



By RESS

October 19, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Dear Ms. Marconi:

**Subject: Electricity Distribution Licence No. ED-2002-0556
2024 Electricity Distribution Rate Application (EB-2023-0032) - Interrogatory
Responses**

On August 17, 2023, Hydro Ottawa Limited submitted an application seeking the Ontario Energy Board's ("OEB") approval for proposed electricity distribution rates and other charges, effective January 1, 2024. On October 3, 2023, Hydro Ottawa received interrogatory questions from OEB staff related to its application. Please find attached Hydro Ottawa's responses to OEB Staff's interrogatories.

Hydro Ottawa acknowledges that the OEB has issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates. Hydro Ottawa will provide an updated RTSR workform and tariffs of rates and charges workform, including bill Impact, as part of Hydro Ottawa's Update to evidence once the OEB releases its 2024 Cost of Capital Parameters. Should any change to Hydro Ottawa's rate mitigation plan for the Street Light and Sentinel Light class be required it will be included as part of the evidence update.

Please do not hesitate to contact me if you require anything further.

Sincerely,

DocuSigned by:
April Barrie
1E403775748B4CB...

April Barrie

Director, Regulatory Affairs

Directeur, Affaires réglementaires

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1

INTERROGATORY RESPONSE - OEB-1

2 Question-1

3 EXHIBIT REFERENCE

4 Ref 1: 2024 Application page 65, (Exhibit 2, Tab 3, Schedule 1)

5 Ref 2: EB-2022-0042, Decision and Rate Order

6

7 SUBJECT AREA:

8 Working Capital Requirement

9

10 Question(s):

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12 OEB staff notes that the historical working capital allowance in Table 2 at reference 1 has not been
13 updated in accordance with reference 2. Please update the approved working capital allowance for the
14 historical 2021-2023 years.

15

16

17 RESPONSE:

18

19 Hydro Ottawa has discussed this Interrogatory with OEB staff and confirmed that the bottom line in
20 Table 2 of Exhibit 2-3-1 titled *Current Year Total WCA* is the final Working Capital Allowance that
21 matches Hydro Ottawa's 2023 Decision and Order. In Section 4, *Base Rate Adjustment*, it is stated that
22 "the 2022 OEB-approved working capital allowance was \$88.3 million."¹

23

24 Hydro Ottawa has updated the wording of line one in Table 2 below to provide clarity. Line one (which
25 previously read "Working Capital Allowance") has now been updated to read "Prior Year Working
26 Capital Allowance", as seen below. All numbers remain unchanged.

¹ Ontario Energy Board, *Decision and Rate Order: Hydro Ottawa*, EB-2022-0042 (December 8, 2022), page 5.

1 **UPDATED Table 2 – Working Capital Allowance 2022-2025 (\$'000s)**

	2022 Approved	2023 Approved	2024 Proposed	2025 Illustrative
Prior Year Working Capital Allowance	\$85,459	\$88,279	\$91,546	\$91,224
Annual Increase	3.30%	3.70%	3.70%	2.20%
Current Year Total WCA	\$88,279	\$91,546	\$94,933	\$93,231

1 **INTERROGATORY RESPONSE - OEB-2**

2 **Question-2**

3 EXHIBIT REFERENCE

4 **Ref 1: 2024 Application, Exhibit 4, Tab 4, Schedule 2**

5

6 SUBJECT AREA:

7 **LRAM Variance Account**

8 Preamble:

9

10 Hydro Ottawa stated that it is not seeking clearance of its Lost Revenue Adjustment Mechanism
11 Variance Account (LRAMVA) as part of its 2024 Application. This will be done in a future rate
12 application.

13

14 Question(s):

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- 16 a) Can Hydro Ottawa confirm what the outstanding amounts related to LRAMVA are?
17 b) Can Hydro Ottawa explain why it isn't seeking to recover these amounts and when it expects to
18 seek approval of any outstanding balance?

