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Energy
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DECISION AND ORDER

EB-2022-0305

GRANDBRIDGE ENERGY

**Application to dispose of Certain Group 1 Deferral and Variance
Accounts**

BEFORE: Pankaj Sardana
Presiding Commissioner

Allison Duff
Commissioner

June 15, 2023

1 INTRODUCTION AND SUMMARY

Brantford Power Inc. and Energy+ Inc. began operating under the name GrandBridge Energy Inc. (GrandBridge) effective May 2, 2022. GrandBridge serves approximately 109,000 mostly residential and commercial electricity customers in the Energy+ and Brantford Power rate zones. GrandBridge filed the application, yet the issues in this proceeding pertain only to its Energy+ rate zone.

In this Decision and Order, the Ontario Energy Board (OEB) addresses GrandBridge's request to dispose of balances in three deferral and variance accounts (DVAs):

- Account 1580: Retail Settlement Variance Account Wholesale Market Charge
- Account 1589: Retail Settlement Variance Account Global Adjustment
- Account 1595 (2018): Disposition and Recovery/Refund of Regulatory Balance

The DVA balances requested for disposition are as of December 31, 2021, and include proposed entries to correct accounting errors in 2020 and 2021. If approved as proposed, all customers in the Energy+ rate zone would share the cost of correcting the accounting error in 2023.

The proposed error correction includes adjustments to account balances that were previously disposed by the OEB on a final basis. As outlined in the OEB's guidance document on retroactive adjustments, the OEB will determine whether to make a retroactive adjustment on a case-by-case basis.¹

In this Decision and Order, the OEB approves the disposition of the requested DVA balances, reflecting a partial disposition of the principal amount of the error at a cost to specific customers. The OEB disallows a principal balance of \$44,000 related to the error, which will be written off at the cost of GrandBridge's shareholders. In addition, the OEB denies the proposal to collect \$34,000 in interest from customers associated with the error.

¹ Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019

2 CONTEXT AND PROCESS

On February 2, 2023, GrandBridge filed an application with the OEB, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval to dispose of balances in Account 1580, Account 1589, and Account 1595 (2018) in its Energy+ rate zone. GrandBridge had originally requested to dispose balances in the three accounts in the proceeding for its 2023 incentive rate mechanism (IRM) application but withdrew that disposition request due to an accounting error that impacted the three accounts.² The OEB issued its decision on the remaining IRM application on December 8, 2022 and initiated this proceeding to hear the issues related to the proposed disposition of the three DVA balances.

The application proceeded by way of a written hearing. The OEB issued a combined Notice and Procedural Order No.1 on February 28, 2023, which established, among other things, the dates for a written interrogatory discovery process and written submissions. No persons sought to become intervenors or otherwise participate in the proceeding.

The application was supported by pre-filed written evidence, a completed Rate Generator Model, accounting workforms, and evidence that was updated as required during the proceeding. All of the required documents and written submissions were filed by the parties in the proceeding (GrandBridge and OEB staff) in accordance with the dates established by the OEB.

² EB-2022-0017

3 DECISION ON GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

In this application, GrandBridge requested approval to dispose of the balances in Account 1580 – RSVA Wholesale Market Service Charge including the Sub-account CBR Class B, Account 1589 – RSVA GA, and Account 1595 (2018) for the Energy+ rate zone, which are all Group 1 DVAs.

GrandBridge requested to dispose of a total net debit amount of \$480,271 for the balances as of December 31, 2021 shown in Table 1. The \$480,271 includes interest up to December 31, 2022, as well as \$451,594 in principal adjustments to correct for an accounting error, which is discussed below. GrandBridge requested the balances be recovered over a 12-month period, with an effective date based on receipt of the OEB's final decision and order for this application. Depending on the account and the debit or credit balance, customers may receive a charge or a credit on their monthly bills.

