

Ottawa River Power Corporation

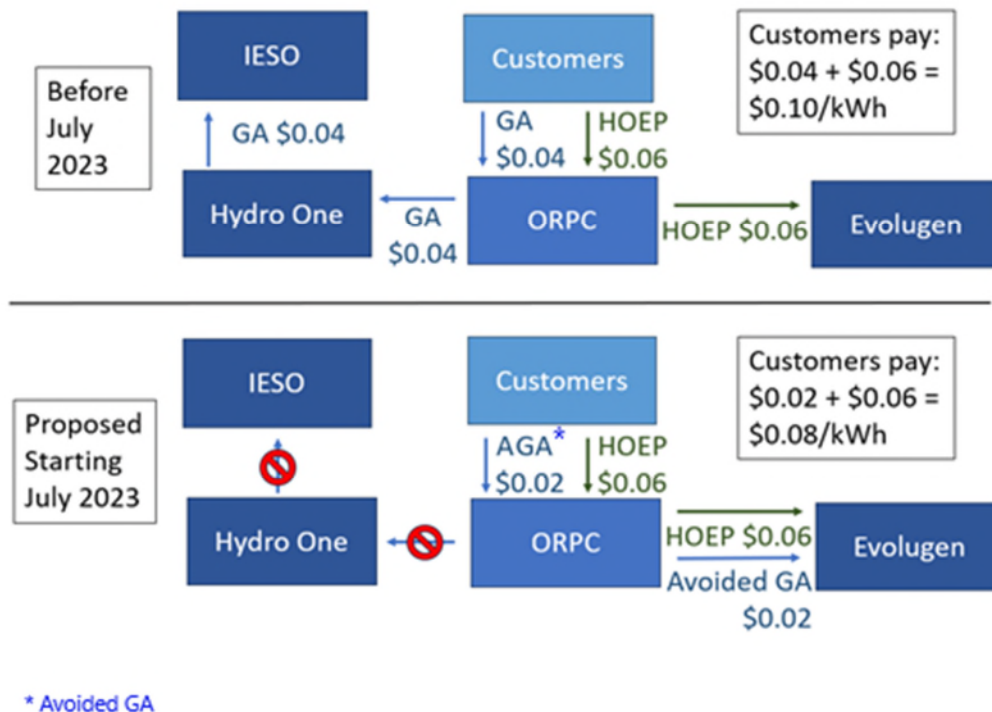
EB-2023-0047

Appendix J - Power Purchased True-Up Rate Proposal

Ottawa River Power Corporation (“ORPC”) receives a portion of its electricity supply from the Waltham Generating Station (“Waltham”) located in the province of Quebec which is owned by Brookfield Renewable Trading and Marketing LP (“Brookfield”) and invoiced by Evolugen Trading and Marketing LP (“Evolugen”). Following an amendment to the Electricity Act, ORPC no longer pays Global Adjustment (“GA”) on these volumes as of July 1, 2023. ORPC’s payments to Evolugen as set out in the power purchase agreement include an Avoided GA component in which ORPC pays to Evolugen 50% of the GA costs avoided by purchasing from Waltham. This Appendix sets out ORPC’s proposed process and rate mechanism to settle energy purchase payments from Evolugen and return net power purchased savings to ratepayers.

An illustrative example of the change for the price of energy purchased from Waltham is provided in Figure 1 below. ORPC is embedded within Hydro One Distribution so it makes GA payments to Hydro One as part of the monthly commodity settlement process.

Figure 1 – Power Purchased True-Up



A key principle underpinning the approach to the process and rate mechanisms is to return any over collected GA amounts to ratepayers as soon as possible and to avoid undue administrative burden. ORPC proposes that the settlement processes between ORPC and customers and between ORPC and Evulugen be considered jointly for the purposes of setting a single rate. Further to this, ORPC proposes for the process and rate mechanism to be implemented through a deferral account that is separate from the 1588 and 1589 RSVA deferral accounts.

