EB-2024-0021

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended (the "**Act**");

AND IN THE MATTER OF an Application by ERTH Power Corporation Inc. under Section 78 of the Act for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2025.

ARGUMENT-IN-CHIEF OF ERTH POWER CORPORATION INC.

April 22, 2025

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide St W.
Toronto ON M5H 4E3

John A.D. Vellone
Tel: (416) 367-6730
Facsimile: (416) 361-2758
Email: jvellone@blg.com

Zoë Thoms
Tel: (416) 367-6661
Facsimile: (416) 361-2758
Email: zthoms@blg.com

Counsel to the Applicant

TABLE OF CONTENTS

I. INTRODUCTION

1. ERTH Power Corporation Inc. (the "**Applicant**" or "**ERTH Power**") files this Argument-in-Chief in support of its 2025 Incremental Capital Module ("**ICM**") application, submitted as part of its 2025 Incentive Rate Mechanism ("**IRM**") pursuant to section 78 of the *Ontario Energy Board Act, 1998* (the "**OEB Act**") on October 11, 2024, (the **"Application**").

2. ERTH Power seeks approval of the following in respect of its ICM Application:

   i) ICM funding for the purchase of property, design, construction, and furnishing of a new centralized administrative and operational facility (the "**New Facility**") with a projected in-service date in Q4 2025. The total capital cost is $33.2 million, with a corresponding annual incremental capital revenue requirement of $2.7 million.[1]

   ii) Approval of ICM rate riders to recover the incremental capital-related revenue requirement for the New Facility;[2]

   iii) Approval of two new deferral accounts and one variance account in the context of the overall IRM proceeding to record rent amounts included in ERTH Power's rates which will no longer be paid, future rental income ERTH Power will receive for the New Facility, and variances in other OM&A costs resulting from the transition to the New Facility;[3] and

   iv) Approval to record amounts relating to the New Facility in the applicable 1508 sub-accounts pertaining to ICM projects, with the intention of truing up the balance in its next cost of service application.[4]

---

[1] SEC-2. JT1.1 and Attachments – JT1.1_ICM_Model_ERTH_Main_Updated_20250214 and JT1.1_ICM_Model_ERTH_Goderich_Updated_20250214.
[2] SEC-2. JT1.1 and Attachments – JT1.1_ICM_Model_ERTH_Main_Updated_20250214 and JT1.1_ICM_Model_ERTH_Goderich_Updated_20250214.
[3] Interrogatory SEC 6 and Attachments 4, 5 and 6.
[4] Application, Appendix A – 2024 ICM Application pg. 44.

3. The New Facility is a discrete project that represents a significant and material capital expenditure for ERTH Power that is not funded through ERTH Power's existing rates.

4. The New Facility will consolidate two leased facilities that are no longer sufficient for the utility's operational, safety and workforce needs.

5. ERTH Power submits that this Application satisfies the Ontario Energy Board's ("**OEB**") ICM eligibility test of materiality, need, and prudence and requests that the OEB approve the full ICM funding amount through distribution rate riders effective May 1, 2025, continuing until the utility's next rebasing year in 2028.

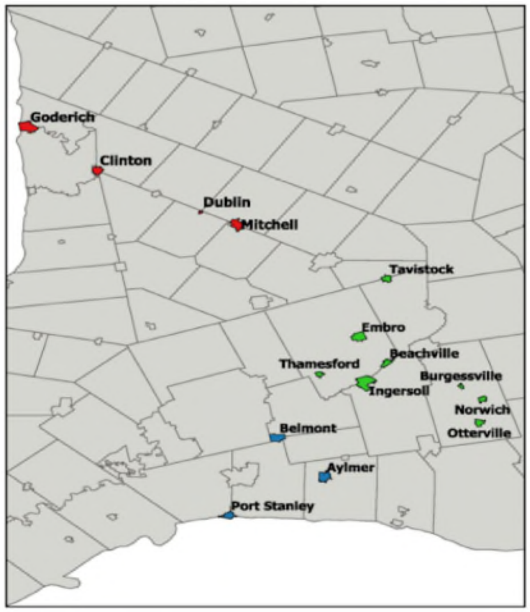
6. ERTH Power further submits that the new deferral accounts and variance account are a means to recognize the savings from rent and OM&A costs and future rental income to the benefit of its customers and satisfy the OEB's criteria and requests approval of the accounting orders attached as Appendix A.

II. THE NEW FACILITY

7. ERTH Power is a growing utility that serves approximately 32,819 customers across 15 communities in southwestern Ontario, operating a widely dispersed distribution system of over 453 km of line.[5]

[5] Application, Appendix A – 2024 ICM Application pg. 6-7.

Figure 1: ERTH Power Service Territory



8. ERTH Power currently rents its facilities, including its headquarters at the Bell St. property (the "**Bell St. Property**") and a satellite operations centre in Aylmer, Ontario (the "**Aylmer Property**").[6]

9. As detailed further below, the Bell St. and Aylmer Properties pose significant challenges to ERTH Power's operational, safety and workforce needs on account of the size, condition and, in the case of the Aylmer Property, location.[7]

10. In 2022, ERTH Power determined that the best means to address these challenges was to consolidate both facilities into a new operations and administrative location in Ingersoll, Ontario (the most effective and efficient location of the operations centre to service ERTH Power's territory).[8]

11. ERTH Power assessed available facility alternatives for the consolidation, including potentially purchasing an existing building and property and retrofitting it to meet its operational needs, however, there were no feasible options available

[6] Application, Appendix A – 2024 ICM Application pg. 7-10.
[7] Application, Appendix A – 2024 ICM Application pg. 11-14.
[8] Application, Appendix A – 2024 ICM Application pg. 17.

within Ingersoll to purchase.[9] There were also limited leasing options in the area. The only available commercial/industrial space in Ingersoll while technically feasible, was not optimal and, at more than twice the size that ERTH Power needed, would drive significant costs.[10]

12. Weighing the available options, ERTH Power determined that the most cost-effective option to meet its operational needs was to procure new property at 385 Thomas Street and construct the New Facility.[11] The New Facility is optimally located in Ingersoll[12] and meets ERTH Power's operational requirements and objectives at a reasonable expense relative to the alternatives.[13] Further, the New Facility will generate rental income from ERTH Corporation ("**ERTH CORP**") as ERTH CORP employees will operate out of the New Facility and provide services to ERTH Power.[14]

13. The New Facility will include a solar photovoltaic system and ground-source heat pump system. During consultations regarding the design of the New Facility, ERTH Power stakeholders advised that incorporating energy efficiency and decarbonization technologies was an important requirement.[15] ERTH Power estimates that the incremental cost of these technologies over conventional natural gas heating and electrical air condition systems is approximately $1.5 million for the solar photovoltaic system and $300K for the geothermal heat pump, totaling $1.8 million.[16]

14. ERTH Power expects that the solar and geothermal technologies will not only allow the utility to participate in the energy transition and reduce GHG emissions, but