19

20

21 **RESPONSE:**

22

- 23 a) The LRAMVA account (Account 1568) has a preliminary principal and interest balance of
24 \$(2,152,177) for years 2021 and 2022. Please refer to cell BT88, tab 2b. Continuity Schedule of
25 Revised Attachment 9-1-1(A): OEB Workform Deferral and Variance Account (Continuity
26 Schedule) included as an attachment to Interrogatory Response OEB-3. This balance excludes
27 the LRAMVA amount previously approved for disposition for years up to 2020. Additional CDM

1 savings that impact fiscal years 2021 and 2022 could result in further adjustments as relevant
2 information is obtained prior to disposition.

3

4 b) Hydro Ottawa intends to use Independent Electricity System Operator's ("IESO") Evaluation,
5 Measurement, and Verification ("EMV") results for the 2021-2024 CDM Framework programs
6 ("Framework") in determining Hydro Ottawa's CDM savings from this Framework. At the time of
7 filing Hydro Ottawa's 2023 rate application, the IESO had not issued any EMV results under this
8 Framework. Therefore, Hydro Ottawa did not seek disposition of the 2021 or 2022 LRAMVA
9 amounts in its 2023 rate application.¹ In Hydro Ottawa's 2023 Decision and Rate Order, the
10 OEB accepted Hydro Ottawa's intent to keep LRAMVA account open until rebasing. The OEB
11 stated that they will address the final disposition of outstanding balances in Hydro Ottawa's
12 LRAMVA account in its next rebasing application.²

13

14 Hydro Ottawa reconfirms its intent is to include CDM savings from ongoing IESO programs (and
15 potentially other provincial or federal programs) impacting 2021 and beyond in the LRAMVA
16 account until its next rebasing period.

18 ¹ Ontario Energy Board, *Decision and Rate Order: Hydro Ottawa*, EB-2022-0042 (December 8, 2022), page 16.

17 ² *Ibid.*, page 17.

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INTERROGATORY RESPONSE - OEB-3

2 Question-3

3 EXHIBIT REFERENCE

4 **Ref 1: 2024 Application Exhibit 9, Tab 1, Schedule 1, Page 3**

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6 SUBJECT AREA:

7 **Current Deferral and Variance Accounts**

8

9 Question(s):

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11 OEB staff notes that Hydro Ottawa uses OEB prescribed interest rates up to Q3 2023 according to

12 Reference 1. OEB has published the prescribed interest rates for Q4 2023. Please update the

13 applicable schedules.

14

15

16 **RESPONSE:**

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18 Hydro Ottawa has updated the Deferral and Variance Workform with the prescribed interest rates for

19 Q4 2023 as published by the OEB on September 12, 2023.

20

21 Table A below includes the interest rates up to Q4 2023. Hydro Ottawa confirms that it uses these

22 interest rates, where applicable. Please refer to Attachment OEB-3 (A): Revised OEB Workform

23 Deferral and Variance Account (Continuity Schedule) for the updated interest amounts as well as the

24 updated total account balances. Cells BQ18 & BQ47 in tabs 2a. Continuity Schedule and 2b. Continuity

25 Schedule respectively contains the updated annual prescribed interest rate of 5.045%.

1 **Table A - Updated Interest Rates for Carrying Charges on DVAs**

Prescribed Interest Rate		
Period(s) Used	Approved for Deferral and Variance Accounts	CWIP Account - Prescribed Interest Rate
Q4 2023	5.49%	5.48%
Q2 2023 to Q3 2023	4.98%	5.01%
Q1 2023	4.73%	5.01%
Q4 2022	3.87%	5.01%
Q3 2022	2.20%	4.66%
Q2 2022	1.02%	3.31%
Q1 2022	0.57%	2.72%
Q2 2021 to Q4 2021	0.57%	2.29%
Q4 2020 to Q1 2021	0.57%	2.03%
Q3 2020	0.57%	2.48%
Q2 2020	2.18%	2.48%

