Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

April 26, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Submission
GrandBridge Energy
Application for the Disposal of certain Deferral and Variance Accounts
OEB File Number: EB-2022-0305

Please find attached OEB staff's submission in the above referenced proceeding.

Yours truly,

Natalya Plummer
Digitally signed by Natalya Plummer
Date: 2023.04.26 15:08:15 -04'00'

Natalya Plummer
Analyst
Natural Gas

Encl.

cc: GrandBridge Energy

ONTARIO ENERGY BOARD

OEB Staff Submission

GrandBridge Energy

Application for the Disposal of certain Deferral and Variance Accounts

April 26, 2023

Introduction

GrandBridge Energy Inc. (GrandBridge Energy) filed an application with the Ontario Energy Board (OEB), under section 78 of the *Ontario Energy Board Act, 1998* seeking approval to dispose of the balances in three Deferral and Variance Accounts (DVAs) for its Energy+ rate zone.[1] GrandBridge Energy had originally sought to dispose of these accounts as part of its 2023 incentive rate mechanism (IRM) application but withdrew that request after it discovered an accounting error that impacted those accounts.[2]

Subject to two proposed modifications from OEB staff to the treatment of the accounting error, OEB staff supports the proposed disposition requested in this application. First, OEB staff submits that the proposed debit principal adjustments for Account 1589 – RSVA Global Adjustment and Account 1580, Sub-account CBR Class B should be denied. Second, OEB staff submits that the debit interest amount that accumulated from the error residing in Account 1595 (2018) should also be denied.

Application to Dispose of Certain Group 1 Accounts – EB-2022-0305

In this application, filed on February 2, 2023, GrandBridge Energy requested approval to dispose of Account 1580 – RSVA Wholesale Market Service Charge, Account 1589 and Account 1595 (2018) for the Energy+ rate zone. GrandBridge Energy populated the relevant sections in the IRM rate generator model pertaining to the DVA disposition request.

GrandBridge Energy is requesting to dispose of a total debit amount of $480,271 for the Energy+ rate zone's December 31, 2021, balances of the Group 1 accounts shown in Table 1. The balances include interest up to December 31, 2022, as well as principal adjustments to correct for an accounting error. The error impacts Account 1589 and Account 1580, Sub-account CBR Class B balances that were previously approved for final disposition in the former Energy+ Inc.'s (Energy+) 2021 rate application,[3] and the Account 1595 (2018) balance which is requested for disposition for the first time in the current proceeding.

[11] In 2022, Brantford Power Inc. and Energy+ Inc. amalgamated to form GrandBridge Energy. As part of the amalgamation approval, the OEB determined that GrandBridge Energy would maintain two separate rate zones: Energy+ and Brantford Power until rates are rebased following the ten-year deferral period.
[2] EB-2022-0017
[3] EB-2020-0016

Table 1 – Principal Adjustments and Balances Requested for Disposition

Account	Principal Adjustment to Correct for Error Included in the Balance ($)	Balance Requested for Disposition ($)
1580, RSVA Wholesale Market Service Charge	0	1,290,956
1580, Sub-account CBR Class B	49,008	(93,498)
1589, RSVA Global Adjustment	402,586	(2,032,621)
1595, (2018)	(451,594)	1,315,434
Total	**0**	**480,271**

Table 2 provides the rate riders for a typical residential customer and for a typical general service class less than 50 kW customer, if the request by GrandBridge Energy is approved.

Table 2 – Proposed Deferral and Variance Account Rate Riders

GBE(E+) Rate Zone – Rate Class	Global Adjustment Rate Rider Per kWh	CBR Class B Rate Rider Per kWh	Deferral/Variance Account Rate Rider Per kWh
Residential	($0.0038)	($0.0001)	0.0021
GS<50 kW	($0.0038)	($0.0001)	0.0020

Accounting Error

In the former Energy+'s 2018 rate application, the OEB approved the disposition of Energy+'s 2016 Group 1 balances, including a $432,319 recovery from Class A/B transition customers pertaining to GA and a $52,627 recovery from Class A/B transition customers pertaining to Capacity Based Recovery (CBR) Class B. Subsequently, $402,586 was recovered from transition customers for GA and $49,008 was recovered from transition customers for CBR Class B, totaling $451,591.[4] However, the recovery was incorrectly recorded in 2018 and 2019 in Account 1589 and Account 1580, Sub-account CBR Class B, instead of Account 1595 (2018).[5] This resulted in an over-credit of Account 1589 and Account 1580, Sub-account CBR Class B, and an under-credit of

[4] The recovered amount does not equal the approved recovery amount as one customer was issued a final bill prior to the approved rates being effective.

