

**ERTH Power Corporation
EB-2022-0029**

January 30, 2023

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Staff Follow-up Question-1

Ref1: Goderich RZ, GA Analysis WorkForm 20230120, Tab GA2021 & Tab Principal Adjustments

Ref2: Goderich RZ, IRM rate Generator model 20230120, Tab 3

OEB staff has compiled the following table based on the information provided in Reference 1 & 2:

2021 Principal Adjustments	
Reference 1 Tab Principal Adjustments (Cell J114) Reference 2 (Cell BF 29)	(47,055)
Reference 1 Tab GA 2021 (Cell C76 & C77)	(78,592)
Variance	(31,536)

- a) OEB noted that the variance in the above table appears to be the result of the opposite signs of the reconciling item 1(b) in Reference 1 Tab GA 2021 (Cell C77) and the same item in Reference 1 Tab Principal Adjustments (Cell J105). Please reconcile the difference and revise the schedules as needed.
- **ERTH Power has corrected the GA Analysis Workform Tab GA 2021 Cell C77 to read \$15,768.**

Staff Follow-up Question-2

Ref1: Main RZ, GA Analysis WorkForm 20230120

Ref2: Main RZ, IRM rate Generator model 20230120, Tab 3

OEB staff has compiled the following table based on the information provided in Reference 1 & 2:

2020 Principal Adjustments	
Reference 1 Tab 1588 (Cell D19) Reference 2 (Cell AV28)	3,152,043
Reference 1 Tab Principal Adjustments (Cell V114)	3,197,705
Variance	45,662

- a) OEB staff noted that the variance in the above table appears to be the \$45,662 ‘Reversal of CT 148 true-up of GA Charges based on actual RPP volumes” in Reference 1 Tab Principal Adjustments (Cell V95) but not in Reference 1 Tab 1588 and Reference 2. Please reconcile the difference and revise the schedules as needed.
- ***ERTH Power has corrected Reference 1 Tab 1588 (Cell D19) and Reference 2 (Cell V114) to read \$3,197,705.***

Staff Follow-up Question-3

Goderich RZ

Ref1: Staff Question 1(d)

Ref2: Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, Chapter 3, Page 12

Reference 2 stated that “Any unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges is considered material and warrants further analysis and supporting evidence”

In Reference 1,ERTH Power stated that “there are unresolved differences above the threshold but would like to point out that the net change in Principal balances for each of these years is an immaterial amount. The net change in the Principal balance over the 3 years is \$38,755. The volatility of the expected GA variance creates an unrealistic unresolved differences at such a small volume of consumption/dollars”.

- a) Please explain how ERTH Power ensures the accuracy of the GA Charges when the unresolved differences are likely resulting from reconciling items with debit and credit balances offsetting each other.
- ***ERTH Power is revising the answer to Staff Question 1(d) Ref 1 above. The 2021 unresolved difference from the GA Analysis Workform for Goderich rate zone should have read as below -0.2% or -\$4,380.***

***2019 -2.9% -\$64,692
2020 2.1% \$54,286
2021 -0.2% -\$4,380***

The unresolved differences for the 3 year period is -\$14,787 or -.002% of the \$ Consumption at Actual rate paid. ERTH Power realizes the unresolved differences for the specific years of 2019 and 2020 alone are above the threshold and have done extensive review to find any reconciling entries between the years and after review no further entries are required. ERTH Power merged with Goderich Hydro in January 2019 and merged CIS systems in October of 2019. As can be seen for the 2021 year the unresolved differences is well within the allowable levels and ERTH Power has processes in place to ensure any period adjustments are allocated to the proper year and month.

Staff Follow-up Question-4

Ref1: Staff Question 2

Ref2: EB-2019-0033, Decision and Rate Order, page 13

Main rate Zone

In Reference 1, ERTH Power stated that “the RPP settlement adjustment of \$662,462 for 2017 was never submitted and received thus recovered this amount in 2022.”

Reference 2 stated that “it should be possible for ERTH Power to apply lessons learned from the Goderich rate zone to the Main rate zone Accounts 1588 and 1589 in order to provide reassurance to the OEB in its next rate application of the accuracy of its balances.”

- a) Please explain what “never submitted and received thus recovered this amount in 2022” means, the nature of the adjustment, and why this adjustment was never submitted?
- a. Please confirm whether the \$662,462 is in the GL. If confirmed, please reverse the \$662,642 in this current application and revise the schedules as needed.

- ***The principal adjustment of \$662,462 was not in the GL before 2022. During the 2019 IRM application process the 2017 Principal adjustment of \$662,462 was found to be a RPP settlement true-up. The \$662,462 was missed being submitted as a RPP Settlement amount on the IESO online portal when it was found to be outstanding and thus the funds were never received from the IESO. Upon discovering that these funds were never received a post final RPP settlement adjustment was inputted to the IESO and the \$662,462 was received from the IESO in 2022.***
- b) Please discuss how ERTH Power applies the lesson learned from the Goderich rate zone to the Main rate zone as noted in Reference 2.
- ***ERTH Power has applied lessons learned from the Goderich rate zone by completing a yearly review of the amounts in the General Ledger for both 1588 and 1589 to ensure adjustments are applied to the proper month. ERTH Power compares the kwh purchased for both Cost of Power and Global Adjustment in the General Ledger for each month for reasonability compared to the IESO posted rates.***

Staff Follow-up Question-5

Ref1: EB-2019-0033, Decision and Rate Order, page 12

Ref2: ERTH Power_IRM_GA Workform-1588 Analysis_20230120

Reference1 stated that “A large annual balance and the significant fluctuations year-over-year in the account could be indicative of other issues in the accounting processes for the Main rate zone, including quantification of principal adjustments.”

