



Ontario  
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**BY EMAIL**

October 31, 2024

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Hydro One Networks Inc. (Hydro One)  
2025 Electricity Distribution Rates  
OEB Staff Interrogatories  
Ontario Energy Board File Number: EB-2024-0032**

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant has been copied on this filing.

Hydro One Networks Inc. 's responses to interrogatories are due by November 11, 2024.

Any questions relating to this letter should be directed to the case manager Abla Nur at [Abla.Nur@oeb.ca](mailto:Abla.Nur@oeb.ca). The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Abla Nur  
Analyst, Generation & Transmission

cc.

Encl.

**Hydro One Networks Inc. (Hydro One)  
2025 Distribution Rates Application  
EB-2024-0032  
OEB Staff Interrogatories  
October 31, 2024**

Please note, Hydro One is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

**Staff-1**

Ref (1): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (2): A-04-01-04 - Derivation of Wheeling Credits

**Preamble:**

On April 30, 2020, the OEB approved Hydro One's request to acquire the distribution businesses of Orillia Power Distribution Corporation (Orillia Power Distribution)<sup>1</sup>. The integration into Hydro One's distribution system was completed on June 1, 2021. Hydro One is requesting approval to recover and allocate credits for the wheeling and supply of power for two generation stations embedded in Hydro One's distribution system. These amounts are for the years 2021-2023.

Post-integration, credits related to the wheeling agreements are manually calculated and applied to Orillia RZ customers, while equivalent debits are applied to Hydro One Distribution. These credits do not impact the consolidated Group 1 Deferral and Variance Account (DVA) balances or Hydro One's consolidated financial statements.

**Question(s):**

- a) Hydro One states that the wheeling agreements were updated and remain in place. Please provide copies of the original and updated agreements.
- b) Please confirm how the concept of "wheeling" is applied in the post-integration structure between Hydro One and Orillia Power Generation Corporation. What

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<sup>1</sup> EB-2018-0270

specific changes, if any, occurred in the definition and practice of wheeling after Orillia Power Distribution's integration into Hydro One?

- c) Please explain how the pre-integration accounting treatment of wheeling credits was managed and how it differs from the proposed approach post-integration. Please provide the reference to Orillia's rate application where the wheeling agreement and its treatment was explained.
- d) Please explain how the calculation of the credits currently differs from the calculation done pre-integration.
- e) Hydro One states that EB-2024-0033 is the first annual update application where these wheeling benefits are proposed to be provided to Orillia RZ customers for the years 2021, 2022, and 2023. Why were the credits for 2021 and 2022 not included in Hydro One's 2023 and 2024 rate applications?
- f) What controls or procedures are in place to ensure the accuracy and consistency of these manual calculations?
- g) How will the wheeling credit benefits be accounted for in future filings and does Hydro One plan to move away from manual calculations?

**Staff-2**

Ref (1): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (2): A-04-01-04 - Derivation of Wheeling Credits

Ref (3): A-04-01-02

**Preamble:**

Hydro One has provided an Excel breakdown in Reference 2 for the calculation of the wheeling credit amounts for the affected RSVA accounts. These amounts are a debit and corresponding credit to Hydro One and Orillia Rate Zone’s RSVA accounts as summarized below:

**Table 1: Wheeling Amounts for 2021-2023<sup>2</sup>**

<b>Account Name</b>	<b>Account Number</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
RSVA - Wholesale Market Service Charge	1580	\$101,158	\$113,085	\$211,494
Variance WMS – Subaccount CBR Class B	1580	\$18,153	\$20,873	\$24,769
RSVA – Retail Transmission Network Charge	1584	\$210,727	\$389,431	\$416,950
RSVA – Retail Transmission Connection Charge	1586	\$161,591	\$260,916	\$303,672
Total		\$491,629	\$784,306	\$956,885
Interest				\$139,882
<b>Total Impact</b>				<b>\$2,371,702</b>

**Question(s):**

- a) Please confirm whether Hydro One is in agreement with OEB staff’s summary table above, including the values and calculations. If not, please explain, and update OEB Staff Table 1, as required.
- b) Please update Table 1 above for yearly interest calculations for each DVA account.
- c) Please reconcile the amounts in A-04-01-04 to the amounts shown in A-04-01-02 (Allocation of 2023 Group 1 RSVA Balances) and the above Table 1, specifically “Adjustments as per Orillia Wheeling Agreement”.

<sup>2</sup> The calculated debit amounts are added to the Group 1 DVA balances allocated to Hydro One and equivalent credit amounts added to the Group 1 DVA balances allocated to Orillia RZ.

