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

BY EMAIL

August 26, 2026

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

Dear Ritchie Murray:

Re: Ontario Energy Board (OEB) Staff Submission

Application by ERTH (Westario) Acquisition Inc. under section 86(2)(a) and 86(1)(c) of the *Ontario Energy Board Act, 1998* to acquire 100% of the shares of Westario Power Inc. and to subsequently amalgamate Westario Power Inc. and ERTH (Westario) Acquisition Inc. to create a new company operating under the name Westario Power Inc.

- And -

Application by ERTH Corporation under section 86(2)(a) of the *Ontario Energy Board Act, 1998* to acquire 100% of the shares of Tillsonburg Hydro Inc.

Ontario Energy Board File Numbers: EB-2026-0137 and EB-2026-0145

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

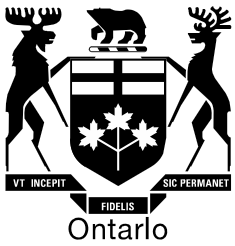
Yours truly,

Lizzie Zhang
Digitally signed by Lizzie Zhang
Date: 2026.08.26 09:30:10 -04'00'

Lizzie Zhang
Analyst, Distribution Rates and Economics

Encl.

cc: All parties in EB-2026-0137 and EB-2026-0145



ONTARIO ENERGY BOARD

OEB Staff Submission

Application by ERTH (Westario) Acquisition Inc. to acquire 100% of the shares of Westario Power Inc. and to subsequently amalgamate Westario Power Inc. and ERTH (Westario) Acquisition Inc. to create a new company operating under the name Westario Power Inc.

- And -

Application by ERTH Corporation to acquire 100% of the shares of Tillsonburg Hydro Inc.

EB-2026-0137
EB-2026-0145

August 26, 2026

1. Introduction

This submission summarizes Ontario Energy Board (OEB) staff's position in two Merger, Acquisition, Amalgamation and Divestitures (MAADs) applications filed on April 14, 2026 (EB-2026-0137), and May 4, 2026 (EB-2026-0145) (together, the Applications). The OEB consolidated the hearing of the two applications into one proceeding in Procedural Order No. 1. Each applicant outlines the first phase of a contemplated two-phase transaction in the Applications. The second phase of the transactions are not the subject of the Applications currently before the OEB.

EB-2026-0137

ERTH (Westario) Acquisition Inc. (EWAI) filed its MAADs application with the OEB on April 14, 2026, under sections 86(1)(c) and 86(2)(a) of the *Ontario Energy Board Act, 1998* (OEB Act). EWAI seeks the approval of the OEB for the first phase of an anticipated two-phase transaction.

In the first phase of the transaction, EWAI seeks: (i) leave to acquire 100% of the issued and outstanding shares in Westario Power Inc. (Westario Power) from The Corporation of the Town of Saugeen Shores, The Corporation of the Town of Hanover, The Municipality of Kincardine, The Corporation of the Municipality of Brockton, The Corporation of the Municipality of South Bruce, The Corporation of the Town of Minto, The Corporation of the Township of North Huron, The Corporation of the Township of Huron-Kinloss and FortisOntario Inc.; and (ii) leave to subsequently amalgamate Westario Power and EWAI to create a new company operating under the name Westario Power Inc. (WPI Application).

EWAI, a wholly-owned subsidiary of ERTH Corporation (ERTH), is a newly incorporated company acting as a special purpose vehicle for the purpose of acquiring and subsequently amalgamating with Westario Power on behalf of its parent company.[1] Further, in the WPI Application, EWAI seeks a deferred rebasing period of nine years for Westario Power.

ERTH also owns ERTH Power Corporation (ERTH Power), a licensed electricity distributor. The Applications that are the subject of this proceeding include details about ERTH Power's operations for information purposes only, but ERTH Power is not an

[1] ERTH Corporation is a parent holding company owned by nine municipalities: The Corporation of the Town of Ingersoll, The Corporation of the Town of Goderich, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Central Elgin, The Corporation of the Municipality of West Perth, The Corporation of the Township of Norwich, The Corporation of the Township of East Zorra-Tavistock, The Corporation of the Township of Zorra, and The Corporation of the Township of South-West Oxford.

applicant or party to the transaction.

EB-2026-0145

In its application, filed May 4, 2026, ERTH applied to the OEB under section 86(2)(a) of the OEB Act for approval to acquire 100% of the issued and outstanding shares in Tillsonburg Hydro Inc. (Tillsonburg Hydro) from The Corporation of the Town of Tillsonburg, as the first phase of the transaction (THI Application). A deferred rebasing period of nine years is sought for Tillsonburg Hydro.

Expected Operations if the Applications are Approved

Following the first phase of the transactions, Westario Power, Tillsonburg Hydro and ERTH Power plan to continue to operate as separate electricity distributors after completion of the proposed transactions.

Westario Power, Tillsonburg Hydro and ERTH Power will continue to maintain separate reporting and record keeping, rate applications, and tracking of deferral and variance accounts. Group 1 and Group 2 accounts will be tracked on a stand-alone basis until a proposal for deferral and variance account disposal is filed at the time of the contemplated Phase 2 application.

Westario Power and Tillsonburg Hydro will continue to report system level reliability separately as part of their annual reporting and record-keeping requirements (RRR) filings after the close of the transactions.

EWAI and ERTH note that a mid-term report will be filed for Westario Power and Tillsonburg Hydro respectively, containing the required components as set out in the Post-Consolidation Monitoring and Reporting section of the *Handbook to Electricity Distributor and Transmitter Consolidations* (MAADs Handbook).[2] EWAI and ERTH also confirm that they will include updates to the mid-term report for any period not included in that report in their first rebasing application.

The Applications indicate that since Westario Power and Tillsonburg Hydro will continue to operate as stand-alone entities under the same names, the transfer of Westario Power and Tillsonburg Hydro's distribution licenses is not required.

No new rate riders are proposed as a result of the proposed transaction and the

[2] OEB *Handbook to Electricity Distributor and Transmitter Consolidations*, issued June 18, 2024, revised July 11, 2024, section 6 (MAADs Handbook)

Applications.

The second phase of the transaction is expected to occur following the completion of ERTH Power's cost of service application for May 1, 2028 rates. ERTH Power intends to file an application for OEB approval to amalgamate Westario Power, ERTH Power and Tillsonburg Hydro and form a new ERTH Power (Phase 2 Application).[3]

2. OEB Staff Submissions

In its review of the Applications, OEB staff has considered the requirements described in the MAADs Handbook and other applicable OEB policy[4] as detailed below.

