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**BY EMAIL**

March 15, 2024

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Ottawa River Power Corporation  
2024 Electricity Distribution Rates Application  
OEB File Number: EB-2023-0047**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

*Original Signed By*

Urooj Iqbal  
Advisor, Incentive Rate Setting Mechanism

Encl.

cc: All parties in EB-2023-0047



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Ottawa River Power Corporation**

**2024 Electricity Distribution Rates Application**

**EB-2023-0047**

**March 15, 2024**

## Introduction

Ottawa River Power Corporation (ORPC) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on November 6, 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. The application was updated on December 8, 2023 to adjust for the changes made to Accounts 1588 and 1589.

Consistent with the Chapter 3 Filing Requirements, ORPC applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. The stretch factor assigned to ORPC is 0.00%, resulting in a rate adjustment of 4.80% based on the Price Cap adjustment formula. OEB staff has no concerns with ORPC's proposed price cap adjustment.

Retail Transmission Service Rates (RTSRs) were also updated by OEB staff in the Rate Generator model, based on final Uniform Transmission Rates (UTRs)<sup>1</sup> and final Sub-transmission rates<sup>2</sup>, to recover the wholesale transmission rates charged by the Independent Electricity System Operator and host distributor, Hydro One Networks Inc. (Hydro One). ORPC has reviewed and confirmed the Rate Generator model and shown no concerns with the adjustments to its RTSRs and UTRs.

The Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) balance in Account 1568 was disposed of up to 2020 in its Cost of Service application for rates effective May 1, 2022. ORPC is entitled to LRAMVA in 2021 and 2022 up to April 30, 2022. In its application, ORPC has requested to seek disposition of the remaining LRAMVA balance prior to its next Cost of Service application. OEB staff takes no issue with ORPC's proposed approach to dispose of its remaining LRAMVA balance.

ORPC also seeks approval of the continuation of the Specific Services charges and Loss Factors, MicroFit monthly charge, and Smart Meter Entity charge based on the rate prescribed in the letter issued by the OEB on September 8, 2022.<sup>3</sup> OEB Staff has no concerns related to the continuation of these charges.

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<sup>1</sup> EB-2023-0222, Decision and Order, January 18, 2024

<sup>2</sup> EB-2023-0030, Partial Decision and Rate Order, December 14, 2023

<sup>3</sup> EB-2022-0137, September 8, 2022, Smart Metering Charge to be Charged by Electricity Distributors from January 1, 2023 – December 31, 2027

## OEB Staff Submission

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

- Low Voltage Service Rates
- Group 1 Deferral and Variance Accounts (DVAs)
- Power Purchased True-Up Proposal

### Low Voltage Service Rates

ORPC applied for an adjustment of its Low Voltage Service Rates based on the most recent historical low voltage costs. This approach is expected to minimize variances in Account 1550.

ORPC mentioned that it used the Low Voltage Service Rates Adjustment Worksheets embedded in the IRM Model to determine the proposed adjustments to the Low Voltage Service Rates approved in the 2022 Cost of Service application. The Loss Factor applied to the metered kWh is the OEB-approved 2022 Loss Factor. The proposed adjustments of the Low Voltage Service Rates are shown in Table 1 below:

**Table 1: Proposed Low Voltage Service Rates**

Rate Class	Unit	Current Low Voltage Service Rate	Proposed Low Voltage Service Rate
Residential Service	\$/kWh	0.0027	0.0040
General Service Less Than 50 kW Service	\$/kWh	0.0024	0.0035
General Service 50 To 4,999 kW Service	\$/kW	0.9102	1.3680
Sentinel Lighting Service	\$/kW	0.7186	1.0800
Street Lighting Service	\$/kW	0.7037	1.0577
Unmetered Scattered Load Service	\$/kWh	0.0024	0.0035

## OEB Staff Submission

OEB staff does not take issue with ORPC's proposal to adjust its Low Voltage Service Rates. The Low Voltage Service Rates have been updated based on the Hydro One's 2023 sub-transmission rates and ORPC's 2022 consumption data.

