



DECISION AND ORDER

EB-2026-0137/EB-2026-0145

ERTH (WESTARIO) ACQUISITION INC. ERTH CORPORATION

Application by ERTH (Westario) Acquisition Inc. to acquire 100% of the shares of Westario Power Inc. and amalgamate the two companies under the name Westario Power Inc. / Application by ERTH Corporation to acquire 100% of the shares of Tillsonburg Hydro Inc.

BEFORE: Robert Dodds
Presiding Commissioner

Vinay Sharma
Commissioner

Julia McNally
Commissioner

October 15, 2026



TABLE OF CONTENTS

1	OVERVIEW	1
2	CONTEXT AND PROCESS	3
2.1	THE APPLICANTS	3
2.2	THE APPLICATION	3
2.3	THE PROCESS	5
3	DECISION ON THE ISSUES.....	6
3.1	THE “NO HARM” TEST.....	6
3.1.1	PRICE, ECONOMIC EFFICIENCY AND COST EFFECTIVENESS.....	7
3.1.2	ADEQUACY, RELIABILITY AND QUALITY OF ELECTRICITY SERVICE.....	12
3.1.3	FINANCIAL VIABILITY	17
3.2	PROPOSED RATE FRAMEWORK	21
3.3	GROUP 1 AND 2 DEFERRAL AND VARIANCE ACCOUNTS.....	27
3.4	EARNINGS SHARED MECHANISM (ESM) AND DEFERRAL ACCOUNT	28
3.5	POST-CONSOLIDATION MONITORING AND REPORTING	29
3.6	RATE HARMONIZATION	29
3.7	CONTINUATION OF PRE-EXISTING RATE FILING COMMITMENTS.....	30
4	ORDER	32

1 OVERVIEW

This is the Decision and Order of the Ontario Energy Board (OEB) regarding two applications to acquire local distribution companies filed on April 14, 2026 (EB-2026-0137), and May 4, 2026 (EB-2026-0145) (together, the Applications).

ERTH (Westario) Acquisition Inc. (ERTH (Westario) Acquisition), a wholly owned subsidiary of ERTH Corporation, filed its 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). ERTH (Westario) Acquisition seeks the approval of the OEB for the first phase of an anticipated two-phase transaction. In the first phase (Phase 1) of the transaction, ERTH (Westario) Acquisition 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 ERTH Westario Acquisition to create a new company operating under the name Westario Power Inc. (new Westario Power).

ERTH Corporation filed its application with the OEB on May 4, 2026 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.

The OEB approves the acquisition of the shares of Westario Power by ERTH (Westario) Acquisition, and grants leave to amalgamate Westario Power and ERTH (Westario) Acquisition to create a new company operating under the name Westario Power Inc. with a deferred rebasing period of nine years.

The OEB approves the acquisition of 100% of the issued and outstanding shares of Tillsonburg Hydro by ERTH Corporation, which will operate under the name Tillsonburg Hydro Inc. with a deferred rebasing period of nine years.

This Decision addresses the approvals sought by the Applicants in Phase 1. The Applicants proposed a multi-phase transaction to complete an amalgamation of the new Westario Power, Tillsonburg Hydro and ERTH Power, referred to as Phase 2. However,

no specific approvals for Phase 2 have been requested and such approvals are not the subject of this proceeding.¹

¹ EB-2026-0137, Application, p. 7; EB-2026-0145, Application, p. 7

2 CONTEXT AND PROCESS

2.1 The Applicants

ERTH (Westario) Acquisition, a wholly-owned subsidiary of ERTH Corporation, 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.² Westario Power is a licensed electricity distributor³ that owns and operates the electricity distribution system that provides service to approximately 25,000 electricity customers in 15 rural urban communities in southwestern Ontario, including Port Elgin, Kincardine, Hanover, Southampton, Walkerton, Wingham, Palmerston, Harriston, Lucknow, Mildmay, Teeswater, Clifford, Ripley, Neustadt, and Elmwood.

ERTH Corporation is a parent-holding company that also owns ERTH Power,⁴ a licensed electricity distributor.⁵ Tillsonburg Hydro is a licensed distributor⁶ that owns and operates the electricity distribution system that serves approximately 8,600 customers in the Town of Tillsonburg.

2.2 The Application

ERTH (Westario) Acquisition filed an application on April 14, 2026 with the OEB to seek approval for the first phase of a two-phase transaction. In the first phase, ERTH (Westario) Acquisition seeks (i) leave to acquire 100% of the issued and outstanding shares in Westario Power; and (ii) leave to subsequently amalgamate Westario Power and ERTH (Westario) Acquisition to create a new company operating under the name Westario Power Inc. ERTH (Westario) Acquisition seeks a deferred rebasing period of nine years for the new Westario Power.

ERTH Corporation filed an application with the OEB on May 4, 2026 for approval to acquire 100% of the issued and outstanding shares in Tillsonburg Hydro from The Corporation of the Town of Tillsonburg, as the first phase of the transaction. ERTH

² 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.

³ ED-2002-0515

⁴ Westario Application and Tillsonburg Application both include details about ERTH Power for information purposes only, ERTH Power is not an applicant or party to the transaction.

⁵ ED-2002-0516

⁶ ED-2003-0026

Corporation also seeks a deferred rebasing period of nine years for the new Tillsonburg Hydro.

Following the first phase of the transactions, Westario Power, Tillsonburg Hydro and ERTH Power plan to continue to operate as separate electricity distributors. The transfer of Westario Power and Tillsonburg Hydro's distribution licenses is not required.

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 second phase of the transaction. No new rate riders are proposed as a result of the Applications.

