Ontario Energy Board | Commission de l'énergie de l'Ontario

Ontario

BY E-MAIL

December 4, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2024-0021 - ERTH Power Corporation Application for 2025 Rates

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

ERTH Power Corporation's responses to interrogatories are due by January 7, 2025.

Any questions relating to this letter should be directed to Urooj Iqbal at urooj.iqbal@oeb.ca or at 416-544-5190. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Urooj Iqbal Digitally signed by Urooj Iqbal
Date: 2024.12.04 14:52:45 -05'00'

Urooj Iqbal
Advisor, Incentive Rate-setting

Encl.

OEB Staff Interrogatories
ERTH Power Corporation
EB-2024-0021

Please note, ERTH Power Corporation (ERTH Power) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Reference:

I. EB-2024-0021 / Rate Generator Models for Main Rate Zone and Goderich Rate Zone, Tab 11, Column L, Cells L22, L24, L26 and L35
II. EB-2024-0021 / Rate Generator Models for Main Rate Zone and Goderich Rate Zone, Tab 18, Columns B-E and Rows 21-25
III. EB-2024-0244 / Letter for 2025 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates / November 1, 2024 / p. 2 / Appendix B
IV. Time of Use (TOU) prices set by the OEB for November 1, 2024 / October 18, 2024
V. Letter regarding Review of Fixed Monthly Charge for microFIT Generator Service Classification / November 19, 2024

Preamble:
Distributors must enter the applicable rates in the Rate Generator Model, for the preliminary Uniform Transmission Rates (UTRs), Hydro One Sub-Transmission Rates, microFIT charge, TOU prices, and Ontario Electricity Rebate (OER). These rates must align with the most recent rates and charges issued by the OEB.

Question(s):

a) OEB staff has updated the preliminary UTRs and Hydro One Sub-Transmission Rates in Reference I. Please verify the update and ensure that all subsequent tabs are updated accordingly.
b) OEB staff has updated the latest TOU prices and OER under the Regulatory Charges in Reference II. Please verify the update and ensure that all subsequent tabs are updated accordingly.
c) OEB staff has updated the microFIT charge. Please verify the microFIT charge on the final tariff schedule tab of the Rate Generator Models and confirm the update as per the letter issued on November 19, 2024 (Reference V).

Staff-2

Reference:

I. EB-2024-0021/ Rate Generator Models, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Q4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

a) Please confirm whether ERTH Power has already updated its Rate Generator Models for the Q4 2024 OEB-prescribed interest rates in its application submitted on October 11, 2024. If not, please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40% for each Rate Generator Model.

Staff-3

Reference:

I. EB-2024-0021 / Goderich Rate Zone Rate Generator Model, Tab 4, Cell C30
II. EB-2024-0021 / 2025 distribution rates application, Goderich Rate Zone, pp. 32 and 33
III. Chapter 3, Incentive Rate-Setting Applications / June 18, 2024 / p. 10

Preamble:

Chapter 3 of the Filing Requirements, as outlined in Reference III, allows distributors to choose whether to dispose of Group 1 account balances that fall below the threshold. Distributors are encouraged to evaluate the practicality of clearing what may be minimal balances for one or more customer classes.

OEB staff notes that the total claim for all Group 1 accounts, in Reference I, results in an amount below the threshold of $0.001 per kWh.

Question(s):

a) OEB staff requests that ERTH Power explain its assessment of the practicality of disposing of the Group 1 account balances in its 2025 rates application for the Goderich Rate Zone, as opposed to deferring the disposition to a future application.

Staff-4

Reference:

I. EB-2024-0021 / Appendix D. ICM Model: Goderich Rate Zone / Tab 5. Rev_Requ_Check
II. EB-2012-0175 / West Coast Huron Energy Inc. Settlement Agreement / pp. 5 and 17

Question(s):

a) Please update the Goderich Rate Zone ICM model Tab 5:
    i. Cells labelled Z, AA and AB, with the rates from the Settlement Agreement, section *Summary*.
    ii. Cells labelled AQ, AR, AS and AT, with the Revenue Offsets from the Settlement Agreement, section *3 d*.

