7,529,057)
CT 1351 CBR Class B	\$ (2,632)	\$ (3,205)	\$ (8,533)	\$ (8,494)	\$ (4,974)	\$ (27,838)
CT 9990 IESO Admin Charge	\$ (8,899)	\$ (12,597)	\$ (25,586)	\$ (37,039)	\$ (36,662)	\$ (120,783)

CT 2148 Class B GA credit amount is allocated to Accounts 1588 and 1589 based on the RPP/NRPP portions. Approximately 60-65% of the GA credits (\$4.5-\$5.0 Mil) would be RPP-related and returned to the IESO via the RPP settlement (CT 142). The RPP settlement true-up would also be impacted by the change in RPP/NRPP portions due to volume revisions. CT 142 amount will impact Account 1588. The non-RPP portion of the GA credit impacts Account 1589.

CT 1351 Class B CBR amount impacts Account 1580 RSVA WMS Variance – Sub-account CBR Class B.

CT 9990 IESO Administration Charge impacts Account 1580 RSVA WMS.

- d) Based on the IESO issued credits on its invoice to London Hydro for the first set of revisions, it can be concluded that only Accounts 1588, 1589 and 1580 will be impacted by the Identified Issue. No other Group 1 accounts are expected to be impacted.

London Hydro agrees to withdrawing its disposition request for Accounts 1588, 1589 and 1580 balances, and proposes the disposition of balances in Accounts 1551, 1584, 1586, 1595 and 1568 on an interim basis.

Deferral and Variance Accounts		Account	Forecast Balance for Disposition April 30, 2023
<u>Group 1 Accounts - Withdraw Disposition Request</u>			
RSVA - Wholesale Market Service Charge	1580	\$	2,770,431
Variance WMS – Sub-account CBR Class B		\$	(305,392)
RSVA - Power	1588	\$	1,023,753
RSVA - Global Adjustment Class B	1589	\$	(1,278,976)
		\$	2,209,816
<u>Group 1 Accounts - Propose Disposition of Balances</u>			
Smart Metering Entity Charge Variance Account	1551	\$	(94,492)
RSVA - Retail Transmission Network Charge	1584	\$	3,343,021
RSVA - Retail Transmission Connection Charge	1586	\$	796,902
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595_(2018)	\$	(141,460)
		\$	3,903,971
LRAM Variance Account	1568	\$	1,235,085
		\$	5,139,056

London Hydro confirms the revised rate generator model accurately reflects the above updates to the balances proposed for disposition, and the Final Tariff Schedule reflects the updated rate riders.

Staff Question- 12

Ref 1: London Hydro's Response to Staff Question- 5

Ref 2: [OEB Letter](#), Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019

Ref 3: Manager's Summary, page 14

Ref 4: EB-2021-0041, 2022 Cost of Service Proceeding Settlement Proposal, February 24, 2022, p. 48

London Hydro suggested that the Identified Issue relates to the 2021 period. However, London Hydro has not explained whether other periods are impacted by the Identified Issue.

As a result, OEB staff is not clear whether the Identified Issue impacts any Group 1 balances that have been previously approved by the OEB on a final basis. However, OEB staff also acknowledges London Hydro's statement in its pre-filed evidence that it has not made any adjustments to DVA balances that were previously approved for disposition by the OEB on a final basis.

If balances that have been previously approved by the OEB on a final basis are impacted by the Identified Issue, OEB staff notes that London Hydro has not specifically addressed the OEB's October 31, 2019 letter (OEB Letter), regarding adjustments to correct for errors after disposition.

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

OEB staff notes that London Hydro's Accounts 1588 and 1589 balances were last disposed on a final basis in its 2022 cost of service proceeding, specifically December 31, 2020 balances.