2.1 "No Harm" Test

The OEB applies the "no harm" test when assessing applications that seek approval for regulated entities to consolidate. As described in the MAADs Handbook, the "no harm" test considers whether the proposed transaction is expected to have an adverse effect on the matters prescribed in the OEB's statutory objectives as set out in section 1 of the OEB Act. If the proposed transaction has a positive or neutral effect on these matters, the OEB will approve the application.[5]

The MAADs Handbook further states that while the OEB has broad statutory objectives, in applying the "no harm" test, the OEB has primarily focused its review on impacts of the proposed transaction on price and quality of service to customers, and the cost effectiveness, economic efficiency and financial viability of the electricity distribution sector. The OEB considers this to be an appropriate approach, given the performance-based regulatory framework under which all regulated distributors are required to operate and the OEB's existing performance monitoring framework.[6]

In assessing "no harm", the OEB assesses both quantitative (e.g., cost) and qualitative information (e.g., customer services) included in the application.[7] Qualitative and quantitative forecasts of expected efficiencies and savings provided in a consolidation application offer context to measure what a consolidated entity believes can be achieved as a result of a transaction.[8]

[3] EB-2026-0137, Application, p. 7; EB-2026-0145, Application, p. 7
[4] *Handbook for Utility Rate Applications* and *Accounting Procedures Handbook*
[5] MAADs Handbook, p. 7
[6] MAADs Handbook, p. 9
[7] MAADs Handbook, p. 8
[8] *Ibid.*

Submission

OEB staff's submission is based on the transactions on a stand-alone basis. OEB staff submits that while the information provided about Phase 2 of the transaction is informative, that application is not currently before the OEB and these future plans are not within the scope of the current proceeding.

OEB staff submits that the Applications have both demonstrated that the proposed transactions will not adversely affect customers with respect to price or quality of service. Further, OEB staff submits that the proposed transactions will not negatively affect the cost effectiveness, economic efficiency, or financial viability of the applicants. OEB staff therefore submits that the proposed transactions meet the "no harm" test as described in the MAADs Handbook. The basis for this conclusion is discussed in further detail below.

2.1.1 Impact on Price, Economic Efficiency and Cost Effectiveness

The MAADs Handbook states that in order to assess the "no harm" test, applicants are to provide year-over-year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post-transaction and in absence of the transaction. It is noted that the OEB considers revenue requirement to be a suitable proxy for cost structure comparisons.[9]

EB-2026-0137

EWAI states that there will be no adverse impact with respect to price or the underlying costs of Westario Power as a result of the first phase of the transaction. The Share Purchase Agreement provides a commitment to limit Westario Power rate increases solely to formulaic incentive rate mechanism (IRM) inflationary increases for a minimum period of eight years following the closing of the transaction.[10]

Moreover, EWAI states that ERTH Power and Westario Power would continue to operate as independent utilities with common corporate and financial oversight from ERTH. If the WPI Application is approved, all utilities owned by ERTH would receive shared common corporate and financial oversight from ERTH pursuant to *Affiliate Relationships Code* (ARC) compliant services agreements.[11] In response to an interrogatory,[12] EWAI notes that the relationship between ERTH Power, Westario

[9] MAADs Handbook, pp. 10-11
[10] EB-2026-0137, Application, Appendix C, Section 8(e)(vii)
[11] EB-2026-0137, Application, p. 23
[12] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 9c

Power, and Tillsonburg Hydro will be closely monitored. However, if one utility provides services or goods to another utility, the appropriate pricing, tendering, and other requirements in the ARC will be satisfied.

EWAI states that modest synergies for Westario Power are possible, assuming that there is no need to replace any of the key systems identified in its prior cost of service application during the applicable rate period (i.e., 2024-2028). EWAI identifies the elimination of costs related to the Westario Power President & CEO role and a reduction of various redundant expenses (e.g., board remuneration, industry associations, etc.) as the source of moderate synergies.[13] EWAI states that further synergies and operational efficiencies for Westario Power will be realized in the underlying OM&A costs once the Phase 2 transaction is completed.[14]

EWAI expects modest OM&A savings over the short-term compared to a status quo scenario absent the transaction, which would be a reduction to what the revenue requirement of each utility would have otherwise been.

Table 1 shows the forecasted revenue requirements for Westario Power and ERTH Power in two circumstances: (i) no transaction (i.e., status quo); and (ii) the Phase 1 and Phase 2 transactions are approved.

Table 1:Westario Power Forecasted Revenue Requirement (Status Quo vs. Post Transaction)[15]

Revenue Requirement - No Transaction										
(dollars in thousands)	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	COS	IRM
WPI	$ 14,568	$ 15,284	$ 15,486	$ 18,583	$ 19,650	$ 19,910	$ 20,174	$ 20,442	$ 23,509	$ 24,534
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	COS	IRM	IRM
EPC	$ 17,766	$ 18,388	$ 23,132	$ 24,105	$ 24,460	$ 24,784	$ 25,113	$ 28,879	$ 30,138	$ 30,537
ICM	$ 2,317	$ 2,317								
No Transaction Total	$ 34,651	$ 35,989	$ 38,618	$ 42,688	$ 44,109	$ 44,694	$ 45,287	$ 49,322	$ 53,647	$ 55,071

[13] EB-2026-0137, Application, p. 22
[14] EB-2026-0137, Application, p. 24
[15] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-11f

Revenue Requirement - Phase 1 and Phase 2 Transactions	Yr Phase 1 MAADs			Yr 4 Phase 2 MAADs						
(dollars in thousands)	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
WPI	$ 14,568	$ 15,284	$ 15,486	$ 15,608	$ 15,815	$ 16,025	$ 16,238	$ 16,455	$ 16,675	$ 16,898
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	$ 17,766	$ 18,388	$ 23,132	$ 24,105	$ 24,460	$ 24,784	$ 25,113	$ 28,879	$ 30,138	$ 30,537
ICM	$ 2,317	$ 2,317								
Synergies	-$ 20	-$ 50	-$ 54	-$ 48	-$ 55	-$ 338	-$ 346	-$ 354	-$ 362	-$ 371
Transaction Total	**$ 34,631**	**$ 35,938**	**$ 38,564**	**$ 39,665**	**$ 40,220**	**$ 40,471**	**$ 41,005**	**$ 44,981**	**$ 46,451**	**$ 47,064**

Table 2 shows the OM&A for the two utilities in two circumstances: (i) no transaction (i.e., status quo); and (ii) the Phase 1 and Phase 2 transactions are approved.

Table 2: Westario Power Forecasted OM&A

OM&A Costs (dollars in thousands)	Phase 1			Phase 2	Post Consolidation Period					
	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028 EPC Test Year	Yr 4 2029 MAADs Application	Yr 5 - 2030	Yr 6 - 2031	Yr 7 - 2032	Yr 8 - 2033	Yr 9 - 2034	Yr 10 - 2035
EPC	$ 11,103	$ 11,252	$ 11,388	$ 11,728	$ 12,052	$ 12,413	$ 12,786	$ 13,169	$ 13,564	$ 13,971
WPI	$ 8,381	$ 8,591	$ 8,806	$ 9,026	$ 9,251	$ 9,483	$ 9,720	$ 9,963	$ 10,212	$ 10,467
EPC + WPI	$ 19,484	$ 19,842	$ 20,193	$ 20,753	$ 21,303	$ 21,896	$ 22,506	$ 23,132	$ 23,776	$ 24,438
WPI Synergies	-$ 20	-$ 50	-$ 54	-$ 48	-$ 55	-$ 338	-$ 346	-$ 354	-$ 362	-$ 371
Forecasted OM&A	$ 19,464	$ 19,792	$ 20,139	$ 20,706	$ 21,248	$ 21,558	$ 22,160	$ 22,778	$ 23,414	$ 24,068
OM&A / Customer										
EPC	$ 444.85	$ 441.98	$ 447.33	$ 460.69	$ 418.42	$ 424.52	$ 436.37	$ 448.55	$ 461.07	$ 473.94
WPI	$ 337.56	$ 346.00	$ 354.65	$ 363.51						

Table 3 below provides the details of the annual synergies in Tables 1 and 2.