[9] Application, Appendix A – 2024 ICM Application pg. 21.
[10] Application, Appendix A – 2024 ICM Application pg. 21-28.
[11] Application, Appendix A – 2024 ICM Application pg. 15-17.
[12] Application, Appendix A – 2024 ICM Application pg. 17.
[13] Application, Appendix A – 2024 ICM Application pg. 15-17 and 28-29.
[14] Application, Appendix A – 2024 ICM Application pg. 19.
[15] SEC-14(B).
[16] KT1.3 – Correction to Interrogatory Response SEC-13(C). JT1.8.

they will also yield reduced operating expenditures, including:

i) An estimated $110,400 in annual electricity savings;[17]

ii) Ongoing operations and maintenance savings from smaller sized heating equipment;[18] and

iii) The heat pump system being four times more efficient than a conventional gas system.[19]

15. For a detailed description of the New Facility see the Application – Appendix A – 2024 ICM Application at pages 15-20.

a. <u>Total Capital Expenditures</u>

16. The total cost for the New Facility is $33.2 million. The initial total cost for the New Facility as set out in the Application was $33.4 million. See Figure 2 below for a breakdown of the original capital expenditures.[20]

Figure 2: Initial New Facility Costs

Table 2: New Facility Costs

Component	$000's
Land	$6,217
Yard	$462
Building	$13,899
Furniture, Fixtures & Equipment	$1,784
Mechanical & Energy Systems	$11,077
Total	**$33,439**

17. This amount was subsequently updated during interrogatories for a total cost of $33.2 million.[21] See Figure 3 below for a breakdown of the capital expenditures.

[17] JT1.1. Technical Conference Transcript, February 6, 2025 ("TC Transcript"), pg. 82, line 19-23.
[18] JT1.1. TC Transcript, pg. 9, lines 11-28.
[19] JT1.1. TC Transcript, pg. 10, lines 1-3.
[20] Application, Appendix A – 2024 ICM Application pg. 20.
[21] SEC-2(A)

This amount was entered into updated ICM models referenced herein.[22]

[22] SEC-2. JT1.1 and Attachments – JT1.1_ICM_Model_ERTH_Main_Updated_20250214 and JT1.1_ICM_Model_ERTH_Goderich_Updated_20250214.

Figure 3: Updated New Facility Costs Entered into Updated ICM Models

Component	$000's
Land	$6,217
Yard	$462
Building	$13,843
Furniture, Fixtures & Equipment	$1,783
Mechanical & Energy Systems	$10,877
Total	**$33,182**

18. Figure 4 below summarizes the incremental revenue requirement resulting from approval of the capital expenditures associated with the New Facility, which is allocated to ERTH Power's Main and Goderich rate zones.[23]

Figure 4: Updated Incremental Revenue Requirement for New Facility

Component	Main RZ ($000's)	Goderich RZ ($000's)	Total ($000's)
Return on Rate Base	$1,606	$356	$1,962
Amortization Expense	$632	$145	$777
Gross up Taxes/PILs	$0	$0	$0
Total	**$2,238**	**$501**	**$2,739**

19. Consistent with ICM policy, these amounts will be subject to true-up upon rebasing.[24]

b. <u>Reduced Capital Cost Allowance</u>

20. In the ICM models, ERTH Power has elected to take a reduced capital cost

[23] SEC-2. JT1.1 and Attachments – JT1.1_ICM_Model_ERTH_Main_Updated_20250214 and JT1.1_ICM_Model_ERTH_Goderich_Updated_20250214.
[24] *Chapter 3 Filing Requirements for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025* issued June 18, 2024, applicable for IRM applications (the "**Chapter 3 Filing Requirements**") pg. 29.

allowance ("**CCA**") on the mechanical and energy portion of its New Facility to smooth potential cash flow impacts while preserving the benefit to ratepayers in the next cost of service rebasing. In reducing the amount of CCA claimed in this ICM Application, and over the course of the 2025-2028 tax years, a higher undepreciated capital cost ("**UCC**") balance will remain at ERTH Power's next Cost of Service rebasing, which, all else being equal, will increase the 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 $375,358 relative to the maximum CCA available. The impact of this choice within the ICM model is annual PILs of $0 for both the Main and Goderich rate zones.[25]

21. ERTH Power's approach is consistent with the OEB's decision in EB-2023-0013 in which the OEB approved E.L.K. Energy's Proposed CCA rate smoothing mechanism for ICM funding. E.L.K. Energy proposed to claim CCA on an actual basis in the exact amount required to yield a $0 PILs impact in the OEB's ICM model. E.L.K. Energy argued that this smoothing mechanism would ensure cost recovery and positive cash flow for E.L.K. while preserving future benefits for ratepayers.[26]

III. <u>THE NEW FACILITY MEETS THE OEB'S ICM CRITERIA</u>

22. The OEB's ICM criteria is set out in Section 3.3.2 of the *Chapter 3 Filing Requirements for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025* issued June 18, 2024, applicable for IRM applications (the "**Chapter 3 Filing Requirements**").[27]

23. ERTH Power is currently in a nine-year cost of service deferral period arising from a utility consolidation approved by the OEB in 2018.[28] ERTH Power is permitted to

[25]Application, Appendix A – 2024 ICM Application pg. 42. SEC-2. JT1.1 and Attachments – JT1.1_ICM_Model_ERTH_Main_Updated_20250214 and JT1.1_ICM_Model_ERTH_Goderich_Updated_20250214.
[26] Staff-16(C). EB-2023-0013, E.L.K. Energy Inc., Decision and Rate Order, dated March 21, 2024, pg. 22-25.
[27] Chapter 3 Filing Requirements pg. 23-30.
[28] EB-2018-0082, Decision and Order, December 20, 2018, pg. 13. On March 14, 2018, Erie Thames Powerlines

access the ICM pursuant to Section 3.3.2 of the Chapter 3 Filing Requirements, which states that: "[d]istributors are not permitted to access the ICM during cost of service deferral periods *except in those instances where a distributor is in a deferral period arising from a utility consolidation* [emphasis added]."[29]

24. An ICM proposal must comply with the *Report of the Board: New Policy Options for the Funding of Capital Investments: the Advanced Capital Module* (EB-2014-0219) issued September 18, 2014 (the "**Original Report**") and the *Report of the Board: New Policy Options for the Funding of Capital Investments: Supplemental Report* (EB-2014-0219) issued January 22, 2016 (the "**Supplemental Report**", and together with the Original Report the "**ACM Reports**").

25. In particular, the ICM proposal must satisfy the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the Original Report.[30]

26. For the reasons set out below, ERTH Power submits that the New Facility meets the criteria of materiality (including the project-specific eligibility test), need (including the means test and discrete project criteria) and prudence and therefore is eligible for ICM funding.

a. <u>Materiality</u>

27. The key elements used to assess materiality are: i) the materiality threshold; and ii) the project-specific materiality test.[31] The New Facility passes both elements.