2
 3 Hydro Ottawa has updated the proposed DVA disposition amounts as previously reported in Table 1 -
 4 Proposed DVA Dispositions from Exhibit 9-3-1: Disposition of Deferral and Variance Accounts. Please
 5 see Table B below for these updates. The updated proposed interest amount for disposition of
 6 \$869,867 is not materially different from the original proposed interest amount for disposition of
 7 \$852,857. All principal amounts remain unchanged. As a result, the % Increase of total bill as originally
 8 submitted in Table 1 - Summary of Rate Impacts in Exhibit 8-12-1: Bill Impact Information remains
 9 unchanged for all rate classes. Total Bill impacts remain below the 10% threshold.

10
 11 As noted in the Rate Application Interrogatory Responses cover letter, Hydro Ottawa will provide an
 12 updated 2023 Current and 2024 Proposed Tariff of Rates and Charges workform, including bill impacts
 13 as well as other impacted models as part of Hydro Ottawa's Update to evidence once the OEB releases
 14 its 2024 Cost of Capital Parameters.

1

Table B – Updated Proposed DVA Dispositions

Group	USofA Number	Group 1 Deferral/Variance Account Description	Amount (\$)	Principal (\$)	Interest (\$)
1	1550	LV Variance Account	\$44,784	\$43,638	\$1,147
1	1551	Smart Metering Entity Charge Variance Account	\$(1,056,763)	\$(998,249)	\$(58,514)
1	1580	RSVA - Wholesale Market Service Charge	\$14,088,122	\$13,193,911	\$894,211
1	1580	Variance WMS - Sub-account CBR Class A	\$0	\$0	\$0
1	1580	Variance WMS - Sub-account CBR Class B	\$(725,824)	\$(675,272)	\$(50,551)
1	1584	RSVA - Retail Transmission Network Charge	\$7,278,383	\$6,822,690	\$455,694
1	1586	RSVA - Retail Transmission Connection Charge	\$(2,545,555)	\$(2,396,262)	\$(149,293)
1	1588	RSVA - Power (excluding Global Adjustment)	\$(265,282)	\$(267,201)	\$1,920
1	1589	RSVA - Global Adjustment	\$(2,458,316)	\$(2,286,434)	\$(171,882)
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2020)	\$(148,521)	\$(95,658)	\$(52,864)
		Group 1 Subtotal (Excluding Global Adjustment)	\$16,669,345	\$15,627,595	\$1,041,749
		Global Adjustment	\$(2,458,316)	\$(2,286,434)	\$(171,882)
		TOTAL UPDATED DVA BALANCE (Group 1) TO BE MOVED TO 1595 (2024)	\$14,211,028	\$13,341,161	\$869,867
		TOTAL ORIGINAL EVIDENCE DVA BALANCE (Group 1) ¹	\$14,194,018	\$13,341,161	\$852,857
		Difference	\$17,010	\$0	\$17,010

¹ As submitted Exhibit 9-3-1: Disposition of Deferral and Variance Accounts.

ATTACHMENT OEB-3 (A)

**Revised OEB Workform Deferral and Variance Account (Continuity
Schedule)**

(Refer to the attachment in Excel format)

1 **INTERROGATORY RESPONSE - OEB-4**

2 **Question-4**

3 EXHIBIT REFERENCE

4 **Ref 1: 2024 Application, Attachment 9-3-1 (A) OEB Workform Deferral and Variance Account**
5 **(Continuity Schedule) _20230817**

6

7 SUBJECT AREA:

8 **Disposition of Deferral and Variance Accounts**

9

10 Preamble:

11

12 In Reference 1, Account 1580 RSVA – Wholesale Market Service charge shows a total claim debit
13 balance of \$14.07 million compared to the approved debit balance of \$4.3 million from last year's
14 application.

15

16 Question(s):

17

- 18 a) Please explain the substantial increase and drivers for the increase in the account balance
19 sought for disposition of in the current application.
- 20 b) Please explain at a high level what types of transactions are captured in 2022 in Account 1580.
- 21 c) Please confirm that the 2022 principal transactions of \$13.19 million do not include
22 current-period and prior-period adjustments. If not confirmed, please provide the details of these
23 adjustments.