**Group 1 Deferral and Variance Accounts (DVAs)**

ORPC requested disposition of its December 31, 2022 Group 1 DVA balances in the amount of a credit of \$3,356,801 and disposition over a 48-month period.<sup>4</sup> The components of this balance are shown in Table 2. The Group 1 account balances exceed the OEB's \$0.001/kWh threshold for disposition.

ORPC's request relates to balances that accumulated in the 2022 calendar year for its Group 1 DVAs, except for Accounts 1588 and 1589. ORPC is requesting the disposition of its Accounts 1588 and 1589 balances related to the 2018 through 2022 calendar years.

The OEB most recently approved the disposition of ORPC's Group 1 account balances on a final basis, as of December 31, 2021, for all balances, excluding Accounts 1588 and 1589, as part of its 2023 IRM proceeding.<sup>5</sup> Accounts 1588 and 1589 balances, as of December 31, 2017, were approved on a final basis during that proceeding.

In its application for the 2023 IRM proceeding, ORPC noted that for Accounts 1588 and 1589, disposition was only being requested up to December 31, 2017.<sup>6</sup> ORPC explained that this was due to an on-going internal review of balances from 2018 to 2021, stemming from an OEB inspection performed on Accounts 1588 and 1589.

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<sup>4</sup> IRM Rate Generator Model, February 28, 2024

<sup>5</sup> EB-2022-0058, 2023 IRM Decision and Rate Order, March 23, 2023, pp. 10 & 11

<sup>6</sup> EB-2022-0058, 2023 IRM Manager's Summary, November 16, 2022, p. 12

Table 2: Group 1 DVA Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	366,990	26,514	393,504
Smart Metering Entity Charge	1551	(31,940)	(2,371)	(34,311)
RSVA - Wholesale Market Service Charge	1580	(27,129)	(1,928)	(29,058)
RSVA - Retail Transmission Network Charge	1584	240,630	18,262	258,893
RSVA - Retail Transmission Connection Charge	1586	71,179	5,543	76,723
RSVA - Power	1588	(2,542,165)	(248,880)	(2,791,045)
RSVA - Global Adjustment	1589	(1,125,225)	(106,282)	(1,231,507)
<b>Totals for all Group 1 accounts</b>		<b>(3,047,660)</b>	<b>(309,141)</b>	<b>(3,356,801)</b>

### Group 1 DVA Overview

OEB staff supports the disposition of ORPC's December 31, 2022 Group 1 DVAs on an interim basis, primarily due to concerns regarding Accounts 1588 and 1589 balances. OEB staff notes that the interim disposition of the account balances in this application benefits ORPC's customers, as the proposed Group 1 balance is a material credit balance of \$3,356,801.

OEB staff supports ORPC's request to clear its Group 1 balance rate rider and Account 1589 balance rate rider over a 48-month period.

OEB staff does not support the final disposition of its Group 1 balances due to the concerns with Accounts 1588 and 1589 balances, as discussed further in this submission. OEB staff submits that ORPC should do a detailed review of its Accounts 1588 and 1589 balances before it files its next application. OEB staff is of the view that after ORPC has finished its detailed review, ORPC can then bring forward an

application for final disposition of these balances in its 2025 IRM application.

OEB staff notes that other Group 1 account balances (i.e., other than Accounts 1588 and 1589) may also potentially be impacted by the outcomes of the internal review recommended by OEB staff. Therefore, OEB staff submits that disposing of these other Group 1 balances on an interim basis is appropriate at this time.

### **Internal Review Recommendation**

ORPC should undertake a detailed review of its Accounts 1588 and 1589 balances before it files its next application.

The results of this review should be filed with ORPC's next rate application. In its next rate application, ORPC should confirm that the balances in Account 1588 and Account 1589, that are being requested for disposition, are accurate and have been adjusted accordingly based on the result of the internal review.