Corporations submitted a Mergers, Acquisitions, Amalgamations and Divestures (MAADs) application seeking approval to amalgamate Erie Thames Powerlines Corporation and West Coast Huron Energy Inc. On June 19, 2018, Erie Thames Powerlines Corporation because ERTH Power Corporation. On December 20, 2018, the OEB approved the amalgamation and deferred rate rebasing from the closing date for nine years.

[29] Chapter 3 Filing Requirements pg. 23. The eligibility of distributors in deferred rebasing periods arising from utility consolidations was further confirmed by the OEB in a letter to the sector dated February 10, 2022 re Incremental Capital Modules During Extended Deferred Rebasing Periods: [OEB Letter RE Incremental Capital Module Applications]

[30] Chapter 3 Filing Requirements pg. 24. Section 4.1.5 *Report of the Board: New Policy Options for the Funding of Capital Investments: the Advanced Capital Module* (EB-2014-0219) issued September 18, 2014 ("Original Report").

[31] Chapter 3 Filing Requirements pg. 24.

(i) *Materiality Threshold and Maximum Eligible Incremental Capital*

28. Figure 5 shows the ICM materiality thresholds for each of the Main and Goderich rate zones calculated using the OEB's ICM Model.[32]

Figure 5: ICM Materiality Thresholds

Rate Zone	**Materiality Threshold ($000's)**
Main Rate Zone	$4,198
Goderich Rate Zone	$882

29. The materiality threshold must be compared against the total planned capital expenditures for the year in question. The total planned capital expenditures, less the materiality threshold, equal the maximum eligible incremental capital for ICM recovery.[33]

30. This calculation must be completed separately for the Main and Goderich rate zones. ERTH Power operates on an integrated basis and does not prepare and execute capital plans for its two rate zones separately. Therefore, the total planned 2025 capital expenditures must be allocated to each rate zone to determine maximum eligible incremental capital. To complete this allocation, ERTH Power 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 and applied this historical average to the planned 2025 capital expenditures.[34]

31. ERTH Power's updated maximum eligible incremental capital amounts for each of the Main and Goderich rate zones are set out below in Figure 6.[35] The total cost of

---

[32] JT1.1; JT1.1_ICM_Model_ERTH_Main_Updated_202502214; JT1.1_ICM_Model_ERTH_Goderich_Updated_202502214.
[33] Chapter 3 Filing Requirements pg. 26-27. Original Report pg. 17.
[34] Application, Appendix A – 2024 ICM Application pg. 38.
[35] Application, Appendix A – 2024 ICM Application pg. 39. JT1.1; JT1.1_ICM_Model_ERTH_Main_Updated_202502214; JT1.1_ICM_Model_ERTH_Goderich_Updated_202502214;

the New Facility, $33.2 million, is both above the materiality threshold and within the total maximum eligible incremental capital amount.

Figure 6: Updated Eligible Incremental Capital

Component	**($000's)**
Main Rate Zone	
Capital Expenditures	$31,442
Materiality Threshold	$4,198
Maximum Eligible Incremental Capital	$27,245
Goderich Rate Zone	
Capital Expenditures	$7,223
Materiality Threshold	$882
Maximum Eligible Incremental Capital	$6,341
Total Maximum Eligible Incremental Capital	**$33,586**
New Facility Capital Cost	$33,182
Eligibility of New Facility for ICM Funding (%)	100%

(ii) ***Project-Specific Materiality Threshold***

32. The OEB has adopted a second, project-specific materiality test which states that minor expenditures in comparison to the overall capital budget should be considered ineligible for ICM treatment. The OEB may deny ICM funding for

projects that are part of a typical annual capital program.[36]

33. The New Facility is not a minor expenditure in comparison to ERTH Power's overall capital budget. The cost of $33.2 million for the New Facility represents a one-time expenditure that is 6.1 times all other capital expenditures planned for 2025 and 7.5 times ERTH Power's average actual capital expenditures over the 2018 to 2023 period.[37]

34. ERTH Power submits that it has met the "materiality" criteria, including the project-specific materiality test, of the ICM eligibility test.

b. <u>Need</u>

35. To qualify for ICM funding, a distributor must demonstrate that there is a need for the incremental funding by meeting a three-part test:

i) The distributor must pass a means test;
ii) The amounts must be based on discrete projects and should be directly related to the claimed driver; and
iii) The amounts must be clearly outside of the base upon which rates were derived. [38]

36. The New Facility meets each element of the three-part test.

(i) ***Means Test***

37. To be eligible for ICM funding, a distributor must pass the "means test" (as defined in the ACM Reports) by showing that its regulated return is less than 300 basis points above the deemed return on equity ("**ROE**") embedded in the distributor's rates.[39]

38. The appropriate value for comparison is a blended deemed ROE between Main and Goderich rate zones, weighed based on the average actual historical capital

[36] Chapter 3 Filing Requirements pg. 26-27.
[37] Application, Appendix A – 2024 ICM Application pg. 39.
[38] Section 4.1.5 of the Original Report.
[39] Original Report, page 15.

expenditures. On this basis, as set out in Figure 7 below, ERTH Power's most recent ROE does not exceed 300 basis points.[40] ERTH Power meets the OEB's means test for ICM eligibility.

Figure 7: Means Test

Table 8: Means Test

Component	%
Actual 2023 ROE	9.32%
Deemed ROE	9.02%
Difference	**0.30%**

(ii) ***Discrete Project Directly Related to Drivers***

39. The primary driver for the New Facility is the need to consolidate two existing leased facilities, the Bell St. Property and the Aylmer Property, both of which no longer meet the utility's operational, safety and workforce requirements.[41] The New Facility is a discrete project directly related to the project driver.

40. The Bell St. Property has reached the end of its useful life given the building's age and condition and significant indoor and outdoor space limitations.[42] ERTH Power provided detailed evidence of these challenges in its pre-filed evidence,[43] interrogatory responses,[44] and at the Technical Conference,[45] including an exhibit of photos illustrating the core challenges.[46] Bell St. Property's aging structure will require significant investment in coming years, including roof repairs and HVAC replacement, electrical enhancements, window replacements, and sanitary pipe corrosion measures.[47] Even if it would be possible to remedy the condition of the

[40] Application, Appendix A – 2024 ICM Application pg. 40.
[41] Application, Appendix A – 2024 ICM Application pg. 7-15.
[42] Application, Appendix A – 2024 ICM Application pg. 11-14. VECC-3.
[43] Application, Appendix A – 2024 ICM Application pg. 11-14.
[44] VECC-3. VECC-5.
[45] TC Transcript, pg. 15, line 6 to pg. 22, line 28.
[46] Exhibit KT1.3 – ERTH Power Corp. Additional Evidence.
[47] Application, Appendix A – 2024 ICM Application pg. 12-14. Exhibit KT1.3 – ERTH Power Corp. Additional

property, it is not possible to remedy the size of the property.[48] The size limitation presents significant challenges for the utility, including:

i) **Space Limitations**: There is no more room for growth and staff training and Board and other large meetings must be held offsite incurring incremental costs.

