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BY EMAIL

March 05, 2024

Ms. 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
ERTH Power Corporation
Application for 2024 Electricity Distribution Rates
OEB File Number: EB-2023-0019**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 3. ERTH Power Corporation has been copied on this filing.

Yours truly,

Original Signed By

Serena Jia
Advisor

Encl.

cc: All parties in EB-2023-0019



ONTARIO ENERGY BOARD

OEB Staff Submission

ERTH Power Corporation

2024 Electricity Distribution Rate Application

EB-2023-0019

March 05, 2024

Introduction

ERTH Power Corporation (ERTH Power) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on November 3, 2023, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective May 1, 2024.

Consistent with the Chapter 3 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications*, ERTH Power applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting year. The stretch factor assigned to ERTH Power is 0.3%¹, resulting in a rate increase of 4.5%² based on the Price Cap adjustment formula³. OEB staff has no concerns with ERTH Power's proposed price cap adjustment.

Retail Transmission Service Rates (RTSRs) were also updated in the Rate Generator model, based on final Uniform Transmission Rates (UTRs⁴) and proposed Sub-transmission rates, to recover the wholesale transmission rates charged by the Independent Electricity System Operator (IESO) and host distributor, Hydro One Networks Inc. (Hydro One). ERTH Power has reviewed and confirmed the Rate Generator model and shown no concerns with the adjustments to its RTSRs and UTRs.

OEB staff has updated the Rural or Remote Electricity Rate Protection (RRRP) charge, Time-of-Use (TOU) pricing, and Ontario Energy Rebate (OER) in the Rate Generator model. ERTH Power has reviewed and confirmed the accuracy of the updates.

¹ Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2022 Benchmarking Update”, prepared by Pacific Economics Group LLC., July 2023

² 4.50% = inflation factor 4.80% - (productivity factor 0.00% + stretch factor 0.30%)

³ Chapter 3 Filing Requirements, section 3.2.1

⁴ Decision and Rate Order, 2024 Uniform Transmission Rates, EB-2023-0222, January 18, 2024

OEB Staff Submission

In this document, OEB staff makes detailed submissions on the following:

- Group 1 Deferral and Variance Accounts (DVAs) with respect to Accounts 1588 and 1589 for each rate zone
- Retroactive Adjustments to an Error in the 2023 GA Rate Riders for the Main rate zone

Group 1 Deferral and Variance Accounts (DVAs)

Main Rate Zone

Background

ERTH Power is requesting the disposition of its December 31, 2022, Group 1 Deferral and Variance Accounts (DVAs) in the amount of \$3,808,606 on a final basis over a 24-month period for the Main rate zone except for Accounts 1588 and 1589 (a 12-month disposition period for Accounts 1588 and 1589) to mitigate potential bill impacts⁵. This includes interest projected to April 30, 2024. The total Group 1 account balances exceed the OEB's \$0.001/kWh threshold for disposition.

The OEB most recently approved the disposition of ERTH Power's Group 1 account balances on a final basis, as of December 31, 2021, as part of its 2023 IRM rates proceeding.

ERTH Power's disposition request for the Main rate zone's Group 1 DVAs includes the disposition request for Account 1588 of its December 31, 2022, principal balance of \$1,432,699 plus total carrying charges to April 30, 2024, of (\$35,073). The Account 1589 request includes its December 31, 2022, principal balance of \$115,971 plus total carrying charges to April 30, 2024, of \$79,845.

In the Manager's Summary⁶, ERTH Power confirmed that the 2022 balances reported under section 2.1.7 of the OEB's *Reporting and Record Keeping Requirements* (RRR) were reported on a consolidated basis for the Main and Goderich rate zones. ERTH Power stated that the total difference between the RRR section 2.1.7 values and the Continuity Schedules of the two rate zones for Account 1588 was comprised of the following adjustments in the Main rate zone:

- Current year principal adjustment:
The true-up of Global Adjustment (GA) between RPP and Non-RPP recorded in 2023 for a credit amount of \$148,816.

