

BY E-MAIL

February 10, 2021

Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: ERTH Power Corporation (ERTH Power)**  
**Application for 2021 Rates**  
**Ontario Energy Board File Number: EB-2020-0019**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. ERTH Power and the intervenor have been copied on this filing.

ERTH Power's responses to interrogatories are due by February 24, 2021.

Yours truly,

*Original Signed By*

Marc Abramovitz  
Advisor, Electricity Distribution: Incentive Rate-Setting and Regulatory Accounting

Attach.

**OEB Staff Interrogatories  
2021 Rates Application  
ERTH Power Corporation (ERTH Power)EB-2020-0019  
February 10, 2021**

Please note, ERTH Power is responsible for ensuring that the documents it files with the OEB, such as its evidence, responses to interrogatories 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*.

**OEB Staff-1**

**Ref:** (1) Manager's Summary, December 16, 2020, page 16  
(2) Updated IRM Rate Generator Model, Main Rate Zone

**Preamble:**

At the above noted first reference, regarding Account 1588 and Account 1589, ERTH Power stated that is "not requesting disposition of these balance on an interim or final basis at this time for its Main Rate Zone." ERTH Power further stated that it "is not proposing to dispose of the 2018 and 2019 Account 1588 and 1589 balances during this application and will work with Board staff to revise its excel documents as required." At the above noted second reference, OEB staff has updated ERTH Power's 2021 IRM Rate Generator Models for the following item:

1. Removal of the balances associated with Account 1588 and Account 1589 from its total claim (Sheet 3 – Main Rate Zone Only).
2. Updated TOU January 1, 2021 pricing (Sheet 17 and 20 – Both Rate Zones)
3. Updated OER from 33.2% to 21.2% (Sheet 20 – Both Rate Zones)
4. Removal of the inflationary increase related to the specific charge for access to the power poles (Sheet 17 – Both Rate Zones)
5. Updated UTR and Hydro One Sub-Transmission Rates (Sheet 11 – Both Rate Zones)

**Question:**

- a) Please confirm the changes and that ERTH Power agrees with the changes.

## **OEB Staff-2 – Main Rate Zone**

**Ref:** (1) IRM Rate Generator Model – Continuity Schedule

As indicated in OEB Staff-1, the balances in Account 1588 and 1589 have been removed from ERTH Power's total claim. The total claim has been reduced to a credit of \$147,826 and does not meet the threshold test of \$0.001/kWh.

- a) Please confirm whether ERTH Power would like to continue its request to dispose of its Group 1 account balances even though the threshold test has not been met.
- b) If affirmative to (a), please provide any rationale.

## **Staff Question-3 – Main Rate Zone**

**Ref:** (1) Manager's Summary, December 16, 2020, page 17

### **Preamble:**

At the above noted first reference, regarding the Main Rate Zone, ERTH Power stated that it "recognizes that it most likely needs to file adjustments with the IESO for its historical 2018 and 2019 balances that will reduce the variances to be collected from its customers."

### **Question:**

- a) Please confirm that when reviewing its historical balances with respect to the OEB's February 2019 accounting guidance, ERTH Power will assess for the Main Rate Zone whether adjustments may need to be filed with the IESO for January 1, 2015 and forward balances (any balances yet to receive final disposition), rather than just 2018 and 2019 balances.

#### **Staff Question-4 – Goderich Rate Zone**

**Ref:** (1) Manager's Summary, December 16, 2020, page 33  
(2) Chapter 3 of the Filing Requirements for Electricity Distribution Applications Rate Applications, dated May 14, 2020, page 13 & 14  
(3) EB-2019-0033, West Coast Huron Energy\_IRR\_cvrltr\_202001131.pdf, "OEB Inspection of Power and Global Adjustment Deferral and Variance Accounts", March 29, 2019, page 1

#### **Preamble:**

At the above noted first reference, ERT Power stated the following regarding its Goderich Rate Zone:

On February 21st, 2019 the OEB issued guidance related to accounts 1588 and 1589 effective January 1st 2019. The balances in ERT Power Goderich Rate Zone represent the full implementation of this guidance and confirms the balances recorded in these accounts complies with the revised process provided... Therefore, historical balances have been considered and not *[sic]* material adjustments are required.

At the above noted second reference, the OEB stated the following regarding historical balances approved on an interim basis:

Some utilities may have received approval for interim disposition of historical account balances or did not request disposition of account balances in a prior year rate application due to the threshold test. If these utilities have reviewed the balances in the context of the new accounting guidance and are confident that there are no systemic issues with their RPP settlement and related accounting processes, such utilities may request final disposition of account balances. If these utilities identified errors or discrepancies that materially affect the ending account balances, utilities should adjust their account balances prior to requesting final disposition.