The Applicants ERTH (Westario) Acquisition and ERTH Corporation note that a mid-term report will be filed for the new Westario Power and Tillsonburg Hydro respectively, containing the required components as set out in the Post-Consolidation Monitoring and Reporting section of the MAADs Handbook.⁷ The Applicants 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 second phase (Phase 2) 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 corporate entity.⁸

A subsequent deferred rebasing period may be proposed as part of Phase 2 for the combined utilities, however the Applicants stated that the proposed deferred rebasing period in Phase 2 will not exceed 10 years after the OEB's approval this proceeding.

In the Argument in Chief, the Applicants requested an exemption from the accounting requirements of section 2.2.8 of the Filing Requirements for Consolidation Applications until they apply for the second phase of the transaction.

⁷ MAADs Handbook, July 2024, p. 33-37

⁸ EB-2026-0137, Application, p. 7; EB-2026-0145, Application, p. 7

2.3 The Process

The OEB issued Notices of Hearing on May 29, 2026, inviting interested parties to apply to become intervenors or file a letter of comment with the OEB. As part of the Tillsonburg application, ERTH Corporation requested that its application and the Westario Application be heard by a single panel of Commissioners in a combined proceeding pursuant to section 21(5) of the OEB Act.⁹

On July 2, 2026, the OEB issued Procedural Order No. 1, in which it granted ERTH Corporation's request for a combined proceeding. It also approved the Energy Probe and Pollution Probe as intervenors and set out a schedule for a discovery process and submissions on the Applicants' confidentiality request. For additional clarity, Energy Probe may act as an intervenor to both the Westario Application and Tillsonburg Application in this proceeding, while it has only applied to intervene in the Tillsonburg Application.

The Applicants requested confidential treatment for certain information in the Applications pursuant to the OEB's Rules of Practice and Procedure and the OEB's Practice Direction on Confidential Filings (Practice Direction). In Procedure Order No.1, the OEB has reviewed The Applicants' requests for confidential treatment of information relating to advisor fees contained in the Westario Application and Tillsonburg Application and finds that this information constitutes billing rates of a third party that are presumptively confidential under Appendix B of the Practice Direction. This information shall remain confidential.

OEB staff and intervenor interrogatories were due by July 15, 2026. The Applicants' responses to interrogatories were due by July 29, 2026. All parties filed their interrogatories, responses and submissions by the deadlines set out in Procedural Order No. 1.

⁹ EB-2026-0145, Application, page 7, and ERTH's Request for Combined Hearing and Confidential Treatment letter, dated May 1, 2026, page 2

3 DECISION ON THE ISSUES

3.1 The “No Harm” Test

The OEB applies the “no harm” test in its assessment of merger, acquisition, amalgamation and divestiture (MAAD) or “consolidation” applications.¹⁰ The OEB considers whether the “no harm” test is satisfied based on an assessment of the cumulative effect of the transaction on the attainment of its statutory objectives set out in the OEB Act.¹¹ If the proposed transaction has a positive or neutral effect on the attainment of these objectives, the OEB will approve the application.¹²

In assessing “no harm”, the OEB assesses both quantitative (e.g., cost) and qualitative information (e.g., customer services) included in the application.¹³ 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.¹⁴

While the OEB has broad statutory objectives, in applying the “no harm” test the OEB’s focus is on the objectives that are most directly relevant to the impact of the proposed transaction. In the subsections that follow the OEB has assessed the effect of the Phase 1 transaction on attaining the following applicable OEB statutory objectives:

- Price, Economic Efficiency and Cost Effectiveness
- Adequacy, Reliability and Quality of Electricity Service
- Financial Viability

In addition, the OEB addresses other items related to the application – namely the proposed phased approach of the transaction and applications, deferral and variance accounts, and accounting policies.

¹⁰ The OEB adopted the “no harm” test in a combined proceeding (RP-2005-0018/EB-2005-0234/EB2005-0254/EB-2005-0257) as the relevant test for determining applications for leave to acquire shares or amalgamate under Section 86 of the OEB Act and it has been subsequently applied in applications for consolidation. As set out in the OEB’s *Handbook to Electricity Distributor and Transmitter Consolidations*, the OEB has, and will continue to apply its “no harm” test in reviewing consolidation transactions.

¹¹ *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 Schedule B, section 1

¹² MAADs Handbook, July 2024, p.8

¹³ Ibid

¹⁴ Ibid

3.1.1 Price, Economic Efficiency and Cost Effectiveness

The MAADs Handbook requires applicants to provide year-over-year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post-transaction and in the absence of the transaction.¹⁵ To demonstrate “no harm”, the applicants must demonstrate, based on underlying cost structures, that the costs to serve acquired customers following a consolidation will be no higher than they otherwise would have been.¹⁶ In its review of consolidation proposals, the OEB assesses the underlying cost structures of the consolidating utilities, both now and in the future.¹⁷

Westario Application – EB-2026-0137

ERTH (Westario) Acquisition states that there will be no adverse impact to price or the underlying costs of Westario Power resulting from the first phase (Phase 1) 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. If the Westario Application is approved, all utilities owned by ERTH Corporation would receive shared common corporate and financial oversight from ERTH Corporation pursuant to Affiliate Relationships Code compliant services agreements.

ERTH (Westario) Acquisition 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). ERTH (Westario) Acquisition identifies the elimination of costs related to the Westario Power President & CEO role and a reduction of various redundant expenses as the source of moderate synergies. ERTH (Westario) Acquisition states that further synergies and operational efficiencies for Westario Power will be realized in the underlying OM&A costs once Phase 2 of the transaction is completed. They expect 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.

In an interrogatory response, the Applicants confirmed that no capital savings are anticipated following the Phase 1 transaction.¹⁸ Westario Power recently filed an approved Distribution System Plan as part of its 2024 cost of service application and, as

¹⁵ MAADs Handbook, Filing Requirements for Consolidation Applications, July 2024, p.9

¹⁶ MAADs Handbook, July 2024, p.10

¹⁷ Ibid

¹⁸ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-11d

a condition of the proposed transaction, ERTH (Westario) Acquisition has agreed to continue to invest in the Westario Power system pursuant to the approved Distribution System Plan. ERTH (Westario) Acquisition further noted 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.

