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May 16, 2023

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-2023-0106 Synergy North Corporation  
Application for the Disposal of Accounts 1588 and 1589  
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: Janice Robertson, Manager, Regulatory & Financial Assurance

## **EB-2023-0106**

### **Synergy North Corporation Application to Dispose of Balances in Two Deferral and Variance Accounts Final Submissions of VECC May 17, 2023**

Synergy North Corporation (Synergy North) filed an application with the Ontario Energy Board (OEB) on March 13, 2023, under section 78 of the Ontario Energy Board Act, 1998 seeking approval to dispose of the balances in two deferral and variance accounts: Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment.<sup>1</sup>

On November 15, 2018, the OEB approved the amalgamation of Thunder Bay Hydro Electric Distribution Inc. and Kenora Hydro Electric Corporation Limited and deferred rate rebasing for five years effective January 1, 2019. Synergy North will maintain the two separate rate zones, Thunder Bay and Kenora, until rates are rebased.

In this application, Synergy North is requesting approval to dispose of the balances in Accounts 1588 and 1589 as of December 31, 2021, for the two rate zones. The balance in Account 1588 for the Thunder Bay Rate Zone includes a current year (2021) principal adjustment plus two retroactive adjustments in 2019 and 2020 to correct an error. The balance in Account 1588 for the Kenora Rate Zone includes a current year principal adjustment for the same error.

#### **Background**

Synergy North indicates that in preparing responses to OEB Staff Questions<sup>2</sup> on its 2023 incentive rate-setting mechanism (IRM) application EB-2022-0063, Synergy North discovered an error in billing codes, which had resulted in an underpayment

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<sup>1</sup> Phase 2 Bifurcated from EB-2022-0063

<sup>2</sup> regarding a 1.5% variance in the GA Analysis Working Paper

to the IESO and excess credits accumulating in Account 1588 for both Zones. There is no impact on the Account 1589 balances or settlements for either zone.<sup>3</sup>

Synergy North identified the exact coding error. Synergy North customers in the Price Protected General Service Over 50 kW customer class transitioned from non-interval meters to interval (real time) meters. Billing components within customer accounts differ between non-interval and real time meters. Additional components for real time metering were added to accounts during the transition to real time meters, which included the additions of RTP (real time pricing) and RTN (real time pricing offset) components. The original NSLS (HOEP) and NSOS (HOEP offset) on the non-interval meter components were not removed when the real time meters were implemented. This duplication of components accounts for the error but it did not impact the total amounts charged on any bill to any customer class. Customer bills were correctly calculated.<sup>4</sup>

This difference resulted in underpayments to the IESO, and an overstated credit in Account 1588. The Account 1588 error by year is as follows:<sup>5</sup>

<b>YEAR</b>	<b>KENORA</b>	<b>THUNDER BAY</b>
2021	\$ 136,784	\$ 864,240
2020	\$ 31,084	\$ 442,963
2019	\$ 0	\$ 236,071
2018	\$ 0	\$ 70,446
2017	\$ 0	\$ 33,575
2016	\$ 0	\$ 25,710

Thunder Bay Hydro Electricity Distribution disposed of the Account 1588 balance on a final basis as of December 31, 2015.<sup>6</sup> Errors from 2016 to December 31, 2021 are presented in the above table.

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<sup>3</sup> EB-2022-0063 OEB Staff Follow-up Questions January 31, 2023 Staff 3(a)

<sup>4</sup> Manager's Summary p.6

<sup>5</sup> Ibid.

<sup>6</sup> Cost-of-Service Application EB-2016-0105 for rates in 2017

In application EB-2021-0058, both Thunder Bay and Kenora rate zones had their respective December 31, 2020 balances in Account 1588 disposed of on a final basis.

Synergy North has corrected for this coding error and is proposing two retroactive adjustments to account 1588 balances in the Thunder Bay Rate Zone of \$236,071 in 2019 and \$442,963 in 2020 plus a current year principal adjustment to Account 1588 of \$864,240 (2021 year). Synergy North does not consider errors occurring prior to 2019 in the Thunder Bay Rate Zone to be material and has not included these amounts in its request for retroactive corrections to customers or correction with the IESO.<sup>7</sup>

With respect to the Kenora Rate Zone, Synergy North does not consider the 2020 error of \$31,084 to be material<sup>8</sup> and has not included this amount as a retroactive correction to customers or corrections with the IESO. Synergy North proposes a current year principal adjustment to Account 1588 in the Kenora Zone of \$136,784 (2021 year). Prior to 2020, the Kenora zone did not have Price Protected Over 50 kW class customers with real time metering.

### Retroactive Adjustments

The OEB's October 31, 2019 letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" outlines its approach to addressing accounting or other errors in respect of certain electricity distributor variance accounts through retroactive adjustments that includes Account 1588.

Synergy North explains how it has satisfied the OEB's four factors in the OEB letter 31, 2019 letter, regarding adjustments to correct for errors after disposition.<sup>9</sup>

#### *1. Whether the error was within the control of the distributor.*

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<sup>7</sup> Synergy North's proxy of 2017 distribution revenue requirement was \$25.8 million. Materiality at 0.5% = \$129,000

<sup>8</sup> Ibid.

<sup>9</sup> Manager's Summary p.

While the error was not intentional and not easily identifiable given the small variance, Synergy North acknowledges that the error was within its control.

*2. The frequency with which the distributor has made the same error.*

Synergy North indicates this is the first time it has requested retroactive adjustment due to an error in Account 1588.

*3. Failure to follow guidance provided by the OEB.*

Synergy North indicates is not aware of any guidance from the OEB issued in relation to this issue.