Staff-5

Reference:

I. EB-2024-0021 / Appendix A / pp. 7 and 14
II. EB-2017-0038 / Distribution System Plan / Appendix G / p. 70

Preamble:

ERTH Power states it “currently rents its facilities from ERTH CORP; including the Bell St. property, and a satellite operations centre located on Elm St. in Aylmer”. Rent for the Elm Street property was $92,000 in 2023.

The Asset Management Plan filed in Erie Thames Powerlines’ last cost of service application referenced leased service depots in the towns of Mitchell and Clinton.

Question(s):

a) Are there any properties that ERTH Power currently rents or owns, other than the Bell St. and Elm St. properties? If so:
    i. Are the properties rented or owned?
    ii. What are the annual costs for each facility?
    iii. Will the current employees and activities remain at these locations after the New Facility is constructed? Please explain.
b) Please confirm the rental costs for both the Bell St. property and the Elm St. property for each year from 2018 through 2024.
c) Please provide the current market-comparable rental rate of similar properties in the area.

Staff-6

Reference:

I. EB-2024-0021 / Appendix A / p. 15
II. EB-2019-0022 | EB-2019-0031 Decision and Rate Order, January 1, 2020

Preamble:

ERTH Power states it "…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…".

ERTH Power has not included operating and maintenance costs associated with the New Facility in the application.

The decision in Reference II reaffirms that the OEB's Funding of Capital policy is a capital funding mechanism.

Question(s):

a) The cost of rent is included in ERTH Power's base rates:
    i. How has ERTH Power forecast increased OM&A expenses at the New Facility for items such as property taxes, heating and cooling, snow removal, ground maintenance, security and other operating and maintenance costs? Please provide forecast yearly amounts until 2027.
    ii. How has ERTH Power forecast increased revenues and decreased costs at the New Facility for such items as rent collected or reduced heating costs? Please provide forecast yearly amounts until 2027.
b) Considering all the changes in OM&A costs and revenues, what is the net change to yearly OM&A?
c) What level of confidence does ERTH Power have in the forecast cost differences? Please provide commentary as to why ERTH Power has such level of confidence in its forecast cost differences.

Staff-7

Reference:

I. EB-2017-0038 / Chapter 2 Appendices / tab 2-AA
II. EB-2024-0021 / Appendix B 1

Preamble:
In the last cost of service application, EB-2017-0038, Appendix 2-AA, ERTH Power included the following budget item identified in Table 1 below. Historic and forecast leasehold improvement values were also included in the Distribution System Plan (DSP) (Appendix B1) of this application.

Table 1

Project	2013	2014	2015	2016	2017 Bridge Year	2018 Test Year
Leasehold Improvements	$57,279	$49,451	$132,939	$41,813	$49,000	$35,000

Question(s):

a) What does the leasehold budget include, since ERTH Power rents the facilities?
b) What amount of leasehold improvements has been added to fixed assets, per year, since in 2017?
c) Please confirm if all the leasehold improvements will be moved to the New Facility.
    i. If yes, please confirm the remaining net book value of those leasehold improvements.
    ii. If no, please confirm that ERTH Power intends to write off the remaining net book value and provide the amount to be written off.
d) Please confirm the revenue requirement relating to the leasehold improvements.

Staff-8

Reference:

I. EB-2024-0021 / Appendix A / p. 15

Preamble:
ERTH Power states the New Facility will allow for achievement of multiple objectives, including “Ability to reduce cost of rent (Bell St. Property to 0%, Aylmer Property to 50% for use as job and emergency staging) through consolidated operations.”

Question(s):

a) Please describe the “job staging” that will occur at the Aylmer property.
b) Please describe the “emergency staging” that will occur at the Aylmer property.
c) What portion of the building and yard will these activities occupy?

d) What will occur with the portion of the building and property that ERTH Power is not utilizing?
e) Please confirm the rental costs for the Aylmer property for 2025, 2026 and 2027.