OEB staff submits that ORPC should quantify the adjustments made to Account 1588 and Account 1589 and provide supporting calculations and explanations for each adjustment. Sufficient detail should be filed with the OEB to support balances proposed for disposition in ORPC's next application, after completion of the internal review.

### **Support of Interim Disposition**

OEB staff is of the view that interim disposition is appropriate because of the potential intergenerational inequities, given the length of time that certain Accounts 1588 and 1589 balances remain undisposed to date. ORPC's Accounts 1588 and 1589 balances pertaining to variances accumulated in the 2018 to 2022 calendar years have not yet been disposed, on either an interim or final basis.

To support interim disposition, OEB staff is also comforted by ORPC's most recent "pro-forma" Global Adjustment (GA) Analysis Workform.<sup>7</sup> For the periods 2018 to 2022, this GA Analysis Workform had percentages less than +/- 1% (or in one circumstance, a percentage slightly greater than +/- 1%), as per the threshold tests for Accounts 1588 and 1589, covering the 2018 to 2022 periods. This "pro-forma" GA Analysis Workform was filed by ORPC under the assumption that Hydro One was going to pursue full compensation from ORPC, as opposed to only seeking partial compensation, relating to an error made by Hydro One. Please see below for a discussion of the Hydro One billing error.

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<sup>7</sup> Staff Question-29, "Pro-Forma" GA Analysis Workform, Attachment 2, February 28, 2024

ORPC's most recent "official" GA Analysis Workform,<sup>8</sup> which feeds into the DVA Continuity Schedule of the IRM Rate Generator Model,<sup>9</sup> shows deviations above +/- 1% in the reasonability tests for most of the 2018 to 2022 periods. These percentages greater than +/- 1% were primarily due to the inclusion of credit amounts in the "official" GA Analysis Workform that represent amounts forgone by Hydro One (i.e., due to an error made by Hydro One).<sup>10</sup>

### **Concerns with Accounts 1588 and 1589 Balances**

OEB staff recommends that a detailed review of Accounts 1588 and 1589, and a delay of final disposition are appropriate for the following reasons which should also be addressed in ORPC's next application for 2025 rates:

1. There have been numerous material changes in the Accounts 1588 and 1589 balances throughout this proceeding.
2. Explanations have not been provided for all adjustments and errors have been identified during this proceeding.
3. It is unclear why material amounts relating to Accounts 1588 and 1589 were only posted to Account 1588 and whether amounts prior to 2018 followed the same approach used by ORPC.
4. It is unclear what periods were impacted by an error related to Hydro One GA on embedded generation.
5. A material Hydro One billing error was incurred that was not discovered by ORPC until recently.

#### **1. There have been numerous material changes in the Accounts 1588 and 1589 balances throughout this proceeding.**

Despite ORPC's claim in its 2023 IRM application that it planned to conduct an internal review of its Accounts 1588 and 1589 balances, as well as a prior OEB inspection of ORPC's Accounts 1588 and 1589 balances, numerous material changes were incurred throughout the current proceeding.

Please see Table 3 and Table 4 below that summarize the changes related to Accounts 1588.

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<sup>8</sup> Staff Question-29, "Official" Updated GA Analysis Workform, February 28, 2024

<sup>9</sup> IRM Rate Generator Model, February 28, 2024

<sup>10</sup> Appendix H, December 8, 2023, pp. 5 & 6



For context, ORPC's revenue requirement approved in its 2022 Cost of Service proceeding was \$4.9 million.<sup>11</sup> OEB staff would not normally expect to see the magnitude of changes in DVA balances (as shown in Table 3 and Table 4 below) in electricity distributors the size of ORPC.