- d) Please confirm that the wheeling credit amounts for the affected RSVA accounts are shown in the “Transactions Debit / (Credit) During 2023” columns of the DVA Continuity Schedules. If this is not the case, please explain.
- e) Please explain why the wheeling credit amounts for the affected RSVA accounts are not shown as principal adjustments on the DVA Continuity Schedules.

### Staff-3

Ref (1): EB-2023-0030/EB-2023-0059 Settlement Proposal, p. 10, May 24, 2024

Ref (2): Exhibit A / Tab 4 / Schedule 1 / page 10-11

Ref (3): A-04-01-04 - Derivation of Wheeling Credits

Ref (4): [OEB Letter](#), Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, October 31, 2019

#### **Preamble:**

In the settlement proposal in the 2024 rates proceeding, at reference 1 above, the Parties agreed to the disposition of 2021 and 2022 Group 1 DVA balances on a final basis for the Hydro One Distribution rate zone, Peterborough rate zone, and Orillia rate zone.

In the current proceeding, Hydro One is proposing to adjust 2021-2022 balances that were previously approved for disposition on a final basis in its 2024 rate proceedings.

OEB staff notes that Hydro One has not specifically addressed the OEB’s October 31, 2019 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.

#### **Question(s):**

- a) Please describe how Hydro One has addressed the OEB’s concerns noted in the OEB’s October 31, 2019 letter regarding adjustments to correct for errors in Electricity Distributor “Pass-Through” Variance Accounts after disposition. Without limiting the generality of this request, please ensure that you address the four factors shown at p.2 of the letter.
- b) Please provide OEB precedents where the OEB has approved corrections to Hydro One balances previously disposed on a final basis, specifically where such corrections were a credit to customers. Please provide the EB# and the date of the respective OEB decision.

**Staff-3**

Ref (1): Exhibit A / Tab 4 / Schedule 1 / page 22-23

Ref (2): EB-2023-0328, Decision and Order

**Preamble:**

On April 18, 2024, the OEB approved the sale of Chapleau Public Utilities Corporation (Chapleau Public Utilities) distribution system assets to Hydro One. On August 2, 2024, Hydro One notified the OEB that the sale and integration of Chapleau Public Utilities was completed. Former Chapleau Public Utilities customers have been mapped to corresponding Hydro One rate classes. As part of this acquisition Decision<sup>3</sup>, Hydro One's current rate riders will not apply to former Chapleau Public Utilities customers at this time.

As part of the application, Hydro One has provided bill impacts for all former Chapleau Public Utilities rate classes before mitigation.

**Table 1: CPUC Bill Impacts before Mitigation**

Rate Class	Monthly Consumption (kWh)	Monthly Peak (kW)	Sub-Total						Total	
			A (Distribution Excl. Pass-through)		B (Distribution Incl. Pass-through)		C (Total Distribution and RTSRs)		Total Bill	
			\$	%	\$	%	\$	%	\$	%
R1-CPUC	750		\$2.75	4.0%	\$2.75	3.6%	\$3.31	3.6%	\$3.11	1.8%
GSe-CPUC	2,000		\$85.42	84.6%	\$85.42	67.0%	\$86.74	52.8%	\$81.27	21.7%
GSd-CPUC	29,000	90	\$1,291.01	174.4%	\$1,291.01	146.5%	\$1,307.98	95.8%	\$1,478.01	28.0%
St Lgt-CPUC	220	21	\$379.35	58.4%	\$379.35	49.6%	\$382.97	43.7%	\$358.84	19.6%
Sen Lgt-CPUC	8,300	0.6	\$6.81	17.7%	\$6.81	16.6%	\$6.93	15.8%	\$6.49	10.2%
USL-CPUC	60		\$19.00	89.2%	\$19.00	86.3%	\$19.03	83.0%	\$17.84	64.0%

**Question(s):**

- a) Please confirm which, if any, Group 1 or Group 2 Deferral and Variance Accounts (DVAs) are impacted by the bill mitigation measures applied to CPUC customers.
- b) Please provide a detailed calculation of the 2025 bill impacts for CPUC

<sup>3</sup> EB-2023-0328

customers after the application of bill mitigation measures.

- c) Please confirm if there are any outstanding directives from the acquisition Decision for CPUC that Hydro One is required to account for in this application. If so, provide a summary of how these directives are addressed in the current application.