Questions:

- a) Please confirm that when London Hydro stated that the Identified Issue relates to the 2021 period, it means the 2021 calendar year only, not any other period periods.
- b) If this is not the case, please provide the specific periods that the Identified Issue impacts.
- c) If this is not the case, such that the Identified Issue impacts balances that have been previously approved by the OEB on a final basis, please:
 - i) Provide the dollar amounts related to the Identified Issue for each DVA for the impacted period(s) and the respective EB# where the DVA was approved on a final basis.
 - ii) Describe how London Hydro has satisfied the OEB's concerns noted in the OEB Letter (Reference 2).

London Hydro Response

- a) At the time, London Hydro knew that the identified issue would impact calendar 2021 but wasn't sure what other years could be impacted. London Hydro has since determined that calendar 2015 – 2021 will be impacted.
- b) Please see response provided to part a).
- c)
 - i) Please see responses provided to questions 10 and 11. The EB#s are as follows:
EB-2016-0091 disposed of 2015 balances
EB-2017-0059 disposed of 2016 balances

EB-2020-0038 disposed of 2017, 2018 and 2019 balances

EB-2021-0041 disposed of 2020 balances

In its next rate application, London Hydro will provide dollar amount adjustments (principal and interest) related to the Identified Issue for each DVA for each period impacted (2015-2022), including those where the DVA was approved on a final basis.

- ii) London Hydro did not identify the issue internally until very close to the filing date of its 2023 IRM application in October. When the issue was discovered by London Hydro it was brought to the attention of the OEB in the IRM filing, within a couple of weeks of being discovered. Unfortunately, there was very little time to do much analysis between London Hydro discovering the issue and filing its IRM application and evidence. The analysis and work with the IESO continues. The adjustments that were submitted to the IESO will result in net credits/rebates to London Hydro customers.

With respect to the four factors identified in the referenced letter regarding the IESO allocating Global Adjustment charges to behind the meter embedded generation (a), and updates to Class A volume due to differences between estimated and final billed consumption (b):

1) Whether the error was within the control of the distributor

(a) The issue was within the control of London Hydro. However, London Hydro believed it was properly following the instructions provided by the IESO. Now that the issue has been discovered, we believe that the IESO's instructions could have been clearer.

(b) London Hydro reports the Class A volumes based on the data that is available at the time of the IESO submission. When London Hydro discovered that there were differences between the Class A volumes available at the time of the IESO submission and final Class A volumes London Hydro improved its internal processes and controls to address the issue.

2) The frequency with respect to which the distributor has made the same error

(a) and (b) London Hydro only discovered the issue once.

3) Failure to follow guidelines provided by the OEB

(a) London Hydro is not aware of any specific guidelines provided by the OEB with respect to the Identified Issue (behind the meter generation). London Hydro follows the Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, issued by the OEB on February 21, 2019.

(b) London Hydro is not aware of any guidance provided by the OEB on this issue.

4) The degree to which other distributors are making the similar errors

(a) London Hydro has not done an exhaustive search of the filings of other utilities but believes the issue it recently discovered is the same issue identified in Oshawa Power's 2023 IRM Application, EB-2022-0057, page 18 of 25.

(b) London Hydro is not aware of other utilities identifying the same issue, but has not conducted an exhaustive search.

Staff Question- 13

Ref 1: London Hydro's Response to Staff Question- 5

Regarding the Identified Issue, London Hydro stated that due to time constraints, the Class A current month consumption report submitted to the IESO is based on the initial meter read information that has not been finalized for billing.

OEB staff notes that London Hydro has not explained whether it has generated a solution to ensure that the Identified Issue does not occur going forward, including the correct allocation of global adjustment amounts related to embedded generation and the correct reporting of Class A volumes to the IESO.

Question:

- a) Please explain how London Hydro has improved its processes and internal controls to ensure that the Identified Issue does not occur going forward.
- b) If this is not the case, please explain why not.

London Hydro Response

- a) In the past the variances were considered to be small and immaterial. As a result, they were not being actively monitored. London Hydro has changed its internal processes and controls to actively review the variances at a minimum quarterly and submit adjustments to the IESO when needed.
- b) Please see response provided to part a).