ii) **Fleet Maneuverability and Safety**: Limited access and parking create safety concerns and challenges for fleet maneuverability and deliveries.

iii) **Storage Constraints**: The property has extremely limited outdoor storage, leading to suboptimal organization and restricted access to critical materials, affecting efficiency.

iv) **Multiple Electric Service Connections**: Multiple electric services connections prevent the utility from electrifying its fleet. Reconfiguring and consolidating the connections would be costly.

v) **Control Room Limitations**: Due to the fragmented layout and limited space, the control room lacks proper physical security and separation from general office spaces, which is inconsistent with utility best practices.

vi) **Server Room Deficiencies**: The server room is confined and does not meet best practice standards for temperature control and fire suppression.

vii) **Inclusive Amenities**: The facility lacks inclusive amenities, such as barrier free accessibility limitations, including change rooms/washrooms/locker-room facilities for women in trades, which is essential for attracting and retaining talent and aligning with the utility's core values.

viii) **Office Space Constraints**: Interior office space is limited, and its fragmented

---

Evidence. VECC-3.
[48] VECC-3.

layout restricts collaboration and overall efficiency.[49]

41. The key challenges for the Aylmer Property are related to staffing and human resource issues, and the cost of operating a second operation centre of that size. ERTH Power has provided detailed evidence of these challenges and the negative impact on its operations in its pre-filed evidence,[50] interrogatories[51] and at the Technical Conference.[52] The Aylmer Property faces staffing and operational challenges, including high powerline technician turnover and elevated health and safety incidents. Its remote nature limits leadership presence, reducing mentorship and oversight. Recruitment is also more difficult due to a smaller local talent pool. Additionally, the facility suffers from chronic roof issues, lacks basic amenities like showers and change rooms, and requires modernization to meet ergonomic standards.[53]

42. The New Facility is directly related to the driver for the project and meets part two of the OEB's need test for ICM eligibility.

(iii) ***Unfunded Through Rates***

43. The New Facility is not funded through rates and, therefore, meets part three of the OEB's need test for ICM eligibility.[54]

c. <u>Prudence</u>

44. To satisfy the criteria of prudence, a distributor must establish that the incremental capital amount is prudent, meaning that the distributor's decision to incur the amounts must represent the most cost-effective option, but not necessarily least

---

[49] Application, Appendix A – 2024 ICM Application pg. 11-14. VECC-3. Exhibit KT1.3 – ERTH Power Corp. Additional Evidence. TC Transcript, pg. 15, line 6 to pg. 22, line 28.
[50] Application, Appendix A – 2024 ICM Application pg. 14.
[51] VECC-2. VECC-4. VECC-5
[52] TC Transcript, pg. 23, line 8-13.
[53] Application, Appendix A – 2024 ICM Application pg. 14.
[54] Application, Appendix A – 2024 ICM Application pg. 40.

initial cost, for customers.[55]

45. ERTH Power demonstrated prudent decision making from the identification of the need, to weighing the cost and benefits of available options, to finding opportunities to cut costs through the design process, to issuing and completing the RFP for construction and has provided detailed evidence of same:

i) **2022 – Need Identified**: After the merger with West Coast Huron Energy in late 2018, staffing levels at the Bell St. Property were pushed to the limit resulting in the challenges outlined above for that property and the Aylmer Property. ERTH Power's existing facilities all had similar issues.[56] ERTH Power began reviewing options for available facility alternatives, including purchasing an existing property and retrofitting, leasing a property, and purchasing a property and building a new facility.[57] ERTH Power determined that available options for appropriate lease properties are highly limited. ERTH Power identified one available commercial/industrial space in Ingersoll that was somewhat viable and met some but not all its needs as a mid-sized electricity distributor.[58]

ii) **2022-2023 – Development of Specifications**: Having identified the need for a new facility, ERTH Power developed specifications to guide the options analysis and later, the design and development of the New Facility. ERTH Power created a cross functional team to lead and create the requirements. ERTH Power undertook nine site visits, seven of which were utilities and two were operation facilities of municipal shareholders. The team took measurements and reviewed amenities, control rooms, training rooms, and fleet warehousing. In addition, the team engaged with ERTH Power staff, the Board of Directors, and shareholders to identify space, operations, and human resource requirements. These stakeholders were consistent that the building needed to be energy efficient,

---

[55] Chapter 3 Filing Requirements pg. 24. Original Report Section 4.1.5.
[56] TC Transcript pg. 23.
[57] TC Transcript, pg. 23, line 14 to pg. 24, line 20. VECC 9(B) and (C). JT1.2.
[58] Application, Appendix A – 2024 ICM Application pg. 23-29. TC Transcript, pg. pg. 24, line 8-20.

including decarbonization technologies like solar panels and geothermal heating.

iii) **September 2022 – Decision to Develop Business Plan**: During a Board of Directors and management strategy session, ERTH Power decided to develop a business plan in 2023 for a new facility and to explore property or location options.[59]

iv) **October 20,2022 - Shareholder Consultation**: ERTH Power regularly consulted with its nine municipal shareholders throughout the decision to pursue, and the development of, the New Facility. As municipalities, these shareholders represent customers in that they are ultimately elected by and directly accountable to ERTH Power's customer base. The shareholders were informed about the utility's operational needs, current challenges, and likely bill impacts from the New Facility.[60] The shareholders provided unanimous support of the New Facility.[61] On October 20, 2022, the directors (each appointed by one of the nine municipal shareholders) voted to develop a business plan in 2023 for a new facility for an "LDC Hub" and continue to explore property/location options for said facility.[62]

v) **February 16, 2023 - Shareholder Consultation**: Directors voted to acquire land for a new "LDC Hub."[63]

vi) **2023 - Retain POW Engineering**: In 2023, ERTH Power commissioned POW Engineering to produce an engineering design of the New Facility that meets its specifications.[64] Throughout the engineering and design phase for the new build, ERTH Power sought opportunities to keep the cost of the New Facility down resulting in a savings of more than $2 million, including:

- Contemplation of a 2-story office admin facility which reduced the land

[59] VECC-1(c). SEC-1, Attachments 1 and 2.
[60] SEC-15(B)
[61] TC Transcript, pg. 26, line 20-24. SEC-15(B).
[62] SEC-1 – Attachments 1 and 2.
[63] SEC-1, Attachments 3 and 4.
[64] JT1.3.

requirement from 7-acres to 6-acres and resulted in a $900,000 savings/acre;

- Elected a 2-story design for the office admin portion which is generally cheaper to build and resulted in approximately $500,000 savings;
- Removal of the 3-story ready requirement;
- Removal of the precast concrete wall system requirement, opting for a block wall system, which is cheaper and more energy efficient;
- Removal of the requirement for a block wall around the back exterior portion of the building from floor to ceiling, opting to stop the blocking at window height;
- Choosing not to over-engineer to a higher standard to withstand extreme wind and tornado events as the building will not be used as a community gathering centre;
- Reduction of fleet warehouse space from 120 feet wide to 100 feet wide, saving approximately $700,000;
- Choosing a 2-door option of the fleet storage system, lowing capital costs and ongoing maintenance cost;
- Removal of raised floor in the server room requirement resulting in a $20,000 savings;
- Choosing a smaller and slower elevator resulting in a $200,000 savings;
- Removal of the requirement for an industrial hood fan for the stove;
- Reducing generator sizing requirement to support 75% of facility load rather than 100%;
- Change to a horizontal geo field rather than a vertical geo field resulting in $100,000 in savings; and
- Selecting materials that provide optimal balance between cost effectiveness, durability, low maintenance, and locally sourced trade-friendly construction. [65]

vii) **2023 - Retain Utilis Consulting Inc.**: ERTH Power retained Utilis Consulting

[65] JT1.3. TC Transcript pg. 40, line 6 to page 46, line 7.

