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BY EMAIL

April 17, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Lakeland Power Distribution Ltd. (Lakeland Power)
2025 Cost of Service Application
OEB File Number: EB-2024-0039**

Please find attached OEB staff's submission on the unsettled issue in the above referenced proceeding.

Yours truly,

Georgette Vlahos
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0039



ONTARIO ENERGY BOARD

OEB Staff Submission

Lakeland Power Distribution Ltd.

Cost of Service Application

EB-2024-0039

April 17, 2025

Rate Calculation Errors for Non-RPP Class B Global Adjustment Rate Riders in Account 1595 sub-accounts 2021 and 2022

In this application¹, Lakeland Power disclosed two rate rider calculation errors related to the 2021 Global Adjustment (GA) rate riders² and 2022 GA rate riders.³ The 2021 GA rate riders were derived based on the debit balance of \$28,968 in Account 1589 GA which was approved on an interim basis as part of the 2021 IRM rate proceeding⁴, and subsequently approved on a final basis in the 2023 IRM rate proceeding.⁵ The 2022 GA rate riders were derived based on the approved debit balance of \$82,316 in Account 1589 on a final basis as part of the 2022 IRM rate proceeding.⁶ While the approved GA balances in both proceedings were correct, Lakeland Power identified errors in the rate rider calculations in both 2021 and 2022 IRM models.

The IRM model calculates the GA rate riders using Class B Non-RPP consumption which is calculated by deducting Class A Non-RPP consumption from the Total Non-RPP consumption. In the 2021 and 2022 IRM models, the Class B Non-RPP consumptions were calculated incorrectly. Specifically, the 2021 total Class B Non-RPP consumption (the denominator of deriving the rate riders) was negative mainly because the Total Non-RPP consumption in the GS>50 rate class was significantly understated, which resulted in the Class B Non-RPP consumption to be negative after the Class A Non-RPP consumption was deducted from the Total Non-RPP consumption for this rate class. This error resulted in Lakeland Power mistakenly refunding the GA rate riders at \$0.0060/kWh rather than collecting them at \$0.0003/kWh. Therefore, the proposed recovery amount of \$345,659 was included as a debit in the principal balance in Account 1595 sub-account 2021. The 2022 GA rate riders error was due to understated Class B Non-RPP consumption because the non-RPP kWh for all former Parry Sound Power rate classes was missing. This resulted in overstated 2022 GA rate riders and hence an over-recovery of \$50,942 from customers. This over-recovery amount was included as a credit in the principal balance in Account 1595 sub-account 2022.

In response to OEB staff's interrogatories⁷, Lakeland Power stated that there are no retroactivity issues arising from these errors because both the under-recovery and the over-recovery amounts remain in the respective sub-accounts under Account 1595, both of which are not eligible for disposition yet⁸ and have not been disposed of at all.

¹ EB-2024-0039, Application, Exhibit 9, Section 9.2.2, Tables 15 & 17

² 2021 GA rate riders sunset on April 30, 2022

³ 2022 GA rate riders sunset on April 30, 2023

⁴ EB-2020-0037

⁵ EB-2022-0047, Section 7 Group 1 Deferral and Variance Accounts

⁶ EB-2021-0040

⁷ EB-2024-0039, Interrogatory Responses, February 6, 2025, 9-Staff-80 & 9-Staff-81

⁸ Ibid, 9-Staff-80(a) table.

Lakeland Power stated that it did not make an adjustment to the DVA Continuity Schedule as the current balances in the respective sub-accounts under Account 1595 reflect both errors and explain most of the balance.⁹ Lakeland Power would seek disposition of balances of Account 1595 for both 2021 including the under-recovery amount of \$345,659 and 2022 including the over-recovery amount of \$50,942 in the appropriate IRM proceedings.¹⁰ Lakeland Power states it has implemented a more robust process for validating to ensure that the auto-populated data in all tabs in the IRM model tie to the RRR data¹¹ so that similar calculation errors can be avoided in the future.

Submission

OEB staff notes that this submission is made on the debit amount of \$345,659 remaining in Account 1595 sub-account 2021, and the credit amount of \$50,942 remaining in Account 1595 sub-account 2022. OEB staff notes that as per the Chapter 2 Filing Requirements, distributors become eligible to seek disposition of these residual balances two years after the expiry of the rate rider.¹² OEB staff does not take issue with Lakeland Power's proposal that the 2021 and 2022 GA rate rider calculation errors are to be corrected through the debit/credit amounts sitting in the sub-accounts under Account 1595 via the future dispositions of the accounts. However, OEB staff's submission has two modifications to Lakeland Power's proposal:

- 1) Lakeland Power should calculate two sets of GA rate riders for each year's vintage sub-accounts under Account 1595 which contains the error for Class B Non-RPP customers, which were the group of customers that caused the respective residual balance, for the debit amount of \$345,659 in Account 1595 sub-account 2021 and the credit amount of \$50,942 in Account 1595 sub-account 2022 when the respective sub-accounts under Account 1595 are eligible for the dispositions.
- 2) Lakeland Power should write off the carrying charges accumulated on the \$345,659 in Account 1595 sub-account 2021. On the other hand, Lakeland Power should not write off the carrying charges accumulated on the credit amount of \$50,942 in Account 1595 sub-account 2022 based on the asymmetrical approach which is consistent with the OEB's past practice.