OEB staff submitted that the revenue requirement comparison provided by the Applicants suggests overall cost reductions if the Phase 1 and Phase 2 transactions were approved, compared to a status quo scenario.¹⁹ OEB staff noted that all the integration costs are expected to be fully offset by productivity savings achieved through eliminating the Chief Executive Officer position and other related costs. 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. 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.

Pollution Probe did not make submissions regarding Price, Economy Efficiency and Cost Efficiency.

Tillsonburg Application – EB-2026-0145

ERTH Corporation states that there will be no adverse impact to price or the underlying costs of Tillsonburg Hydro resulting from 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. If the Tillsonburg Application is approved, all utilities owned by ERTH Corporation would receive shared common corporate and financial oversight from ERTH Corporation pursuant to Affiliate Relationships Code compliant services agreements.

ERTH Corporation states that modest synergies for Tillsonburg Hydro are possible. ERTH Corporation identifies the elimination of costs related to the various management roles and a reduction in various redundant expenses as the source of moderate synergies. ERTH Corporation states that further synergies and operational efficiencies for Tillsonburg Hydro will be realized in the underlying OM&A costs once the Phase 2

¹⁹ EB-2026-0137 & EB-2026-0145, OEB staff submission, p. 7

transaction is completed. ERTH Corporation 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.

In interrogatory responses, ERTH Corporation confirms that no capital savings are anticipated following the Phase 1 transaction.²⁰ 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 Corporation has agreed to continue to invest in the Tillsonburg Hydro system pursuant to the approved DSP. ERTH Corporation 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.

OEB staff submitted that the revenue requirement comparison provided by the Applicants suggests overall cost reductions if the Phase 1 and Phase 2 transactions were approved, compared to a status quo scenario.²¹ OEB staff note that all the transaction fees, transition fees, and integration costs are expected to be fully offset by synergies and productivity savings achieved through Human Resources savings via vacant roles, along with reductions in other costs. 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. 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.

Pollution Probe did not make submissions regarding this subject. Energy Probe stated in its Submission that it has no concerns about the Tillsonburg Application and is of the view that ERTH has followed the guidance provided in the OEB's MAADs Handbook.²²

²⁰ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 41d

²¹ EB-2026-0137 & EB-2026-0145, OEB staff submission, p. 10

²² Energy Probe Submission, p. 1

Findings

Westario Application– EB-2026-0137

The OEB approves the acquisition of the shares of Westario Power by ERTH (Westario) Acquisition, and grants leave to amalgamate Westario Power and ERTH (Westario) Acquisition to create a new company operating under the name Westario Power Inc. with a deferred rebasing period of nine years.

The OEB finds the proposed transaction meets the “no harm” test regarding the impact of the proposed transactions on price, economic efficiency and cost effectiveness of electricity service to customers, and that the transaction is consistent with the OEB’s legislative objectives in the OEB Act.

In reaching its findings the OEB took into consideration the following submissions made by ERTH (Westario) Acquisition:

- a) The transactions are the first step in an acquisition process and Westario Power and ERTH Power will continue to operate as stand-alone utilities and thus maintain existing cost structures
- b) There will be no adverse impact to price or the underlying costs of Westario Power resulting from the Phase 1 transaction
- c) Utilities owned by ERTH Corporation will receive shared common corporate and financial oversight from ERTH (Westario) Acquisition pursuant to Affiliate Relationships Code compliant services agreements
- d) There will be modest synergies for Westario Power compared to a status quo scenario absent the transaction, 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)
- e) There will be no capital savings after this transaction.²³ Westario Power recently filed an approved Distribution System Plan as part of its 2024 cost of service application and, as a condition of the proposed transaction, EWAI (Westario) Acquisition agrees to continue to invest in the Westario Power system pursuant to the approved Plan

²³ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-11d

- f) The integration costs incurred for the acquisition will not be rate-based and 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 Power

Tillsonburg Application – EB-2026-0145

The OEB approves the acquisition of 100% of the issued and outstanding shares of Tillsonburg Hydro by ERTH Corporation, which will operate under the name Tillsonburg Hydro Inc. with a deferred rebasing period of nine years.

The OEB finds that deferral of Tillsonburg Hydro's rebasing for nine years following this Application, while ERTH Power proceeds with its scheduled rebasing, appropriately reflects the distinct regulatory positions of the two utilities and is consistent with the public interest.

The OEB finds the proposed transactions meet the "no harm" test regarding the impact of the proposed transactions on price, reliability and quality of electricity service to customers, and that the transaction is consistent with the OEB's legislative objectives in the OEB Act.

In reaching its findings the OEB took into consideration the following commitments made by ERTH Corporation:

- I. There will be no adverse impact to price or the underlying costs of Tillsonburg Hydro resulting from the first phase (Phase 1) of the transaction. The Share Purchase Agreement provides a commitment to limit Tillsonburg Hydro rate increases solely to formulaic Incentive Rate Setting Mechanism inflationary increases for a minimum period of eight years following the closing of the transaction
- II. Utilities owned by ERTH Corporation will receive shared common corporate and financial oversight from ERTH Corporation pursuant to Affiliate Relationships Code compliant services agreements
- III. Modest synergies for Tillsonburg Hydro compared to a status quo scenario absent the transaction are possible through the elimination of costs related to the various management roles and a reduction in various redundant expenses as the source of moderate synergies

- IV. Capital savings are not anticipated following the Phase 1 transaction.²⁴ 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 Corporation has agreed to continue to invest in the Tillsonburg Hydro system pursuant to the approved DSP
- V. The incremental one-time transaction and transition costs (estimated \$250,000) will not be included in the revenue requirement of Tillsonburg Hydro or ERTH Power and will be financed through the anticipated productivity savings expected from the transaction during the period after the Phase 2 Transaction

3.1.2 Adequacy, Reliability and Quality of Electricity Service

The OEB requires consolidating utilities to indicate the impact that a proposed transaction will have on customers with respect to the quality and reliability of electricity service. In considering the impact and whether the “no harm” test has been met, the OEB is informed by, among other things, the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard.²⁵

Continuous improvement will be demonstrated by a distributor’s ability to deliver improved reliability performance without an increase in costs or to maintain the same level of performance at a reduced cost.²⁶

Westario Application – EB-2026-0137

ERTH (Westario) Acquisition 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. Reliability will continue to be tracked separately for Westario Power as it will continue to be operated on a standalone basis following the transaction.