Inc. to memorialize the options assessment and decisions made to date in a business case and to validate the reasonableness of the New Facility through benchmarking.[66]

viii) **February 2023 – Conditional Offer**: ERTH Power makes a conditional offer on the property located at 385 Thomas Street and it is accepted by the vendor. [67]

ix) **March 23, 2023 - Shareholder Consultation**: Shareholders provide approval to proceed with construction of a new building.[68]

x) **2024 - Land Purchase Finalized**: ERTH Power and the vendor complete the purchase of the 385 Thomas Street property. [69]

xi) **February 15, 2024 - Shareholder Consultation**: At a special shareholder meeting ERTH Power presented the estimated costs for the New Facility for approval. The shareholders approved to proceed with the development and construction of the New Facility, and delegated the final go/no go decision to the Board of Directors (within a tolerance band) using the results of the final RFP process.[70]

xii) **May 17, 2024 - Construction RFP Issued**: ERTH Power commenced a procurement process that included five bidders to ensure the lowest market price was attained.[71]

xiii) **June 21, 2024 - General Construction Contract Awarded**: ERTH Power awarded the successful bidder a general construction contract.[72] The contract is a fixed price with a contingency amount. The successful bid came in approximately

[66] TC Transcript pg. 34, line 3 to pg. 35, line 17. TC Transcript pg. 46 line 20 to pg. 47 line 11.
[67] SEC-7
[68] SEC-1, Attachment 5.
[69] SEC-7
[70] SEC-1 Attachment 7. JT1.4.
[71] SEC-8
[72] SEC-1, Attachment 12 pg. 33.

$100,000 less than ERTH Power had previously estimated.[73]

xiv) **July 14, 2024 - New Facility Construction Commences**: Construction of the New Facility started.[74]

xv) **November 24, 2025 - Anticipated Occupancy**: ERTH Power anticipates an occupancy date of November 24, 2025.[75]

46. ERTH Power completed a comprehensive analysis of the options to resolve the issues it was facing with the Bell St. Property and Aylmer Property:

i) **Do Nothing Option**: ERTH Power continues to operate from the Bell St. Property, and continues to make rental payments for its primary operations and administrative centre. The Aylmer Property continues to be used and rented at 100% capacity ("**Option 1**");

ii) **Lease Option**: ERTH Power pursues a lease arrangement at the only available commercial/industrial space in Ingersoll and the use/rental of the Aylmer Property is downsized to 50% for storage and operational staging in the region. ERTH Power receives rental Payments from ERTH Corp for use of a portion of its new operations and administrative centre. HVAC choices are assumed to be conventional ("**Option 2**").

iii) **New Build Option**: The preferred option. ERTH Power procures a new property at 385 Thomas St. and constructs the New Facility. Use/rental of the Aylmer Property is downsized to 50% and used for storage and operational staging in the region. ERTH Power receives rental payments from ERTH Corp for use of a portion of its new operations and administrative center. Solar PV and ground-source heat pump systems are installed, reducing operating costs and making

---

[73] JT1.4.
[74] SEC-1, Attachment 12 pg. 33
[75] TC Transcript pg. 91 line 21-24.

ERTH Power an active participant in the energy transition ("**Option 3**").

47. In assessing these alternatives, ERTH Power considered the alternative that would be the most prudent, cost-effective and most efficient option of the three.

48. The analysis conducted by PUC Distribution is detailed in the Application and in the business case.[76] The assessment of the options is summarized in Figure 8 below.

Figure 8: New Facility Options Summary

Option	Pros	Cons
1 – Do-Nothing Option	• Ratepayers will incur no incremental capital expenditures[77]	• Does not meet ERTH Power's facility needs moving forward. • Operational effectiveness will continue to be hindered indefinitely. • Sub-optimal, and in some cases compromised, safety outcomes. • Insufficient facilities to meet basic expectations of current workforce or conduct training. • No opportunity to expand facility to meet future growth.[78]
2 – Lease Option	• Technically viable • Fleet maintenance and staging capabilities optimized. • Optimal physical restrictions and security for control room. • Sufficient space for staff and opportunity to construct workforce and training amenities.[79]	• Available options for appropriate lease properties highly limited. Only one potentially suitable candidate. • Yard availability highly limited impacting storage opportunities for large distribution components like poles and transformers. • Cost is immaterially less

[76] Application, Appendix A – 2024 ICM Application pg. 21-29
[77] Application, Appendix A – 2024 ICM Application pg. 23.
[78] Application, Appendix A – 2024 ICM Application pg. 25-26.
[79] Application, Appendix A – 2024 ICM Application pg. 22-23.

		expensive for ratepayers relative to a new build due to the significant size of the only available property.[80] • Does not meet all ERTH Power's requirements.
3 – New Build of New Facility (preferred option)	• Meets all ERTH Power's facility needs. • Reasonable expense to ratepayers relative to the alternative options. • Benchmarking analysis against four other OEB-regulated, mid-sized distributor facility shows the New Facility is reasonable and appropriate in its size, composition and cost.[81] • Yields improved capabilities to the benefit of ratepayers. • Maximized operational effectiveness and yard availability. • Maximized safety, including custom-built control room to utility best practices. • Facilities to attract and retain workforce going forward. • Allows for optimized planned future growth and expansion opportunities, including fleet electrification.[82]	• Slightly higher cost than leasing under Option 2.[83]

49. Based on the above analysis, Option 3, the New Facility was the preferred option.

d. Benchmarking

[80] Application, Appendix A – 2024 ICM Application pg. 22.
[81] Application, Appendix A – 2024 ICM Application pg. 29-35.
[82] Application, Appendix A – 2024 ICM Application pg. 28-29
[83] Application, Appendix A – 2024 ICM Application pg. 22.