Staff-9

Reference:

I. EB-2024-0021 / Appendix A / p. 18

Preamble:

ERTH Power states:

> Additionally, through a rental services agreement with ERTH CORP, the New Facility will also support approximately 10 additional ERTH FTE. The ERTH corporate employees will operate out of the New Facility and provide services to ERTH Power amongst other entities. This reduces ERTH Power's FTE's and allows it to operate at a lower cost.

Question(s):

a) What entity (or entities) will employ the 10 additional "ERTH FTE"; ERTH CORP, ERTH Power, or another affiliate?
b) When will ERTH Power see a reduction in FTEs due to these new employees, and at what cost savings?
c) How many individuals employed by ERTH Power affiliates will work out of the New Facility?
    i. What percentage of the total New Facility will these individuals occupy?
d) Are there plans for renting any part of the New Facility to parties that are not ERTH Power or any of its affiliates? If so, please explain.
e) If the answer to part (d) is a yes, what part(s) of the New Facility will non-ERTH Power employees utilize?
    i. What percentage of the total New Facility will these individuals occupy?
f) What amount of rent per year will ERTH Power collect annually from its affiliates, and other parties if any, for the New Facility?

Staff-10

Reference:

I. EB-2024-0021 / Appendix A / p. 19

Preamble:

ERTH Power states the design provides for future expansion of the New Facility when necessary and that the New Facility will support “44 FTE at present, with an expectation of additional ERTH Power FTE being required in the coming years” and “10 additional ERTH FTE”.

For the purposes of this question, an office employee is defined as an employee who will work primarily in the building, whereas a field employee is defined as an employee who may report to the building at the beginning of the work day, but primarily work outside of the office location (for example, a powerline maintainer).

Question(s):

a) How many office employees and how many field employees of ERTH Power and all affiliates are expected to occupy the New Facility in 2025 and 2026?
b) How many office employees and how many field employees is the New Facility constructed to accommodate?
c) Please explain, and quantify, what accommodations have been made for further employee growth due to potential:
    i. LDC acquisitions or mergers
    ii. Changes to outsourcing and insourcing activities
    iii. Growth of affiliate companies
d) Please provide an estimate of future staffing needs and arrangements. Specifically, please highlight the current work model (e.g., hybrid or on-site) and specify which employees will work on-site. Please also explain if ERTH Power intends to change any of its work models following the construction of the New Facility.

Staff-11

Reference:

I. EB-2024-0021 / Appendix A / p. 20

Question(s):

a) Please explain how the New Facility will operate under power supply interruptions.

b) If there is an emergency generator, how much of the New Facility will it supply during outages? What is the forecast cost for the installation?

Staff-12

Reference:

I. EB-2024-0021 / Appendix A / p. 20
II. G-2009-0300 Guidelines: Regulatory and Accounting Treatments for Distributor-Owned Generation Facilities

Preamble:

The full cost of the building construction includes $1.5 million for a solar photovoltaic system.

Question(s):

a) When will the solar panels on the New Facility be operational?
b) What is the anticipated payback period for the solar photovoltaic system? Please provide the calculations.
c) Please review Reference II and provide explanation of how ERTH Power will account for the Generation Facilities:
    i. Costs during the initial construction, and
    ii. Costs and revenues after the initial construction.

Staff-13

Reference:

I. EB-2024-0021 / Appendix A / p. 38
II. EB-2024-0021 / Appendix C. ICM Model: Main Rate Zone / Tab 4
III. EB-2024-0021 / Appendix D. ICM Model: Goderich Rate Zone / Tab 4

Preamble:

ERTH Power determined the proportion of capital expenditures in each rate zone over 2018 to 2023 to determine the allocation of the ICM expenditures to each rate zone.

OEB staff has compiled the data in Table 2 below with information from the ICM models, as alternate methods of proportioning the costs between rate zones.

