OEB Staff – Hydro One Discussion

August 28, 2023

**Background**

OEB staff notes that section 3.2.6 of the Filing Requirements[[1]](#footnote-1) outlines required documentation to be filed in a proceeding, relating to any adjustments made to deferral and variance (DVA) balances that were previously approved by the OEB on a final basis. Section 3.2.6.3 also discusses final disposition requests after the implementation of the Accounting Guidance.[[2]](#footnote-2)

OEB staff also observes that in Hydro One’s 2021 Custom IR Update proceeding, the OEB made the following findings:[[3]](#footnote-3)

…The OEB accepts Hydro One’s proposal to adopt the new Accounting Guidance in a modified manner until the OEB otherwise directs Hydro One. The OEB notes Hydro One’s commitment to bring errors identified after disposing of the DVA balances on a final basis, if any, to the OEB’s attention (including any balances allocated to the Acquired rate zones). The OEB further notes that any revisions proposed by Hydro One may be subject to the OEB’s October 31, 2019 letter regarding Adjustments to Correct for Errors in Electricity “Pass-Through” Variance Accounts After Disposition.

OEB staff notes that the following points listed below may involve adjustments to previously approved balances. OEB staff also has concerns regarding the reclassifications made between Account 1588 and Account 1589 of $45.7 million. Finally, OEB staff notes that Hydro One did not discuss in its application what type of review was done to adopt the new Accounting Guidance in a modified manner.

**Questions:**

1. In the GA Analysis Workform (A-4-1-4), Tab GA 2021, a credit of $3,576,971 is recorded which relates to an “embedded LDC RPP Settlement true-up for Dec 2020 booked in 2021 for the period before H1 adopted the new accounting guidance.”

OEB staff notes that an offsetting amount is missing from Tab GA 2020 of the Hydro One GA Analysis Workform filed in the 2023 Custom IR proceeding EB-2021-0110 (HONI\_I-01-G-Staff-312-01\_20211129).

Please explain whether Hydro One is proposing in the current proceeding to adjust 2020 balances that were previously approved on a final basis.

1. In the GA Analysis Workform (A-4-1-4), Tab GA 2021, a credit of $2,718,746 is recorded, relating to the “Peterborough and Orillia Power migration balance.”

Please explain this “migration balance” and whether Hydro One is proposing in the current proceeding to adjust historical balances that were previously approved on a final basis.

1. In the GA Analysis Workform (A-4-1-4), Tab GA 2022, a debit of $3,178,045 is recorded which relates to a “pricing calculation error in the 2021 GA Rate Rider setup resulted in $3.17M GA liability to be disposed in future.”

* 1. Please explain whether Hydro One is proposing in the current proceeding to adjust the Account 1589 December 31, 2019 balance cleared in its 2021 Custom IR Update EB-2020-0030 proceeding. A credit of $27.4 million in Account 1589 was cleared, which was previously approved on a final basis.
  2. Alternatively, please explain whether Hydro One is proposing to be made whole for this error when Account 1595 (2021) is requested for clearance in a future rate application.

1. In the current application, Hydro One stated that “it has not made adjustments to the 2020 account balances that were previously approved by the OEB for disposition on a final basis.”[[4]](#footnote-4)

Please explain whether this statement remains true and whether Hydro One has made adjustments to any other account balances that were approved for disposition on a final basis.

1. Please explain in more detail the nature of the 2021 and 2022 reclassifications made in “Table 8 - Reclassification Adjustments for Hydro One Distribution’s Embedded Distributors ($M)” of $45.7 million, including whether the following balances have been impacted:
   1. 2020 or earlier balances
   2. Any balances relating to Orillia or Peterborough, despite Hydro One’s statement that these reclassification of costs “do not impact the Account 1588 and Account 1589 balances for Orillia RZ and Peterborough RZ.”[[5]](#footnote-5)
2. Please explain whether the invoices issued by Hydro One to its embedded distributors were incorrect.
3. Upon adopting the new Accounting Guidance in a modified manner, please describe which historical balances have been considered in the context of the Accounting Guidance. Please provide a summary of the review performed, discuss the results of Hydro One’s review, whether any systemic issues were noted, and whether any material adjustments to the account balances have been recorded. Please provide a summary and description of each adjustment made to the balances.

1. Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications- Chapter 3, Incentive Rate-Setting Applications, June 15, 2023 [↑](#footnote-ref-1)
2. Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment, issued February 21, 2019 [↑](#footnote-ref-2)
3. EB-2020-0030, 2021 Custom IR Update, Decision and Rate Order, December 17, 2020, p. 17 & 18 [↑](#footnote-ref-3)
4. EB-2023-0030, Exhibit A, Tab 4 ,Schedule 1, Page 12 [↑](#footnote-ref-4)
5. EB-2023-0059, Exhibit A, Tab 4, Schedule 1, Page 5 [↑](#footnote-ref-5)