



BY EMAIL and RESS

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2300 Yonge Street
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December 4, 2024
Our File: EB20240021

Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2024-0021 – ERTH Power ICM – SEC IRs and Procedural Request

We are counsel to the School Energy Coalition (“SEC”). Attached, please find SEC’s interrogatory responses to ERTH Power Corporation (“ERTH Power”) regarding its proposed Incremental Capital Module (“ICM”) for its new administrative and operational facility (“New Facility”).

SEC requests that the OEB amend Procedural Order No. 1 to provide for the opportunity for parties after reviewing the interrogatory responses to request that the OEB make provision for additional steps in the process before the filing of submissions, specifically either a Technical Conference or an Oral Hearing.

The magnitude of ERTH Power’s ICM request and the resulting bill impacts for its New Facility is significant. The forecasted cost of the New Facility is \$33.4 million, and the incremental revenue requirement sought to be recovered is \$2.78 million per year.¹ The cost represents 7.6 times ERTH Power’s average annual capital expenditures budget.² The 2025 distribution bill impacts of the ICM alone are 17.1% and 16.7% for customers in its Main and Goderich Rate Zones³, respectively, which is approximately five times the bill impact excluding the ICM request.⁴

At this stage of the proceeding, SEC has not taken a position on the request for the ICM. However, based on our experience reviewing new administrative and operational facilities, these types of applications often require further discovery or additional procedural steps after the interrogatories process to properly assess their prudence.⁵ This will likely be necessary in this application.

¹ Application, Appendix A, p.20-21

² Application, Appendix A, p.39

³ Application, Appendix A, p.45

⁴ Application, p.28, 44. The total distribution bill impacts inclusive of ICM are ~21% and ~20.5% for its Main and Goderich Rate Zones.(Application, p.29, 45).

⁵ Considering just the 4 comparators facilities used in ERTH Power’s application (Application, p. 29). 1) In EB-2014-0086 (InnPower), the [OEB scheduled](#) both a Technical Conference and Settlement Conference as part of the proceeding to consider the ICM Application. 2) In EB-2015-0089 (Milton Hydro), the issue of the cost of its new building was unsettled and considered as part of an [Oral Hearing](#). The Oral Hearing was [adjourned to allow Milton](#)



Additionally, ERTH Power's evidence states that it is "open to innovative ways" to recognize the offsetting savings "within the confines of an ICM application", yet its application did not include any such proposal.⁶ This means the first opportunity for parties to review any such proposal will be through the interrogatory responses, where SEC has requested such a proposal.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Jane Scott, SEC Consultant (by email)
Brian McKay, SEC (by email)
ERTH Power and intervenors (by email)

[Hydro the ability to file response](#) to certain pre-hearing questions regarding the facilities [posed by SEC](#). 3) In EB-2019-0019 (Algoma Power), the ACM request for funding for a new building took place as part of a cost of service application, which included a [Settlement Conference](#). Settlement Conferences include the ability for further exchanges of information. 4) In EB-2010-0144 (Waterloo North Hydro), similar to Algoma Power the request took place in a cost of service application which not only included a [Settlement Conference but also a Technical Conference](#).

⁶ Application, Appendix A, p.15

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, C.S.O. 1998, c.15, Schedule B, as amended (the “OEB Act”);

AND IN THE MATTER OF an Application by ERTH Power Corporation (“ERTH Power”) for an Order or Orders, pursuant to section 78 of the OEB Act, approving or fixing just and reasonable distribution rates effective May 1, 2025.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

SEC-1

[2025 IRM Application Part 1, Appendix A, ICM Application]

- a. Please provide a copy of all materials provided to each of the ERTH Power and ERTH CORP Board of Directors regarding the New Facility.
- b. Please provide a copy of all internal business cases or similar documents outlining the cost, benefits, risks, options, etc. for the New Facility.

SEC-2

[2025 IRM Application Part 1, Appendix A, ICM Application]

- a. Please provide a more detailed budget and schedule for the proposed project.
- b. With respect to your response to part (a), what is the basis for the estimate?
- c. What is the budget class estimate for the New Project?
- d. Please provide details on amounts spent to date for the New Facility.
- e. Please provide major details regarding the contract(s) for the material aspects of the construction of the New Facility (i.e. fixed price, etc.).

SEC-3

[2025 IRM Application Part 1, Appendix A, ICM Application] ERTH Power’s website includes the following October 24, 2024 announcement [ERTH Power Breaks Ground on New Operations Centre](#). Please explain ERTH Power’s plans with respect to funding of this new operations centre should the OEB not approve its ACM request.