Table 3: Westario Power Annual Synergies[16]

WDI Operating Synergies	2026 1/2 yr	2027	2028	2029	2030	2031	2032	2033	2034	2035
CEO	172,500	355,350	366,011	376,991	388,301	399,950	411,948	424,306	437,036	450,147
Board Expenses		80,000	82,400	123,600	127,308	131,127	135,061	139,113	143,286	147,585
Board D&O insurance	-			9,000	9,270	9,548	9,835	10,130	10,433	10,746
Membership Fees				72,000	74,160	76,385	78,676	81,037	83,468	85,972
COS Regulatory Costs				75,000	75,000	75,000	75,000	75,000	75,000	75,000
ERTH Corp Allocations	(152,864)	(314,899)	(324,346)	(334,076)	(344,099)	(354,422)	(365,054)	(376,006)	(387,286)	(398,905)
Vehicle branding & Lic	-	(40,000)	(40,000)							
New ERP - RFP costs	-	(30,000)	(30,000)							
IT Contingency (SCADA, SAP)				(275,000)	(275,000)					
Total	**19,636**	**50,451**	**54,065**	**47,514**	**54,940**	**337,588**	**345,466**	**353,580**	**361,937**	**370,545**

In an interrogatory response, the applicants confirm that no capital savings are anticipated following the Phase 1 transaction.[17] Westario Power recently filed an approved Distribution System Plan (DSP) as part of its 2024 cost of service application and, as a condition of the proposed transaction, EWAI has agreed to continue to invest

[16] EB-2026-0137 & EB-2026-0145 Interrogatory Response WPI-PP-23
[17] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-11d

in the Westario Power system pursuant to the approved DSP. EWAI further notes that there are capital-related synergies anticipated as part of the Phase 2 transaction. The extent of these synergies has not yet been identified, but is expected to be detailed in the Phase 2 Application.

Submission

OEB staff notes that the revenue requirement comparison in Table 1 above suggests overall cost reductions if the Phase 1 and Phase 2 transactions were approved compared to a status quo scenario. EWAI has confirmed the synergies included in Table 1 are net of transaction and transition fees, as well as management fees payable to ERTH.[18]

EWAI states that integration costs will be financed through anticipated productivity savings expected from the transaction during the period after the Phase 2 transaction. In an interrogatory response, EWAI states the details of the integration costs are provided in Table 3 above.[19] OEB staff notes that these integration costs arise from incremental OM&A costs. These costs are expected to be fully offset by productivity savings achieved through eliminating the CEO position, reduced board-related expenses (including D&O insurance), lower membership fees, and decreased cost of service regulatory costs.

As part of its review of consolidation proposals, the OEB examines the underlying cost structures of the consolidating utilities. As distribution rates are based on a distributor's current and projected costs, it is important for the OEB to consider the impact of a transaction on the cost structure of consolidating entities both now and in the future, particularly if there appear to be significant differences in the size or demographics of consolidating distributors.[20] Westario Power and ERTH Power operate in proximity to each other in very similar geographic territories within Southwestern Ontario where each utility services multiple discontinuous communities. Many of the service area characteristics are comparable, as both utilities serve largely developed communities with predominantly residential customers.[21] Furthermore, the adoption and extension of ERTH Power's processes and systems by Westario Power will provide an economic approach to unlocking opportunities and levels of service that would otherwise be cost prohibitive to consider.[22]

[18] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-10
[19] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-16c, WPI-PP-23
[20] MAADs Handbook, p. 10
[21] EB-2026-0137, Application, p. 16
[22] EB-2026-0145, Application, p. 30

Based on the evidence on the record, OEB staff submits that the transaction as proposed in the WPI Application should not foreseeably result in the customers of Westario Power experiencing negative price implications.

EB-2026-0145

ERTH states that there will be no adverse impact with respect to price or the underlying costs of Tillsonburg Hydro a result of the first phase of the transaction. The Share Purchase Agreement provides a commitment to limit Tillsonburg Hydro rate increases solely to formulaic IRM inflationary increases for a minimum period of eight years following the closing of the transaction.[23]

Moreover, ERTH indicates that ERTH Power and Tillsonburg Hydro would continue to operate as independent utilities with common corporate and financial oversight from ERTH. If the THI Application is approved, all utilities owned by ERTH would receive shared common corporate and financial oversight from ERTH pursuant to ARC-compliant service agreements.[24] In response to an interrogatory, ERTH notes that the relationship between ERTH Power, Westario Power and Tillsonburg Hydro will be closely monitored. However, similar to that outlined in the WPI Application, if one utility provides services or goods to another utility, the appropriate pricing, tendering, and other requirements in the ARC will be satisfied.[25]

ERTH states that modest synergies for Tillsonburg Hydro are possible. ERTH identifies the elimination of costs related to the various management roles and a reduction in various redundant expenses (e.g., board remuneration, industry associations, etc.) as the source of moderate synergies.[26] ERTH states that further synergies and operational efficiencies for Tillsonburg Hydro will be realized in the underlying OM&A costs once the Phase 2 transaction is completed.[27]

ERTH expects modest OM&A savings over the short-term compared to a status quo scenario absent the transaction, which would be a reduction to what the revenue requirement of each utility would have otherwise been.[28]

Table 4 shows the forecasted revenue requirements for Tillsonburg Hydro, Westario

[23] EB-2026-0145, Application, Appendix C, Section 9(e)(vii)
[24] EB-2026-0145, Application, p. 22
[25] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-38c
[26] EB-2026-0145, Application, p. 20
[27] EB-2026-0145, Application, p. 22
[28] *Ibid.*

Power and ERTH Power in two circumstances: (i) no transaction (i.e., status quo); and (ii) the Phase 1 and Phase 2 transactions are approved.

Table 4: Tillsonburg Hydro Forecasted Revenue Requirement

Revenue Requirement - No Transaction										
(dollars in thousands)	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	COS	IRM
THI	$ 5,963	$ 6,256	$ 6,339	$ 7,607	$ 8,043	$ 8,150	$ 8,258	$ 8,368	$ 9,623	$ 10,042
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	COS	IRM	IRM
EPC	$ 17,766	$ 18,388	$ 23,132	$ 24,105	$ 24,460	$ 24,784	$ 25,113	$ 28,879	$ 30,138	$ 30,537
ICM	$ 2,317	$ 2,317								
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM
WPI				$ 18,583	$ 19,650	$ 19,910	$ 20,174	$ 20,442	$ 20,714	$ 20,991
No Transaction Total	**$ 26,046**	**$ 26,961**	**$ 29,471**	**$ 50,295**	**$ 52,153**	**$ 52,843**	**$ 53,545**	**$ 57,689**	**$ 60,476**	**$ 61,570**

