

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.

Response: *ERTH Power confirms that it is in agreement with all of the changes noted above.*

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.

Response: ERTH Power notes that Materiality has not been met and would defer to the decision of The Board as to whether these balances are disposed of in this proceeding or in a future application.

- b) If affirmative to (a), please provide any rationale.

Response: As the balances are a credit to the customer ERTH Power believes that as long as the resulting rate riders are not immaterial (or unable to be billed within the CIS) then reimbursing the regulatory liabilities to the customer may be an appropriate approach.

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.

Response: ERTH Power will determine the issues within the balances in 2018 and 2019 and determine the cause of the error. If it is determined that the nature of the error could also have impacted the balances from 2015 to 2018 then ERTH Power will review and adjust accordingly the balances from those years as well.

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, ERTH 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 ERTH 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.¹ If this is not the case, please explain.

Response: ERTH Power has considered the new accounting guidance in the context of 2018 balances for the Goderich Rate Zone and that no material adjustments were required.

- 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.

¹ 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.]

Response: EARTH Power merged with West Coast Huron Energy on January 1, 2019 with separate CIS systems maintained until October 2019. EARTH Power is confident the new accounting guidance was fully implemented for the period when the Goderich Rate Zone billing was completed on the Goderich legacy CIS billing system, however for the months that the CIS billing system was integrated for both Rate Zones there is not complete confidence in the reporting of unbilled consumption and revenue for actual consumption periods. Therefore EARTH Power has decided to withdraw the request for disposition of the 2019 Account 1588 and Account 1589 until further review can be completed on both EARTH Main and Goderich Rate Zones.

- 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.

Response: From the review it was determined that West Coast Huron Energy was not comparing revenue from the actual consumption period to actual period expenses. West Coast Huron Energy billed all consumption based on the calendar month therefore calculating unbilled revenue by actual consumption month was easy to correct.

- d) Although EARTH 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.

Response: EARTH Power confirms that there are no more adjustments to balances that were approved on an interim basis. As EARTH Power is withdrawing the request for disposition of the 2019 balances in Account 1588 and Account 1589 the adjustment for this period will be reviewed and explained in a future request for disposition.

- 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:

Response: No material adjustments were identified for balances that have yet to be disposed on a final basis.

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:

- a) Please confirm whether ERTH Power is in agreement with OEB staff's calculations in the above noted OEB Staff Table 1.

Response: ERTH Power is in agreement with OEB staff's calculations however as ERTH Power has stated in OEB Staff Question 4 b) the wish to withdraw the request to dispose of the 2019 Account 1588 and Account 1589 balances, it will also review the difference between December 31, 2019 RRR 2.1.7 and Balances reported in the 2121 IRM Rate Generator Models for both rate zones.

- b) If this is not the case, please explain, and update OEB Staff Table 1.

- c) 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.

Response: ERTH Power will reconcile any difference upon further review of all Account 1588 and Account 1589 balances for both Rate zones.

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.

Response: *ERTH Power has made the decision to withdraw the request for disposition of Account 1588 and Account 1589 for the Goderich Rate Zone until further review of both rate zones can be completed. ERTH Power will reconcile any differences split out by rate zones, between the 2021 IRM Continuity schedule and the RRR 2.1.7 when disposition is requested in the future.*

- 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.

Response: *See above ERTH Power will review for future disposition.*

- c) Please provide an explanation for the large balance of \$191,386 in Account 1588 requested for clearance for the Goderich Rate Zone.

Response: *See above ERTH Power will review for future disposition.*

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, ERTH Power stated the following:

ERTH Power confirms that the billing data in Note 4 is correct. ERTH Power notes that the calculated loss factor is based off of RRR filings. ERTH 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. ERTH 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 ERTH Power is in agreement with OEB staff's calculations in the above noted OEB Staff Table 3 and OEB Staff Table 4

Response: ERTH Power is in agreement with OEB's staff's calculations in OEB Staff Table 3 and 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.