ERTH (Westario) Acquisition states that Westario Power customers will benefit through all future phases of the transaction in the form of technology enhancements that would otherwise not be economical or practical to implement. These benefits include:

²⁴ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff 41d

²⁵ MAADs Handbook, July 2024, p.12

²⁶ Ibid

- 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 ERTH²⁷

ERTH (Westario) Acquisition 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 Corporation, providing a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service. In response to an OEB staff interrogatory,²⁸ ERTH (Westario) Acquisition stated 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.

OEB staff and Pollution Probe have not expressed any concerns about the reliability and quality of service resulting from the first phase (Phase 1) of the transaction. OEB staff submitted that there will be no reductions to operational staff, and reliability will remain in place and continue to support their respective service territories, based on the evidence provided by ERTH (Westario) Acquisition.²⁹ 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. In addition, OEB staff accepted ERTH (Westario) Acquisition'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. OEB staff further noted that the Share Purchase Agreement includes a Post Closing Covenant relating to service quality guarantees,

²⁷ See EB-2026-0137, Application, p. 28 for a full list of benefits.

²⁸ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-15b

²⁹ EB-2026-0137, OEB staff submission, p. 13

which further supports OEB staff's position that reliability and service quality standards can be reasonably expected to be maintained.

Findings

The OEB is satisfied that the Phase 1 transaction is not expected to adversely affect the adequacy, reliability or quality of service provided to customers. Existing operational, field and customer service staff will remain in place, performance metrics will be tracked separately, and customers will benefit from shared resources.

In reaching its findings, the OEB took into consideration the following commitments made by the Applicant:

- Westario Power has strong historical performance in both System Average Interruption Duration Index and System Average Interruption Frequency Index. The Applicant commits to maintaining this performance after the acquisition
- Strong continued local presence. During Phase 1, local staff, including customer services, operational and field staff at Westario Power, will continue to perform their current roles and responsibilities
- ERTH Power will share its resources, including Supervisory Control and Data Acquisition (SCADA) and Geographic Information System (GIS) system, mutual aid, engineering and other resources
- Westario Power customers will benefit through all future phases of the transaction in the form of technology enhancements that would otherwise not be economical or practical to implement on a stand-alone basis

Tillsonburg Application – EB-2026-0145

ERTH Corporation states that the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) metrics 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. 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 Corporation states that Tillsonburg Hydro customers will benefit from the transaction through technology enhancements that would otherwise not be economical or practical to implement.³⁰ Examples of these benefits include:

- The extension of ERTH Power's Supervisory Control and Data Acquisition (SCADA) system to include Tillsonburg Hydro
- Extension of ERTH Power's Geographic Information System (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 2025³¹

ERTH Corporation 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 Corporation. This will provide a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service. In response to an OEB staff interrogatory, ERTH 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.³² ERTH Corporation has also 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.

OEB staff and Pollution Probe have not expressed any concerns about the reliability and quality of service as a result of the first phase of the transaction. OEB staff submits

³⁰ EB-2026-0145, Application, p. 28

³¹ See EB-2026-0145 Application, p. 27 for a full list of benefits.

³² EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-40b

that there will be no reductions to operational staff, and reliability will remain in place and continue to support their respective service territories, based on the evidence provided by ERTH Corporation.³³ 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. 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.

Findings

The OEB is satisfied that the Phase 1 transactions are not expected to adversely affect the adequacy, reliability or quality of service provided since existing operational, field and customer service staff will remain in place, performance metrics will be tracked separately, and customers will benefit from shared resources. In reaching its findings the OEB took into consideration the following commitments made by ERTH Corporation:

- Tillsonburg Hydro has strong historical performance in both System Average Interruption Duration Index (duration of interruption) and System Average Interruption Frequency Index (frequency of interruptions) metrics. The Applicant commits to maintaining this performance after the acquisition
- Strong continued local presence. During Phase 1, local staff, including customer services, operational and field staff at Tillsonburg Hydro, will continue to perform their current roles and responsibilities
- Transfer town staff performing utility functions into Tillsonburg Hydro so that it would operate as a stand-alone utility with its own employees and assets
- 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 Share Purchase Agreement includes a Post Closing Covenant relating to service quality

³³ EB-2026-0137, OEB staff submission, p. 15

3.1.3 Financial Viability

The MAADs Handbook indicates that the impact of a proposed transaction on the acquiring utility's financial viability (in the case of an acquisition) or on the consolidated entity's financial viability (in the case of a merger) will be assessed.³⁴ 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

Westario Application – EB-2026-0137

ERTH (Westario) Acquisition 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.³⁵

The Applicant states that the acquiring entity is ERTH (Westario) Acquisition, a holding company, so there will be no direct effect on the financial viability of Westario Power. Further, ERTH (Westario) Acquisition states that the estimated purchase price is not expected to have a material impact on the overall financial viability of its parent company, ERTH Corporation, or any of its affiliates. If the transaction that is the subject of the Westario Application is completed, Westario Power will represent approximately 45% of the total assets of ERTH (Westario) Acquisition's parent company, ERTH Corporation. ERTH (Westario) Acquisition explains in interrogatory responses that the "45% of total assets" statistic did not include the proposed acquisition of Tillsonburg Hydro by ERTH Corporation.³⁶