Table 2

Rate Zone / Basis	2018-23 Capital %	Customers*	Customer %	kWh	kWh %	kW	kWh %
Main	81	20,575	84	471,175,870	75	603,333	67
Goderich	19	3,976	16	154,765,431	25	295,302	33
Total	100	24,551	100	625,941,301	100	898,635	100

** The customer numbers used were from the residential, GS<50kW and GS 50 to 999kW only*

Question(s):

a) Please explain how ERTH Power determined that the capital spending in each rate zone was the most appropriate method of allocating the ICM capital costs. If other methods were considered, please identify them and provide reasoning for why they were ultimately not selected as the method of allocating the ICM capital costs.

Staff-14

Reference:

I. Media Release / ERTH Power Breaks Ground on New Operations Centre - ERTH Power

II. EB-2024-0021 / Appendix A / pp. 20 and 42

Preamble:

When the application was filed, ERTH Power was in the process of evaluating bids to select a proponent to construct the New Facility. As noted in Reference I, ERTH Power has announced ground-breaking of its New Facility.

Question(s):

a) Please provide an update on the tender and contract completion process.

b) Has ERTH Power received, or is in the process of applying for, any energy efficiency grants, or any other external funding for the New Facility?

   i. If so, please identify the grants / funding and detail how ERTH Power has accounted for this funding?

c) Please provide the most recent costs for the project, similar to the format provided in Table 2: New Facility Costs in Reference II.

d) Please update the ICM models with the most recent project costs.

Staff-15

Reference:

I. EB-2024-0021 / Appendix A / pp. 19 and 20

Preamble:

In Reference I, ERTH Power has provided a table outlining the breakdown of capital expenditures for the New Facility, including costs related to land and building. Additionally, ERTH Power has detailed its plans for utilizing the New Facility as part of its ICM application.

Question(s):

a) Please provide a detailed breakdown of the estimated building-related costs.
b) Please include a detailed analysis of labor, materials, and contractor expenses for constructing the New Facility. Additionally, explain how prudence and needs analysis were applied in selecting options and other relevant considerations.
c) Provide a brief description of the design and engineering-related costs.
d) Is the New Facility certified to any specific construction efficiency standards? If so, what specific standards and were there any costs associated with permits and approvals, such as zoning, construction permits, or environmental compliance fees?
e) ERTH Power has estimated the cost of furniture, fixtures, and fittings to be $1.7 million.
    i. Please provide the costs related to the installation of fire safety systems, elevators, ramps, and other accessibility features.
    ii. Was a competitive procurement process conducted to select the vendors? Are these costs included in the $1.7 million estimate for furniture, fixtures, and fittings?
    iii. What additional costs are included under the furniture, fixtures, and fittings category?
    iv. Does ERTH Power plan to reuse its existing furniture in the New Facility? If not, what is being done with its existing furniture and what is the justification for new furniture in the New Facility?
f) Please outline any additional relocation costs.
g) Were other energy-efficient features, such as energy-efficient lighting or green building enhancements, included other than the solar panels? If so, please provide cost benefit analysis of these features.
h) Confirm whether the capital costs will be shared by ERTH Power's affiliate companies and provide an explanation.
i) What is the actual square footage allocated per person in the:

i. New Facility
ii. Bell St. property
iii. Aylmer property

j) Provide the market-comparable price of land per square foot.
k) Detail any benchmarks or standards used to determine space requirements and costs for the facility, including metrics such as space per employee, cost per square foot, number of meeting rooms, operational savings, and energy efficiency features.
l) Was a market appraisal or valuation conducted? Provide justification for why purchasing this land was the most cost-efficient option for ERTH Power.

Staff-16

Reference:

I. EB-2024-0021 / Manager's Summary / p. 42 of Part 1

Preamble:

In Reference I, ERTH Power states the following regarding the PILs and CCA calculations:

> ERTH Power notes that it has not reflected the recent changes to Capital Cost Allowance tax rules, resulting from Bill C-97, in its ICM calculations. Consistent with the OEB's letter of July 25, 2019, ERTH Power intends to book any impacts of the CCA rule changes in Account 1592-PILS and Tax Variances for this and all other affected capital additions.