50. In addition to the actions and decisions taken throughout the entire New Facility project lifecycle to ensure the most cost-effective outcome for customers, as outlined above, ERTH Power benchmarked the New Facility against new building projects by similarly positioned distributors to assess the reasonableness and prudence of its decisions.[84]

51. Preparing the benchmarking did have challenges, such as accounting for inflation and obtaining relevant data on space usage for relevant comparators.[85] In order to compare new building projects across a period of over a decade, ERTH Power established an index which blended two publicly available StatsCan indices – the Non-Residential Building Construction Index and Value per Acre of Land.[86] ERTH Power took this generic approach to all comparator buildings as it was not reasonably possible to construct customized indices for each based on the location and construction costs.[87] Lacking data beyond the forward-looking period, ERTH Power assumed a conservative 2.5% annualized inflation rate.[88] Regarding data availability, there was one instance where ERTH Power was unable to include a comparator new building project in the benchmarking analysis because of difficulty in obtaining data related to the breakdown of space usage as between office, operations, and storage.[89] Despite these limitations, ERTH Power was able to identify a representative peer group and undertake an analysis based on reasonable inflation assumptions.[90]

52. The peer group for the benchmarking analysis is set out below in Figure 9 (OEB Approved Capex adjusted for inflation):

---

[84] Application, Appendix A – 2024 ICM Application pg. 29-35. SEC-1 Attachment 12 – DRAFT ERTH New Facility Business Plan.
[85] Application, Appendix A – 2024 ICM Application pg. 29.SEC-12(A), (B) and (C).
[86] Application, Appendix A – 2024 ICM Application pg. 29. SEC-12(A).
[87] SEC-12(A).
[88] SEC-12(A).
[89] SEC 12(B) and (C).
[90] Application, Appendix A – 2024 ICM Application pg. 29-35. SEC-1 Attachment 12 – DRAFT ERTH New Facility Business Plan.

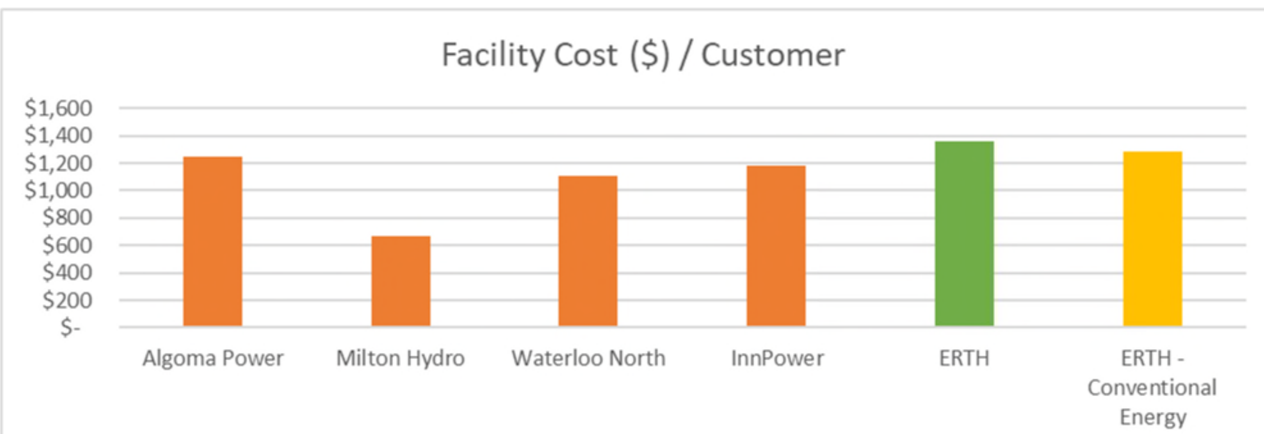
Figure 9: Benchmarking Peer Group

Table 5: Ontario Facility Benchmarking Peer Group

Utility	Case	Acres	Total ft2[8]	OEB Approved CAPEX ($000's)[9]
Algoma Power	EB-2019-0019	7	41,703	$15,361
Milton Hydro	EB-2015-0089	7	91,828	$24,594
Waterloo North	EB-2010-0144	20	104,000	$57,839
InnPower	EB-2014-0086	7	36,172	$19,129
ERTH Power	**EB-2024-0019**	**6**	**50,624**	**$33,439**

53. As shown below in Figure 10, an analysis of OEB-approved capital expenditures per customer shows that ERTH Power's New Facility is reasonable relative to the peer group.

Figure 10: OEB-Approved Capital Expenditures relative to Total Number of Customers[91]

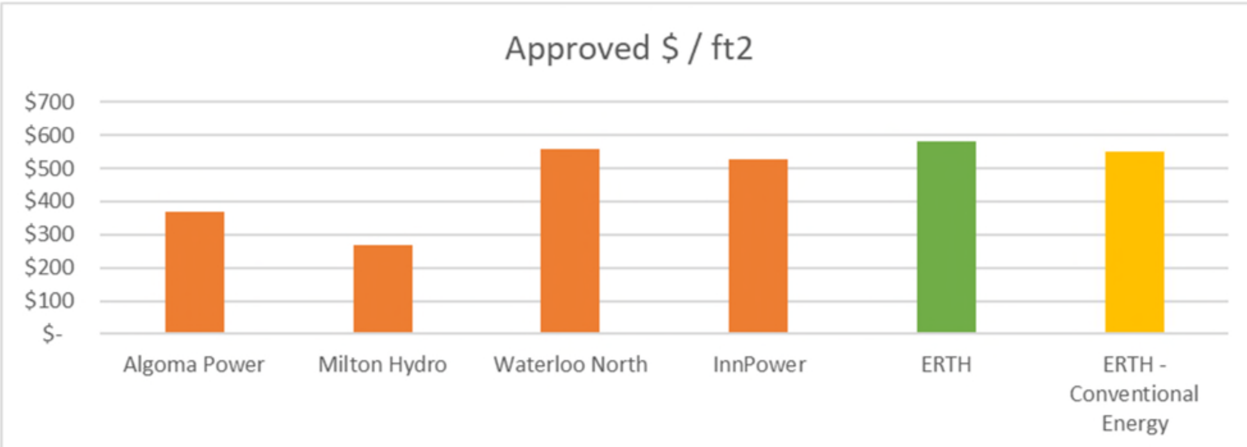


54. Similarly, when considering the New Facility cost relative to total ft2 in comparison to the OEB-approved capital of the comparator group, ERTH Power's facility is

[91] Updated to reflect most current cost estimate for New Facility ($33.2 million). ERTH Conventional Energy Option updated to reflect updated response to SEC-13(C). Original Figure 14 from Application – Appendix A 2024 ICM Application pg. 34.

reasonable.

Figure 11: OEB-Approved Capital Expenditures relative to Total ft2[92]



IV. RATE RIDERS

55. ERTH Power has followed the instructions in the OEB ICM Model to determine rate riders. The rate riders would be in effect from May 1, 2025, and continue until ERTH Power's next rebasing, planned for 2028 rates. The updated bill impacts to customers from these rate riders is shown in Figure 12 below.[93]

---

[92] Updated to reflect most current cost estimate for New Facility ($33.2 million). ERTH Conventional Energy Option updated to reflect updated response to SEC-13(C). Original Figure 14 from Application – Appendix A 2024 ICM Application pg.34.