At the above noted third reference, the OEB's Inspection Report noted that January 1, 2015 to December 31, 2017 Account 1588 and Account 1589 balances were inspected by the OEB's Inspection & Enforcement department, for the Goderich Rate Zone.

**Questions:**

- a) January 1, 2015 to December 31, 2017 Account 1588 and Account 1589 balances were inspected by the OEB's Inspection & Enforcement department for the Goderich Rate Zone, as per the above noted third reference. ERTH Power indicated that it has implemented the new accounting guidance for the Goderich Rate Zone, as per the above noted first reference.

Please confirm that ERTH Power has considered this new accounting guidance in the context of 2018 balances that have yet to be disposed on a final basis, but have been cleared on an interim basis, for the Goderich Rate Zone, and that no material adjustments were required.<sup>1</sup> If this is not the case, please explain.

- b) Please also confirm that ERTH Power has fully implemented the OEB's February 21, 2019 guidance effective from January 1, 2019 and forward for the Goderich Rate Zone, in accordance with the OEB Letter: "Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment", issued February 21, 2019. If this is not the case, please explain.
- c) Please explain whether systemic issues with the RPP settlement or related accounting processes for Account 1588 and Account 1589 have been identified from the review and implementation of the OEB's accounting guidance.
- d) Although ERTH Power has noted that historical balances have been considered, please explain whether adjustments to Account 1588 and Account 1589 balances that have yet to be disposed on a final basis have been quantified, including balances that have been cleared in on an interim basis or not cleared at all in a prior proceeding.

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<sup>1</sup> The most recent Account 1588 and 1589 balances cleared on a final basis for the Goderich Rate Zone were December 31, 2014 balances in West Coast Huron Energy Inc.'s 2016 proceeding. [EB-2015-0111, West Coast Huron Energy Inc., Decision and Rate Order, March 17, 2016, page 6.]  
The most recent Account 1588 and 1589 balances cleared on an interim basis for the Goderich Rate Zone were December 31, 2018 balances in ERTH Power's 2020 proceeding. [EB-2019-0033, ERTH Power Corporation, Goderich Rate Zone, Decision and Rate Order, April 16, 2020, page 17.]

e) If material adjustments were identified for balances that have yet to be disposed on a final basis, for each adjustment please provide a summary of what is listed below:

1. Quantification and nature of the adjustment
2. The period in which the adjustment relates to, regarding consumption
3. Which fiscal year the amounts are recorded in the general ledger
4. Explanation of the adjustment, including how it was identified, the reason for the adjustment, the impact to each of Accounts 1588 and 1589
5. Show how it has been included as a principal adjustment to Account 1589 in the GA Analysis Workform and Account 1588
6. Describe the steps taken to include these adjustments in the Tab 3 of the IRM Rate Generator Model and balances requested for disposition in this proceeding. Please also provide the cells in Tab 3 of the IRM Rate Generator Model where these adjustments were made.

#### **Staff Question-5 – Main Rate Zone and Goderich Rate Zone**

**Ref:** (1) Main Rate Zone 2021 IRM Rate Generator Model, Tab 3, cells BG28, BL28, BG29, BL29, November 25, 2020  
 (2) Goderich Rate Zone 2021 IRM Rate Generator Model, Tab 3, cells BG28, BL28, BG29, BL29, November 25, 2020  
 (3) Reporting and Record Keeping Requirements (RRR) 2.1.7  
 (4) Manager's Summary, December 16, 2020, page 6

#### **Preamble:**

From the above noted three references, OEB staff has prepared the following table showing a comparison between RRR 2.1.7 December 31, 2019 balances aggregated for both rate zones and the numbers reported in the 2021 IRM Rate Generator Model for both rate zones.

**OEB Staff Table 1 –  
 Difference between December 31, 2019 RRR 2.1.7 and Balances Reported in the  
 2021 IRM Rate Generator Models (Main Rate Zone and Goderich Rate Zone)**

	Main Rate Zone 2021 IRM Model			Goderich Rate Zone 2021 IRM Model			2021 IRM Model - Both Rate Zones	ERTH Power (both rate zones)	Difference between RRR 2.1.7 and 2021 IRM Model
	Principal Cell BG28	Interest Cell BL28	Total	Principal Cell BG28	Interest Cell BL28	Total		RRR 2.1.7	
	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19		31-Dec-19	
			A			B	C = A + B	D	E = C - D
Account 1588	2,477,629	81,047	2,558,676	301,550	12,725	314,275	2,872,951	3,784,987	(912,036)
Account 1589	613,639	31,568	645,207	200,123	19,242	219,365	864,572	864,572	0

At the above noted fourth reference, ERTH Power stated:

All Group 1 Accounts balances have been reconciled to the 2020 RRR, 2.1.7 filing with the exception of Account 1588. Account 1588 is still under review by ERTH staff and it is determining the impacts that the adjustments have upon the balances. The amount the account is out is essentially the principal adjustments that have been detailed in the ERTH Main GA Model.