**Table 3: Change in Account 1588 Balance Between Revised Application and Interrogatory Responses**

	<b>Balance Filed on December 8, 2023</b>	<b>Balance Filed on February 1, 2024</b>	<b>Difference</b>
Account 1588	(2,788,903)	(846,393)	1,942,510

**Table 4: Change in Account 1588 Balance Between Interrogatory Responses and Supplemental Interrogatory Responses**

	<b>Balance Filed on February 1, 2024</b>	<b>Balance Filed on February 28, 2024</b>	<b>Difference</b>
Account 1588	(846,393)	(2,791,045)	(1,944,652)

There were also significant changes in the Accounts 1588 and 1589 balances between ORPC's November 6, 2023 application and December 8, 2023 revised application.<sup>12</sup> However, these changes were due to the assumption that the Hydro One error documented in Appendix H would result in ORPC paying Hydro One for all amounts related to the error incurred since 2018. Once ORPC received confirmation that Hydro One would only seek partial compensation (and not full compensation), it amended its application on December 8, 2023. Please see below for a discussion of the Hydro One billing error.

## **2. Explanations have not been provided for all adjustments and errors have been identified during this proceeding.**

Some of the changes in the Accounts 1588 and 1589 balances have not been explained. For example, the "Transactions Debit / (Credit) During 2019" for Account 1589 has changed to a debit of \$1,002,600 in its February 28, 2024 response from a debit of \$906,835 in its February 1, 2024 response, with no explanation of the change.

ORPC made other errors throughout the proceeding, such as the following:

<sup>11</sup> EB-2021-0052, Decision and Rate Order, March 24, 2022, p. 3

<sup>12</sup> VECC Question-2, February 1, 2024; Staff Question-29, February 28, 2024

- a) Certain figures were inadvertently misstated or omitted in the DVA Continuity Schedule of the IRM Rate Generator Model,<sup>13</sup> for example, as noted above, the “Transactions Debit / (Credit) During 2019” for Account 1589 changed to a debit of \$1,002,600 in its February 28 2024 response from a debit of \$906,835 in its February 1, 2024 response
- b) Incorrect transaction amounts and principal adjustment amounts were included in the DVA Continuity Schedule of the IRM Rate Generator Model
- c) A value of \$797,163 was included in the DVA Continuity Schedule of the IRM Rate Generator Model as a negative, instead of a positive<sup>14</sup>
- d) Principal adjustments were included in the transaction columns of the DVA Continuity Schedule of the 2024 IRM Rate Generator Model and in its 2023 IRM Rate Generator Model
- e) Principal adjustments were included in GA Analysis Workform, but not in the DVA Continuity Schedule of the IRM Rate Generator Model<sup>15</sup>
- f) An incorrect settlement with Hydro One was made – please see below for a discussion on an error related to Hydro One GA on embedded generation
- g) Hydro One made a material billing error for the periods 2018 to 2023 which ORPC did not discover until 2023 – please see below for a discussion of the Hydro One billing error
- h) An Account 1588 2019 principal adjustment of a credit of \$373,202 implemented to correct a weighted average price claim adjustment error<sup>16</sup>

**3. It is unclear why material amounts relating to Accounts 1588 and 1589 were only posted to Account 1588 and whether amounts prior to 2018 followed the same approach used by ORPC.**

ORPC stated that it posted certain adjustments to Account 1588 since the balances in Accounts 4705 and 4707 were closed through the fiscal year-end process.<sup>17</sup> ORPC noted that the only method to allocate between the two classes would be a Charge Type 148 true-up.

ORPC further stated that the following would achieve the same result to allocate between the two classes:

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<sup>13</sup> Staff Question-20, February 1, 2024

<sup>14</sup> Staff Question-23, February 28, 2024

<sup>15</sup> Staff Question-24, February 28, 2024

<sup>16</sup> Staff Question-17, February 1, 2024

<sup>17</sup> Staff Question-26, February 28, 2024

- A Charge Type 148 true-up which ORPC suggested was the method utilized to record balances in the DVA Continuity Schedule of the IRM Rate Generator Model in this proceeding
- Posting the power portion to Account 1588 and the GA portion to Account 1589 and subsequently performing a Charge Type 148

OEB staff submits that it is unclear why material amounts relating to Accounts 1588 and 1589 were only posted to Account 1588 (and not posted to both DVAs) and whether amounts prior to 2018 followed the same approach used by ORPC. OEB staff submits that if there was a Charge Type 148 true-up conducted, it would impact both Accounts 1588 and 1589, and not just Account 1588. OEB staff submits that this matter should be addressed in ORPC's next application for 2025 rates.