It is proposed that the balance (“Power Purchased True-Up”) be recorded in a 1508 Other Regulatory Assets sub-account (1508-Power Purchased True-Up). The balance will include the total avoided GA charges net of the increased cost of purchased power. The Power Purchased True-Up balance will be disposed to customers through the “Power Purchased True-Up” rate.

Power Purchased True-Up Balance

The Power Purchased True-Up balance will be calculated annually in both IRM or COS applications. The Power Purchased True-Up has three components as detailed in the table below.

Component	Component Details	Effective Years
1. Forecast GA Savings	Forecast of avoided GA net of power purchase costs	Each Year beginning 2024
2. Refund of Overcollection	Refund overcollection from July 2023 to April 2024, before Power Purchased True-Up rate is in place	2025 and 2026
3. Variance True-Up	True up of variance between actual Power Purchased True-Up credited to or recovered from customers and actual Power Purchased True-Up balances in the year, plus carrying costs.	2026 and each year thereafter

The Power Purchased True-Up balance to be disposed in each year is the sum of these three components. The Power Purchased True-Up balance will begin as a credit and it is anticipated that it will be a credit balance to customers in most years, however, the Power Purchased True-Up balance may be an amount to be recovered from customers if there is a large variance in a previous year.

The components of the Power Purchased True-Up balance are described in more detail below and a description of how the Power Purchased True-Up rate is calculated based on this balance is described in the next section.

1. Forecast GA Savings

ORPC proposes to forecast GA savings by multiplying the four-year average of historic Waltham purchases by the estimated GA charge provided in the latest available OEB RPP Price Report. A four-year average is used because that is the timeframe Evulugen indicated to ORPC that it uses for generation forecasts. An adjusted forecast may be used if Evulugen informs ORPC of a planned sustained outage in the following year. The RPP Price Report is a report released annually by the OEB that sets out TOU and

tiered rates for RPP customers and includes an estimate of GA charges. The report is released each October and should be available to ORPC each year before it submits its IRM application. Total GA savings will then be multiplied by 50% to account for the increased purchased power cost.

For example, the forecast net GA Savings to include in the Power Purchased True-Up for May 1, 2024 to April 30, 2025 is calculated as the average Waltham volumes from 2018 to 2022 multiplied by the estimated GA charge from the October 2023 RPP Price Report, multiplied by 50%.

2. Refund of Overcollection

The Power Purchased True-Up is proposed to be effective May 1, 2024. From July 1, 2023 to April 30, 2024 ORPC will have collected GA from customers that it did not pay to Hydro One (as ORPC's host distributor). ORPC will track this overcollection, net of increased power purchases, and refund the balance in the first application following the audit of those balances. The balance will accrue carrying charges. ORPC anticipates that it will dispose of July 2023 to December 2023 overcollection in its 2025 IRM as part of the 2025 Power Purchased True-Up and it will dispose of January 2024 to April 2024 overcollection in its 2026 COS as part of the 2026 Power Purchased True-Up.

3. Variances

In the future there will be variances between the forecasted Power Purchased True-Up, actual avoided GA, and funds credited or recovered through the Power Purchased True-Up. ORPC will track actual net GA savings and the amount credited to or recovered from ratepayers on a monthly basis. The variance between these amounts will be included in the Power Purchased True-Up balance so ORPC and its ratepayers are kept whole. May 1, 2024 to December 31, 2024 variances will be audited after the end of the 2024 calendar year, after ORPC's 2025 application is filed, so this balance will be incorporated beginning in 2026.

The forecast Power Purchased True-Up balance in 2025 and 2026 will include overcollected GA from July 2023 to April 2024 so actual Power Purchased True-Up amounts credited in those years will include the actual overcollection. Forecast GA balance variances and overcollection refund variances will be carried forward for future disposition.

ORPC will apply carrying charges at the OEB-prescribed interest rate Account 1508, Other Regulatory Assets, Sub-account - Power Purchased True-up.

Power Purchased True-Up Rate

ORPC proposes to dispose of the Power Purchased True-Up balance on an annual basis. The Power Purchased True-Up rate will be calculated as the Power Purchased True-Up balance for disposition divided by total metered kWh in the most recent year and the rate will be the equivalent for all rate classes. This is analogous to allocating the Power Purchased True-Up balance by metered consumption (the existing "kWh" allocator) in the DVA section of the IRM model. The rate is included for each class in the "19. Additional Rates" tab of the IRM model.