ERTH (Westario) Acquisition also confirms that the transaction will be 100% financed by new debt issued to ERTH Corporation from Scotiabank, and ERTH has negotiated financial terms with Scotiabank that recognizes the financial circumstances of Westario Power after the Phase 1 transaction.³⁷ ERTH (Westario) Acquisition has developed a

³⁴ MAADs Handbook, July 2024, p.12

³⁵ EB-2026-0137, Application, Appendix C, Section 2

³⁶ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-18b

³⁷ See EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-18c for more details of the loan

five-year financial forecast that assumes no transaction-related synergies are realized. This conservative downside-case scenario has been shared with Scotiabank.³⁸

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. The integration costs incurred for the Westario 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 Power. There will be timing differences between expense outlays and their recovery.

OM&A incremental transitional costs primarily relate 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

OEB staff submitted that the transaction proposed in the Westario Application will not negatively impact the financial viability of ERTH (Westario) Acquisition, its parent company ERTH Corporation, and Westario Power based on the evidence provided by ERTH (Westario) Acquisition. Pollution Probe did not take issue on financial viability.

Findings

The OEB finds that the transaction will not negatively impact the financial viability of ERTH Corporation, ERTH Power, or Westario Power based on the evidence provided by ERTH (Westario) Acquisition.

In reaching its findings, the OEB took into consideration the following submissions:

- 1) The acquiring entity, ERTH (Westario) Acquisition, is a holding company that will be dissolved after completion of the transaction, so there is not expected to be

³⁸ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-18c(i)

any direct effect on the financial viability of Westario Power, which will continue operating as a standalone entity. Plus, the estimated purchase price is not expected to have a material impact on the overall financial viability of its parent company, ERTH Corporation, or any of its affiliates

- 2) Westario Power will represent approximately 45% of the total assets of ERTH Corporation prior to the proposed acquisition of Tillsonburg Hydro
- 3) The transaction will be 100% financed by new debt issued to ERTH Corporation from Scotiabank, and ERTH Corporation has negotiated financial terms with Scotiabank that recognizes the financial circumstances of Westario Power after the Phase 1 transaction
- 4) The incremental one-time transaction and transition costs of approximately \$800,000 will not be included in the revenue requirement of Westario Power or ERTH Power, and thus will not be funded by ratepayers. The integration costs incurred for the Westario 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 Power.

Tillsonburg Application – EB-2026-0145

ERTH Corporation 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").³⁹

³⁹ EB-2026-0145, Application, Appendix C, Section 2(c)

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.⁴⁰

The integration costs incurred for the Tillsonburg 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 primarily relate 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 Corporation states that since the consideration being exchanged for the proposed transaction is shares in ERTH Corporation, not cash, the purchase price is not expected to have any adverse effect on the financial viability of either Tillsonburg Hydro or ERTH.

OEB staff submitted that the transaction proposed in the Tillsonburg Application is not expected to negatively impact the financial viability ERTH Corporation, and Westario Power based on the evidence provided in the application.

OEB staff submitted that the proposed acquisition will not negatively impact the financial viability of ERTH Corporation, and Tillsonburg Hydro based on the evidence provided by ERTH Corporation. Pollution Probe did not take issue on financial viability.

Findings

The OEB finds that the proposed acquisition is not expected to negatively impact the financial viability of ERTH Corporation or Tillsonburg Hydro since the City of Tillsonburg

⁴⁰ EB-2026-0145, Application, p. 30

will receive shares in ERTH Corporation in consideration, a non-cash process that is considered to have minimal impact on the financial viability of a private corporation.

3.2 Proposed Rate Framework

The Applicants stated that 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-2018-0082.⁴¹ The Applicants provided an updated deferred rebasing timeline (Table 1 below) for Westario Power, Tillsonburg Hydro and ERTH Power provided in interrogatory responses. The deferred rebasing period will start in 2026 and end in 2035. The Applicants indicated that ERTH Power's cost of service application will be filed following the completion of these transactions.

In response to OEB staff interrogatories⁴² regarding the rationale for a nine-year deferred rebasing period in Phase 1, as opposed to waiting until the Phase 2 Application, ERTH (Westario) Acquisition and ERTH Corporation stated that the amalgamated entity has not yet been established. In Argument in Chief, the Applicants stated that upon completion of the Phase 2 amalgamation, they intend to establish a separate rate zone for Westario Power and Tillsonburg Hydro ratepayers to continue the nine-year rate rebasing deferral.⁴³

Table 1: 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

The Applicants stated that ERTH Power's cost of service application will proceed as scheduled for a number of reasons including: (i) to ensure that synergies from the consolidation⁴⁴ of ERTH Power and West Coast Huron Energy Inc. are passed along to ratepayers; (ii) ending the Incremental Capital Module rate rider⁴⁵ to incorporate ERTH Power's new headquarters into base rates; and (iii) implementing the OEB's direction in

⁴¹ Erie Thames (EPC) and West Coast Huron MAADs Application

⁴² EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-25, Staff-46

⁴³ Argument in Chief, p. 6

⁴⁴ EB-2018-0082 Erie Thames (EPC) and West Coast Huron MAADs Application

⁴⁵ EB-2024-0021 ERTH Power 2025 IRM Application

EB-2024-0021⁴⁶ to provide evidence on existing ERTH affiliates' usage of the ERTH Power's new headquarters in order to determine appropriate recovery of costs previously excluded from the Incremental Capital Module period. No deferred rebasing period for ERTH Power is sought in the Applications and ERTH Power is not a party to either proposed transaction. The Applicants state that ERTH Power will be operated separately and rebase as scheduled.⁴⁷

Westario Power and Tillsonburg Hydro last rebased rates effective January 1, 2024⁴⁸ and November 1, 2024,⁴⁹ respectively. Accordingly, ERTH (Westario) Acquisition and ERTH Corporation submit that there no need for Westario Power or Tillsonburg Hydro to rebase before the anticipated Phase 2 transaction to maintain ongoing financial and operational viability.⁵⁰ Instead, a deferred rebasing period of nine years is sought for both Westario Power and Tillsonburg Hydro.