Revenue Requirement - Phase 1 and Phase 2 Transactions	Yr Phase 1 MAADs			Yr 4 Phase 2 MAADs						Harmonized Rebasing
(dollars in thousands)	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
THI	$ 5,963	$ 6,256	$ 6,339	$ 6,389	$ 6,474	$ 6,560	$ 6,647	$ 6,736	$ 6,826	$ 6,917
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	$ 17,766	$ 18,388	$ 23,132	$ 24,105	$ 24,460	$ 24,784	$ 25,113	$ 28,879	$ 30,138	$ 30,537
ICM	$ 2,317	$ 2,317								
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
WPI				$ 15,608	$ 15,815	$ 16,025	$ 16,238	$ 16,455	$ 16,675	$ 16,898
Synergies THI	$ 91	$ 78	$ 80	-$ 431	-$ 431	-$ 429	-$ 429	-$ 428	-$ 427	-$ 426
Synergies WPI				-$ 48	-$ 55	-$ 338	-$ 345	-$ 354	-$ 362	-$ 371
Transaction Total	**$ 26,137**	**$ 27,039**	**$ 29,551**	**$ 45,623**	**$ 46,262**	**$ 46,601**	**$ 47,224**	**$ 51,288**	**$ 52,850**	**$ 53,555**

Table 5 below shows the OM&A for the two utilities in two circumstances: (i) no transaction (i.e., status quo); and (ii) the Phase 1 and Phase 2 transactions are approved.

Table 5: Tillsonburg Hydro Forecasted OM&A

OM&A Costs (dollars in thousands)	Phase 1				Phase 2	Post Consolidation Period				
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028 EPC Test Year	Yr 3 2029 MAADs Application	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8- 2034	Yr 9 - 2035
EPC	$ 11,103	$ 11,252	$ 11,388	$ 11,728	$ 12,052	$ 12,413	$ 12,786	$ 13,169	$ 13,564	$ 13,971
THI	$ 3,557	$ 3,628	$ 3,700	$ 3,774	$ 3,738	$ 3,850	$ 3,965	$ 4,084	$ 4,207	$ 4,333
WPI				$ 9,026	$ 9,251	$ 9,483	$ 9,720	$ 9,963	$ 10,212	$ 10,467
EPC + THI + WPI	$ 14,659	$ 14,880	$ 15,088	$ 24,528	$ 25,041	$ 25,746	$ 26,471	$ 27,216	$ 27,983	$ 28,771
Synergies THI	$ 91	$ 78	$ 80	-$ 431	-$ 431	-$ 429	-$ 429	-$ 428	-$ 427	-$ 426
Synergies WPI				-$ 48	-$ 55	-$ 338	-$ 345	-$ 354	-$ 362	-$ 371
Forecasted OM&A	$ 14,750	$ 14,958	$ 15,168	$ 24,049	$ 24,555	$ 24,979	$ 25,697	$ 26,434	$ 27,194	$ 27,974
OM&A / Customer										
EPC	$ 444.85	$ 450.82	$ 456.27	$ 469.90	$ 420.89	$ 428.16	$ 440.47	$ 453.11	$ 466.13	$ 479.51
THI	$ 415.85	$ 424.16	$ 432.65	$ 441.30						

Table 6 below provides the details of Tillsonburg Hydro's annual synergies.

Table 6: Tillsonburg Hydro Annual Synergies[29]

THI Operating Synergies	1/2 year 2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Human Resources savings via Vacant Roles	-	120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012
Board expense	-	-	-	59,007	59,007	59,007	59,007	59,007	59,007	59,007
Membership Fees	-	-	-	45,000	46,350	47,741	49,173	50,648	52,167	53,732
COS Regulatory Costs	-	-	-	37,000	37,000	37,000	37,000	37,000	37,000	37,000
Rent and building	-	-	-	189,258	189,258	189,258	189,258	189,258	189,258	189,258
Redundant contracts			-	171,860	171,860	171,860	171,860	171,860	171,860	171,860
ERTH Corp Allocations	(90,610)	(186,657)	(192,257)	(198,025)	(203,965)	(210,084)	(216,387)	(222,878)	(229,565)	(236,452)
Vehicle branding & Lic	-	(11,000)	(11,000)	-	-	-	-	-	-	-
Total	**(90,610)**	**(77,657)**	**(79,657)**	**431,409**	**430,637**	**429,843**	**429,024**	**428,181**	**427,313**	**426,418**

In interrogatory responses, ERTH confirms that no capital savings are anticipated following the Phase 1 transaction.[30] Tillsonburg Hydro recently filed an approved DSP as part of its 2024 cost of service application and, as a condition of the proposed transaction, ERTH has agreed to continue to invest in the Tillsonburg Hydro system pursuant to the approved DSP. ERTH further notes that there are capital-related synergies anticipated as part of the Phase 2 transaction. The extent of these synergies has not yet been identified and is expected to be detailed in the Phase 2 Application.

Submission

OEB staff notes that the revenue requirement comparison in Table 4 above suggests overall cost reductions if the Phase 1 and Phase 2 transactions were approved compared to a status quo scenario. ERTH has confirmed the synergies included in Table 4 are net of transaction and transition fees, as well as management fees payable to it by Tillsonburg Hydro.[31]

ERTH states that integration costs will be financed through anticipated productivity savings expected from the transaction during the period after the Phase 2 transaction. In an interrogatory response, ERTH states the details of the integration costs, which are provided in Table 6 above.[32] OEB staff notes that these integration costs arise from incremental OM&A costs including ERTH Corporation Allocations, and vehicle branding and licensing. These costs are expected to be fully offset by productivity savings achieved through Human Resources savings via vacant roles, along with reductions in

[29] EB-2026-0137 & EB-2026-0145 Interrogatory Response THI-PP-7
[30] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 41d
[31] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 39
[32] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-33c, THI-PP-7c

board expenses, membership fees, cost of service regulatory costs, rent and building expenses, and redundant contracts.

Regarding the demographic differences referenced in the MAADs Handbook,[33] Tillsonburg Hydro and ERTH Power operate in close proximity (11.5 km apart) to each other in very similar geographic territories within Southwestern Ontario where each utility services multiple discontinuous communities. Many of the service area characteristics are comparable, as both utilities serve largely developed communities with predominantly residential customers.[34] Furthermore, the adoption and extension of ERTH Power's processes and systems by Tillsonburg Hydro will provide an economic approach to unlocking opportunities and levels of service that would otherwise be cost prohibitive to consider.[35]

Based on the evidence on the record, OEB staff submits that the transaction proposed in the THI Application should not foreseeably result in the customers of Tillsonburg Hydro experiencing negative price implications.

2.1.2 Adequacy, Reliability and Quality of Electricity Service

The MAADs Handbook requires utilities to indicate the impact that the proposed transaction will have on customers with respect to reliability and quality of electricity service. The MAADs Handbook also provides that in considering the impact of a proposed transaction on the quality and reliability of electricity service, and whether the "no harm" test has been met, the OEB will be informed by the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard.[36]

EB-2026-0137

EWAI states that Westario Power and ERTH Power have maintained strong reliability measures in both System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) metrics.[37] The 2021-2025 SAIDI and SAIFI metrics set out in Table 7 below indicate that both ERTH Power and Westario Power have provided their customers with excellent reliability and shows how the utilities have expertise in handling elements and conditions which affect reliability. The proposed transaction will have no negative impact on this quality of service for Westario

[33] MAADs Handbook, p. 10
[34] EB-2026-0145, Application, p. 14
[35] EB-2026-0145, Application, p. 29
[36] MAADs Handbook, p. 12
[37] EB-2026-0137, Application, p. 27

Power into the future.[38] Reliability will continue to be tracked separately for Westario Power as it will continue to be operated on a standalone basis following the transaction.