[5] Amounts were first recorded in Account 4007 - Global Adjustment (GA) Revenue for GA recoveries and Account 4062 - Billed – WMS for CBR Class B recoveries, then ultimately transferred to Account 1589 and Account 1580, Sub-account CBR Class B, respectively. Account 4007 is not an account in the OEB's Accounting Procedures Handbook (APH), effective January 1, 2012. In IRR Staff-8, GrandBridge Energy explained that it uses Account 4007 internally to record GA revenues and differentiate it from Cost of Power revenues. The balances in Account 4007 are mapped to revenue accounts (Accounts 4006 to 4055 in the APH) based on sub-accounts at the rate class level. OEB staff takes no issue with GrandBridge Energy's use of Account 4007. Per Article 220, p.8 of the APH, the related accounts used to record GA revenues shall be sub-divided to show the GA amounts recorded in each of Accounts 4006 to 4055. In OEB staff's view, using Account 4007 would achieve this separation of GA revenues.

Account 1595 (2018). The incorrect 2018 and 2019 Account 1589 and Account 1580, Sub-account CBR Class B balances were subsequently approved for disposition on a final basis.[6]

The error impacts different customer groups as

- Account 1589 is disposed to non-RPP Class B customers
- Account 1580, Sub-account Class B is disposed to non-wholesale market participant Class B customers
- Account 1595 is disposed to all customers

In addition, the error also impacts the GA and CBR Class B amounts allocated to transition customers and the remaining applicable Class B customers. GrandBridge Energy indicated that disposing of the incorrect 2018 and 2019 balances to customers in its 2020 and 2021 rate applications impacted different groups of customers as shown in Table 3:

Table 3 – Impact of Error on Customers in Energy+'s 2020 and 2021 Rate Applications

	Account 1589 ($)	Account 1580, Sub-account CBR Class B ($)	Total ($)
Transition customers	(24,145)	(1,369)	(25,514)
Remaining Class B customers	(378,441)	(47,639)	(426,080)
Total	(402,586)	(49,008)	(451,594)

In the current application, GrandBridge Energy proposed to correct the error by including principal adjustments to the 2021 balances proposed for disposition instead of revising the prior approved balances. The impact of including the correction in the 2021 proposed balances to current customers is shown in Table 4.

[6] The 2018 balances were approved for disposition on an interim basis in Energy+'s 2020 rate application (EB-2019-0031). The 2018 and 2019 balances were subsequently approved for disposition on a final basis in Energy+'s 2021 rate application (EB-2020-0016).

Table 4 – Potential Impact of Error on Current Customers in the Energy+ Rate Zone

	Account 1589 ($)	Account 1580, Sub-account CBR Class B ($)	Total Account 1589 and 1580, Sub-account CBR Class B ($)	Account 1595 ($)
Transition customers	20,451	1,039	21,490	N/A
Remaining Customers	382,135	47,969	430,104	($451,594)
Total	**402,586**	**49,008**	**451,594**	**(451,594)**

In this application, GrandBridge Energy stated that the error was:[7]

- within the control of the former legal entity, Energy+
- the first occurrence for Energy+ and an isolated issue
- inadvertent and not due to lack of guidance from the OEB
- not an issue experienced by other distributors to GrandBridge Energy's understanding

OEB staff notes that the proposed adjustments to Account 1589 and Account 1580, Sub-account CBR Class B are retroactive in nature. In the OEB's letter *Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition,*[8] (OEB Guidance Letter) the OEB provided guidance on adjustments to commodity accounts resulting from errors after final disposition and indicated that an asymmetrical approach to the correction of the error may be appropriate in some circumstances. The OEB Guidance Letter also provided an example of this where, if a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve a part or all of the correction and of any associated carrying charges

GrandBridge Energy completed the Account 1595 Workform to support its disposition request for the large debit balance of $1,315,434 (after correcting for the error) in Account 1595 (2018). As shown in the Workform, the variance between the approved balance for Account 1589 and the amounts recovered/refunded was greater than 10%. GrandBridge Energy stated that the main drivers for the balance in the sub-account are: higher uptake of the Industrial Conservation Initiative in 2018 resulting in lower recovery of certain balances, lower year-over-year demand from wholesale market participants resulting in lower recovery of certain balances, partially offset by higher year-over-year

[7] EB-2022-0305, Manager's Summary, p.14
[8] Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019

demand for the General Service Greater than 50 to 4,999 kW class resulting in greater recoveries of certain balances.

