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October 27, 2022

VIA E-MAIL

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0067 Waterloo North Hydro Inc.
Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the final submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

John Lawford

Counsel for VECC

Copy to: Albert Singh, VP Finance & CFO

EB-2022-0067

Waterloo North Hydro Inc. (now Enova Power Corp.) Application for electricity distribution rates effective January 1, 2023

VECC Submission October 27, 2022

Waterloo North Hydro Inc. (WNH) filed an incentive rate-setting mechanism application with the Ontario Energy Board (OEB) on August 3, 2022, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to its electricity distribution rates to be effective January 1, 2023. WNH has also applied to adjust previously approved balances in Account 1588 – Retail Settlement Variance Account Power and Account 1589 – Retail Settlement Variance Account Global Adjustment.

VECC's submissions relate to WNH's request to adjust request to adjust the balances in Accounts No. 1588 and 1589.

Background

The Account 1588 and 1589 balances for the years of 2015 to 2018 were previously approved for disposition on a final basis. The settlement agreement for WNH's 2021 Cost of Service proceeding specified that WNH not dispose of 2019 balances for Accounts 1588 and 1589, pending a special purpose inspection by the OEB of those accounts, and that the distributor shall apply for disposition of those accounts upon completion of the inspection. The inspection relates to a prior period adjustment of approximately \$2.6 million in overstated Global Adjustment (GA) costs attributable to Regulated Price Plan (RPP) customers, impacting Accounts 1588 and 1589 balances between the years 2015 to 2018.¹

In its Decision on WNH's 2022 IRM Proceeding, the OEB agreed that WNH would further benefit from having the overall reasonability of the 2019 and 2020 Account 1588 and 1589 balances (including compliance with the OEB's Accounting Guidance) assessed by the OEB's Inspection and Enforcement group. The OEB

¹ EB-2020-0059 OEB December 10, 2020 p.39

expects that included in that review will be a consideration of any discrepancies that arose through the course of the 2022 IRM proceeding.²

The inspection is complete and the final report published by the OEB³ was included as Attachment A to the interrogatory responses. OEB staff found that WNH made a number of errors in the accounting and settlement of Regulated Price Plan (RPP) variances and embedded generation (EG) amounts with the Independent Electricity System Operator (IESO) which resulted in:

- WNH misstating the balances in Accounts 1588 and 1589 by \$131,621 and \$1,472,757 respectively, from 2015 to 2018, resulting in WNH overcharging its customers by a total of \$1,604,378 over that period;
- WNH further misstating the balances in Accounts 1588 and 1589 by \$72,797 and \$427,364 respectively, from 2019 to 2020, with no impact to customers; and
- WNH owing an additional \$3,333,747 to the IESO.

The report concludes that OEB staff expects WNH to include and provide explanation for all the corrective adjustments in the balances brought forward for disposition in WNH's 2023 IRM rate application.

Adjustment of Balances in Accounts No. 1588 and 1589

In the current application, WNH indicates the total of the 2015-2018 corrections as well as the revised balances for 2019 – 2020 create the opening principal balances for 2021; (\$682,786) and (\$897,220) for 1588 & 1589, respectively, and that these amounts are reconciled in Attachment G –1588-1589 GL Reconciliation 2015-2021. Tab 3 of the IRM Rate Generator Model shows December 31, 2020 closing principal balances of a credit of \$682,786 for Account 1588 and a credit of \$897,220 for Account 1589. WNH confirms that the December 31, 2020 closing principal balances reconcile to the outcome of the inspection report.⁴

In response to interrogatories WNH agreed with OEB staff's calculations and values shown in Table 1 below and the principal adjustments made as a result of the

² EB-2021-0062 OEB Decision December 9, 2021 p.8

³ OEB Inspection of Group 1 Deferral and Variance Accounts 1588 and 1589 dated August 2022

⁴ Staff 8-a

inspection, noting these values match Appendix 1 of the inspection report.⁵

Table 1: Inspection Results – Principal Adjustments to Accounts 1588 and 1589 Balances

	Account 1588	Account 1589
Adjustments relating to 2015 to 2018 balances	(\$150,641)	(\$1,417,250)
Adjustments relating to 2019 balances	\$21,751	\$393,945
Adjustments relating to 2020 balances	<u>\$55,642</u>	<u>\$74,243</u>
Total Adjustments	<u>(73,249)</u>	<u>(949,062)</u>

WNH proposes to adjust 2015 to 2018 balances that were previously approved for disposition on a final basis. These adjustments are a credit to Account 1588 of \$150,641 and a credit to Account 1589 of \$1,417,250.

In response to Staff-10, WNH explains how it has satisfied the OEB’s concerns noted in its October 31, 2019 letter, regarding adjustments to correct for errors after disposition.

- i) Whether the error was within the control of the distributor: While the errors were unintentional, WNH confirms that all of these errors were within the control of WNH.
- ii) The frequency with which the distributor has made the same error: WNH states this is the first time an OEB Inspection Report identified these errors occurring at WNH. In the report, OEB Staff noted that the updated current processes have sufficient controls to ensure that the same errors shall not occur again.
- iii) Failure to follow guidance provided by the OEB: WHN references the OEB’s recognition of the need for standardized guidance to assist distributors given the number of errors discovered in previous audits, inspections and rate applications, and the OEB’s continued attempts to improve the accuracy of reporting by issuing and revising the GA Workform as well as the Illustrative

⁵ Staff 9-a

Commodity Model that accompanied the February 2019 Guidance.

- iv) The degree to which other distributors are making similar errors: Considering the errors discovered in past inspections and audits, as well as the number of distributors still not following the guidance, Enova-WNH believes that it is likely that other distributors may be making similar errors or may have made similar errors in the past.⁶

WNH believes correcting the amounts is a fair and prudent action given the magnitude of the adjustments and that the final dispositions were made prior to the full implementation of the revised guidance, and the fact that they are in favour of customers. WNH points to two examples where the OEB approved corrections to balances previously disposed on a final basis where such corrections were a credit to customers.⁷

Based on the results of the inspection report, WNH's response to the factors in the OEB's October 31, 2019 letter used to evaluate the particular circumstances of WNH, and previous OEB approvals of corrections, VECC supports the adjustments shown in Table 1 and WNH's request to dispose of the credit balances of Accounts 1588 and 1589,⁸ in favour of customers.

⁶ Enova-WNH reviewed IRM and Cost of Service rate applications for 2021 and 2022. In its review, Enova-WNH noted that several distributors indicated that they had not yet implemented the OEB's Accounting Guidance related to Accounts 1588 & 1589.

⁷ Staff 9-b

⁸ WNH_2023_IRM_Rate_Generator_Model_20221013