In addition, ERTH Power has elected to take a reduced CCA on the mechanical and energy systems portion of its New Facility request. In reducing the amount of CCA claimed in this ICM application, and over the course of the 2025, 2026 and 2027 tax years, a higher Undepreciated Capital Cost ("UCC") balance will remain at ERTH Power's 2028 cost of service, which will all else equal increase CCA at that time, reduce taxable income, and reduce PILs in rates for customers. In total, ERTH Power has reduced its planned full year CCA claim by $413,129 relative to the maximum CCA available. The impact of this choice within the ICM construct is annual PILs of $0 for both the Main and Goderich rate zones.

Question(s):

a) Please provide a comparison of the UCC balances as at May 1, 2028, PILs, ICM revenue requirements and CCA rates in the scenarios where (i) full CCA is claimed, and (ii) reduced CCA claim (as in the current application).

b) Please provide the dollar impact of the CCA rule change in Account 1592 sub-account CCA changes, specifically for the ICM assets in the incentive periods. Please show the calculations.
c) Is ERTH Power aware of any precedent cases where a utility reduced the amount of CCA claimed in its ICM application? If so, please provide the details including the decisions in those cases.

Please elaborate how the partial CCA proposal made by ERTH Power would not impact the ratepayers in a negative way overall.

Staff-17

Reference:

I. EB-2024-0021 / Manager's Summary / p. 20 of Part 1

Preamble:

In describing the New Facility in Reference I, ERTH Power stated that the full cost of building construction including finishes, fixtures and furniture is forecast at $27.2 million, which includes $1.5 million for a solar photovoltaic system, and $4.2 million to install a ground-source heat pump system in lieu of conventional heating and cooling.

The Clean Technology Investment Tax Credit is a refundable tax credit for capital invested in the adoption and operation of new clean technology (CT) property in Canada from March 28, 2023, to December 31, 2034. Tax credits are available for equipment used to generate electricity from solar, wind and water energy, and active solar heating equipment, air-source heat pumps and ground-source heat pumps.[1]

Question(s):

a) Has ERTH Power researched available funding programs, tax credits, grants, etc. that might offset the cost of the New Facility?
    i. If not, why not?
    ii. Please discuss the funding programs, tax credits, grants, etc. that ERTH Power is eligible for and/or has applied for, and what it expects to recover through those programs.
b) Please discuss whether any such funding is reflected in the current ICM request.
    i. If not, please explain how ERTH Power intends to reflect any funding it receives in its revenue requirement.

[1] Clean Technology (CT) Investment Tax Credit (ITC) - Canada.ca

Staff-18

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Goderich Tab Principal Adjustments

Preamble:

In Reference I, Account 1588 – RSVA Power for year 2022 under Current year principal adjustments shows an adjustment for CT 1142/142 true-up based on actuals for $67,203. However, this adjustment was not reversed in 2023.

Question(s):

a) Please confirm, Account 1588 – RSVA Power for year 2023 under Reversal of prior year principal adjustments, should reflect an adjustment for Reversal of CT 1142/142 true-up based on actuals for $67,203.
b) If confirmed, please update the GA Analysis Workform and other evidence, as required.
c) If not confirmed, please explain why it is not being reversed in 2023.

Staff-19

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Goderich Tab Account 1588

Preamble:

In Reference I, Note 7, Column G reflects the Account 1588 as % of Account 4705 for 2023 as 1.2%.

Also, Column F reflects the Account 4706 – Power Purchased for 2023 as $2,868,320.

Question(s):

a) Please explain why the annual Account 1588 balance relative to cost of power is higher than 1% for 2023.
b) Please explain why the 2023 balance for Account 4705 – Power Purchased is significantly lower than the 2022 balance.