24

25 **RESPONSE:**

26

- 27 a) Hydro Ottawa records the amounts charged by the Independent Electricity System Operator
28 and Hydro One Networks Inc. ("Hydro One") for operating the Ontario market and the related
29 grid into Account 1580 RSVA – Wholesale Market Service charge ('Account 1580').

1 The wholesale market service charges (“WMSC”) include expenses such as the Rural or
 2 Remote Electricity Rate Protection (“RRRP”) charges and various market uplift charges. In
 3 addition, Account 1580 includes the revenue Hydro Ottawa bills (including accruals) to its
 4 customers using the Board approved wholesale market service (“WMS”) rate and RRRP.

5
 6 For fiscal year 2022, the main driver for the increase in Account 1580 is the rate difference
 7 between the 2022 WMSC incurred by Hydro Ottawa and the WMS rate that Hydro Ottawa
 8 charges its customers. The credit variance related to the RRRP slightly offsets the large WMS
 9 debit balance. Table A below shows the breakdown of the balances recorded in Account 1580 in
 10 2021 and 2022.

11
 12 **Table A - 2021 & 2022 Account 1580 Breakdown**

	2021	2022
WMS Collected from Customers	\$(21,959,955)	\$(22,254,938)
WMS Expense	\$26,538,805	\$35,733,449
WMS Variance	\$4,578,851	\$13,478,511
RRRP Collected from Customers	\$(3,659,961)	\$(3,709,115)
RRRP Expense	\$3,397,564	\$3,424,515
RRRP Variance	\$(262,396)	\$(284,600)
RVSA Wholesale Market Service Principle	\$4,316,454	\$13,193,911

13
 14 Hydro Ottawa purchases approximately 90% of its power supply from the IESO and the
 15 remaining 10% from Hydro One and Embedded Generation. Hydro Ottawa bills the WMS
 16 charge using the regulated rates in accordance with applicable OEB Decisions and Orders. In
 17 2022, the WMS rate approved by the OEB was \$0.0030/kWh (“2022 WMS approved rate”) while
 18 the average WMSC rate charged to Hydro Ottawa by the IESO was \$0.0053/kWh. Hydro One
 19 charges Hydro Ottawa the 2022 WMS approved rate. Table B below provides a comparison of
 20 the WMSC rate incurred by Hydro Ottawa and the 2022 WMS approved rate billed for WMS
 21 revenue to distribution customers.

1 **Table B - Wholesale Market Service Charge Revenue & Expense Rates**

	2022 Revenue Collected	2022 IESO WMS Expense	2022 Total WMS Expense
Wholesale Market Service Charge (\$)	\$(22,254,938)	\$35,145,410	\$35,733,449
Adjusted kWh	7,412,104,814	6,653,669,315	7,431,644,402
Average \$/kWh	(\$0.0030)	\$0.0053	\$0.0048

2
 3 b) See response in a) above. In addition, as per the OEB's Accounting Procedures Handbook
 4 ("APH"), Account 1580 is to record the net of:

5
 6 a. The amount charged by the IESO, based on the settlement invoice for the operation of
 7 the IESO administered markets and the operation of the IESO - controlled grid, including
 8 accruals

9
 10 AND

11
 12 b. The amount billed to customers using the Board-approved Wholesale Market Service
 13 Rate, including accruals.¹

14
 15 Embedded distributors shall also use this account to record the net difference between the
 16 amount charged by the host distributor for wholesale market services and the amount billed to
 17 customers. Hydro Ottawa confirms it complies with the APH for this account.

18
 19 c) Hydro Ottawa confirms there are no current-period and prior-period adjustments recorded in the
 20 \$13.19 million other than small billing adjustments from 2021 due to cancel and rebills that
 21 occur in the normal course of business.

¹ Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors* (December 2011), Article 490, page 447.