Applying the same Power Purchased True-Up rate to all rate classes avoids potential regulatory burden of tracking and disposing of amounts by rate class. Additionally, average annual GA charges do not differ

materially among rate classes. In a year in which ORPC files a Cost of Service application, the balance will be divided by the load forecast submitted in that proceeding.

A Power Purchased True-Up model prepared is filed as Appendix K. This model provides a template showing how the Power Purchased True-Up balance and rate will be calculated annually as well as an illustrative example of the calculations based on ORPC's recent actual data. The model includes the following sheets:

- **Input Data.** This sheet includes details of Waltham volumes and the total GA associated with Waltham volumes, ORPC customer volumes by month, GA rate forecasts from the RPP reports, and deferral and variance account interest rates.
- **Power Purchased True-Up.** This sheet provides calculations of the forecast Power Purchased True-Up Balance and Power Purchased True-Up rate, actual amounts credited to or recovered from customers, variance calculations, and carrying charge calculations.
- **2023-24 Overcollection.** This sheet provides calculations of the amounts ORPC owes customers for the period before the Power Purchased True-Up rate is in place, and carrying charge calculations. The outputs of this sheet are embedded in the 'Power Purchased True-Up' sheet.
- **Alternate Historic PP True-Up.** This sheet is a version of the 'Power Purchased True-Up' sheet which calculates the Power Purchased True-Up in an alternate scenario in which the change in legislation that became effective July 1, 2023 was effective as of 2019. ORPC's actual 2017 to 2023 data is used to demonstrate the proposed methodology to derive the Power Purchased True-Up balance and rate, along with variances and carrying charges. Calculations are shown for each year using information that would have been available at the time of the corresponding year's rate application.
- **Alt. Historic Summary.** This sheet provides a summary of the outputs of the 'Alternate Historic PP True-Up' tab.

The Power Purchased True-Up sheet (and Alternate Historic sheet) first calculates the Power Purchased True-Up balance based on forecast net GA savings, variance disposition of previous years, and, if applicable, the disposition of the 2023-24 overcollection. The Power Purchased True-Up rate for the rate year (May to April) is calculated by dividing the Power Purchased True-Up balance by actual customer volumes (kWh) in the most recent year.

On a monthly basis, the rate is multiplied by actual customer volumes to calculate the monthly amount credited to or recovered from customers. Actual net GA savings are calculated and evaluated against actual amounts credited to or recovered from customers. In years when there is a disposition of the 2023-24 overcollection or other variances, the Power Purchased True-Up rate will include that disposition so amounts credited to or recovered from customers are evaluated against actual net GA savings plus the disposed balances. The cumulative monthly variance is then calculated and carrying charges are applied to that balance.

Accounting Treatment

ORPC pays Hydro One for GA and records the amount in USofA account 4707 "Charges – Global Adjustment". Electricity charges paid to Hydro One and generators are recorded in USofA account 4705 "Power Purchased". Electricity charges from Evolgen are recorded in Account 4705 and the additional

component of the calculation related to their portion (50%) of the GA savings is also recorded in Account 4705 as it forms part of the electricity charge.

ORPC currently records GA and energy charges to non-RPP customers in USofA Accounts 4015, 4025, 4030 and 4035 based on the customer category. For RPP customers, the customer energy charges are recorded in USofA Accounts 4006 and 4010. ORPC proposes that the customer portion of the GA savings (100%) be recorded by a debit to Accounts 4006, 4010, 4015, 4025, 4030 and 4035 to offset the cost of power and GA charges collected and a credit to USofA Account 1508 "Other Regulatory Assets" sub-account Power Purchased True-Up.

ORPC also proposes the introduction of a USofA 1508 "Other Regulatory Assets", sub-account Power Purchased True-Up, Carrying Charges to be calculated on a monthly basis on any balance held, debit or credit, within the USofA 1508 Other Regulatory Assets", sub-account Power Purchased True-Up and the offsetting entry be recorded in USofA Account 4405 or 6035 depending on whether it's a utility expense or revenue.