Staff-20

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Goderich Tab Principal Adjustments
II. EB-2022-0029 / GA Analysis 2023 – Goderich Tab Principal Adjustments.

Preamble:

In Reference II, Account 1588 – RSVA Power for year 2021 under Current year principal adjustments shows an adjustment for CT 148 true-up of GA Charges based on actual RPP volumes for $(15,769).

Also, Account 1589 – RSVA Global Adjustment for year 2021 under Current year principal adjustments shows an adjustment for CT 148 true-up of GA Charges based on actual Non-RPP volumes for $15,769.

Question(s):

a) Please confirm all the current year adjustments in Reference II for year 2021 should be reversed in Reference I GA Analysis Workform for 2022.
b) If confirmed, please update the GA Analysis Workform and other evidence, as required.
c) If not confirmed, please explain why it is not being reversed in 2022.

Staff-21

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Main, Tab Principal Adjustments
II. EB-2022-0029 / GA Analysis 2023 – Main, Tab Principal Adjustments.

Preamble:

In Reference II, Account 1588 – RSVA Power for year 2021 under Current year principal adjustments shows an adjustment for CT 148 true-up of GA Charges based on actual RPP volumes for $2,207,333.

Also, in Reference II, Account 1589 – RSVA Global Adjustment for year 2021 under Current year principal adjustments shows an adjustment for CT 148 true-up of GA Charges based on actual Non-RPP volumes for $(2,207,333).

All the above were reflected as recorded in GL in year 2022.

Question(s):

a) Please confirm all the current year adjustments in Reference II for year 2021 should be reversed in Reference I GA Analysis Workform for 2022 in the current proceeding.
b) If confirmed, please update the GA Analysis Workform and other evidence, as required.
c) If not confirmed, please explain why it is not being reversed in 2022.

Staff-22

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Goderich Tab GA 2022
II. EB-2024-0021 / GA Analysis Workform 2025 - Goderich Tab Principal Adjustments
III. EB-2024-0021 / GA Analysis Workform 2025 - Main Tab Principal Adjustments

Preamble:

In Reference I, analysis of expected GA amount reflects the consumption billed in Column F is actual consumption including unbilled revenue.

Also, in Reference II, Account 1589 – RSVA Global Adjustment for 2023, under current year principal adjustments, an adjustment is shown as unbilled to actual revenue differences for the amount $40,012. Similarly, in Reference III, an adjustment is shown as unbilled to actual revenue differences for the amount $144,623.

Question(s):

a) Please explain, if being billed on actual consumption, why is there an adjustment reflecting unbilled to actual revenue difference respectively for the amount of $40,012 for the Goderich Rate Zone and $144,623 for the Main Rate Zone.

Staff-23

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Main Tab Principal Adjustments
II. EB-2022-0029 / GA Analysis 2023 – Main Tab Principal Adjustments.

Preamble:
In Reference I, Account 1588 – RSVA Power 2022, under current year principal adjustments, an adjustment is shown as Reversal of CT 1142/142 true-up based on actuals 2020 for the amount $(454,035).

In Reference II, Account 1588 – RSVA Power 2020, under current year principal adjustments, an adjustment is shown as Reversal of CT 1142/142 true-up based on actuals for $457,025.

Question(s):

a) Please confirm this amount is not the same as shown in Reference II.
b) If done in error, please provide updated forms as applicable.
c) If not done in error, please explain the difference.

Staff-24

Reference:

I. EB-2024-0021 / GA Analysis Workform 2025 - Main Tab Principal Adjustments

Preamble:
In Reference I, Account 1588 – RSVA Power for year 2022 under Current year principal adjustments, an adjustment is shown as RPP Settlement True-up not in GL for the amount $539,431.

Also, in Reference I, Account 1588 – RSVA Power for year 2022 under Current year principal adjustments, an adjustment is shown as Embedded generation Correction from 2018.

Question(s):

a) Please explain the nature of the adjustments in Reference I.
b) Please provide supporting calculations for the adjustments in Reference I.