#### Questions:

- Please confirm whether ERTH Power is in agreement with OEB staff's calculations in the above noted OEB Staff Table 1.
- If this is not the case, please explain, and update OEB Staff Table 1.
- OEB staff was unable to reconcile this credit difference of \$912,036 to ERTH Power's statement, at the above noted fourth reference, that the difference is due to Account 1588 principal adjustments for the Main Rate Zone. Please explain the amount in the "Difference" column E of a credit of \$912,036 for Account 1588, as well as how this difference relates to each of the Main Rate Zone and Goderich Rate Zone, broken down by year, from 2015 to 2019.

#### Staff Question-6 – Goderich Rate Zone

**Ref:** (1) Goderich Rate Zone 2021 IRM Rate Generator Model, Tab 3, cells BD28, BF28, BT28, November 25, 2020  
(2) RRR 2.1.7

#### Preamble:

ERTH Power is requesting clearance of the Account 1588 balance of \$191,386 for the Goderich Rate Zone. OEB staff notes that if the distributor performs its settlements and true-ups of settlements with the IESO correctly, the only variances that should remain in Account 1588 should be the differences in actual line losses and line losses built in rates.

OEB staff has prepared the following table based on data provided at the above noted first reference.

OEB staff is unable to complete the analysis in OEB Staff Table 2, as the RRR 2.1.7 December 31, 2019 balance for Account 4705 is aggregated for both rate zones. The cells that OEB staff were unable to populate are in column D and E which state "TBD".

**OEB Staff Table 2 –  
Analysis of Balances in Account 1588**

2021 IRM DVA Continuity Schedule						
	2019 Principal Transactions	2019 Adjustments	Total		RRR 2.1.7	% of Total Cost of Power Expense
	A	B	C = A + B		D	E = C / D
Account 1588	295,766	(114,507)	181,259	Account 4705	TBD	TBD

**Questions:**

- a) Please reproduce OEB Staff Table 2 and populate values in column D and E which currently state "TBD". ERTH Power will need to show the amounts recorded by ERTH Power in the RRR 2.1.7 for Account 4705 that are applicable to the Goderich Rate Zone.
- b) If the resulting percentage in column E is greater than +/- 1%, please provide additional analysis to support ERTH Power's request to clear its Account 1588 balances in this proceeding, noting the high computed ratios, if applicable. A high level line loss variance analysis may also be helpful to support the claim.
- c) Please provide an explanation for the large balance of \$191,386 in Account 1588 requested for clearance for the Goderich Rate Zone.

**Staff Question-7 – Goderich Rate Zone**



- Ref:** (1) GA Analysis Workform Instructions, May 20, 2020  
 (2) EB-2019-0033, 2018 GA Analysis Workform, February 5, 2020  
 (3) EB-2019-0033, ERTH Power Corporation, Decision and Rate Order, Main Rate Zone, April 16, 2020, page 51  
 (4) EB-2019-0133, Follow up Staff Question #4, February 24, 2020  
 (5) EB-2019-0133, Staff Question #15, February 5, 2020

**Preamble:**

On page 3 of the above noted first reference, the OEB stated the following:

The Workform will calculate the Loss Factor based on the data in Notes 2 and 4. The calculated loss factor should be within +/- 1% of the approved loss factor for that particular year. If it is not, an explanation should be provided in the text box under Note 4, part b.

At the above noted second reference, the 2018 GA Analysis Workform shows that the calculated loss factor is not within +/- 1% of the approved loss factor, as per the above noted third reference. The following difference of 0.0350 is calculated, as shown in OEB Staff Table 3.

**OEB Staff Table 3 –  
Unexplained Difference in Loss Factor for 2018**

Calculated Loss Factor		1.0817
Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000kW		1.0467
Difference		0.0350

At the above noted fourth reference, ERTH Power stated that cell D18 of the 2018 GA Analysis Workform should be updated to 21,436,893 kWh from 19,643,820 kWh, as the kWh should have been based upon actual consumption and not billed. OEB staff has calculated an updated unexplained difference, as shown in OEB Staff Table 4.