⁵ Manager's Summary, Page 15

⁶ Manager's Summary, Page 5-6

- Prior year principal adjustments:
 - i. The RPP settlement true-up adjustments based on actuals for 2018 to 2020 (totaled to a credit amount of \$2,462,982) and received the amounts from the IESO in 2022.
 - ii. The RPP settlement true-up adjustments based on actuals for 2021 (totaled to a credit amount of \$1,106,860) and received the amounts from the IESO in 2022

In its reply to an OEB staff interrogatory⁷, ERTH Power acknowledged the prior principal adjustment for the RPP settlement true-up based on actuals for 2018 to 2020 was included in the last approved Account 1588 balances as part of its 2023 IRM proceeding. ERTH Power stated that this principal adjustment should be reversed in the current application because the actual transactions were settled with the IESO in 2022 and hence recorded in the 2022 general ledger. ERTH Power stated that the 2024 GA Analysis Workform and the 2024 IRM Rate Generator Model were corrected for Account 1588 to reflect the reversal.

Additionally, ERTH Power stated that the total difference of \$2,403,204 in Account 1589 compared to the 2022 RRR section 2.1.7 balance is comprised of the following:

- Current year principal adjustment:
 - i. Main rate zone's true-up of GA between RPP and Non-RPP for a debit amount of \$148,816
 - ii. The reversal of Goderich rate zone's true-up of GA between RPP and Non-RPP for a debit amount of \$47,055.⁸
- Prior year principal adjustments:
Main rate zone's true-up of GA between RPP and Non-RPP for a debit amount of \$2,207,333

In its response to an OEB staff's interrogatory enquiring about the variances between the DVA balances and RRR balance⁹, ERTH Power provided an updated GA Workform and 2024 IRM Rate Generator Models. OEB staff notes that ERTH Power has changed the 2022 transaction debits/credits and the 2022 principal adjustments in Account 1588 and Account 1589 for both rate zones. OEB staff has compiled the changes in Table 1 and Table 2 for the Main rate zone below:

⁷ IR response to Staff – 7, February 20, 2024

⁸ IR response to Staff – 8, February 20, 2024

⁹ IR response to Staff – 7, February 20, 2024

Table 1: ERTH Power – Main Rate Zone’s Account 1588 – Changes in the DVA continuity schedules

ERTH Power – Main Rate Zone – Account 1588			
2022 Transaction Debit/Credit – as filed in the Application		2022 Principal Adjustments	
As Filed in the Application	Updated after the Response to Interrogatories	As Filed in the Application	Updated after the Response to Interrogatories
\$436,308	\$(963,233)	\$(537,078)	\$2,395,932

Table 2: ERTH Power – Main Rate Zone’s Account 1589 – Changes in the DVA continuity schedules

ERTH Power – Main Rate Zone – Account 1589			
2022 Transaction Debit/Credit – as filed in the Application		2022 Principal Adjustments	
As Filed in the Application	Updated after the Response to Interrogatories	As Filed in the Application	Updated after the Response to Interrogatories
\$218,681	\$193,250	\$(148,816)	(\$77,279)

As a result of the updates, ERTH Power’s Main rate zone claim for Account 1588 has changed from a credit amount of \$128,915 to a debit amount of \$1,397,626, and the claim for Account 1589 has changed from a debit amount of \$838,210 to a debit amount of \$195,816. ERTH Power did not provide an explanation for these changes in the 2022 transaction debits/credits and 2022 principal adjustments for accounts 1588 and 1589 respectively.

Submission

OEB staff has reviewed the 2022 Group 1 DVA balances and the supporting evidence substantiating these balances. OEB staff submits that ERTH Power’s requested disposition of its December 31, 2022, Group 1 DVAs for the Main rate zone should be granted on an interim basis (with the exception of the balances in Accounts 1588 and 1589) due to the potential for an error(s) with Account 1580 and Account 1580 CBR for both rate zones. Please refer to the submission in the ‘Retroactive Adjustments to an Error in the 2023 GA Rate Riders for the Main rate zone’ section for details. Additionally, OEB staff further submits that the disposition for Accounts 1588 and 1589 should be

denied due to the concerns addressed in the section below.