[93] JT1.1.

Figure 12: Bill Impacts Resulting from Rate Riders

Main Rate Zone ICM Bill Impacts

ICM Rate Rider Bill Impacts	Distribution Bill	Total Bill	ICM Rider Revenue	Distribution Impact	Total Impact
RESIDENTIAL	37.56	137.21	6.40	17.04%	4.66%
GENERAL SERVICE LESS THAN 50 kW	60.60	323.59	10.37	17.11%	3.20%
GENERAL SERVICE 50 TO 999 kW	509.49	10,972.86	86.86	17.05%	0.79%
GENERAL SERVICE 1,000 TO 4,999 kW	5,389.11	137,301.96	918.82	17.05%	0.67%
LARGE USE	40,324.06	587,826.11	6875.08	17.05%	1.17%
UNMETERED SCATTERED LOAD	16.18	43.93	2.77	17.09%	6.29%
SENTINEL LIGHTING	25.31	42.41	2.73	10.79%	6.44%
STREET LIGHTING	30.62	139.03	5.23	17.06%	3.76%
EMBEDDED DISTRIBUTOR	4,350.76	17,702.97	741.79	17.05%	4.19%

Goderich Rate Zone ICM Bill Impacts

ICM Rate Rider Bill Impacts	Distribution Bill	Total Bill	ICM Rider Revenue	Distribution Impact	Total Impact
RESIDENTIAL	39.71	135.82	6.30	15.87%	4.64%
GENERAL SERVICE LESS THAN 50 kW	65.16	316.16	10.32	15.84%	3.26%
GENERAL SERVICE 50 TO 999 kW	545.95	10,679.56	86.64	15.87%	0.81%
GENERAL SERVICE 500 TO 4,999 kW	4,247.25	134,109.10	674.06	15.87%	0.50%
LARGE USE	43,632.05	712,493.00	6924.96	15.87%	0.97%
SENTINEL LIGHTING	44.21	4,179.01	7.02	15.88%	0.17%
STREET LIGHTING	19,450.16	25,527.21	3086.99	15.87%	12.09%
UNMETERED SCATTERED LOAD	98.21	126.48	15.59	15.87%	12.33%

56. ERTH Power submits that the distribution impacts, while higher than the total impact, are reasonable. ERTH Power's distribution rates have not been rebased since 2018 and are not representative of its current costs. Furthermore, the consolidation of operations in the New Facility will deliver operational and financial benefits to customers at its next rebasing, including rent savings and rental income.[94]

V. NEW DEFERRAL AND VARIANCE ACCOUNTS

57. ERTH Power recognizes that the cost of rent and other related OM&A for both the Bell St. Property and the Aylmer Property is currently embedded within its approved rates. In order to recognize the savings from rent and OM&A costs and

[94] SEC-10. Application, Appendix A – 2024 ICM Application pg. 28.

future rental income to the benefit of its customers, ERTH Power seeks approval of two new deferral accounts and one variance account on the context of the overall IRM Application: a) the ERTH Avoided Rent Deferral Account; b) the Rental Income Deferral Account; and c) the ERTH New Facility OM&A Costs Variance Account.[95] Draft Accounting Orders for these accounts are attached as Appendix A.

58. ERTH Power acknowledges that ICM applications only address capital investments. This ICM, however, is brought within an overall IRM application. The OEB has previously approved the creation of new deferral and variance accounts within the context of an IRM application.[96] This is consistent with the Chapter 3 Filing Requirements, which do not expressly exclude the approval of new deferral and variance accounts from consideration in an IRM application.[97] ERTH Power is looking for a means to do what is right for its ratepayers by creating a mechanism to return these savings and submits that the proposed deferral and variance accounts are that means.

a. <u>ERTH Avoided Rental Deferral Account</u>

59. ERTH Power will credit $225,640 of rent which is currently included in rates.[98] This amount, inflated by IRM increases until ERTH Power's next rebasing, will be credited annually to ratepayers in the ERTH Avoided Rent Deferral Account (the "**EARDA**"), and will be pro-rated for partial years.[99] The EARDA will be subject to carrying charges at OEB prescribed rates.[100]

b. <u>Rental Income Deferral Account</u>

60. ERTH Power forecasts that the market rate for annual rental fees to ERTH Corp

---

[95] SEC-6, Attachments 4, 5, 6.
[96] See EB-2018-0079, Whitby Hydro Electric Corporation, Decision and Rate Order, Dated 20, 2018, pg. 3 and 5.
[97] Chapter 3 Filing Requirements pg. 30.
[98]KT1.3, pg. 1 – Updated SEC-6.
[99] KT1.3, pg. 1 – Updated SEC-6.
[100] SEC6 pg. 1 and Attachment 4.

will be $46,950 and that this market rate exceeds the fully allocated costs.[101] ERTH Power will execute a rental services agreement with ERTH Corp compliant with the OEB's Affiliate Relationship Code requirements prior to the New Facility being placed in-service and commencing debiting monthly rental income amounts in the Rental Income Deferral Account (the "**RIDA**") in 2025, subject to carrying costs at the OEB prescribed rates.[102]

c. ERTH New Facility OM&A Cost Variance Account

61. Variances in rent are expected to be accompanied by variances in other OM&A costs, including property costs, heating and cooling, snow removal, ground maintenance, and security costs.[103] ERTH Power established the 2025 baseline value of $315,164 for OM&A costs directly related to its facilities based on status quo operations at Bell St. and Aylmer Properties.[104] ERTH Power will debit or credit the variances to these baselines in the ERTH New Facility OM&A Cost Variance Account (the "**ENFOCVA**") subject to carrying costs at OEB prescribed rates.[105]

d. Test for the Establishment of New Deferral and Variance Accounts

62. A distributor seeking to establish new deferral and variance accounts must meet the following test:

    i) **Causation**: the forecasted amount to be recorded in the proposed account must be clearly outside the base upon which rates were derived.

    ii) **Materiality**: the annual forecasted amounts to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor.

---

[101] TC Transcript pg. 81 line 4 to line 20. JT1.13.
[102] SEC-6 pg. 2 and Attachment 5.
[103] Staff-6. SEC-6 pg. 2.
[104] JT1.10. TC Transcript pg. 83, line 14 to pg. 84, Line 12.
[105] SEC-6 and Attachment 6.

iii) **Prudence**: the nature of the amounts and forecast quantum to be recorded in the proposed account must be based on a plan that sets out how the amounts will be reasonably incurred, although the final determination of prudence will be made at the time of disposition.[106]

(i) ***Causation***

63. The amounts to be recorded in three of the proposed accounts relate to the implementation of the New Facility which itself is not included in rate base.