The current true-up process between RPP and non-RPP customers will remain in place with the GA charges paid to Hydro One being split being between GA and cost of power accounts based on the proportion of usage between RPP and non-RPP customers. This entry is recorded on a monthly basis and associated net changes are included in accounts 1588 and 1589 along with associated carrying charges.

Below are illustrative examples of the proposed accounting treatment:

Illustrative Accounting Entries					
Purchased Power True-Up for GA Savings from (effective May, 1 2024)					
Date	Account		Debit	Credit	Entry #
15-Jun-24 (for May 2024) (a)					1
	4705	Power Purchased	55,000	-	
	2205	Accounts Payable	-	55,000	
	- to give Brookfield 50% of actual GA savings				
15-Jun-24 (for May 2024) (a)					2
	4006/4010/4015/4025/4030/4035	Energy Sales - GA sub-accounts	110,000	-	
	1508	Other Regulatory Assets/Liabilities - PPTA	-	110,000	
	- to give ORPC customers 100% of actual GA savings				
15-Jun-24 (for May 2024) (a)					3
	1508	Other Regulatory Assets/Liabilities - PPTA	55,000	-	
	4705	Power Purchased	-	55,000	
	- to transfer additional Cost of Power to Account 1508				
14-Jul-24 (for May 2024) (b)					4
	1508	Other Regulatory Assets/Liabilities - PPTA	50,000	-	
	1100	Accounts Receivable	-	50,000	
	- to record the GA credit given to customers based on the Power Purchased True-Up rate				
14-Jul-24 (for May 2024) (c)					5
	4405 or 6035	Interest Income or Other Interest Expense	20	-	
	1508	Other Regulatory Assets/Liabilities - PPTA - Carrying Charges	-	20	
	- to record the carrying charges on remaining balance in the Power Purchased True-Up account				
(a)	Entry based on IESO actual GA results				
(b)	Entry based on actual finalized ORPC billing data				
(c)	Entry based on OEB prescribed interest rate				

Power Purchased True-Up Summary

A summary of the calculations of each component of the Power Purchased True-Up balance and a prospective schedule for what is included in the Power Purchased True-Up each year is provided below. The total Power Purchased True-Up balance in each year is the sum of the balances of the three components.

Application	2024 IRM			2025 IRM			2026 COS		
Rate Period	May 2024 - April 2025			May 2025 - April 2026			May 2026 - April 2027		
Forecast net GA Savings	Average Waltham volumes (2019-2022)	X	GA Charge from October 2024 RPP Price Report X 50%	Average Waltham volumes (2020-2023)	X	GA Charge from October 2025 RPP Price Report X 50%	Average Waltham volumes (2021-2024)	X	GA Charge from October 2026 RPP Price Report X 50%
Refund of Overcollection				Actual GA overcollection from July 1, 2023 to December 31, 2023 (Plus carrying costs) X 50%			Actual GA overcollection from January 1, 2024 to April 30, 2024 (Plus carrying costs) X 50%		
Variance True-Up							Actual amount remitted to ratepayers in May 2024 - Dec 2024 - (Actual Avoided GA in May 2024 – Dec 2024 X 50%)		

Application	2027 IRM				2028 IRM			
Rate Period	May 2027 - April 2028				May 2028 - April 2029			
Forecast net GA Savings	Average Waltham volumes (2022-2025)	X	GA Charge from October 2027 RPP Price Report	X 50%	Average Waltham volumes (2023-2026)	X	GA Charge from October 2028 RPP Price Report	X 50%
Refund of Overcollection								
Variance True-Up	Actual amount remitted to ratepayers in Jan to Dec 2025	-	(Actual Avoided GA in Jan to Dec 2025 X 50%)	+/- 2024 Variance	Actual amount remitted to ratepayers in Jan to Dec 2026	-	(Actual Avoided GA in Jan to Dec 2026 X 50%)	+/- 2025 Variance