The total Group 1 DVA balance as of December 31, 2022, excluding Accounts 1588 and 1589, is a debit amount of \$2,215,164, including interest projected to April 30, 2024. OEB staff has no concern about the 24-month disposition period as the proposed disposition period mitigates potential bill impacts on ERTH Power's Large Use and Embedded distributor classes.

Account 1588 and Account 1589

OEB staff does not support ERTH Power's disposition request for the Main rate zone's Account 1588 and Account 1589 balances because:

1. ERTH Power did not provide a sufficient and consistent explanation for the revised evidence including the updated principal adjustments for Accounts 1588 and 1589
2. Unexplained discrepancies persist between the 2022 balances reported in the 2024 continuity schedule and the 2022 RRR section 2.1.7 filing after the updates; and
3. The reasonability test for Account 1588 is not met but ERTH Power did not provide explanations.

OEB staff submits that ERTH Power should review the 2022 transactions and principal adjustments in detail for Accounts 1588 and 1589 for the Main rate zone and bring the results of the review in its next rate application with an updated request for disposition.

Insufficient and Inconsistent Explanation Provided

As noted in Table 1 and Table 2 above, ERTH Power updated the 2022 DVA continuity schedules and GA analysis workforms for both accounts 1588 and 1589, in response to the OEB staff interrogatory. However, ERTH Power did not provide sufficient evidence for the revised figures. Specifically, ERTH Power did not provide any explanation for the revised figures for the 2022 transaction debits and credits on the continuity schedules for both accounts. This raises a concern because the transactions in the year should not be updated without an explanation, as the transaction debits or credits are expected to match what had been recorded in the general ledger for the year.

In addition, ERTH Power did not provide a sufficient explanation of the updated 2022 principal adjustments for both accounts: Account 1588's 2022 principal adjustment has significantly changed from a credit amount of \$537,078 to a debit amount of \$2,395,932. OEB staff notes that the \$2,395,932 principal adjustment in Account 1588 is comprised of one reversal of the 2021 principal adjustment related to the RPP settlement true-up (but not the 2021 principal adjustment related to the total global adjustment), the reversal of the 2017 to 2020 principal adjustments, and the 2022 current year's two principal adjustments. In its response to an OEB staff interrogatory, ERTH Power indicates that the reversal of the true-up is based on actuals for 2018-2021 that were

received in 2022 was not included in the principal adjustments. This was because the true-up was not included in the transactions for 2022. This statement is contrary to what ERTH has done in the revised DVA continuity schedule for Account 1588 as the 2022 principal adjustment of \$2,395,932 includes the reversal of all prior years' principal adjustments except for the CT148 true-up adjustment in 2021.

Unexplained Variances with RRR section 2.1.7 on a Consolidated Basis

Page 11 of the Chapter 3 Filing Requirements states that:

Distributors must provide an explanation when the Group 1 account balances presented on the Tab 3 – Continuity Schedule of the Rate Generator model differ from the account balances in the trial balance as reported through the RRR (which have been pre-populated in the Tab 3 – Continuity Schedule of the Rate Generator model).¹⁰

In its response to an OEB staff interrogatory¹¹, ERTH Power provided an updated GA Workform and 2024 IRM Rate Generator Model. OEB staff notes that further adjustments were made to Account 1588 and Account 1589 for the 2022 transaction amount and the 2022 principal adjustments.

Incorporating these adjustments, OEB staff has compiled a reconciliation table (Table 3 and Table 4) below to compare the Account 1588 and Account 1589 balances on the two rate zones' continuity schedules and the consolidated balance reported in RRR 2.1.7:

Table 3: Account 1588 2022 Balance – Comparison Between DVA Continuity Schedules and RRR 2.1.7

Account 1588	Main Rate Zone (\$)	Goderich Rate Zone (\$)	Consolidated Total (\$)
Continuity Schedule 2022 balance (Cell BG28+ Cell BL28 on Tab 3, IRM Rate Generator Model)	2,104,474	(136,015)	1,968,459
Less: principal adjustments recorded in the 2023 General Ledger as reported in the GA Analysis Workform			
CT 148 true-up of GA charges based on actual Non-RPP volumes	77,279	-	77,279
CT 1142/142 true-up based on actuals	543,187	-	543,187
Adjusted 2022 Continuity Schedule balance	1,484,008	(136,015)	1,347,993
2.1.7 RRR balance			(917,495)
Variance			(2,265,488)