Table 7: 2021-2025 SAIFI and SAIDI

Reliability Indicators (Excluding MED's & Loss of Supply Events)						
Sum of SAIDI from Non Major events	**2021**	**2022**	**2023**	**2024**	**2025**	**5Yr. Average**
ERTH Power Corporation	2.17	0.93	1.31	1.51	0.61	1.31
Westario Power Inc.	1.79	1.55	1.82	1.19	1.00	1.47
Tillsonburg Hydro Inc	0.53	0.95	0.21	0.32	1.53	0.71
Sum of SAIFI from Non Major events	**2021**	**2022**	**2023**	**2024**	**2025**	**5Yr. Average**
ERTH Power Corporation	0.87	0.47	0.38	0.76	0.18	0.53
Westario Power Inc.	0.73	0.67	0.56	0.57	0.55	0.62
Tillsonburg Hydro Inc	0.37	0.99	0.26	0.46	1.44	0.70

EWAI states that Westario Power customers will benefit from the transaction through technology enhancements that would otherwise not be economical or practical to implement.[39] Examples of these benefits include:

- The extension of ERTH Power's Supervisory Control and Data Acquisition (SCADA) system to include Westario Power
- Extension of ERTH Power's Geographic Information System (GIS) to include the Westario service area
- Extension of ERTH Power's customer website outage map to include the Westario service area
- The Westario Power electrical system will be displayed, managed, and operated from the ERTH Power Control Room, an element of operation that is currently lacking at Westario Power
- Implementation of a stable, secure information technology backbone, aligned with current cyber security regulatory requirements, with full remote support from ERTH[40]

EWAI also states that Westario Power will have access to fully resourced operations, engineering and customer service departments at ERTH Power and the corporate services of ERTH, providing a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service.[41]

[38] Argument in Chief, p. 13
[39] EB-2026-0137, Application, p. 27
[40] See EB-2026-0137, Application, p. 28 for a full list of benefits.
[41] EB-2026-0137, Application, p. 27

In response to an OEB staff interrogatory,[42] EWAI states that existing customer services, operational and field staff at Westario Power will continue to perform their current roles and responsibilities, while sharing best operating practices.

Submission

Based on the evidence provided by EWAI, OEB staff submits that it is likely that the service quality and reliability standards currently provided by Westario Power can be maintained. There will be no reductions to operational staff, staff responsible for distribution system operations, maintenance, outage response, vegetation management, engineering, system planning, asset management and reliability will remain in place and continue to support their respective service territories. Existing operational procedures, emergency response practices, reliability programs and maintenance activities will continue. Customers will continue to receive service from their existing distributor license, with no changes to day-to-day utility operations resulting from the Phase 1 transaction.[43]

After completion of the transaction, the service levels of both Westario Power and ERTH Power will be maintained through the merging of technologies, adoption of best work practices, and system control. The collaboration between Westario Power and ERTH Power will enhance operational efficiency and customer service through shared engineering, SCADA, emergency response, and corporate service expertise, while expanding communications, customer engagement, and access to additional resources, personnel, inventory, and equipment.[44]

OEB staff further note that the Share Purchase Agreement includes a Post Closing Covenant relating to service quality guarantees, which further supports OEB staff's position that reliability and service quality standards can be reasonably expected to be maintained.[45]

In addition, OEB staff accepts EWAI's assertions that customers may see benefits as the Westario Power electrical system will be displayed, managed, and operated from the ERTH Power Control Room, an element of operation that is currently lacking at Westario Power.[46]

[42] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-15b
[43] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-7c
[44] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-15b
[45] See EB-2026-0137 Application, Share Purchase Agreement, pp. 31-32, Section 8e(v) for more details.
[46] EB-2026-0137, Application, p. 28

EB-2026-0145

The 2021-2025 SAIDI and SAIFI metrics set out in Table 7 above indicate that both ERTH Power and Tillsonburg Hydro have provided their customers with excellent reliability and shows how the utilities have expertise in handling elements and conditions which affect reliability. The transaction is not expected to have any negative impact on this quality of service for Tillsonburg Hydro in the future.[47] Reliability will continue to be tracked separately for Tillsonburg Hydro as it will continue to be operated on a stand-alone basis following the transaction.

ERTH states that Tillsonburg Hydro customers will benefit from the transaction through technology enhancements that would otherwise not be economical or practical to implement.[48] Examples of these benefits include:

- The extension of ERTH Power's SCADA system to include Tillsonburg Hydro
- Extension of ERTH Power's GIS to include the Tillsonburg Hydro service area
- Extension of ERTH Power's customer website outage map to include the Tillsonburg Hydro service area
- Implementation of a stable, secure information technology backbone, aligned with current cyber security regulatory requirements, with full remote support from ERTH. The Tillsonburg Hydro electrical system will eventually be displayed, managed, and operated from the ERTH Power Control Room, an element of operation that is currently lacking at Tillsonburg Hydro.
- Tillsonburg Hydro will have access to ERTH's customer service practices which recently resulted in an increase in its OEB-regulated Customer Satisfaction Survey results from 76% in 2023 to 94% in 2025[49]

ERTH also states that Tillsonburg Hydro will have access to fully resourced operations, engineering and customer service departments at ERTH Power and the corporate services of ERTH. This will provide a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service.[50]

In response to an OEB staff interrogatory, it is noted that existing customer services, operational and field staff at Tillsonburg Hydro will continue to perform their current roles and responsibilities, while sharing best operating practices.[51] ERTH has also

[47] Argument in Chief, p. 13
[48] EB-2026-0145, Application, p. 28
[49] See EB-2026-0145 Application, p. 27 for a full list of benefits.
[50] EB-2026-0137, Application, p. 27
[51] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-40b

committed to maintaining Tillsonburg Hydro's existing customer service centre in the Town of Tillsonburg and assuming Tillsonburg Hydro's existing lease commitment for its operation centre.[52]

Submission

Based on the evidence provided by ERTH, OEB staff submits that the service quality and reliability standards currently provided by Tillsonburg Hydro can be reasonably expected to be maintained. Since there will be no reductions to operational staff, staff responsible for distribution system operations, maintenance, outage response, vegetation management, engineering, system planning, asset management and reliability will remain in place and continue to support their respective service territories. Existing operational procedures, emergency response practices, reliability programs and maintenance activities will continue. Customers will continue to receive service from their existing distribution license, with no changes to day-to-day utility operations resulting from Phase 1 transaction.[53]

After completion of the transaction, the service levels of both Tillsonburg Hydro and ERTH Power will be maintained through the merging of technologies, adoption of best work practices, and system control. The collaboration between Tillsonburg Hydro and ERTH Power will enhance operational efficiency and customer service through shared engineering, SCADA, emergency response, and corporate service expertise, while expanding communications, customer engagement, and access to additional resources, personnel, inventory, and equipment.[54]