VECC notes on February 21, 2019, the OEB provided extensive accounting guidance for electricity distributors related to Accounts 1588 and 1589 (the commodity pass-through accounts) that included the OEB's GA Workform and the Illustrative Commodity Model.

Synergy North has not met the third factor in the OEB letter. Account 1588 errors originated prior to the OEB's 2019 accounting guidance. However, final dispositions of Account 1588 in 2020 in both rate zones occurred subsequent to the 2019 accounting guidance.

*4. The degree to which other distributors are making similar errors.*

Synergy North refers to the OEB Decision EB-2022-0067 (pages 10-11), wherein the OEB acknowledges that other distributors make similar errors in 1588 given the accounting complexities to calculate the accounting entries.

VECC's Position on Retroactive Adjustment

Synergy North seeks to debit Account 1588 in the Thunder Bay Rate Zone by \$679,034 to correct 2019 and 2020 Principal balances.

The OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case.<sup>10</sup> Although the

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<sup>10</sup> OEB October 31, 2019 Letter p.2

errors in Account 1588 in 2019 and 2020 in the Thunder Bay Rate Zone were discovered after the balance was approved on a final basis, and Synergy North has not met the third factor in the OEB's October 31, 2019 letter, VECC supports Synergy North's retroactive corrections to customers for the reasons discussed below.

The error results in underpayments to the IESO, and an overstated credit in Account 1588. The proposed adjustments are in favour of Synergy North as a denial of the recovery from customers would still require adjusting Account 1588 to the correct balance and any amounts required to be paid to the IESO would be an expense to the LDC.<sup>11</sup> This error is not a repeated error. Synergy North states "The intent is to keep everyone whole, and to ensure ratepayers are charged what they should have been charged."<sup>12</sup> VECC submits the error should be corrected to ensure proper payment is remitted to the IESO.

The 2020 error wasn't detected in the 2022 IRM because the GA Analysis Workform Account 1588 Tab calculated the variance in Account 1588 to be 0.7% of the Power Purchased, which is within the +/-1.0% threshold set out in the OEB's "Instructions for Completing GA Analysis Workform – 2023 Rates". The value of the errors were not material enough to be detected by this check in the 2022 IRM.<sup>13</sup>

Synergy North provided an explanation of how it plans to address its IESO market settlement practices going forward. Synergy North indicates it has added an additional documented process in the monthly true up working paper to verify the general ledger balances used for settlement are correct. Two reports from the billing system are now generated and compared to the general ledger settlement accounts to detect discrepancies: one indicating the gross price protected revenue, and the other the cost of power applicable to that revenue. The net of these reports must match the general ledger accounts used for settlement.<sup>14</sup>

Synergy North has developed a verification and signoff within the monthly IESO settlement procedures to detect any variances between the price protected revenue and cost of power billed to price protected customers, and the amounts

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<sup>11</sup> Staff-1 (b)

<sup>12</sup> Staff-1 (d)

<sup>13</sup> Staff-1 (a)

<sup>14</sup> EB-2022-0063 OEB Staff Follow-up Questions January 31, 2023 Staff 3(c)

posted to the settlement GL accounts. This will detect any errors that would impact the IESO settlement from a similar setup error.<sup>15</sup> The verification process in the monthly IESO settlement has been in place and has not indicated further discrepancies.<sup>16</sup>

Synergy North indicates a denial of its retroactive request would impact both the cash flow and the regulatory ROE of Synergy North. Had this reduction occurred in 2022 it would have accounted for 40% of the utilities' income. The estimated impact of an additional expense of \$679,034 would be a further reduction of the ROE in 2022 to 1.50%.<sup>17</sup>

### Rate Riders/Bill Impacts

In response to Staff-1 (i), Synergy North provided updates to the balances in Accounts 1588 and 1589 proposed for disposition in both rate zones<sup>18</sup>, that includes the corrections for the errors in Account 1588.

Synergy North originally requested for one-year disposition of Accounts 1588 and 1589 for both rate zones, with rate riders effective May 1, 2023 to April 30, 2024. Synergy North now proposes that the riders could begin July 1, 2023, expiring April 30, 2024, given effective dates of the rate riders will be beyond May 1, 2023.<sup>19</sup>

The proposed account balances for disposition and residential rate riders are as follows:

<b>Thunder Bay Rate Zone</b>	<b>Acct Balance</b>	<b>Rate Rider \$/kWh</b>
RSVA 1588-Power	\$603,990	\$0.0009
RSVA 1589-Global Adjustment	-\$1,018,658	-\$0.0050
<b>Kenora Rate Zone</b>		
RSVA 1588-Power	\$67,334	\$0.0009
RSVA 1589-Global Adjustment	-\$108,096	-\$0.0037

<sup>15</sup> VECC-1 (d)

<sup>16</sup> Staff-1 (g)

<sup>17</sup> Staff 1(b)

<sup>18</sup> in part due to updates in carrying charges

<sup>19</sup> Staff-2 (a)

A typical residential customer will be charged a monthly rate rider of \$0.0009/kWh for a 10-month period for Account 1588.

Monthly bill Impacts for residential customers (750 kWh) are as follows:<sup>20</sup>

Bill Impacts	Thunder Bay	Kenora
RSVA 1588-Power (Applied to all customers)	\$0.68	\$0.68
RSVA 1589-Global Adjustment (Applied to Non-RPP only)	-\$3.75	-\$2.78

VECC takes no issue with Synergy North's rate rider proposal.

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<sup>20</sup> Staff-2 (c)