Submission

OEB staff supports the proposed disposition of the Group 1 accounts, excluding GrandBridge Energy's proposed correction to the accounting error. OEB staff reviewed the evidence on record supporting the proposed balances for disposition and did not note any issues from the review, aside from the treatment of the accounting error. Regarding the accounting error, OEB staff submits that

i) the proposed debit principal adjustments totaling $451,594 to Account 1589 and Account 1580, Sub-account CBR Class B should be denied, but the offsetting credit principal adjustment to Account 1595 (2018) should be approved so that the impact of the error is absorbed by GrandBridge Energy's shareholders
ii) the debit interest amount of approximately $34,000 that accumulated from the error residing in Account 1595 (2018) should be denied

OEB staff notes that commodity accounts are "pass-through" accounts, where distributors do not gain or lose from the pass-through of electricity commodity. However, allowing GrandBridge Energy to be kept whole will be at the expense of GrandBridge Energy's current customers. GrandBridge Energy's current customers are not responsible for the 2018 and 2019 balances in which the error pertained to. There is no cost causality relationship between the current customers and the error, and therefore, these customers should not be held accountable for the error. As noted in the OEB's Guidance Letter, an asymmetrical approach to the correction of an error may be appropriate in some circumstances. OEB staff submits that an asymmetrical approach to the correction is appropriate in this circumstance.

GrandBridge Energy indicated that the error was the first occurrence, isolated and inadvertent. However, OEB staff notes GrandBridge has acknowledged that the error was in Energy+'s control. Moreover, the OEB had previously issued guidance on this type of journal entry for the recovery of approved balances.[9] Furthermore, this type of journal entry has been commonly recorded by Energy+[10] and other distributors in the

[9] Accounting Procedures Handbook (APH), effective January 1, 2012 and the APH Frequently Asked Questions December 2010 #6 indicate that Account 1595, Sub-account Principal Balances Approved in 20yy shall be used to record the approved principal account balances on the transfer to Account 1595 and also include the amounts recovered (or refunded) in rates.
[10] Energy+ would have made this type of journal entry for upon approved disposition of Group 1 accounts in rate applications prior to the error such as its 2019 rate application (EB-2018-0028) and 2018 rate application (EB-2017-0030).

past with no issues upon the approved disposition of balances pertaining to transition customers. Therefore, OEB staff is of the view that GrandBridge Energy should be held accountable for its error.

Impact on Prior Customers

OEB staff agrees with GrandBridge Energy that the 2018 and 2019 balances should not be revised. As shown in Table 3 above, customers in Energy+'s 2020 and 2021 rate applications were erroneously credited a total of $451,594. This amount was included in balances approved on a final basis in the respective applications. Therefore, the impacted Energy+'s customers at the time would have reasonably expected the rate riders or amounts charged/refunded to them (including the incorrect amount credited to them) would not change. It would be unfair to these customers if they are charged an additional amount in 2023 to correct for the error, two/three years later.[11]

Impact on Current Customers

As noted above, GrandBridge Energy's proposed correction to the 2021 balances would be at the expense of current customers in its Energy+ rate zone. As shown in Table 4 above, the net impact of the error is a reallocation of amounts among three accounts, where the correction of the error would result in debit principal adjustments totaling $451,494 to Accounts 1589 and 1580, Sub-account CBR Class B, and an offsetting credit principal adjustment to Account 1595 (2018). Though reallocations may result in no net impact, this would not be the case for GrandBridge Energy because the three impacted accounts are disposed to different customer groups.[12]

Another concern is the proposed debit principal adjustments to Account 1589 and Account 1580, Sub-account Class B. If the debit principal adjustments were approved, current customers would be charged the debit principal adjustments even though they did not cause the error and they are not responsible for the 2018 and 2019 balances in which the error pertained to. This concern is particularly relevant for the transition customers that transitioned into Class B in 2021 because they would not have been the same customers that the 2018 and 2019 balances would have been disposed to.