**OEB Staff Table 4 –  
Updated Unexplained Difference in Loss Factor for 2018**

Calculated Loss Factor		0.9912
Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000kW		1.0467
Difference		-0.0555

At the above noted fifth reference, ERT H Power stated the following:

ERT H Power confirms that the billing data in Note 4 is correct. ERT H Power notes that the calculated loss factor is based off of RRR filings. ERT H Power staff were not involved in the compilation of the 2018 RRR results and surmise that there are some minor inconsistencies that led to this variance. ERT H Power staff would like to point out that these numbers are relatively small and a minor variance will result in what would appear to be significant swings.

**Questions:**

- a) Please confirm whether ERT H Power is in agreement with OEB staff's calculations in the above noted OEB Staff Table 3 and OEB Staff Table 4.
- b) If this is not the case, please explain, and update OEB Staff Table 3 and OEB Staff Table 4, also explaining any differences.
- c) Please explain the unexplained "Difference" amounts of 0.0350 and -0.0555.

**Staff Question-8 – Goderich Rate Zone**

**Ref:** (1) Goderich Rate Zone 2021 IRM Rate Generator Model, Tab 3, cells BF28 and BF29, November 25, 2020  
 (2) Goderich Rate Zone, 2019 GA Analysis Workform, November 25, 2020  
 (3) GA Analysis Workform Instructions, May 20, 2020, page 16  
 (4) Manager's Summary, page 35, December 16, 2020

**Preamble:**

At the above noted first reference, ERT H Power has recorded the following 2019 principal adjustments.

Account 1588 \$114,507 credit  
 Account 1589 \$66,752 credit

At the above noted second reference, ERTH Power has provided the following explanation for the Account 1589 credit of \$66,752:

May 2019 Adjustment Class B Ga on IESO invoice- did not submit Class A usage

At the above noted third reference, the OEB stated that “the February 21, 2019 accounting guidance does not contemplate any GA balance pertaining to Class A to be recorded in Account 1589.”

At the above noted fourth reference, ERTH Power stated that “the Class A customers are thus excluded in any of the allocations for the disposal of Global Adjustment variance accounts.”

**Questions:**

- a) Regarding the 2019 principal adjustments of an Account 1588 \$114,507 credit and an Account 1589 \$66,752 credit:
  - i. Please provide an explanation for each adjustment
  - ii. Please indicate the period in which the adjustment relates to, regarding consumption
  - iii. Please state which fiscal year these amounts were recorded in the general ledger
- b) Please explain whether any of the above adjustments made to Account 1589 should also be reflected as an adjustment to Account 1588 and vice versa.
- c) Please populate the tab “Principal Adjustments” in the GA Analysis Workform showing the 2015 to 2019 Account 1588 and Account 1589 principal adjustments that are shown in Tab 3 of the IRM Rate Generator Model.
- d) Please confirm that there is no GA balance pertaining to Class A recorded in Account 1589.
- e) If this is not the case, please explain.

**Staff Question-9 – Goderich Rate Zone**

**Ref:** (1) EB-2019-0033, Goderich Rate Zone 2020 IRM Rate Generator Model, Tab 3, cells AB29, April 16, 2020  
 (2) EB-2019-0033, West Coast Huron Energy\_IRR\_cvrltr\_202001131.pdf, "OEB Inspection of Power and Global Adjustment Deferral and Variance Accounts", March 29, 2019, page A-1  
 (3) EB-2019-0033, Goderich Rate Zone, 2015 GA Analysis Workform, February 5, 2020

**Preamble:**

At the above noted first reference, ERTH Power recorded a 2015 principal adjustment of a credit of \$161,836 for the Goderich Rate Zone. This amount agreed to the OEB's Inspection report at the above noted second reference. However, at the above noted third reference, ERTH Power showed three 2015 principal adjustments summing to a credit of \$204,874. There is a difference of \$43,038.

**Questions:**

- a) Please update the 2015 GA Analysis Workform for the Goderich Rate Zone to align the principal adjustments to reflect a total credit of \$161,836, rather than a total credit of \$204,874, in order to be consistent with the OEB's Inspection Report and the IRM Rate Generator Model.
- b) If ERTH Power is of the view that this update is not required, please explain.

**Staff Question-10 – Both Rate Zones**

**Ref:** (1) Bill Impacts – Sheet 20

OEB staff updated the 2021 UTR and Hydro One Sub-transmission rates in Tab 11 of the IRM model for the 2021 RTSR adjustment calculations.