OEB staff further notes that the Share Purchase Agreement includes a Post Closing Covenant relating to service quality guarantees, which further supports OEB staff's position that reliability and service quality standards can be reasonably expected to be maintained.[55]

In addition, OEB staff accepts ERTH's assertions that customers may see benefits as the Tillsonburg Hydro electrical system will be displayed, managed, and operated from the ERTH Power Control Room. An element of operation that is currently lacking at Tillsonburg Hydro.[56]

[52] EB-2026-0145, Application, p. 25
[53] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-36c
[54] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-40b
[55] See EB-2026-0145, Application, Share Purchase Agreement, pp. 33, Section 9e(v) for more details.
[56] EB-2026-0145, Application, p. 25

2.1.3 Impact on Financial Viability

The MAADs Handbook provides that the impact of a proposed transaction on the acquiring utility's financial viability for an acquisition, or on the financial viability of the consolidated entity in the case of a merger, will be assessed. The OEB's primary considerations in this regard are:

- The effect of the purchase price, including any premium paid above the historic (book) value of the assets involved
- The financing of incremental costs (transaction and integration costs) to implement the consolidation transaction[57]

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EWAI states that the purchase price valuation will be based on Westario Power's 2025 rate base which has been agreed upon by both the buyer and the seller as per the Share Purchase Agreement. The purchase price is $112,529,875, which is equal to an amount obtained by multiplying 1.45 by the Estimated 2025 Rate Base, subject to the adjustments and conditions described in the Share Purchase Agreement.[58]

The WPI Application states that the acquiring entity is EWAI, a holding company, so there will be no direct effect on the financial viability of Westario Power. Further, EWAI states that the estimated purchase price is not expected to have a material impact on the overall financial viability of its parent company, ERTH, or any of its affiliates. If the transaction that is the subject of the WPI Application is completed, Westario Power will represent approximately 45% of the total assets of EWAI's parent company, ERTH.[59] EWAI explains in its interrogatory responses that the "45% of total assets" statistic did not include the proposed acquisition of Tillsonburg Hydro by ERTH.[60]

Incremental one-time transaction and transition costs are expected to be approximately $800,000. These costs will not be included in the revenue requirement of Westario Power or ERTH Power, and thus will not be funded by ratepayers.[61]

The integration costs incurred for the WPI Application will be financed through the anticipated productivity savings expected during the period after completion of a future transaction, which would amalgamate Westario Power, Tillsonburg Power, and ERTH

[57] MAADs Handbook, p. 13
[58] EB-2026-0137, Application, Appendix C, Section 2
[59] EB-2026-0137, Application, p. 32
[60] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-18b
[61] EB-2026-0137, Application, p. 30

Power. There will be timing differences between expense outlays and their recovery.

OM&A incremental transitional costs are primarily related to:

- Transition planning and execution – third party and additional staff costs related to implementing the transition plan
- IT costs – costs associated with system integration and standardization
- Communication costs – development and execution of customer and other stakeholder communications at various stages of transition
- Workforce training – costs associated with retraining employees on new systems, processes, and policies

Submission

With respect to the purchase price (equal to an amount obtained by multiplying 1.45 by the Estimated 2025 Rate Base), OEB staff notes this approach is similar to the Purchase Price valuation in some other recent MAADs applications where the Purchase Price is based on the net book value of the utility's assets.[62]

EWAI confirms that the transaction will be 100% financed by new debt issued to ERTH from Scotiabank, and ERTH has negotiated financial terms with Scotiabank that recognizes the financial circumstances of Westario Power after the Phase 1 transaction.[63] EWAI has developed a five-year financial forecast that assumes no transaction-related synergies are realized. This conservative downside-case scenario has been shared with Scotiabank.[64]

With respect to transaction and transition costs, these will not be included in the revenue requirement and thus will not be funded by ratepayers. Further, the anticipated productivity savings expected from the transaction will outweigh the net of transaction and transition costs.[65] The integration costs are expected to be financed through the anticipated productivity savings after the Phase 2 transaction.

Considering the above, OEB staff submits that the transaction proposed in the WPI Application will not negatively impact the financial viability of EWAI, its parent company ERTH, and Westario Power.

[62] Similar valuation can be found in EB-2019-0015, MAADs Application, p. 9; EB-2014-0244, Exhibit A, Tab 3, Schedule 1, p. 9; and EB-2025-0172 MAADs Application, p. 28
[63] See EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 18c for more details of the loan
[64] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-18c(i)
[65] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-10

EB-2026-0145

Incremental one-time transaction and transition costs are expected to be approximately $250,000. These costs will not be included in the revenue requirement of Tillsonburg Hydro or ERTH Power, and thus will not be funded by ratepayers.[66]

The integration costs incurred for the THI Application will be financed through the anticipated productivity savings expected from the transaction during the period after the Phase 2 Transaction. There will be timing differences between expense outlays and their recovery.

OM&A incremental transitional costs are primarily related to:

- Transition planning and execution – third party and additional staff costs related to implementing the transition plan
- IT costs – costs associated with system integration and standardization
- Communication costs – development and execution of customer and other stakeholder communications at various stages of transition
- Workforce training – costs associated with retraining employees on new systems, processes, and policies

ERTH states that the purchase price valuation will be based on Tillsonburg Hydro's September 2024 rate base which has been agreed upon by both the buyer and the seller as per the Purchase and Sale Agreement.

Pursuant to Purchase and Sale Agreement, the seller of Tillsonburg Hydro has agreed to receive shares in ERTH as consideration for the Tillsonburg Hydro shares and, as such, the proposed non-cash transaction will not have an adverse effect on the financial viability of Tillsonburg Hydro. The purchase price is $25,940,000 but will not be paid in cash. Rather, in consideration for the purchase price, the seller will receive equivalent shares in ERTH (6,264,547 Class B shares, representing 18.78% of capital, and one Class A share – "voting share").[67]

Submission

Since the consideration being exchanged for the proposed transaction is shares in

[66] EB-2026-0145, Application, p. 30
[67] EB-2026-0145, Application, Appendix C, Section 2(c)

ERTH, not cash, the purchase price is not expected to have any adverse effect on the financial viability of either Tillsonburg Hydro or ERTH.

With respect to transaction and transition costs, these will not be included in the revenue requirement and thus will not be funded by ratepayers. Further, the anticipated productivity savings expected from the transaction will outweigh the net of transaction and transition costs.[68] The integration costs will also be financed through the anticipated productivity savings after the Phase 2 transaction.

Considering the above, OEB staff submits that the transaction proposed in the THI Application will not negatively impact the financial viability of ERTH.