The Applicants state that the second phase (Phase 2) of the transaction is expected to occur following the completion of the ERTH Power cost of service application. The Phase 2 Application will amalgamate Westario Power, Tillsonburg Hydro and ERTH Power with the new entity continuing under the name of ERTH Power. A subsequent deferred rebasing period may be proposed for ERTH Power as part of Phase 2 for the combined utilities. However, ERTH (Westario) Acquisition and ERTH Corporation commit that, if the acquisitions are approved in 2026, the proposed deferred rebasing period sought in any Phase 2 Application would not extend beyond 2036.⁵¹

OEB staff note that 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 agree with the rationale provided by the Applicants and support the need to proceed with rebasing as scheduled. OEB staff note that a similar phased approach was also utilized in previous applications, including with North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Corporation,⁵² Windsor

⁴⁶ Ibid

⁴⁷ Argument in Chief, p. 8

⁴⁸ EB-2023-0058, Westario Power Cost of Service Application

⁴⁹ EB-2023-0053, Tillsonburg Hydro Cost of Service Application

⁵⁰ Argument in Chief, p. 8

⁵¹ Ibid

⁵² EB-2019-0015

Canada and E.L.K Energy Inc.,⁵³ and Enersource Hydro Mississauga Inc., Horizon Utilities Corporation and Powerstream Inc.⁵⁴

Regarding the nine-year deferred rebasing period, OEB staff submitted that the deferred rebasing period proposed by the ERTH (Westario) Acquisition and ERTH Corporation aligns with the OEB's policies. A similar deferred rebasing period was also proposed in previous cases, including the Alectra merger (ten-year deferred rebasing period), and ERTH Power and West Coast Huron (nine-year deferred rebasing period). OEB staff further submitted that any subsequent deferral period can be assessed on the merits of the proposal as part of the Phase 2 Application.

OEB staff supported the proposed acquisitions as they appear to cause no harm. 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.⁵⁵

In its Submission, Pollution Probe suggest the OEB should consider how Phase 1 approvals connect to future milestones, since most projected synergies and benefits are expected in Phase 2 and later. While the Applicants argue that these future benefits are outside the scope of Phase 1, Pollution Probe believed they are relevant to evaluating all phases of the consolidation. Pollution Probe suggest the OEB provide guidance in its Phase 1 decision regarding requirements and timing for future phases. Pollution Probe state that an attempt to estimate benefits should be part of the requirements for the Phase 2 Application. Furthermore, Pollution Probe submit that the OEB should consider an interim deferred rebasing period that is shorter than nine years and allow the Applicants to provide a request with supporting evidence in the Phase 2 Application for the additional deferred rebasing period at that time. Pollution Probe state that this would not only provide better clarity on the expected synergies and net benefits over the requested deferred rebasing period but also incent a timely filing of the Phase 2 Applications.⁵⁶

⁵³ EB-2025-0172

⁵⁴ EB-2016-0025

⁵⁵ OEB Staff Submission, p.20 - 21

⁵⁶ Pollution Probe Submission, p.1, 7

Pollution Probe further suggest that the Phase 2 Application may also be an appropriate time to evaluate the net benefits from Phase 1 and transparently set the remaining deferred rebasing net benefits expected from the Phase 2 period. Collectively, the Phase 1 and Phase 2 benefits over the deferred rebasing period represent the total to be assessed when the consolidated entity rebases following its Phase 2 Applications. Pollution Probe submit that the Applicants should provide more specific details on how the synergies and net benefits will be measured in the Phase 2 Application.⁵⁷

The Applicants did not agree that the present proceeding should attempt to quantify with precision efficiencies that will arise only after the passage of time, including further integration or the contemplated Phase 2 amalgamation. The Applicants state they have already described the expected sources of efficiencies and have committed to maintaining appropriate information concerning transaction-related costs and efficiencies. Future benefits cannot appropriately be treated as established facts in this proceeding. The Applicants agree that the Phase 2 Application should provide the OEB with evidence, to the extent possible, concerning the efficiencies and savings realized during Phase 1 and any incremental benefits expected from Phase 2. The Applicants point to the Windsor Canada and E.L.K Energy merger, where a Phase 1 application was approved even though the OEB did not yet know the outcome of subsequent rate proceedings or the future Phase 2 transaction. The Applicants submit that the OEB should apply the same approach here. The subsequent ERTH Power cost of service proceeding will provide the OEB with an opportunity to consider ERTH Power's revenue requirement and cost structure before the contemplated Phase 2 transaction.⁵⁸

The Applicants state they will bring forward the appropriate evidence and proposals in the Phase 2 Application, including the benefits and efficiencies arising from the consolidation. Future rate harmonization and the treatment of efficiencies following Phase 2 matters are premature in the current proceedings. The Applicants argue that they should not be restricted from bringing forward future applications that comply with the OEB's applicable policies, directives and prior decisions.⁵⁹

In the Argument in Chief, the Applicants request an exemption from the accounting requirements of section 2.2.8 of the Filing Requirements for Consolidation Applications

⁵⁷ Pollution Probe Submission, p. 8

⁵⁸ Reply Submission, p. 5

⁵⁹ Reply Submission, p. 9

until the Phase 2 Application is filed. The Applicants stated that Westario Power and Tillsonburg Hydro are not being amalgamated with ERTH Power as part of the Phase 1 transactions and they will continue to maintain separate reporting and record keeping. The Applicants anticipate that Westario Power and Tillsonburg Hydro will be amalgamated with ERTH Power as part of the Phase 2 Application and filing of this information would be more appropriate at that time.⁶⁰ OEB staff and Pollution Probe took no issue with the requested exemptions.