On Sheet 20 of ERTH Power's IRM model, the RTSR charges are showing high bill impacts for all classes (greater than 10% for Network charges). As noted on Sheet 20 (flagged in red text), the distributor is expected to discuss the reasoning for the change in the RTSRs. Please provide explanation for the changes in RTSRs for both rate zones.

**Staff Question-11**

**Ref:** (1): Decision and Order, EB-2018-0082, December 20, 2018 (MAADs Decision)  
 (2): Handbook to Electricity Distributor and Transmitter Consolidations, Issued January 19, 2016 (MAADs Handbook)  
 (3): Manager's Summary, p.3

In its Manager's Summary, ERTH Power noted that in order to fund the cost of the transaction to merge ERTH Power Corporation and West Coast Huron Energy Inc., merging LDC's are able to earn more than the allowed bandwidth for rate of return for a period of five years and for ERTH Power an additional four years to be shared 50/50 with its customers. Furthermore, ERTH Power stated that it is clearly entitled to earn in excess of 300 basis points and file for IRM increases during the 9-year rebasing deferral.

On page 18 of the MAADs Decision, the OEB stated:

"...rate-setting following an amalgamation will not be addressed in an application for approval of an amalgamation transaction unless there is a rate proposal that is an integral aspect of the consolidation, e.g., a temporary rate reduction. Rate-setting for the amalgamated entity will be addressed in a separate rate application, in accordance with the rate setting policies established by the OEB."

On page 16 of the MAADs Handbook, the OEB stated:

"The dead band of  $\pm 300$  basis points on ROE continues to apply to utilities who have deferred rebasing due to consolidation."

- a) Please confirm that it is ERTH Power's position that it is not required to justify the need for an inflationary rate increase, despite realizing an achieved ROE in excess of 300 basis points over its approved ROE, as it is a newly amalgamated entity currently in a deferred rebasing period.
- b) If confirmed, please reconcile that position with the statements made by the OEB in the above-referenced MAAD's Decision and MAADs Handbook excerpts.
- c) If not confirmed, please provide the supporting justification for why ERTH Power requires an inflationary increase to its base rates for 2021, given its realized ROE in 2019.
- d) Please cite any OEB policy, or similarly relevant material, which indicates that newly amalgamated entities, in a deferred rebasing period, seeking an inflationary increase to base rates are not subject to the same provisions (i.e. justification of the need for an increase when over-earning) as utilities that are not newly-amalgamated.
- e) Please confirm that ERTH Power's opportunity to earn in excess of 300 basis points during the first five years of the deferred rebasing period, and its opportunity to file for inflationary increases for the remainder of its deferred rebasing period, is not dependent on the OEB approving ERTH Power's request for an inflationary increase in 2021.

**Staff Question-12****Ref 1: Manager's Summary, p.3****Ref 2: Regulated Return on Equity (ROE) – [2019 Scorecard](#)**

On October 21, 2020, the OEB published ERTH Power's Scorecard on its website. The scorecard indicates a deemed ROE of 9.00% and an achieved ROE of 12.05%. The achieved ROE represents 305 basis points above the target ROE that was the basis upon which rates were established.

- a) Please complete the following table for any significant drivers associated with the earnings realized in 2019, as well as the other the years indicated.

Cost/Earnings Driver	2018 Actual (Combined service territories)	2019 Actual	2020 Actual	2021 Forecast

- b) For the 2019 year, are there any anomalous, or non-recurring impacts that affected earnings, which would not be reasonably expected (or known) to persist into 2020 and 2021? If so, please explain.

- c) For any items noted in part b) above, please recalculate a normalized or adjusted ROE for 2019 which excludes these items (showing the impact on both regulated earnings and deemed equity, if applicable).
- d) Please provide ERTH Power's estimated achieved 2020 ROE<sup>2</sup>, including any key assumptions underpinning this figure.
- e) Please provide ERTH Power's forecasted 2020 regulated ROE, including any key assumptions underpinning this figure.

**Staff Question-14**

- a) Please provide a copy of the 2019 RRR 2.1.5.6 (Regulated Return on Equity) that was filed with the OEB.
- b) For any "Other adjustments" made to Appendices 1-6 of the RRR 2.1.5.6 ROE calculation, please provide an explanation of what the adjustments are and why those adjustments are appropriate for the regulatory ROE calculation.

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<sup>2</sup> OEB staff acknowledges that this figure may be subject to change if ERTH Power has yet to finalize its fiscal year financials for 2020, as well as any subsequent adjustments that may be needed as part of its 2.1.5.6 RRR filing for 2020.