¹⁰ Chapter 3 Filing Requirements for Electricity Distributor, June 15, 2023

¹¹ IR response to Staff – 7, February 20, 2024

Table 4: Account 1589 2022 Balance – Comparison Between DVA Continuity Schedules and RRR 2.1.7

Account 1589	Main Rate Zone (\$)	Goderich Rate Zone (\$)	Consolidated Total (\$)
Continuity Schedule 2022 balance (Cell BG29+ Cell BL29 on Tab 3, IRM Rate Generator Model)	1,442,020	39,722	1,481,742
Less: principal adjustments recorded in the 2023 General Ledger as reported in the GA Analysis Workform			
CT 148 true-up of GA charges based on actual Non-RPP volumes	(148,816)	-	(148,816)
Adjusted 2022 Continuity Schedule balance	1,590,836	39,722	1,630,558
2.1.7 RRR balance			3,843,491
Variance			2,212,933

As noted in the tables above, excluding the 2022 principal adjustments that were recorded in 2023, there are still large variances between ERTH Power's continuity schedule balances for Account 1588 and Account 1589 for both rate zones and the consolidated balances reported under RRR section 2.1.7.

ERTH Power has not provided an explanation for these variances. In addition, these large variances cannot be explained by the original - as-filed - explanation provided by ERTH Power because the variance amounts have materially changed for both accounts.

Account 1588 Reasonability Test Not Met without Explanation

OEB staff notes that Account 1588 is generally not expected to have a large annual balance, as it should represent the difference between actual and approved line losses. However, Account 1588 did not meet the 1% reasonability test as per the revised GA analysis workform of the Main rate zone: the Account 1588 balance for the Main rate zone represents 4% of the 2022 balance in Account 4705 – Power Purchased. ERTH Power did not provide any explanation for why the reasonability test is not met.

OEB staff is concerned about the accuracy of the Account 1588 balance due to potential issues related to prior principal adjustments included in the 2022 opening balance, unexplained significant variance with the 2.1.7 RRR balance, and failure to meet the reasonability test.

Goderich Rate Zone

Background

ERTH Power is requesting the disposition of its December 31, 2022, Group 1 DVAs in the amount of \$224,522 on a final basis over a 24-month period for the Goderich rate

zone except for Accounts 1588 and 1589 (a 12-month disposition period for Accounts 1588 and 1589). This includes interest projected to April 30, 2024. The Group 1 account balances exceed the OEB's \$0.001/kWh threshold for disposition.

The OEB most recently approved the disposition of ERTH Power's Group 1 account balances for the Goderich rate zone on a final basis, as of December 31, 2021, as part of its 2023 rates proceeding.

ERTH Power's disposition request for the Goderich rate zone, as per the DVA continuity schedule, includes its December 31, 2022, principal balance of (\$139,989) for Account 1588 and for Account 1589 a principal balance of \$38,399, plus a total carrying charge projected to April 30, 2024, of \$5,511.

In its response to an OEB staff interrogatory enquiring about the variances between the DVA balances and RRR balance¹², ERTH Power provided an updated GA Workform and 2024 IRM Rate Generator Models. As noted above, ERTH Power has changed the 2022 transaction debits/credits and the 2022 principal adjustments in Account 1588 and Account 1589 for both rate zones. OEB staff has compiled the changes in Table 5 and Table 6 for the Goderich rate zone below:

Table 5: ERTH Power – Goderich Rate Zone's Account 1588 – Changes in the DVA continuity schedules

ERTH Power – Goderich Rate Zone – Account 1588			
2022 Transaction Debit/Credit – as filed in the Application		2022 Principal Adjustments	
As Filed in the Application	Updated after the Response to Interrogatories	As Filed in the Application	Updated after the Response to Interrogatories
\$(33,599)	\$(154,767)	\$(15,769)	\$(47,055)