Also, if amounts prior to 2018 were impacted, OEB staff invites ORPC to address the requirements of the OEB's October 31, 2019 letter and section 3.2.6 of the filing requirements in its next rate application for 2025 rates.<sup>18</sup> Amongst other items, these documents relate to adjustments made to DVA balances that were previously approved by the OEB on a final basis.

#### **4. It is unclear what periods were impacted by an error related to Hydro One GA on embedded generation.**

In its response to supplemental interrogatories, ORPC stated that it "reduced its global adjustment claim by the accrued amount in a 2020 settlement filed with Hydro One which was deemed the incorrect treatment. ORPC will file its next settlement with Hydro One with the true-up values included."<sup>19</sup> ORPC noted that the impact of this incorrect settlement is a credit of \$797,163 to Account 1588 and a credit to Account 1589 of \$1,022,059.<sup>20</sup>

It appears that ORPC's proposed next settlement with Hydro One has been accrued and reflected in the Accounts 1588 and 1589 balances shown in the DVA continuity schedule of the IRM Rate Generator Model, reflecting the above-noted credits.

However, it is not clear to OEB staff why ORPC has referred to this matter as a "2020

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<sup>18</sup> [OEB Letter](#), Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019; [Filing Requirements](#) For Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications- Chapter 3, Incentive Rate-Setting Applications, June 15, 2023, Section 3.2.6

<sup>19</sup> Staff Question-23, February 28, 2024

<sup>20</sup> Staff Question-23, February 28, 2024; Staff Question-25, February 28, 2024

settlement” in its response to one interrogatory,<sup>21</sup> but refers to 2015 to 2022 adjustments in a response to another interrogatory.<sup>22</sup> OEB staff notes that the amount posted to Account 1588 refers to a 2020 balance in ORPC’s Attachment 3 (a credit of \$797,163 filed February 28, 2024),<sup>23</sup> while the amounts posted to Account 1589 refer to 2015 through 2022 balances (a credit of \$1,022,059 and not solely 2020) in Attachment 3.<sup>24</sup>

ORPC stated that it was aware of the adjustments required from 2015 to 2017 and the balances disposed on a final basis in the prior proceeding up to December 31, 2017 were correctly stated in the DVA continuity schedule of the IRM Rate Generator Model for its 2023 IRM proceeding.<sup>25</sup> However, the amounts were included in the transactions columns, as opposed to the principal adjustments columns. ORPC stated that no adjustments are therefore being proposed to the balances previously disposed on a final basis.

OEB staff submits that ORPC should clarify the above-noted matters in its next application and confirm that the amounts have been settled with Hydro One.

**5. A material Hydro One billing error was incurred that was not discovered by ORPC until recently.**

ORPC stated that while performing its review of historical balances in Accounts 1588 and 1589, it identified some material discrepancies with its generation account (commencing April 11, 2018) and reached out to Hydro One in August 2023 for assistance.<sup>26</sup> These discrepancies were for the 2018 to 2023 period. As a result, Hydro One presented certain adjustments that were reviewed and agreed to by ORPC’s metering department.

ORPC stated that on December 5, 2023, it received a signed letter from Hydro One indicating that invoices from August 2021 forward would be cancelled and rebilled. This would capture two years of the error in accordance with the limitation period imposed by the [Retail Settlement Code](#) Section 7.7.