OEB staff also notes that the impact of the debit principal adjustments in Accounts 1589 and 1580, Sub-account CBR Class B would not be immaterial to current customers.

[11] OEB staff is of the view that in practice, if the OEB required GrandBridge Energy to make the correction to 2018/2019 balances, the net impact for the correction pertaining to Class B customers would be that the correction is disposed to GrandBridge Energy's current Class B customers. However, for the correction pertaining to transition customers, GrandBridge Energy would be required to identify the transition customers in the past proceedings and dispose the correction to those transition customers, if they are still existing customers of GrandBridge Energy.

[12] Some of the customers will be the same customers in each of the affected customer groups, and therefore, will not be impacted by the proposed correction.

- There are eleven transition customers identified in this proceeding. As shown in Table 4, the proposed correction would result in those customers being charged an additional total debit amount of $21,490 (or an average of $2,000 per customer) for GA and CBR Class B.
- The proposed correction results in a credit of $0.0038/kWh for the GA rate rider. OEB staff calculates that excluding the proposed correction, the GA rate rider would be a credit of $0.0045/kWh. The proposed correction would result in non-RPP Class B customers being charged an additional debit of $0.007/kWh for GA.
- OEB staff calculates that the proposed correction would result in non-wholesale market participant Class B customers being charged a maximum of an additional debit of $0.0191/kWh, depending on the rate class, for CBR Class B.[13]

OEB staff acknowledges that a similar error was considered in Elexicon Energy Inc.'s (Elexicon Energy) 2023 rate proceeding.[14] In that proceeding, Elexicon Energy proposed to reflect the correction of the error in the 2021 balances instead of the 2019 balances that the error pertained to. The proposed correction resulted in customers in the 2022 rate application being under-charged, including sixteen transition customers being under-charged $8,897, and customers in the 2023 rate application being under-credited, including ten transition customers being under-credited by $5,914. Elexicon Energy was approved to correct the error as proposed and was also approved to refund $5,914 as proposed, to the 10 transition customers that would be under-credited in the 2023 rate application.[15] OEB staff notes that Elexicon Energy's error pertained to balances that were approved on an *interim* basis, while GrandBridge Energy's error pertains to balances that were approved on a final basis. In OEB staff's view, one of the purposes of interim disposition is to allow for potential changes to account balances.[16] Therefore, OEB staff submits that a different treatment for GrandBridge Energy's error is warranted.

<u>Interest in Account 1595 (2018)</u>

OEB staff submits that interest on the error residing in GrandBridge Energy's Account 1595 (2018) should also be denied. As noted in the OEB's Guidance Letter, the OEB

[13] For some rate classes, there would be no difference in the CBR Class B rate rider including and excluding the correction.
[14] EB-2022-0024, Partial Decision and Order, December 8, 2022, pp. 11-12.
[15] There would be no impact to the sixteen transition customers that were under-charged $8,897 in the 2022 rate application.
[16] For example, per the OEB's July 20, 2018 letter *OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts,* the OEB stated that it would not be approving Group 1 rate riders on a final basis pending the development of Accounting Guidance. Disposition may be approved on an interim basis until the OEB finalized the Accounting Guidance. This would allow for changes in account balances to be made after interim disposition. See also *Bell Canada v. Canada (Canadian Radio-Television and Telecommunications Commission),* [1989] 1 S.C.R. 1722, p. 1752.

may not approve associated carrying charges. As a result of GrandBridge Energy's error, a debit amount of $451,594 was erroneously included in the Account 1595 (2018) balance and interest has been calculated on that amount. OEB staff quantifies the interest on the error to be approximately a debit amount of $34,000 from May 1, 2018, to December 31, 2022.[17] In OEB staff's view, GrandBridge Energy should not be able to charge interest for amounts related to its own error. Therefore, OEB staff submits that a debit amount of $34,000 in interest in Account 1595 (2018) pertaining to the error should also be denied.

~All of which is respectfully submitted~

[17] OEB staff notes that GrandBridge Energy has not forecasted interest for 2023, but does not believe that forecasted interest for 2023 will be material. OEB staff calculates 6 months of interest in 2023 to be approximately a debit amount of $8k. Therefore, OEB staff does not take issue with not forecasting 2023 interest. However, if the OEB approves forecasted interest to 2023, OEB staff submits that the portion of the interest relating to Account 1595 (2018) should be denied.