Table 6: ERTH Power – Goderich Rate Zone's Account 1589 – Changes in the DVA continuity schedules

ERTH Power – Goderich Rate Zone – Account 1589			
2022 Transaction Debit/Credit – as filed in the Application		2022 Principal Adjustments	
As Filed in the Application	Updated after the Response to Interrogatories	As Filed in the Application	Updated after the Response to Interrogatories

¹² IR response to Staff – 7, February 20, 2024

(\$27,100)	\$63,180	\$15,769	\$47,055
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As a result of the updates, ERTH Power's Goderich rate zone claim for Account 1588 has changed from (\$49,316) to \$(201,770) and the claim for Account 1589 has changed from (\$1,039) to (\$10,666). ERTH Power did not provide sufficient explanation for these changes in the 2022 transaction debits/credits and 2022 principal adjustments for accounts 1588 and 1589 respectively.

Submission

OEB staff has reviewed the 2022 Group 1 DVA balances and the supporting evidence substantiating these balances. OEB staff submits that ERTH Power's requested disposition of its December 31, 2022, Group 1 DVAs for the Goderich rate zone should be granted on an interim basis (with the exception of the balances in Accounts 1588 and 1589), due to the potential error(s) with Account 1580 and Account 1580 CBR for both rate zones. Please refer to the submission in the 'Retroactive Adjustments to an Error in the 2023 GA Rate Riders for the Main rate zone' section for details. Additionally, OEB staff further submit that the disposition for Accounts 1588 and 1589 should be denied given the concerns as addressed in the section below. The total Group 1 DVA balance as of December 31, 2022, excluding Accounts 1588 and 1589, is a debit amount of \$436,958, including interest projected to April 30, 2024.

OEB staff does not support the disposition of the Goderich rate zone's Accounts 1588 and 1589 balances because:

1. ERTH Power did not provide a sufficient and consistent explanation for the revised evidence including the updated principal adjustments for Accounts 1588 and 1589;
2. Unexplained variances persist between the 2022 balances reported in the 2024 continuity schedule the 2022 RRR section 2.1.7 filing after the updates; and
3. The reasonability test for Account 1588 is not met but ERTH Power did not provide explanations.

OEB staff submits that ERTH Power should review the 2022 transactions and principal adjustments in detail for Accounts 1588 and 1589 for the Goderich rate zone and present the results of the review in its next rate application with an updated request for disposition.

Insufficient and Inconsistent Explanation Provided

As noted in Table 5 and Table 6, ERTH Power updated the 2022 DVA continuity schedules and GA analysis workforms for both accounts 1588 and 1589, in response to the OEB staff interrogatory. However, ERTH Power did not provide sufficient evidence for the revised figures. Specifically, ERTH Power did not provide any explanation for the revised figures for the 2022 transaction debits and credits on the continuity schedules

for both accounts. This raises a concern because the transactions in the year should not be updated without an explanation as the transaction debits or credits are expected to match what had been recorded in the general ledger for the year.

In addition, ERTH Power did not provide sufficient explanation of the updated 2022 principal adjustments for both accounts: Account 1588's 2022 principal adjustment has significantly changed from a credit amount of \$15,769 to a credit amount of \$47,055 while the 2022 principal adjustment for Account 1589 has changed from a debit amount of 15,769 to a debit amount of 47,055.

Unexplained Variances with RRR 2.1.7 on a Consolidated Base

Please refer to the submission in the Main rate zone for details.

Account 1588 Reasonability Test Not Met without Explanation

OEB staff notes that Account 1588 is not expected to have a significant annual balance, as the balance in the account should represent the difference between actual and approved line losses. However, as per the revised GA analysis workform for the Goderich rate zone, the Account 1588 2022 balance does not meet the 1% reasonability test because the Account 1588 balance represents -3.4% of the 2022 balance in Account 4705 – Power Purchased. ERTH Power did not provide any explanation for why the reasonability test was not met.