ORPC proposed that the Hydro One overpayment from April 2018 to July 2021 be

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<sup>21</sup> Staff Question-23, February 28, 2024

<sup>22</sup> Staff Question-25, February 28, 2024

<sup>23</sup> Staff Question-25, February 28, 2024, Excel Attachment 3, Account 1588 cell B30

<sup>24</sup> Staff Question-25, February 28, 2024, Excel Attachment 3, Account 1589 sum of cells C31 to C38 equals a credit of \$1,022,059

<sup>25</sup> Staff Question-25, February 28, 2024

<sup>26</sup> Appendix H, December 8, 2023, pp. 2-6

remitted to ORPC's customers with the principal adjustments required to Accounts 1588 and 1589. Therefore, once ORPC received confirmation that Hydro One would only seek partial compensation (and not full compensation), it amended its application on December 8, 2023.<sup>27</sup>

OEB staff submits that although this Hydro One billing error has been rectified, ORPC should be more proactive to ensure that similar errors do not occur again going forward.

### **Power Purchased True-Up Proposal**

In its application, ORPC proposed the establishment of a new DVA. This new DVA is Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up.<sup>28</sup> In its supplemental interrogatory responses, ORPC provided a revised Accounting Order for this new DVA, with an effective date of July 1, 2023.<sup>29</sup>

In its interrogatory responses, ORPC also addressed the OEB's filing requirements that outline the requirements relating to the establishment of a new DVA, which include the eligibility criteria of causation, materiality, and prudence, as outlined below.<sup>30</sup>

ORPC is also requesting the establishment of a Power Purchased True-Up Rate of a credit of \$0.0070 per kWh to be refunded to all its customers (with the rate proposed to be effective May 1, 2024 for 12 months).<sup>31</sup> ORPC will apply to the OEB to update this rate rider in each of its rate applications going forward.

ORPC stated that the purpose of its new rate mechanism is to:<sup>32</sup>

1. Refund the over-collection of GA from ratepayers since July 1, 2023
2. Collect increased electricity costs of Waltham Generating Station purchases since July 1, 2023
3. Pass GA savings to ratepayers on a go-forward basis so ORPC does not over-collect GA
4. Collect increased electricity costs on a go-forward basis so ratepayers pay incremental supply costs as they are incurred by ORPC

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<sup>27</sup> Staff Question-14, February 1, 2024; VECC Question-2, February 1, 2024; Staff Question-29, February 28, 2024

<sup>28</sup> Appendix J, December 8, 2023, p. 2

<sup>29</sup> Staff Question-30, Attachment 4, February 28, 2024

<sup>30</sup> Staff Question-6, February 1, 2024; [Filing Requirements](#) for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service, December 15, 2022, pp. 66 & 67

<sup>31</sup> Appendix J, p. 3, February 1, 2024; Staff Question-31, February 28, 2024

<sup>32</sup> Manager's Summary, December 8, 2023, p. 21

### *Causation*

ORPC stated that effective July 1, 2023, the *Electricity Act, 1998* was amended to exempt GA charges for customers who consume electricity supplied from outside Ontario.<sup>33</sup> Electricity purchased by ORPC from the Waltham Generating Station in Quebec - owned by Brookfield Renewable Trading and Marketing LP (Brookfield), and invoiced by Evolugen Trading and Marketing LP (Evolugen) - resulted in ORPC no longer paying GA for those purchases, effective July 1, 2023. The amounts to be recorded in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up are new transactions and were not reflected in its previous commodity settlement process, as well as being outside of the base on which current rates were established.

Despite ORPC no longer paying GA for its above-noted purchases, ORPC stated that electricity supply costs paid by ORPC's ratepayers continue to include GA, either explicitly as GA charges for non-Regulated Price Plan (RPP) customers, or within time-of-use or tiered rates for RPP customers.<sup>34</sup>

ORPC also noted that its payments to Brookfield as set out in a legacy power purchase agreement include an Avoided GA component. Under this component, ORPC pays to Brookfield (i.e., Evolugen) Avoided GA based on 50% of GA costs avoided by purchasing from its Waltham Generating Station located in Quebec.<sup>35</sup> ORPC confirmed that its customers will benefit overall from savings related to all of its cost of power components via ORPC's agreement with Brookfield, even after considering the 50% of GA savings that needs to be paid to Brookfield and absorbed by ORPC's customers.<sup>36</sup>

### *Materiality*

ORPC stated that it is classified as a small utility, as it has less than 30,000 customers. Consistent with the filing requirements for small utilities, the materiality threshold for DVAs is \$50,000.<sup>37</sup> It is expected that on an annual basis, the value in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, could be in the hundreds of thousands of dollars, thereby exceeding the materiality threshold.