Findings

The OEB accepts the updated deferred rebasing timeline starting in 2026 and ending in 2035 for Westario Power and Tillsonburg Hydro.

Table 1: 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

The two-phase transaction structure is customized to allow ERTH Power to rebase independently prior to the formal amalgamation of Westario Power, Tillsonburg Hydro, and ERTH Power in the future Phase 2 Application. The OEB agrees with the rationale provided by the Applicants and notes that a similar phased approach was also utilized in previous applications.⁶¹

Additionally, the nine-year deferred rebasing period aligns with the OEB's policies. A similar deferred rebasing period was also proposed, and accepted, in previous cases.⁶²

The OEB also notes that any subsequent deferral period can be assessed on the merits of the proposal as part of the Phase 2 Application.

Pollution Probe submitted the following recommendations:

⁶⁰ Argument in Chief, p. 7

⁶¹ EB-2019-0015 North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Corporation MAADs application; EB-2025-0172 E.L.K MAADs; EB-2016-0025 Alectra MAADs

⁶² EB-2016-0025 Alectra MAADs (ten-year deferred rebasing period); EB-2018-0082 ERTH Power and West Coast Huron MAADs (nine-year deferred rebasing period)

- a) The OEB should provide guidance in its Phase 1 decision regarding requirements and timing for future phases
- b) The OEB should consider how Phase 1 approvals connect to future milestones, since most projected synergies and benefits are expected in Phase 2 and later, but are relevant to evaluating all phases of the consolidation
- c) The Phase 2 Application would be an appropriate time to evaluate the net benefits from Phase 1 and transparently set the remaining deferred rebasing net benefits expected from the Phase 2 period. Accordingly, the Applicants should provide more specific details on how the synergies and net benefits will be measured in the Phase 2 Application
- d) The OEB should consider an interim deferred rebasing period that is shorter than nine years and allow the Applicants to provide a request with supporting evidence in the Phase 2 Application for the additional deferred rebasing period at that time

The OEB agrees with Pollution Probe that the Phase 2 Application should provide the OEB with evidence concerning the efficiencies and savings realized during Phase 1 and any incremental benefits expected from Phase 2. The Applicants have already described the expected sources of efficiencies and have committed to maintaining appropriate information concerning transaction-related costs and efficiencies for inclusion in the Phase 2 application. The OEB finds that it is premature in the present proceedings to quantify with precision the efficiencies that will arise only after the passage of time, including further integration or the contemplated Phase 2 amalgamation. The OEB took a similar approach to this issue in the Windsor Canada and E.L.K Energy merger application (EB-2025-0172) where a Phase 1 application was approved even though the OEB did not yet know the outcome of subsequent rate proceedings or the future Phase 2 transaction.

The OEB does not agree with Pollution Probe on ordering a shorter rebasing period. The rebasing period is set at the discretion of the applicant within certain limits as set out in OEB policies. The OEB does not find a sufficient basis in this proceeding to vary from that guidance.

The OEB grants the Applicants request for an exemption from the requirements of section 2.2.8 of the MAADs Handbook until the Phase 2 Application is filed for Westario Power and Tillsonburg Hydro on the following grounds:

- I. Westario Power and Tillsonburg Hydro are not being amalgamated with ERTH Power as part of the Phase 1 transactions, and they will continue to maintain separate reporting and record keeping.
- II. The Applicants anticipate that Westario Power and Tillsonburg Hydro will be amalgamated with ERTH Power as part of the Phase 2 Application and filing of this information would be more appropriate at that time.

In conclusion, the OEB finds the requested rebasing timelines cause “no harm”, which is the OEB’s test for a Merger, Acquisition, Amalgamation and Divestitures application.

3.3 Group 1 and 2 Deferral and Variance Accounts

The Applications propose that Westario Power, Tillsonburg Hydro and ERTH Power will continue to track the balances of Group 1 and Group 2 DVAs on a stand-alone basis until the Phase 2 Application is filed when these three utilities are merged.⁶³ The Applications further note that the accounting matters listed in section 2.2.8 of the Filing Requirements for Consolidation Applications are not applicable to the proposed transactions.

OEB staff did not take issue with the proposals regarding Group 1 and Group 2 DVAs since there is no merged entity existing in Phase 1 and the three utilities will still operate separately in Phase 1. 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.⁶⁴ Pollution Probe and Energy Probe did not comment on the Applicants’ intended approach to DVAs.

Findings

The OEB accepts the Applicants’ proposal that Westario Power, Tillsonburg Hydro and ERTH Power will continue to track the balances of Group 1 and Group 2 DVAs on a stand-alone basis until the Phase 2 Application is filed when these three utilities are

⁶³ EB-2026-0137, Application, p. 35; EB-2026-0145, Application, p. 33

⁶⁴ OEB Staff Submission, p.24

merged. There is no merged entity existing in Phase 1 and the three utilities will still operate separately in Phase 1.

The OEB agrees that the accounting matters listed in section 2.2.8 of the Filing Requirements for Consolidation Applications are not applicable to the proposed transactions.

3.4 Earnings Shared Mechanism and Deferral Account

Consolidating entities that propose to defer beyond five years must implement an earning sharing mechanism for the period beyond five years.⁶⁵ The Applicants propose to implement an earning sharing mechanism for Westario Power and Tillsonburg Hydro, respectively. The earning sharing will be effective from Year 6 to Year 9 of the deferred rebasing period. Earnings sharing 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 Westario Application, ERTH (Westario) Acquisition 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.⁶⁶ In the Tillsonburg Application, ERTH Corporation 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.⁶⁷

Pollution Probe did not comment on ESM.