Retroactive Adjustments to an Error in the 2023 GA Rate Riders

Background

In this application, ERTH Power stated that the two-year GA rate rider approved in its 2023 IRM application for the Main rate zone contained a calculation error, where the kWh for Class A customers were included in the Tab of the billing determinants in the 2023 IRM rate generator. This error resulted in the overstatement of the billing determinants because the Class A customers' consumption was not deducted; and the understatement of 2023 GA rate riders. As a result, ERTH Power would not be able to fully collect the approved disposed GA amounts through the 2023 GA rate riders. ERTH Power proposed to recover the uncollected 2023 GA rate rider balance of \$745,923 by keeping the uncollected balances in Account 1589 and recovering the amount with the 2024 GA rate riders.¹³

In its response to the interrogatories¹⁴, ERTH Power confirmed there would be no downside associated with the proposed approach to recover the remaining 2023 GA debit amount of \$745,923 through Account 1589, along with the 2024 GA balance.

¹³ Manager's Summary, Page 15-16

¹⁴ IR response to Staff – 5, January 29, 2024

However, ERTH Power did not provide the updated 2024 IRM Rate Generator Model as requested by OEB staff to reflect the retroactive adjustment in Account 1595 sub-account 2023 as a principal adjustment. Alternatively, ERTH Power noted that the 2024 Rate Generator Model was revised to incorporate a principal adjustment of \$745,923 in Account 1589 for 2022, reflecting the under-recovered amounts for the years 2023 and 2024. ERTH Power stated that this approach would allow for the recovery of Account 1589 balances approved in the 2023 IRM via 1589 riders, on the timeline originally contemplated in the 2023 IRM Decision.¹⁵

ERTH Power noted the error resulted in an under-recovery which impacted its cash flow and consequently affected the utility's overall financial health. ERTH Power further confirmed that its proposed disposal of the adjustment over the same timeline as the 2023 GA rate rider (the remaining one year of the 2023 GA rate rider) would mitigate any intergenerational equity impacts of this error.

ERTH Power provided its comments regarding rate retroactivity issues and the four factors outlined in the OEB Letter issued in October 2019 regarding rate retroactivity.¹⁶ Those comments may be summarized as:

- It was within ERTH Power's control to record the billing determinants. However, the entry error was not discovered during the 2023 IRM proceeding
- It was the first occurrence of this error for ERTH Power
- It was inadvertent and not due to a failure to follow OEB guidance
- ERTH Power was not aware of any recent instance in which other distributors made similar errors

In the revised 2024 IRM Rate Generator Model¹⁷, ERTH Power reported three Class A customers for the full year during the period the Account 1589 GA or Account 1580 Capacity Based Recovery (CBR) Class B Balance accumulated in 2022 and 2021, with no transition of any customers between Class A and Class B. However, in the 2023 IRM proceeding, ERTH Power reported zero Class A consumption data in 2021 to exclude from the calculation of the CBR Class B rate rider for both rate zones.

Furthermore, as part of its response to the interrogatories¹⁸, ERTH Power acknowledged a reporting error identified in the 2021 measured Class A consumption data for the Main rate zone, which was also found in the Goderich rate zone. ERTH Power stated that the Class A consumption data for 2021 and 2022 were updated in the 2024 IRM model for the Goderich rate zone to reflect measured consumption.

¹⁵ *ibid*

¹⁶ Letter re: Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition (October 31, 2019) ([OEB Guidance Letter](#)).

¹⁷ 2024 Goderich IRM Rate Generator Model, February 20, 2024

¹⁸ IR response to Staff – 5, January 29, 2024

Submission**2023 GA Rate Rider Error for the Main Rate Zone**

OEB staff does not take any issue with the quantification of the error for \$745,923 in the 2023 GA rate riders for the main rate zone.

In its October, 2019 guidance letter, the OEB stated (in part):

Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB
- the degree to which other distributors are making similar errors

Consistent with the OEB's past practice, an asymmetrical approach to the correction of the error may be appropriate. For example, if a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve part or all of the correction and of any associated carrying charges.