Response: ERTH Power was not involved in the compilation of the RRR data for West Coast Huron Energy but have recreated the GA Workform data from the RRR 2.1.5 data that ERTH Power believes should have been submitted as below. ERTH Power believes the Class A data was incorrectly submitted in the RRR 2.1.5. As well ERTH Power was mistaken in their response to above mentioned fourth reference above and the 21,436,893 kwh's was the billed data and not the metered data. ERTH Power has updated the Non-RPP Class B Including Loss

factor Billed Consumption on the GA Workform in Column C39. With these corrections the loss factor difference is -0.0010 –see table below.

Year		2018
Total Metered excluding WMP	C = A+B	79,500,720
RPP	A	40,654,051
Non RPP	B = D+E	38,846,669
Non-RPP Class A	D	18,346,088
Non-RPP Class B*	E	20,500,581

Calculated Loss Factor	1.0457
Most Recent Approved Loss Factor for Secondary	1.0467
Difference	-0.0010

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, ERTH 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

Response: In the May 2019 1598 filing the Embedded Generation, Energy Storage, and Class A Load Information was not submitted. Therefore, West Coast Huron Energy did not record any Class A Load information in which the IESO subtracts from the total load to determine the Class B Load. The Class B load which is used to calculate the Class B Global Adjustment was too high by 1,438,104 Kwhs. When multiplied by the Class B Global Adjustment rate for May 2019 the dollar value of the overcharge of Class B Global Adjustment was calculated to be \$181,259. ERTH Power submitted this filing retroactively upon discovery of the error in November of 2020. The credit note was applied proportionately to RPP and Non-RPP consumption to get the 2019 principal adjustments of Account 1588 of \$114,507 credit and Account 1599 of \$66,752.

- ii. Please indicate the period in which the adjustment relates to, regarding consumption

Response: The adjustment described above related to consumption in May of 2019.

- iii. Please state which fiscal year these amounts were recorded in the general ledger

Response: The adjustment amounts were recorded in the general ledger in 2020

- 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.

Response: The adjustment was a credit from the IESO of Class B Global adjustment received in 2020. The credit note was applied to Account 4705 and Account 1589 respectively therefore the adjustment applies to both 1588 and 1589 as noted.

- 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.

Response: ERTH Power has populated the “Principal Adjustments” in the GA Analysis Workform showing 2015 to 2019 and submitted a revised GA Analysis Workform.

- d) Please confirm that there is no GA balance pertaining to Class A recorded in Account 1589.

Response: ERTH Power confirms 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.

Response: ERTH Power has updated the 2015 GA Analysis Workform for the Goderich Rate Zone and submitted a revised 202 GA Analysis Workform.

- 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.

Response: ERTH Power notes that it has simply applied the formulaic calculations of the RTSRs for both rate zones and that the driver of the increases is simply the increases in UTR's and HONI sub transmission rates.

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 ± 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.

Response: ERTH Power notes that the fact that multiple prior period adjustments with respect to the recognition of LRAMVA balances in 2019; which when excluded from the calculation of ROE would have put the results significantly under 12% for the year. This fact renders this question moot. ERTH Power now recognizes the possibility that an approved MAAD does not abdicate the need to justify its requested increases following a year in which a merged entity earned in excess of 300 basis. ERTH Power is not requesting that The Board render a decision on the ability of a newly merged entity to obtain a rate increase in a year following a year of outpacing its ROE by more than 300 basis as part of this proceeding.

- 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.

Response: Not confirmed

- 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.