2.2 Other Matters

2.2.1 Proposed Rate Framework

ERTH Power, Westario Power, and Tillsonburg Hydro are at different stages in the ratemaking process. ERTH Power is anticipated to file its cost of service application for rates effective May 1, 2028, following the completion of a nine-year deferred rebasing period approved by the OEB in EB-2018-0082.[69] The Applications state that ERTH Power's cost of service application will be filed following the completion of the transactions that are the subject of the THI Application and WPI Application.[70]

EWAI and ERTH state that ERTH Power's cost of service application must proceed as scheduled for a number of reasons including: (i) to ensure that the synergies that arose from the prior consolidation[71] of ERTH Power and West Coast Huron Energy Inc. (West Coast Huron) are passed along to ratepayers; (ii) ending the Incremental Capital Module (ICM) rate rider and incorporating the new facility into base rates; and (iii) implementing the OEB's direction in EB-2024-0021[72] to provide evidence on affiliate usage of the new facility in order to determine appropriate recovery of costs previously excluded from the ICM period. No deferred rebasing period for ERTH Power is sought in the Applications and ERTH Power is not a party to either proposed transactions. As a result, ERTH Power will be operated separately and rebase as scheduled.[73]

The Applications do not set out plans to seek to rebase Westario Power or Tillsonburg Hydro following approval of the Applications as Westario Power and Tillsonburg Hydro

[68] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-39
[69] Erie Thames (EPC) and West Coast Huron MAADs Application
[70] EB-2026-0137, Application, p. 7; EB-2026-0145, Application, p. 7
[71] EB-2018-0082 Erie Thames (EPC) and West Coast Huron MAADs Application
[72] ERTH Power 2025 IRM Application
[73] Argument in Chief, p. 8

last rebased for rates effective January 1, 2024[74] and November 1, 2024[75], respectively. Accordingly, EWAI and ERTH submit that there is not the same need to ensure either Westario Power or Tillsonburg Hydro rebase before the anticipated Phase 2 transaction to maintain ongoing financial and operational viability.[76] Instead, a deferred rebasing period of nine years is sought for both Westario Power and Tillsonburg Hydro.

The Applications state that the second phase of the transaction is expected to occur following the completion of the ERTH Power cost of service application. The intent is that the Phase 2 Application will seek to amalgamate Westario Power, Tillsonburg Hydro and ERTH Power with the amalgamated entity continuing under the name of ERTH Power. For additional context, it is noted that a subsequent deferred rebasing period may be proposed for ERTH Power as part of Phase 2 for the combined utilities. However, EWAI and ERTH commit that, if the Applications are approved in 2026, the proposed deferred rebasing period sought in any Phase 2 Application would not extend beyond 2036.[77]

Submission

The two-phase transaction structure is customized to allow ERTH Power to rebase independently prior to the formal amalgamation in the future Phase 2 Application. OEB staff agrees with the rationale provided by EWAI and ERTH, and supports the need to proceed with rebasing as scheduled.

The synergies resulting from the consolidation of the previous ERTH Power and West Coast Huron should be passed along to the appropriate ratepayers. The ICM rate rider from EB-2024-0021[78] should be ended, and relating amounts should be incorporated into rate base before the Phase 2 amalgamation. ERTH Power also needs to address the OEB's direction in EB-2024-0021 to file evidence with a detailed accounting of all relevant aspects of affiliate usage of the new building, including the allocation of space and the treatment of rents, OM&A costs and affiliate transactions.[79]

OEB staff notes that a similar phased approach was also utilized in previous MAADs applications, including the North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Corporation MAADs application,[80] Windsor Canada and E.L.K Energy Inc.,[81] and Enersource Hydro Mississauga Inc., Horizon Utilities Corporation and

[74] EB-2023-0058, Westario Power Cost of Service Application
[75] EB-2023-0053, Tillsonburg Hydro Cost of Service Application
[76] Argument in Chief, p. 8
[77] *Ibid.*
[78] ERTH Power 2025 IRM Application
[79] EB-2024-0021, Decision and Order, July 8, 2025
[80] EB-2019-0015
[81] EB-2025-0172

Powerstream Inc. MAADs application (Alectra MAADs).[82]

As stated in the MAADs Handbook, a consolidated distributor retaining savings on a continuing basis rather than sharing any savings with ratepayers and delaying a review of costs, operations and rates by the OEB would not be in the public interest.[83] The transactions proposed in the Applications do not, on their own, appear to offer material synergies to the ratepayers of Westario Power and Tillsonburg Hydro. OEB staff supports the Applications because they appear to cause no harm, which is the OEB's test for a MAADs application. Phase 2 of the transaction, assuming it is filed as described, would appear to offer more benefits to both ratepayers and the shareholder in the future.

Based on the updated deferred rebasing timeline for Westario Power, Tillsonburg Hydro and ERTH Power provided in interrogatory responses (Table 8 below), the deferred rebasing period will start in 2026 and end in 2035.

Table 8: Deferred Rebasing Period Timeline

Phase 1 MAADs		ERTH COS	Phase 2 MAADs						End of 9-Year Rate Deferral
Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035

Approval for a nine-year deferred rebasing period is sought for Westario Power and Tillsonburg Hydro. In response to OEB staff interrogatories[84] regarding the rationale for a nine-year deferred rebasing period in Phase 1, as opposed to waiting until the Phase 2 Application, EWAI and ERTH state that the amalgamated entity has not yet been established. Upon completion of the Phase 2 amalgamation, EWAI and ERTH intend to establish a separate rate zone for Westario Power and Tillsonburg Hydro ratepayers to continue the nine-year rate rebasing deferral.[85]

As states in the MAADs Handbook, the OEB permits consolidating distributors to defer rebasing up to ten years from the closing of the transaction.[86] A similar deferred rebasing period was also proposed in previous MAADs cases, including the Alectra MAADs (10-year deferred rebasing period), and ERTH Power and West Coast Huron MAADs (nine-year deferred rebasing period). OEB staff submits that the deferred rebasing period proposed by the EWAI and ERTH aligns with the OEB's policies in MAADs Handbook.

[82] EB-2016-0025
[83] MAADs Handbook, p. 19
[84] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-25, Staff-46
[85] Argument in Chief, p. 6
[86] MAADs Handbook, p. 17

EWAI and ERTH state that a subsequent deferred rebasing period may be proposed in Phase 2. OEB staff does not take a position in this application on this matter. Any subsequent deferral period can be assessed on the merits of the proposal as part of the Phase 2 Application.

2.2.2 Earnings Shared Mechanism (ESM) and Deferral Account

As stated in the MAADs Handbook, consolidating entities that propose to defer beyond five years must implement an ESM for the period beyond five years.[87] The Applicants propose to implement an ESM for Westario Power and Tillsonburg Hydro, respectively. The ESM proposed by the Applicants is to be effective from Year 6 to Year 9 of the deferred rebasing period. The ESM will apply annually and will be calculated and reported as part of Westario Power and Tillsonburg Hydro's annual RRR filings and any subsequent OEB review processes.

In the WPI Application, EWAI filed a draft accounting order proposing the establishment of an ESM Deferral Account, which will record 50% of earnings above the 300-basis point deadband that will be shared with ratepayers of Westario Power.[88]

In the THI Application, ERTH filed a draft accounting order proposing the establishment of an ESM Deferral Account, which will record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of Tillsonburg Hydro that are greater than 300 basis points above the allowed regulated rate of return established in EB-2023-0053 ("allowed ROE") for Years 6 to 9 of the rebasing deferral period.[89]

In response to interrogatories, both EWAI and ERTH submitted that the proposed ESM Deferral Account should be established for the new ERTH Power following Phase 2.[90] After approval of the Applications, both Westario Power and Tillsonburg Hydro will be operated separately, and the new ERTH Power will not have been established yet so there will be no merged entity to calculate the deferral account against. EWAI and ERTH stated that the appropriateness of calculating the ESM based on the weighted-average achieved return on equity of the amalgamated utilities, the proposed ESM effective periods and the manner in which ESM balances will be tracked / reported will be addressed in the Phase 2 Application.