In Reference 2,

ERTH POWER MAIN RATE ZONE					
Year	Account 1588 - RSVA Power			Account 4705 - Power Purchased	Account 1588 as % of Account 4705
	Transactions ¹	Principal Adjustments ¹	Total Activity in Calendar Year		
2018	1,092,134	- 151,058	941,076	24,752,622	3.8%
2019	1,728,990	- 2,878,011	1,149,021	27,731,520	-4.1%
2020	- 2,971,653	3,152,043	180,390	29,687,977	0.6%
2021	- 379,313	925,692	546,379	29,722,338	1.8%
Cumulative	- 529,842	1,048,666	518,824	111,894,458	0.5%
ERTH POWER GODERICH RATE ZONE					
Year	Account 1588 - RSVA Power			Account 4705 - Power Purchased	Account 1588 as % of Account 4705
	Transactions ¹	Principal Adjustments ¹	Total Activity in Calendar Year		
2019	85,341	- 69,577	15,764	4,762,152	0.3310%
2020	- 160,480	115,088	45,392	5,042,751	-0.9001%
2021	44,485	47,055	91,540	5,805,874	1.5767%
Cumulative	- 30,654	92,566	61,912	15,610,777	0.4%

a) Please explain how ERTH Power ensures the accuracy of the 1588 balances of both rate zones given the fluctuations of the transactions including principal adjustments from \$(1.1)M to \$941k in the Main rate zone, and \$(45)k to \$91k in the Goderich rate zone as noted in Reference 2, regardless of the less than 1% cumulative % variances in both rate zones.

- **ERTH Power has done significant work analyzing the 1588 balances for both rate zones. ERTH Power completed a review of the monthly RPP settlements and submitted post final adjustments to the IESO where required. ERTH Power would like to note that the loss factors in place for both rates zones have been in place for a number of years since the last Cost of Service for each rate zone. (2018 for ERTH Main and 2013 for Goderich rate zone). Many changes have occurred over the years that ERTH Power is requesting disposition for and would note that every effort has been made to ensure accuracy.**
- **ERTH Power with the help of the Utilismart RSVA manager and using the OEB 1598 Commodity model consistently is confident that processes are in place to ensure accurate filing and tracking of balances. ERTH Power has applied these processes on its historical data filed within this application providing updated and accurate balances. ERTH transitioned during 2019 to reporting 1598 settlements based on consumption month data from billed data and could not attain data based on consumption data for the entire year of 2019. To add to the complexity of changing the processes during 2019**

this was the year that ERTH Power merged with Goderich Hydro and merged CIS systems in October 2019. ERTH Power would request that the disposition of 1588 and 1589 accounts be approved on an Interim basis and will continue to apply lessons learned to the 2019 and 2020 data and will report if any changes are found and corrected.

Staff Follow-up Question-6

Ref: Staff Question-7

ERTH Power stated that “it has fully implemented the OEB’s direction in the 2022 decision and order.”

a) Please elaborate further in detail.

- ***ERTH Power completes the OEB’s 1598 Commodity Model spreadsheet each month. For the preliminary 1598 filing within the first 4 days of the following month, ERTH Power follows the model using estimated consumption data from the Utilismart RSVA model and uses the 2nd estimate of GA. ERTH Power completes the 1st true-up on around the 15th of the following month when the IESO invoice is received and uses the actual invoice price for GA and Energy (HOEP). At this time ERTH Power analyzes the GA rate billed on the IESO invoice versus the actual GA rate posted by the IESO to determine if there is a significant difference and whether the difference may be a adjustment for prior periods. Once ERTH Power has determined all of the invoicing has been completed for the month, a final true-up is completed using actual billed data. A post final adjustment is filed in the IESO online portal for the months where an adjustment was needed. The post final adjustments are tracked on a spreadsheet to ensure they are recorded in the proper month for deferral and variance accounting.***
- ***ERTH Power during this rate application implemented a further year-end review of the RPP settlements to ensure there are no further Post final adjustments required as a result of adjustments to customer invoicing after the original post final adjustment.***
- ***Cost of power and Global Adjustment dollars are also reviewed to ensure what is reflected in the General Ledger aligns with actual IESO posted rates.***

Staff Follow-Up Question-7

OEB staff updated the RRR data in Tab 3 – Continuity Schedule for both Main and Goderich. Please confirm accuracy.

- ***ERTH Power confirms the RRR data in Tab 3-Continuity Schedule is accurate for both Main and Goderich after the OEB revisions as of Feb 3, 2023.***

Staff Follow-Up Question-8

Ref: Staff Question-11

Ref 1: ERTH Power's 2021 IRM Decision and Rate Order, Page 15

Ref 2: IRM Rate Generator Model – Mains rate zone, Tab 3 – Continuity Schedule

In Reference 2, ERTH Power stated that it included the disposal of CBR Class B in Cell BE23 and BJ23 as it is understood that the total of control account 1580 as reported in RRR should be included in line 23.

OEB staff notes that for the continuity schedule, ERTH Power should exclude CBR from the control account 1580.

ERTH Power should report variances for CBR Class B in the Account 1580 Sub-account Class B in cell BW23. The variance should match the value in cell BV25. ERTH Power should note that the balance reported in RRR 2.1.7 in control account 1580 includes Sub-account CBR balances; but the balance reported in the continuity schedule in control Account 1580 should not include Sub-account CBR balance.

Please revise Tab 3 – Continuity Schedule for both Main and Goderich to exclude CBR from control account 1580.

- ***ERTH Power has revised Tab 3- Continuity Schedule for both Main and Goderich to exclude CBR from control account 1580 and the variance in Cell BW23 for both rate zones equals the amount for the CBR Class B as of Dec 31, 2021.***