Response: ERTH Power notes that included in the 2019 results are Lost Revenue recoveries for prior years for both of the merged entities (2017 and 2018 for ERTH Main and 2013 to 2018 for ERTH Goderich). 2019 results include a one-time prior period recovery of \$568,000 for lost revenues as a result of CDM activities performed by the LDC's. West Coast Huron Energy was a smaller LDC and as such had never submitted an LRAMVA claim over the prior years and as such one large analysis and application was completed in 2019 to calculate and recover these amounts. ERTH Main utilizes a third party contractor to calculate these complex amounts on its behalf and undertakes this process every few years to minimize third party costs which are eventually passed along through rates. These lost revenue amounts significantly impact the ROE calculation of ERTH for 2019 as they are all recognized in 2019 but are all prior period amounts. The following table details the amounts by year and former entity:

	LRAMVA		
	WCHE	ERTH	Total
2013	-\$ 8,377	\$ -	-\$ 8,377
2014	-\$ 4,278	\$ -	-\$ 4,278
2015	\$ 3,363	\$ -	\$ 3,363
2016	\$ 25,053	\$ -	\$ 25,053
2017	\$ 35,261	\$ 399,870	\$ 435,131
2018	\$ 35,386	\$ 54,350	\$ 89,736
Carrying Charges	\$ 3,923	\$ 23,804	\$ 27,727
Total	\$ 90,331	\$ 478,024	\$ 568,355

If these amounts were not included in the calculation of ERTH Power's 2019 ROE, the results would not have exceeded the dead-band. ERTH Power did review the LRAMVA issue with board staff and as such did not raise the issue in its application as we were informed that the LRAM amounts needed to be included in the calculation of ROE. We believe that given the prior period nature of these amounts they should have been excluded from the calculation.

In addition, if one looks at the performance of the predecessor utilities, since 2015, there has been only a single instance in which one of the LDCs earned more than the deemed. Historically, WCHE fell short by at least 200 basis points annually.

Year	WCHE ROE (deemed%)(Actual)	ERTH ROE (deemed%)(Actual)
2015	(8.98)6.91	(9.09)8.89
2016	(8.98)4.40	(9.09)8.34
2017	(8.98)6.00	(9.09)8.58
2018	(8.98)6.46	(9.0) 10.38
2019	(9.0) 12.05	

- 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.

Response: Given the reply above and the fact the ERTH Power has demonstrated it did not over earn when \$568,000 of prior period revenues is factored out of the calculation of ROE ERTH Power notes that it is not seeking to increase rates in a year in which it over earned.

- 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.

Response: Not confirmed, The Board approves LDC's requests for rate increases.

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
LRAMVA	\$0.00	\$568,355	\$0.00	\$0.00
Addition of WCHE Return	NA	\$278,881	\$0.00	\$0.00
Addition of WCHE PPE	NA	\$10,187,234	\$0.00	\$0.00

- 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.

Response: There are no anomalous or non-recurring impacts that affected earning that are expected to persist into 2020 and 2021.

- 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).

Response: NA

- d) Please provide ERT Power's estimated achieved 2020 ROE², including any key assumptions underpinning this figure.

Response: ERT Power is currently in the midst of finalizing its 2020 results for its external audit and forecasted figures will not be available until a fulsome review of capital spending, capital work in progress and unbilled revenues has been completed.

- e) Please provide ERT Power's forecasted 2020 regulated ROE, including any key assumptions underpinning this figure.

Response: ERT Power is currently in the midst of finalizing its 2020 results for its external audit and forecasted figures will not be available until a fulsome review of capital spending, capital work in progress, regulatory treatment of COVID expenses and unbilled revenues has been completed.

² OEB staff acknowledges that this figure may be subject to change if ERT 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.

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.

Response: ERTH Power has provided an excel version of it RRR 2.1.5.6 that was filed with the OEB in June of 2020. ERTH Power 2019 Year End ROE Filing.xls.

- 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.

Response: ERTH Power made adjustments in Appendix 1 with respect to revenues received and associated internal costs for billing work completed on behalf of third party LDC's. The revenues and expenses are book to USofA 4380. No other adjustments were posted in the submission of any of the appendices. ERTH Power submits that the LRAMVA should have been included here as another adjustment as it was entirely for prior period. ERTH Power staff discussed the LRAMVA amounts with Board staff who noted that LRAMVA amount should be included. Unfortunately the prior period nature of these amounts was never explicitly discussed.