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<sup>33</sup> Staff Question-6, February 1, 2024

<sup>34</sup> Manager's Summary, December 8, 2023, pp. 20 & 21

<sup>35</sup> Manager's Summary, December 8, 2023, pp. 20 & 21

<sup>36</sup> Staff Question-8, February 1, 2024

<sup>37</sup> Staff Question-6, February 1, 2024

*Prudence*

ORPC stated that amounts to be posted to Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up will be calculated and reconciled as part of ORPC's monthly commodity settlement process.<sup>38</sup> ORPC has put validation controls in place as part of this process. The process is described in Appendix J of ORPC's application. The audited balance in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, will be reported to the OEB on an annual basis and will be brought forward for disposition as part of the annual rate-setting process.

*The illustrative calculation of Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-up in Excel Appendix K*

ORPC stated that its Excel Appendix K is a template to demonstrate how the balance in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, as well as the proposed rate per kWh to be refunded to its customers annually, will be calculated.<sup>39</sup>

ORPC filed a revised Excel Appendix K several times in this proceeding, based in part on OEB staff interrogatories and supplemental interrogatories, with further reviews conducted by ORPC throughout the proceeding.

The Manager's Summary provided a Certification made by ORPC's Chief Financial Officer, regarding ORPC's evidence and the account balances being requested for disposition.<sup>40</sup> In its supplemental interrogatory responses, ORPC confirmed that the Certification also extends to ORPC's calculation of the proposed Power Purchased True-Up Rate of a credit of \$0.0070 per kWh to be refunded to all of its customers (with the rate proposed to be effective May 1, 2024 for 12 months).<sup>41</sup> However, ORPC further stated that "beyond this calculation, Appendix K is an indicative model of calculations in future periods and the information is not yet available", thereby suggesting that its Certification does not extend to the December 31, 2023 and forward balances to be recorded in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up (as calculated using the Excel Appendix K).

Despite this review conducted by ORPC in its response to supplemental interrogatories, OEB staff notes further discrepancies in Excel Appendix K.<sup>42</sup> There may be more

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<sup>38</sup> Staff Question-6, February 1, 2024

<sup>39</sup> Staff Question-31, February 28, 2024

<sup>40</sup> Manager's Summary, December 8, 2023, p. 24

<sup>41</sup> Appendix J, p. 3, February 1, 2024; Staff Question-31, February 28, 2024

<sup>42</sup> Excel Appendix K, February 28, 2024

discrepancies in the Excel Appendix K that are not listed below by OEB staff, given the amount of interrogatories in this proceeding regarding changes in Accounts 1588 and 1589 balances.

- In the Tab “Power Purchased True-Up (Rev.)”, cells E37, E38, E50, E51, E63, and E64 appear to have the signs reversed. This inconsistency also impacts the Tab “Summary (Rev.)” (e.g., cells F8, G8, H8).
- In the Tab “Power Purchased True-Up (Rev.)” the amounts in column N, appear to be double counted, as these amounts are already incorporated into the calculation of the Power Purchased True-Up-2024 (\$/kWh) rate for each year (i.e., cells E30, E43, E55, and E68). This inconsistency also impacts other cells in the Tab “Power Purchased True-Up (Rev.)” (e.g., cells X24, X37, X50, and X63), as well as the Tab “Summary (Rev.)” (e.g., Rows 17, 18, and 23).
- In the Tab “Summary (Rev.)”, the formulas in cells D38 to H38 include a double counting of amounts. Specifically, the amounts in cells D34 to H34 are double counted as part of the calculations in cells D38 to H38.
- In the Tab “Summary (Rev.)”, the dollar amounts recorded in Row 5 do not match the description in cell C5 (i.e., the description refers to kWh, but dollar amounts are recorded).