Overall, OEB staff does not take issue with Lakeland Power's proposal subject to the

⁹ EB-2024-0039, Application, Exhibit 9, Section 9.2.2, 1595 (2021), 1595 (2022)

¹⁰ Interrogatory Responses, February 6, 2025, 9-Staff-80, (c)

¹¹ Interrogatory Responses, February 6, 2025, 9-Staff-80, (d)

¹² Chapter 2 Filing Requirements, section 2.9.1.3, December 15, 2022

two modifications indicated above based on the following reasons.

First, in OEB staff's view, there is no retroactivity issue for the errors noted in both 2021 and 2022 sub-accounts under Account 1595. OEB staff notes that the OEB issued a letter regarding the adjustments to pass-through DVAs in October 2019.¹³ The letter states, "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." OEB staff notes that the listed variance accounts include Account 1595. However, both subaccounts under Account 1595 have not been disposed of on a final basis. The letter also states, "Consistent with the OEB's past practice, an asymmetrical approach to the correction of the error may be appropriate." OEB staff notes that the carrying charge accumulated on the under-recovery amount and the over recovery amount in Account 1595 should be corrected based on this approach as well.

Second, OEB staff notes that Chapter 2 of the Filing Requirements for Electricity Distributors does not preclude utilities from bringing a material residual balance in Account 1595 for disposition.¹⁴ OEB staff acknowledges that the residual balance in Account 1595 typically represents the difference between the forecast billing determinants upon which the riders were derived and the actual billing determinants over that period. However, utilities can explain the material balances as they occur.

Lastly, OEB staff also notes that similar issues in Account 1595 occurred in Essex Powerlines' and Guelph Hydro's previous rate proceedings¹⁵, in which the errors have been corrected through Account 1595 and approved by the OEB. In its 2015 IRM proceeding, Essex Powerlines made an adjustment to Account 1595 sub-account 2012 to reverse the twice disposed amount of \$1.8 million from the 2014 IRM rate application since it failed to transfer the OEB approved disposition amount to Account 1595 in 2012.¹⁶ In its 2019 IRM decision and order, Guelph Hydro recovered the amount in Account 1595 sub-account 2016 from its Non-RPP Class B customers through a separate GA rate rider due to a 2016 GA rate riders calculation error which is similar to Lakeland Power's proposal in this case.¹⁷

One of the modifications OEB staff recommends to Lakeland Power's proposal is that the debit amount of \$345,659 and the credit amount of \$50,942 should be disposed of through a separate GA rate rider respectively to Non-RPP Class B customers once the

¹³ [Letter-Retro-Ratemaking-Guidance-20191031](#), pg. 2

¹⁴ Chapter 2 Filing Requirements, Section 2.9.1.3

¹⁵ EB-2017-0039 (OEBstaff_Sub2, pg. 8); EB-2018-0036 (Decision and Rate Order, pg. 11)

¹⁶ EB-2017-0039, OEB Staff Submission, Chronology of events, July 4, 2018

¹⁷ EB-2018-0036, Decision and Rate Order, pg. 11

respective Account 1595 sub-accounts including these amounts are eligible for disposition in future rate applications. These amounts represent discrete corrections to a specific customer group and therefore due to the general principle of cost causality, these two amounts should not be combined with the residual balances in the respective sub-accounts under Account 1595, which in the normal course of tracking residual balances would be combined with the rest of the Group 1 DVAs excluding Global Adjustment, to be disposed of through the general purpose Group 1 DVA rate riders to all customers. Specifically, Lakeland Power should calculate two sets of rate riders for each year's vintage sub-accounts under Account 1595. For example, when Lakeland Power seeks the disposition of Account 1595 sub-account 2021 in its 2026 IRM application, it should propose disposing of the under-recovery amount of \$345,659 to the Class B Non-RPP customers while keeping the rest of the residual balance in Account 1595 sub-account 2021 disposed through the general DVA rate riders to all customers.

The other modification OEB staff proposes is that Lakeland Power should not be permitted to recover the additional carrying charges recorded in Account 1595 sub-account 2021 related to the debit amount of \$345,659. OEB staff submits that Lakeland Power should provide in its reply submission, the carrying charges that have been recorded on the debit amount of \$345,659 and its associated calculation. OEB staff is of the view that the customers should not pay for the interest on the funds that customers owe to the utility due to the utility's mistake. On the other hand, the utility should pay interest on the funds that the utility owes to the customers.

This asymmetrical approach is in line with the spirit of the OEB's stated approach in its October 2019 letter where the OEB noted that it may take an asymmetrical approach to correcting errors in cases where the utility has made errors that were avoidable. For the reasons stated earlier, because of the absence of a final disposition of the residual balance in account 1595, OEB staff is not opposing the symmetrical correction of the principal balances. However, OEB staff does not support keeping the utility whole for carrying charges given that these errors were in their control and preventable.

~All of which is respectfully submitted~