The OEB expects electricity distributors to disclose errors that have been discovered in their accounting records and to record correcting adjustments to the affected accounts in the year in which the error is discovered. The OEB also expects electricity distributors to bring these correcting adjustments to the attention of the OEB for consideration as part of the distributor's next rate application.

In this case, ERTH Power acknowledged that the error was within its control, but confirmed that it was the first time that it had made an error of this kind. OEB staff also notes that ERTH Power has committed to improving its application review process. In these circumstances, OEB staff can support ERTH Power's request for a retroactive adjustment.

OEB staff notes the under-recovery amount of \$745,923 is significant compared to the materiality threshold of \$50,000 based on its last approved distribution revenue requirement in the 2012 cost of service application.¹⁹ If left unadjusted, the under-

¹⁹ EB-2012-0121, Decision and Order, November 29, 2012

recovery would have a negative impact on ERTH Power's cash flow in 2024. Furthermore, the OEB staff acknowledges that approval of the proposed adjusted 2024 GA rate riders, with a one-year disposition period in line with the second year of the two-year disposition period approved for the 2023 GA rate riders, would effectively mitigate the risk of intergenerational inequity. This is because the 2024 adjustment impacts the same group of customers who are currently paying for the 2023 GA rate riders. However, for the reasons discussed in the following paragraphs, OEB staff is proposing a different approach to the recovery of this amount.

Considering the material impact of the error to ERTH Power's cash flow and that the avoidance of issues related to intergenerational inequity through the disposition of the adjustment in this proceeding, OEB staff does not take issue with the disposal of the unrecovered 2023 GA amount of \$745,923 in this application. However, OEB staff does not agree with ERTH Power's proposed method of recovering the amount along with the 2024 GA rate riders mainly because OEB staff does not support the disposition of Account 1589 GA in this rate application and hence there will be no 2024 GA rate riders if the OEB accepts OEB staff's submission.

OEB staff is of the view that ERTH Power should propose a supplemental set of 2023 GA rate riders for the Main rate zone in its reply submission. The collection of the supplemental 2023 GA rate riders would draw down the approved 2023 GA balance that should have already been transferred to Account 1595 sub-account 2023. As with the approach proposed by ERTH, OEB staff submits that its supplemental rate rider approach would not create a generational inequity issue, because the supplemental amounts would be collected during the second year of the original 2023 GA rate rider recovery period from the same group of customers.

2023 Potential GA Rate Rider Error for the Goderich Rate Zone

OEB staff notes that ERTH Power reported zero Class A customers for the Goderich rate zone in the 2023 IRM application²⁰, resulting in no deduction of the 2021 Class A consumption in the calculation of the GA rate rider. OEB staff is of the view that the 2023 GA rate rider for the Goderich rate zone may require a similar retroactive adjustment to exclude the 2021 Class A consumption as reported in the 2024 IRM Goderich Rate Generator Model. OEB staff submits that ERTH Power should, in its reply submission, provide the implication of the reporting error identified in the 2021 measured Class A consumption in the 2023 Goderich rate generation model and propose the adjustments if applicable.

2023 Potential Error for Account 1580 and Account 1580 CBR for Both Rate Zones

According to the instructions provided in the OEB's 2023 IRM Rate Generator Model, the Class A consumption data should be excluded from the CBR Class B rate rider in

²⁰ EB-2022-0029, Decision and Rate Order, 2023 Goderich IRM Rate Generator Model, March 23, 2023

Tab 6.2 of the rate generation model. This instruction is in accordance with the OEB's CBR accounting guidance²¹. OEB staff is concerned that a similar error was made in the calculation for the 2023 CBR rate rider for both rate zones. In light of the concern, OEB staff submits that ERTH Power's requested disposition of its December 31, 2022, Group 1 DVAs for both rate zones should be on an interim basis. Furthermore, OEB staff submits that ERTH Power should, in its reply submission, investigate this potential error for both rate zones, provide the implication of the potential error identified, and propose adjustments if applicable.

~All of which is respectfully submitted~

²¹ OEB Guidance on Wholesale Market Services Accounting for Capacity Based Demand Response (CBDR) and new IESO Charge Type 9920, March 29, 2016