SEC-4

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 7, 13 to 15]

- a. Please provide details on the current rent ERTH Power pays to ERTH CORP for the Bell St. property.
- b. ERTH Power notes that the existing main building and outbuilding will require roof repairs and some HVAC units are scheduled to be replaced. Please confirm that the capital costs for this work would be the responsibility of ERTH CORP.
- c. How would the work referenced in part (b) above affect ERTH Power financially?
- d. What is the square footage of the Elm St. (or Aylmer) property?
- e. ERTH Power states that the rent for Elm St in 2023 was \$92k and with the New Facility, that will be cut in half. Please explain what part of Elm St. will continue to be used and why, given the limitations described, ERTH Power wants to maintain using it.
- f. What are the expected annual savings in energy costs as a result of installing a ground-source heat pump system and a solar photovoltaic system?
- g. How does ERTH Power propose to recognize the savings related to energy costs during the IRM period?

SEC-5

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 8, 9, 17 and 19]

- a. The footnote on page 17 states that “ERTH Power will rent space to ERTH CORP (i.e. At minimum 12 ERTH CORP FTE)” and on page 19 ERTH Power states that ‘through a rental services agreement with ERTH CORP, the New Facility will also support approximately 10 additional ERTH FTE’. Please clarify.
- b. Please provide a copy of the rental services agreement with ERTH CORP and explain the basis for how rent was determined.
- c. What is the expected rent to be received from ERTH CORP for use of space in the New Facility each year, until ERTH Power’s next rebasing application?
- d. Page 17 refers to the current staffing of ERTH Power as 38 FTEs, page 19 refers to current staffing of ERTH Power of 44 FTEs. Page 8 states that there are 32 FTEs at the Bell St. property, and page 9 states ERTH Power has 4 staff at the Elm St. property. Please clarify the current number of FTEs for ERTH Power and where they are located.
- e. What is the total number of FTEs the New Facility is being constructed for and how many ERTH Power FTEs will work from other locations once the New Facility is built?

SEC-6

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 15] ERTH Power states: “ERTH Power recognizes that the cost of rent is currently embedded within its approved rates. ERTH Power is open to innovative ways to recognize the savings on rent charges within the confines of an ICM application.” Please propose an approach as part of this ICM application to recognize both, a) avoided rent paid for the Bell St. and Aylmer properties already included in rates, and b) expected rent paid to ERTH Power from ERTH CORP for their use of the New Facility.

SEC-7

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 17 and Table 2]

- a. ERTH Power states that ‘In early 2023, ERTH Power’s conditional offer to purchase land in Ingersoll for its New Facility was accepted by the property seller.’ What were the conditions?
- b. Please confirm that the purchase price is \$6,217k.
- c. What is the status of the land purchase now?

SEC-8

[2025 IRM Application Part 1, Appendix A, ICM Application, Table 4 and p.31]

- a. In considering other options did ERTH Power investigate locating more than one service centre throughout its service territory in order to reduce travel and response times given that “[o]ne of the principal drivers of this design choice relates to the utility’s characteristics as a rural distributor with a dispersed service territory separated by long distances”? If so, please provide details. If not, why not?
- b. Did ERTH Power consider other options than those shown in Table 4? For example, did ERTH Power consider a less expensive new build option? If so, please provide details. If not, please explain why not.
- c. In comparing options, did ERTH Power consider bill impacts? If so, please provide details. If not, why not?

SEC-9

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 26]

- a. ERTH Power states that the size of the New Facility has been determined with growth in mind, including growth due to future consolidations and electrification of the fleet. How much space has been added for each of these considerations?
- b. Has additional space been allocated for growth by ERTH CORP? If so, please provide details.

SEC-10

[2025 IRM Application Part 1, p.29 and 45]

The distribution only bill impacts for the GS 50-999 kW and 1000-4999 kW classes for the Main rate zone are 21% and for the Goderich rate zone are 20.6%, for both the IRM and the ICM applications. In discussing the Total Bill Impacts, ERTH Power submits that they are reasonable and do not require rate mitigation. Does ERTH Power consider the distribution only impacts for the GS classes to be reasonable and if so, please explain why?

SEC-11

[2025 IRM Application Part 1, Appendix A, ICM Application, Table 4]

Please provide a copy of the underlying calculations, including all formulas, used for the purposes of the 2025 to 2044 Revenue Requirement NPV, i.e. please provide a live Excel spreadsheet.

