

Description of Settlement Process with the IESO

ERTH Power uses the IESO's posted 1st estimate for billing customers for all rate classes with the exception of all Class A customers that are billed the actual Class A Global Adjustment from the IESO invoice. ERTH Power settles the Regulated Price Plan (RPP) variance with the IESO using the GA 2nd estimate as posted by the IESO on its website and is submitted by the 4th business day after the calendar month end and trues-up based on the actual GA rate. For the period that ERTH Power is requesting disposition of account 1588 and 1589 the settlement was based on the billed data. At the end of the year the unbilled revenue is accrued and a true-up was done for the entire year using actual consumption for each of the RPP categories (on/off/mid peak and tiers 1 and 2) and final GA rates.

The Embedded Generation settlement with the IESO is completed based on the difference from the contracted prices and the market price on a monthly basis. Any unbilled generation at year end along with the settlement amount is accrued.

ERTH Power has in 2019 implemented the Board's new Account 1588 & 1589 accounting guidance and thus the RPP settlement has changed. ERTH Power estimates the usage for all RPP categories and uses the current RPP rates to determine estimated revenue from all RPP customers. ERTH Power then compares this revenue to an estimated WAP plus the 2nd estimate GA as posted by the IESO to determine the settlement amount for RPP customers. The following month this settlement is trued-up with the IESO when the final GA rate is available. As all of the customer billing is not yet completed the revenue comparison is still based on as estimate. In the settlement on the 4th business day the second month following when all of the customers are billed a 2nd true-up is completed based on actual consumption data that was billed to customers. All settlement true-ups are posted to the month the consumption occurred in the appropriate general ledger accounts.

As ERTH Power's 2018 audited figures did not have the OEB's new accounting guidance applied to them adjustments were made to ensure the amount requested for disposition as part of this application adhered to the new procedures. ERTH Power completed a yearly reconciliation of all RPP categories for 2018 and has included this amount as a Principal Adjustment for 2018 as this amount was not included in ERTH Power's 2018 general ledger balances.



ERTH Power validates its usage and pricing figures on a monthly basis by comparing the data filed within its submission against the actual consumption data for all customers and actual IESO pricing data. ERTH Power validates all of this data on a monthly basis through its true up process and is reviewed by the Senior Management; ERTH Power then performs an extensive annual review of all DVA accounts which is audited by ERTH's external auditors to ensure accurate information is requested for disposition. ERTH Power is working with its settlement provider to implement its RSVA tool in 2020 to provide additional clarity and certainty with the settlement process with the IESO that conforms to the new OEB requirements established in August of 2019.