**Staff-4**

Ref (1): EB-2024-0032/EB-2024-0033 A-04-01-05\_GA Analysis Workform, Consolidated

Ref (2): EB-2024-0032/ EB-2024-0033 A-04-01-1\_DVA Continuity Schedule, Consolidated

Ref (3): EB-2023-0030/EB-2023-0059 Settlement Proposal, Table 7, p. 27, May 24, 2024

Ref (4): EB-2023-0030/EB-2023-0059, Settlement Proposal, Attachment 1.4,\_HONI GA Analysis Workform\_Settlement, 20240524

**Preamble:**

On tab “Principal Adjustments” of the GA Analysis Workform, Hydro One is showing a debit of \$4,562,448 for Account 1588 and a debit of \$3,789,140 for Account 1589 for “Total Current Year Principal Adjustments”. Normally this would show on the opposite sign in the DVA Continuity Schedule in column AG “Variance RRR vs. 2023 Balance (Principal + Interest)”.

Although the DVA Continuity Schedule is showing a credit of \$4,562,448 for Account 1588, Account 1589 is showing a credit of \$3,699,531. There is the following difference shown for Account 1589.

	<b>Account 1589 Amount</b>
GA Analysis Workform	\$3,789,140
DVA Continuity Schedule	<u>\$3,699,531</u>
Difference	<u>\$89,609</u>

In the EB-2023-0030/EB-2023-0059 Settlement Proposal related to Hydro One’s 2024 rate proceedings, the Parties agreed to a 10% disallowance on the Peterborough rate zone Account 1589 pre-integration balance from January 1, 2021 to May 31, 2021. This amount was \$89,609. A credit of \$88,018 was recorded as a 2022 principal adjustment in that proceeding.

**Question(s):**

- a) Please explain why \$89,609 is shown as a debit to Account 1589 in the GA Analysis Workform in the current proceeding for 2025 rates (included as part of the \$3,789,140), when it was approved as a credit in Hydro One’s 2024 IRM rate proceeding for the Peterborough rate zone.

- b) If the \$89,609 was recorded as a credit in Hydro One's 2024 general ledger, please explain whether it should be reversed as a debit principal adjustment for 2024 balances in the DVA Continuity Schedule (to be disposed in 2026 rates), as opposed to 2023 balances in the current proceeding (to be disposed in 2025 rates).

## Staff-5

Ref (1): EB-2023-0030, Partial Decision and Rate Order, December 14, 2023, p. 16

Ref (2): Instructions for Completing GA Analysis Workform – 2025 Rates

Ref (3): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform,  
Consolidated

Ref (4): EB-2023-0030/EB-2023-0059, Settlement Proposal, Attachment 1.4,\_HONI GA  
Analysis Workform\_Settlement, 20240524

### Preamble:

In the 2024 Custom IR Update proceeding decision for Hydro One Distribution, it was noted that Hydro One made equal and offsetting reclassification adjustments to the 2021 and 2022 balances in Accounts 1588 and 1589, of \$24.8 million for 2021 and \$20.9 million for 2022. These adjustments pertained to the Hydro One Distribution rate zone only.

The OEB has posted on its website “Instructions for Completing GA Analysis Workform – 2025 Rates”. In Appendix A “GA Analysis Workform – Examples of Reconciling Items and Principal Adjustments”, an example was shown regarding how to reflect principal adjustments in the general ledger and the DVA Continuity Schedule.

In the GA Analysis Workform filed by Hydro One on May 24, 2024 for its 2024 Custom IR Update proceeding, tab “Principal Adjustments”, shows the following was recorded in Hydro One’s general ledger:

- 2023 general ledger – equal and offsetting reclassification adjustments to the 2021 and 2022 balances in Accounts 1588 and 1589, of \$24,748,877 for 2021 and \$20,162,335 for 2022
- 2024 general ledger – Account 1589 credit of \$88,018

However, the above noted amounts that Hydro One stated were recorded in its 2023 general ledger were not shown as reversing amounts in the GA Analysis Workform filed in the current proceedings for 2025 rates. In the current proceedings’ GA Analysis Workforms these amounts were labelled as a “One time correction”.

### Question(s):

- a) Please explain why Hydro One has not reversed the amounts recorded in its 2023 general ledger (as per the GA Analysis Workforms filed by Hydro One on May 24, 2024) as 2024 principal adjustments in the current proceedings’ GA Analysis Workforms (for 2025 rates) and DVA Continuity Schedules. These amounts are the equal and offsetting reclassification adjustments to the 2021 and

2022 balances in Accounts 1588 and 1589, of \$24,748,877 for 2021 and \$20,162,335 for 2022.

- b) If Hydro One proposes to deviate from the OEB's "Instructions for Completing GA Analysis Workform – 2025 Rates", please explain.