SEC-12

[2025 IRM Application Part 1, Appendix A, ICM Application] Please provide:

- a. All underlying calculations used to determine the inflation adjusted OEB Approved CAPEX in Table 5.
- b. Please explain why ERTH Power chose these specific facilities.
- c. Please provide a revised comparison table and figures that include the following additional electricity distributor administration and operation facilities, approved in the following applications: PUC Distribution (EB-2012-0162), Enersource (EB-2012-0033), Hydro Ottawa (EB-2015-0004), Energy+ (EB-2018-0028), and Energy+/Brantford Power (EB-2019-0022/0031). Please provide the source for all information used.
- d. The actual square footage for each facility dedicated to Office, Operations and Indoor Storage and the total square footage that was used to derive Figure 8 and their sources.
- e. The number of FTEs used to derive Figure 9 and their sources.
- f. Service areas and Customer counts used to derive Figure 10 and their sources.
- g. Fleet count and Operations & Storage square footage used to derive Figure 11 and their sources.

SEC-13

[2025 IRM Application Part 1, Appendix A, ICM Application, Table 5 and Figure 13]

- a. Based on the data in Table 5, the \$/square footage of the five facilities is as follows:

	Algoma	Milton	Waterloo	InnPower	ERTH
Adjusted Cost (\$000)	15,361	24,594	57,839	19,129	33,439
Squared footage	41,703	91,828	104,000	36,172	50,624
\$/square footage	368	268	556	529	661

Please explain why the cost per square foot for ERTH Power’s New Facility is 54% greater than the average of the other four buildings.

- b. Please provide the actual costs and the inflation factors which were applied to produce the total costs shown for each facility.
- c. Please provide the total cost for the ERTH Conventional Energy facility.

SEC-14

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 32]

- a. Footnote 10 states ‘ERTH figure assumes ERTH Power is able to reduce fleet by 1 heavy and 2 light vehicles through repatriation of Aylmer facility’ What would be the resulting savings?
- b. How does ERTH Power propose to recognize the savings related to vehicles during the IRM period?
- c. Is this reduction in the number of vehicles incorporated in the Fleet Sustainment Plan?

SEC-15

[2025 IRM Application Part 1, Appendix A, ICM Application, p. 35]

- a. ERTH Power indicates that it engaged with its nine shareholders, but not directly with its customers. Please provide the materials presented to the shareholders, including what they were told about the bill impacts.
- b. Please explain why ERTH Power did not engage directly with its customers on the New Facility and the ICM application.
- c. Please confirm that the distribution bill impacts resulting from the ICM are significantly higher than both the applied for and approved distribution bill impacts in ERTH Power's last cost of service application (EB-2017-0038).

SEC-16

[2025 IRM Application Part 1, Appendix A, ICM Application, Table 7]

- a. ERTH Power has allocated the cost of the New Facility (\$33,439k) to each rate zone using the same percentages as it has used to determine the maximum eligible incremental capital for each rate zone (i.e. determined the proportion of capital expenditures in each rate zone relative to its total capital expenditures on an actual basis over the 2018 to 2023 period). Please explain why ERTH Power considers it appropriate that each rate zone should bear the proportion of the cost of the New Facility based on historical capital expenditures.
- b. Did ERTH Power consider any other allocation methodology, e.g. number of customers or kWhs in each rate zone? If so, please provide details. If not, please explain why.

SEC-17

[2025 IRM Application Part 1, Appendix A, ICM Application, Figures 9 and 11]

- a. Please provide the square footage per Office Staff for ERTH Power's current facility, the proposed New Facility and the benchmarked peer group.
- b. How has ERTH Power determined the required square footage per FTE in the New Facility?

SEC-18

[2025 IRM Application Part 1, Distribution System Plan (DSP), Appendix K – 2025 Project Narratives] The Project Narrative for ALL-LEASEHOLD-Leasehold Improvements notes that 'This project represents costs associated with upgrades at the ERTH Aylmer and Goderich Operating Centers. This line item does NOT include any costs associated with the new Ingersoll Operations Center.

- a. When was the DSP prepared?
- b. Please confirm that the Goderich Operation Center is an operations center that ERTH Power has in addition to the Bell St. property in Ingersoll and the Elm St. property in Aylmer.

- c. If confirmed, please provide details on what this operation center is used for and the square footage, number of vehicles stored, etc. at the Goderich Operation Centre.

SEC-19

[2025 IRM Application Part 1, Distribution System Plan, Tables 14 to 25]

Based on the data in the tables referenced above, please produce a table (in Excel) similar to Appendix AB in cost-of-service applications showing, Planned and Actual Gross and Net Capital for 2018 to 2023, and Forecasted Gross and Net Capital for 2024 to 2029.

SEC- 20

[2025 IRM Application Part 1, Appendix D - ICM Model for Goderich]

Please explain why on Tab 5 Cell C20 (Depreciation Expense) is not the same as Cell C47 (Amortization).