Submission

[87] MAADs Handbook, p.23
[88] EB-2026-0137, Application, p. 353
[89] EB-2026-0145, Application, p. 368
[90] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-25b, Staff-46b

OEB staff notes that both EWAI and ERTH have acknowledged that the ESM Deferral Account is to be addressed in the Phase 2 Application once the new ERTH Power has been established. There is no basis on which to calculate ESM amounts at this time as the new ERTH Power, the consolidated entity resulting from the amalgamation of ERTH Power, Westario Power, and Tillsonburg Hydro,[91] does not exist at the time of the Applications.

OEB staff supports addressing ESM matters, including any associated accounting orders, in a future Phase 2 Application. No further determination regarding an ESM account is required in this application.

2.2.3 Rate Harmonization

No harmonization of rates is proposed as part of the transaction in the Applications. ERTH Power, Westario Power, and Tillsonburg Hydro would continue to operate independently as separate utilities. EWAI and ERTH note that rate harmonization may be addressed as part of the Phase 2 transaction.

In response to interrogatories, EWAI and ERTH confirm that they will abide by the requirements of the MAADs Handbook and the Phase 2 Application will indicate whether the consolidated utility intends to undertake rate harmonization at the time of rebasing or, if not, an explanation for not doing so.[92]

Submission

Given that the transactions are limited to the proposed acquisition of Westario Power and Tillsonburg Hydro, which will subsequently continue to operate as independent utilities until the Phase 2 Application, OEB staff has no issue with EWAI and ERTH's proposal.

2.2.4 Post-Consolidation Monitoring and Reporting

The Applications state that given the request for deferred rebasing for more than five years, a mid-term report for Westario Power and Tillsonburg Hydro will be filed containing the required components of the Post-Consolidation Monitoring and Reporting section of the MAADs Handbook.

In response to interrogatories, EWAI and ERTH clarified that a separate proposal will be

[91] EB-2026-0145, Application, pp. 19 & 31
[92] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-50

brought forth in the Phase 2 Application regarding reliability reporting for the consolidated entity (or the legacy utilities within the consolidated entity).[93] The applicants will continue to have the ability to separately track reliability for Westario Power and Tillsonburg Hydro (based on feeder and service community) following Phase 2, and it will be prepared to report the same in RRR filings or otherwise.

Following Phase 2, and until the combined entity rebases as one, it is not expected that the merged entity will report separate reliability reporting. However, the new ERTH Power will have the ability to track and report segmented (e.g., separated by rate zones) reliability statistics in its mid-term and final report as part of its harmonizing rate application.[94]

Submission

OEB staff submits that the proposals for post-consolidation monitoring and reporting in the Applications align with the requirements of the MAADs Handbook.

2.2.5 Group 1 and 2 Deferral and Variance Accounts (DVAs)

The Applications propose that Westario Power, Tillsonburg Hydro and ERTH Power will continue to track costs in Group 1 and Group 2 DVAs on a stand-alone basis until the Phase 2 Application is filed. [95]

Group 1 and Group 2 accounts will be tracked on a stand-alone basis until a proposal for DVAs is filed with the Phase 2 Application when the utilities are merged.[96]

The Applications further note that the accounting matters listed in section 2.2.8 of the MAADs Handbook are not applicable to the proposed transactions.[97]

Submission

OEB staff agrees with the proposals regarding Group 1 and Group 2 DVAs. It would be appropriate for the Phase 2 Application to include a proposal for consolidation of Group 1 and Group 2 balances and discuss any implications in doing so as part of that application.

[93] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-20, Staff-35
[94] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-20, Staff-35
[95] EB-2026-0137, Application, p. 35; EB-2026-0145, Application, p. 33
[96] *Ibid.*
[97] EB-2026-0137, Application, p. 35; EB-2026-0145, Application, p. 33

2.2.6 Other

EB-2026-0137

In Westario Power's last rebasing application (EB-2023-0058), the parties reached a complete settlement on all issues on the approved issues list. The OEB approved the settlement agreement. In its Decision and Rate Order,[98] the OEB required that in Westario Power's next cost of service application, it shall provide customer load profiles based on its most recent customer data as part of its cost allocation evidence. Further, the OEB also established that Westario Power is to include its plan to close out the GOCA variance account.[99]

In response to an interrogatory regarding prior commitments, EWAI states that there are no commitments between parties resulting from the 2024 cost of service settlement agreement and / or any directives from the OEB in its decision.[100]

Submission

OEB staff observes that in a previous phased MAADs proceeding,[101] the OEB agreed with an intervenor's submission regarding the continuation of commitments made prior to the first phase of a multi-phase transaction. The OEB expected the applicant to regard commitments arising out of the last cost of service decision as regulatory requirements that continue for the independent utility.

OEB staff submits that it would be appropriate for the OEB to consider the same approach for the commitments of Westario Power in the current proceeding.

EB-2026-0145

In Tillsonburg Hydro's last rebasing application (EB-2023-0053), parties reached a complete settlement on all issues on the approved issues list. The OEB approved the settlement agreement. In its Decision and Order,[102] the OEB provided the following direction related to Tillsonburg Hydro's next cost of service application:

- Tillsonburg Hydro will file an independent study reviewing its virtual utility operating structure to confirm it is meeting its obligations as a regulated

[98] EB-2023-0058, Decision and Rate Order, April 30, 2024, p. 8
[99] EB-2023-0058, Decision and Rate Order, April 30, 2024, p. 5
[100] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-4
[101] EB-2025-0172, Decision and Order, October 21, 2025, p. 11
[102] EB-2023-0053, Decision and Order, November 12, 2024, p.8

distributor

- Tillsonburg Hydro will report back on collaborations with other utilities and provide information on the impact of these collaborations on its operational efficiencies and expenses
- Tillsonburg Hydro will implement a formal process to assess asset condition or health index to target assets for replacement, and to include in its next DSP a formal project / program prioritization and rating process to improve its asset management process

In response to interrogatories regarding prior commitments, ERTH indicates that it does not plan to file the independent study given that Tillsonburg Hydro will no longer operate as a virtual entity on or before the closing of the proposed transaction.[103] ERTH did not provide any responses related to the other two directions.

Submission

OEB staff observes that in a previous phased MAADs proceeding,[104] the OEB agreed with an intervenor's submission regarding the continuation of commitments made prior to the first phase of a multi-phase transaction. The OEB expected that applicant to regard commitments arising out of the last cost of service decision as regulatory requirements that continue for the independent utility.

OEB staff submits that it would be appropriate for the OEB to consider the same approach for the commitments of Tillsonburg Hydro in the current proceeding.

~All of which is respectfully submitted~

[103] EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-4, EP-7
[104] EB-2025-0172, Decision and Order, October 21, 2025, p. 11