**Staff-6**

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform,  
Consolidated

**Preamble:**

In the consolidated GA Analysis Workforms, tab “Principal Adjustments” Hydro One has recorded the “CT 148 true-up of GA Charges based on actual RPP volumes”, as a debit of \$142,370 to Account 1588 and a debit of \$209,939 to Account 1589 for 2023 balances.

**Question(s):**

- a) Please explain why the amounts recorded as 2023 balances as CT 148 true-ups in the GA Analysis Workform are not equal and offsetting for Accounts 1588 and 1589.

**Staff-7**

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform, Consolidated

Ref (2): Instructions for Completing GA Analysis Workform – 2025 Rates

**Preamble:**

In the consolidated GA Analysis Workform, tab “Account 1588”, “Account 1588 as % of Account 4705” shows a percentage of a credit of 1.9%. This amount is higher than the OEB’s general threshold of +/-1%, as discussed in the OEB’s “Instructions for Completing GA Analysis Workform – 2025 Rates”, p. 1.

In the Workform, Hydro One explained that “retail sales volume was higher than the purchased volume in 2023, resulting in a bigger RSVA commodity regulatory liability.”

In the OEB’s “Instructions for Completing GA Analysis Workform – 2025 Rates”, p. 6, the OEB stated that “typically, large balances are not expected for Account 1588, as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated based on approved line losses.”

**Question(s):**

- a) Please explain whether Hydro One means that its line loss factor embedded in its base rates was too high, when compared to actual line losses experienced by Hydro One.

**Staff-8**

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform,  
Consolidated

**Preamble:**

In the consolidated GA Analysis Workform, tab "GA 2023", Hydro One shows a credit of \$22,461,232 for Account 1589 as a reconciling item (and not a principal adjustment).

Hydro One stated that this amount relates to "retail billed kWh at Weighted Average GA billed Rate adjustment."

**Question(s):**

- a) Please further explain the credit of \$22,461,232 for Account 1589.
- b) Please explain why the credit of \$22,461,232 for Account 1589 has been recorded as a reconciling item, as opposed to a principal adjustment, and thereby not reflected as a credit on the DVA Continuity Schedule.

**Staff-9**

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform,  
Consolidated

**Preamble:**

In the consolidated GA Analysis Workform, tab "GA 2023", Hydro One shows a credit of \$1,195,744 for Account 1589 as a reconciling item (and not a principal adjustment).

Hydro One stated that this amount relates to "LDC Customers adjustment on the Rate used".

**Question(s):**

- a) Please further explain the credit of \$1,195,744 for Account 1589.
- b) Please explain why the credit of \$1,195,744 for Account 1589 has been recorded as a reconciling item, as opposed to a principal adjustment, and thereby not reflected as a credit on the DVA Continuity Schedule.



**Staff-10**

Ref (1): EB-2024-0032/ EB-2024-0033 A-04-01-05\_GA Analysis Workform, Consolidated

Ref (2): EB-2023-0030/EB-2023-0059 Settlement Proposal, p. 11, May 24, 2024

**Preamble:**

In the consolidated GA Analysis Workform, tab “GA 2023”, Hydro One has shown the following amounts:

- CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - prior year debit of \$1,449,765
- Remove prior year end unbilled to actual revenue differences debit of \$5,321,189

In the the settlement proposal in the 2024 rates proceeding, at reference 2 above, the Parties agreed that starting with the January 1, 2023 Accounts 1588 and 1589 balances, Hydro One shall use a consistent approach for any principal adjustments identified on the GA Analysis Workform and on the DVA Continuity Schedule.”

**Question(s):**

- a) Please confirm that Hydro One has not reversed its prior year amounts of \$1,449,765 and \$5,321,189 in the tab “Principal Adjustments” of the current proceedings’ GA Analysis Workforms because these amounts were not recorded as credits in Hydro One’s proceedings for 2024 rates; and rather, that Hydro One is recording the principal adjustments consistently going forward, starting January 1, 2023. If this is not the case, please explain.

**Staff-11**

Ref (1): EB-2024-0032 A-04-01-10\_DVA Continuity Schedule, Hydro One Distribution

**Preamble:**

Hydro One Distribution is requesting to recover the sub-account of Account 1595, Disposition and Recovery/Refund of Regulatory Balances (2021) - HONI and Norfolk/ Haldimand/ Woodstock. The principal amount is a credit of \$5,032,770 and the carrying charge amount is a debit of \$2,543,084.

**Question(s):**

- a) Please explain why the requested claim is a principal amount of Account 1595 (2021) and a credit of \$5,032,770, but the carrying charge amount is a debit of \$2,543,084, instead of both components having the same sign (i.e., both credit or debit).