Findings

OEB policy requires that consolidating entities that propose to defer beyond five years must implement an Earning Sharing Mechanism for the period beyond five years.⁶⁸ Accordingly, the Applicants propose to implement an earning sharing mechanism for Westario Power and Tillsonburg Hydro, respectively, to be effective from Year 6 to Year 9 of the deferred rebasing period. Earnings sharing will be calculated and reported as

⁶⁵ MAADs Handbook, p.23

⁶⁶ EB-2026-0137, Application, p. 353

⁶⁷ EB-2026-0145, Application, p. 368

⁶⁸ MAADs Handbook, p.23

part of Westario Power's and Tillsonburg Hydro's annual Reporting and Recordkeeping Requirement filings and any subsequent OEB review processes.

3.5 Post-Consolidation Monitoring and Reporting

OEB staff submitted that the proposals for post-consolidation monitoring and reporting in the Applications align with the requirements of the MAADs Handbook. OEB staff submitted that the proposals for post-consolidation monitoring and reporting in the Applications align with the requirements of the MAADs Handbook. Pollution Probe did not comment on this subject.

Findings

The OEB finds that the proposals for post-consolidation monitoring and reporting in the Applications align with OEB requirements.

3.6 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. ERTH (Westario) Acquisition and ERTH Corporation note that rate harmonization may be addressed as part of the Phase 2 transaction. In response to interrogatories, ERTH (Westario) Acquisition and ERTH Corporation confirm that they will abide by OEB requirements 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.⁶⁹

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 had no issue with ERTH (Westario) Acquisition and ERTH Corporation's proposal.

Findings

The OEB finds that since the transactions are limited to the acquisition of Westario Power and Tillsonburg Hydro, which will subsequently continue to operate as independent utilities until the Phase 2 Application, no harmonization of rates is required nor has any been proposed as part of the transaction in the Applications.

⁶⁹ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-50

ERTH (Westario) Acquisition and ERTH Corporation confirm that they will abide by OEB requirements and the Phase 2 Application will indicate whether the consolidated utilities intend to undertake rate harmonization at the time of rebasing or, if not, provide an explanation for not doing so.

3.7 Continuation of Pre-existing Rate Filing Commitments

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,⁷⁰ 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 established that Westario Power is to include its plan to close out the Getting Ontario Connected Act (GOCA) variance account.⁷¹

In response to an interrogatory regarding prior commitments, ERTH (Westario) Acquisition 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.⁷²

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,⁷³ 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 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 Distribution System Plan (DSP) a formal project / program prioritization and rating process to improve its asset management process

⁷⁰ EB-2023-0058, Decision and Rate Order, April 30, 2024, p. 8

⁷¹ EB-2023-0058, Decision and Rate Order, April 30, 2024, p. 5

⁷² EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-4

⁷³ EB-2023-0053, Decision and Order, November 12, 2024, p.8

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.⁷⁴ ERTH did not provide any responses related to the other two directions.

OEB staff observed that in a previous case,⁷⁵ 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 submitted that it would be appropriate for the OEB to consider the same approach for the commitments of Westario Power and Tillsonburg in the current proceeding.

In Reply Argument, the Applicants agreed that regulatory commitments arising from the previous Westario Power cost of service decision should continue to apply, notwithstanding the Phase 1 transactions. The Applicants also agreed that regulatory commitments arising from the previous Tillsonburg Hydro cost of service decision should continue to apply, notwithstanding the Phase 1 transactions.

Findings

The OEB expects the Applicants will regard commitments, if any, arising out of the last cost of service decisions as regulatory requirements that continue for the independent utility, notwithstanding the Phase 1 transactions.

⁷⁴ EB-2026-0137 & EB-2026-0145 Interrogatory Response Staff-4, EP-7

⁷⁵ EB-2025-0172, Decision and Order, October 21, 2025, p. 11

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. ERTH (Westario) Acquisition is granted leave to acquire 100% of the shares of Westario Power, and to subsequently amalgamate Westario Power and ERTH (Westario) Acquisition to operate as Westario Power Inc.
2. ERTH Corporation is granted leave to acquire 100% of the shares of Tillsonburg Hydro
3. The leave granted in paragraph 1 and 2 shall expire 18 months from the date of this Decision and Order. If the transaction has not been completed by that date, a new application will be required for the transaction to proceed.
4. ERTH (Westario) Acquisition (or its successor) and ERTH Corporation shall notify the OEB of the completion of the transaction referred to in paragraph 1 above.
5. Energy Probe and Pollution Probe shall file with the OEB and forward to ERTH (Westario) Acquisition (or its successor) and ERTH Corporation their respective cost claims no later than **October 29, 2026**.
6. ERTH (Westario) Acquisition (or its successor) and ERTH Corporation shall file with the OEB and forward to Energy Probe and Pollution Probe any objections to the claimed costs by **November 5, 2026**.
7. Energy Probe and Pollution Probe shall file with the OEB and forward to ERTH (Westario) Acquisition (or its successor) and ERTH Corporation any responses to any objections to their respective cost claims by **November 12, 2026**.
8. ERTH (Westario) Acquisition (or its successor) and ERTH Corporation shall pay the OEB's costs of and incidental to, this proceeding immediately upon receipt of the OEB's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2026-0137** and **EB-2026-0145** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Lizzie Zhang at lizzie.zhang@oeb.ca and OEB Counsel, Faye Kidman at faye.kidman@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, October 15, 2026

ONTARIO ENERGY BOARD

Ritchie
Murray

Digitally signed by Ritchie
Murray
Date: 2026.10.15
13:15:06 -04'00'

Ritchie Murray
Registrar