(ii) ***Materiality***

64. The materiality threshold provided by the OEB is distributor specific.[107] As a distributor with an approved base revenue requirement of greater than $10 million, but less than $200 million, ERTH Power's materiality threshold is equal to 0.5% of the distribution base revenue requirement. This results in a materiality threshold of $63,990 as shown below in Figure 13:

Figure 13: ERTH Power Materiality Threshold

Component	**($)**
2018 ERTH Power Base Revenue Requirement	$10,159,150
2013 West Coast Huron Base Revenue Requirement	$2,638,820
Total Approved Revenue Requirement	**$12,797,970**
Materiality Threshold (%)	0.5%
Materiality Threshold ($)	**$63,990**

65. The anticipated amounts in the new deferral and variance accounts meet the materiality threshold.

(iii) ***Prudence***

[106] EB-2023-0143, Getting Ontario Connected Act Variance Account, Decision and Order, dated October 31, 2023 pg. 8.
[107] Chapter 2 pg. 6

66. The amounts to be recorded in the proposed deferral and variance accounts are based on the plan for the New Facility as set out in the Application and supplemented through interrogatory responses, the Technical Conference testimony, and undertaking responses referenced herein. The reasonableness of this plan is demonstrated through the evidence set out above in Part III(c), in respect of ERTH Power's decision-making process, options analysis and benchmarking analysis.

67. ERTH Power submits that these deferral and variance accounts ensure that savings and income arising from the New Facility are recognized as soon as possible to the benefit of customers.

VI. CONCLUSION

68. ERTH Power submits that it has demonstrated the New Facility's eligibility for ICM funding through meeting the Board's criteria of materiality, need and prudence, as detailed in this Argument-in-Chief. ERTH Power respectively requests the approval of the ICM funding requests, approval of the associated ICM rate riders, and approval of the deferral and variance accounts.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 22ND DAY OF APRIL 2025.

BORDEN LADNER GERVAIS LLP

Per:

Z. Thoms

Zoë Thoms

VII. APPENDIX A – DRAFT ACCOUNTING ORDERS[108]

ERTH Power Corporation

Draft Accounting Order

Account 1508 – Other Regulatory Assets, Sub-account ERTH Avoided Rent Deferral Account ("EARDA")

ERTH Power Corporation (ERTH Power) shall establish the new deferral account, "ERTH Avoided Rent Deferral Account", effective January 1, 2025, to record avoided rent costs resulting from its conclusion and/or reduction of lease arrangements as it transitions from existing operational spaces to occupy a New Facility in 2025. Amounts entered in the EARDA will be credit entries to the benefit of ratepayers, calculated based on ERTH Power's most recent Cost of Service rent costs for facilities no longer leased, escalated by ERTH Power's Price Cap Index up to the year 2025, <u>which will be further inflated by IRM increases until ERTH Power's next rebasing,</u> and pro-rated for any partial years.[109] Amounts will be credited to the EARDA on an annual basis. Carrying charges will be applied to the EARDA on a monthly basis at the Ontario Energy Board's (OEB) prescribed rates.

Balances in the EARDA sought for disposition are subject to an OEB prudence review, which will require the presentation of appropriate supporting documentation. ERTH Power will make credit entries to the EARDA from 2025 through to its next Cost of Service application, at which time ERTH Power will recommend either the continuance or discontinuance of the Sub-Account, and the OEB will make a determination in that matter.

<u>Annual Entries:</u>

Cr: 1508	Sub-Account EARDA
Dr: 4080	Distribution Services Revenue
To record the rent costs included in distribution rates which are no longer incurred on an actual basis	
Cr: 1508	Sub-Account EARDA
Cr: 4405	Interest Income
To record Carrying Charges associated with amounts recorded in Sub-Account EARDA	

[108] SEC-6 and Attachments 4, 5 and 6.
[109] K1.3 – Correction to Interrogatory SEC-6 and VECC-6.

ERTH Power Corporation

Draft Accounting Order

Account 1508 – Other Regulatory Assets, Sub-account Rental Income Deferral Account (“RIDA”)

ERTH Power Corporation (ERTH Power) shall establish the new deferral account, “Rental Income Deferral Account”, effective January 1, 2025, to record rental income generated from leased space in its New Facility currently not included in distribution rates. Amounts entered in the RIDA will be credit entries to the benefit of ratepayers, equal to all rental income received from lease of space in ERTH Power’s New Facility which is currently not included in distribution rates. Amounts will be credited to the RIDA on a monthly basis. Carrying charges will be applied to the RIDA on a monthly basis at the Ontario Energy Board’s (OEB) prescribed rates.

Balances in the RIDA sought for disposition are subject to an OEB prudence review, which will require the presentation of appropriate supporting documentation. ERTH Power will make credit entries to the RIDA from 2025 through to its next Cost of Service application, at which time ERTH Power will recommend either the continuance or discontinuance of the Sub-Account, and the OEB will make a determination in that matter.

Annual Entries:

Cr: 1508	Sub-Account RIDA
Dr: 4385	Non-Utility Rental Income
To record rental income generated from lease of space in ERTH Power’s New Facility	
Cr: 1508	Sub-Account RIDA
Cr: 4405	Interest Income
To record Carrying Charges associated with amounts recorded in Sub-Account RIDA	

ERTH Power Corporation

Draft Accounting Order

Account 1508 – Other Regulatory Assets, ERTH New Facility OM&A Cost Variance Account ("ENFOCVA")

ERTH Power Corporation (ERTH Power) shall establish the new deferral account, "ERTH New Facility OM&A Cost Variance Account", effective January 1, 2025, to record variances in Operating, Maintenance and Administration (OM&A) costs resulting from its transition to a New Facility in 2025. Accounts 5670 – Rent and 4385 – Non-Utility Rental Income will be excluded from the recording of variances in the ENFOCVA. Amounts entered in the ENFOCVA can be debit or credit entries, and will be equal to variances between actual OM&A costs and OM&A costs included in distribution rates, where such variances are directly attributable to ERTH Power's transition to a New Facility in 2025. Amounts will be debited or credited to the ENFOCVA on an annual basis. Carrying charges will be applied to the ENFOCVA on a monthly basis at the Ontario Energy Board's (OEB) prescribed rates.

Balances in the ENFOCVA sought for disposition are subject to an OEB prudence review, which will require the presentation of appropriate supporting documentation. ERTH Power will make debit and/or credit entries to the ENFOCVA from 2025 through to its next Cost of Service application, at which time ERTH Power will recommend either the continuance or discontinuance of the Sub-Account, and the OEB will make a determination in that matter.

<u>Annual Entries:</u>

Cr/Dr: 1508	Sub-Account ENFOCVA
Cr/Dr: Various	Various Operations, Maintenance and Administration Accounts
To record variances in Operations, Maintenance and Administration costs directly resulting from ERTH Power's transition to a New Facility	
Cr/Dr: 1508	Sub-Account ENFOCVA
Cr/Dr: 4405	Interest Income
To record Carrying Charges associated with amounts recorded in Sub-Account ENFOCVA	