### *IRM Rate Generator Model*

OEB staff notes a discrepancy in the IRM Rate Generator Model<sup>43</sup> under Tab 19 “Additional Rates” and Tab 20 “Final Tariff Schedule” which relates to the end-date of the Power Purchased True-Up rate rider. OEB staff notes that the end date for this rate rider should be April 30, 2025 and not April 30, 2024.

### **OEB Staff Submission**

OEB staff supports the establishment of Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, effective July 1, 2023, as ORPC has satisfied the OEB’s filing requirements relating to the establishment of a new DVA (i.e., causation, materiality, and prudence).

OEB staff generally does not take issue with ORPC’s draft accounting order for this new DVA. However, OEB staff submits that Step #4 of the Accounting Order should be revised in ORPC’s reply submission to state “absorbed by ORPC’s customers”, as opposed to “absorbed by ORPC”, as per the supplementary interrogatory request.<sup>44</sup>

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<sup>43</sup> IRM Rate Generator Model, February 28, 2024

<sup>44</sup> Staff Question-30, February 28, 2024



OEB staff also does not take issue with ORPC's proposed Power Purchased True-Up Rate of a credit of \$0.0070 per kWh to be refunded to all of its customers, effective May 1, 2024 for 12-months. OEB staff submits that it is appropriate for ORPC to apply to the OEB to update this rate rider in each of its rate applications going forward.

OEB staff is also of the view that this up-front credit rate rider to ORPC's customers is appropriate, as the timing and amounts attempt to correspond to the GA that is paid by its customers relating to the Quebec generation (i.e., as either explicitly as GA charges for non-RPP customers, or within time-of-use or tiered rates for RPP customers). OEB staff also submits that this mechanism proposed by ORPC may potentially mitigate large credit DVA balances from being incurred by ORPC going forward.

OEB staff is satisfied that even after considering the 50% of GA savings that needs to be paid to Brookfield and absorbed by ORPC's customers, ORPC's customers will benefit overall from savings related to all its cost of power components via ORPC's agreement with Brookfield.

However, OEB staff submits that in its next rate application, ORPC should file a revised Excel Appendix K correcting the discrepancies noted above by OEB staff and perform another detailed review of this spreadsheet before this next rate application filing. OEB staff is not confident that ORPC's Excel Appendix K is reasonable, other than the calculation of the credit of \$0.0070 per kWh to be refunded to all of its customers, effective May 1, 2024. Since the December 31, 2023 balance in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up will not be disposed until ORPC's 2025 rate application, the Excel Appendix K can be examined thoroughly at that time (and not in the current application). OEB staff also notes that ORPC's Certification in the current proceeding does not extend to the December 31, 2023 and forward balances to be recorded in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, as calculated using the Excel Appendix K.

OEB staff submits that if any revisions to ORPC's methodology set out in the Excel Appendix K to calculate the above-noted credit of \$0.0070 per kWh (or to any previously disposed DVA balances in general) are proposed in a future proceeding, these revisions may be subject to an OEB letter. The OEB's October 31, 2019 [letter](#) relates to Adjustments to Correct for Errors in Electricity "Pass-Through" Variance Accounts After Disposition.<sup>45</sup> Amongst other items, this letter states that an asymmetrical approach to the correction of any errors made by utilities may be appropriate.

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<sup>45</sup> [OEB Letter](#), Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019

OEB staff also requests that as part of its reply submission, ORPC refile its IRM Rate Generator Model and tariff to reflect an end date of April 30, 2025 for the Power Purchased True-Up rate rider (as opposed to April 30, 2024).

~All of which is respectfully submitted~