Table 1 – Proposed Principal Adjustments and Balances Requested for Disposition

| Account | Proposed Principal Adjustment to Correct for Error Included in the Balance (\$) | Balance Requested for Disposition (\$) |
|--|--|---|
| 1580, Retail Settlement Variance Account Wholesale Market Service Charge | 0 | 1,290,956 |
| 1580, Sub-account Capacity Based Recovery Class B | 49,008 | (93,498) |
| 1589, Retail Settlement Variance Account Global Adjustment | 402,586 | (2,032,621) |
| 1595, (2018) Disposition and Recovery/Refund of Regulatory Balance from 2018 | (451,594) | 1,315,434 |
| Total Net Balance | 0 | 480,271 |

Included in the account balances requested for disposition are certain variances related to costs that are paid for by a distributor's customers on different bases, depending on their classification. Namely, "Class A" customers, who participate in the Industrial

Conservation Initiative, pay for Global Adjustment (GA) charges based on their contribution to the five highest Ontario demand peaks over a 12-month period. “Class B” customers pay for GA charges based on their monthly consumption totals, either as a standalone charge or embedded in the Regulated Price Plan (RPP).³ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.⁴ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

GrandBridge had Class A customers during the period in which variances accumulated so it applied to have the balance of the CBR Class B variance account disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, GrandBridge had customers transition between Class A and Class B. Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. GrandBridge has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.⁵ The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

Accounting Error

In the former Energy+ Inc.’s 2018 rate application, the OEB approved the disposition of Energy+ Inc.’s 2016 Group 1 balances, including a \$432,319 recovery from Class A/B transition customers pertaining to GA and a \$52,627 recovery from Class A/B transition customers pertaining to CBR Class B. Subsequently, \$402,586 was recovered from transition customers for GA and \$49,008 was recovered from transition customers for CBR Class B, totaling \$451,594.⁶ However, the recovery was incorrectly recorded in 2018 and 2019 in Account 1589 and Account 1580, Sub-account CBR Class B, instead of in Account 1595 (2018). This resulted in an over-credit of Account 1589 and Account 1580, Sub-account CBR Class B, and an under-credit of Account 1595 (2018). The incorrect 2018 and 2019 Account 1589 and Account 1580, Sub-account CBR Class B

³ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)’s [website](#).

⁴ All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO’s [website](#).

⁵ 2023 IRM Rate Generator Model, Tab 6.1a “GA Allocation” and Tab 6.2a “CBR BAllocation”

⁶ The recovered amount does not equal the approved recovery amount as one customer was issued a final bill prior to the approved rates being effective.

balances were subsequently approved for disposition on a final basis in Energy+ Inc.'s 2021 rate application.⁷ The Account 1595 (2018) balance, which should have been credited, is requested for disposition for the first time in the current proceeding.

GrandBridge proposed to correct the error by including principal adjustments to the 2021 DVA balances instead of revising the prior years' approved balances.

In crediting Account 1595 (2018) and disposing of the \$451,594 principal adjustment, GrandBridge proposed to apply the OEB's default allocation factor for Account 1595⁸. If approved, all customers in the Energy+ rate zone would share the cost of correcting the accounting error.

The impact of the error and the proposed disposition affects different customer groups as⁹

- Account 1589 is disposed to non-RPP Class B customers
- Account 1580, Sub-account CBR Class B is disposed to non-wholesale market participant (WMP) Class B customers
- Account 1595 is disposed to all customers

In addition, the error also impacts the GA and CBR Class B amounts allocated to transition customers and the remaining applicable Class B customers.

The OEB's *Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition*,¹⁰ (the OEB's Letter) provided guidance on adjustments to commodity accounts resulting from errors after final disposition. The OEB's Letter indicated that an asymmetrical approach to the correction of an error may be appropriate in some circumstances and outlined four factors that may be considered by the OEB, which GrandBridge addressed as follows:

1. Whether the error was within the control of the distributor: While unintentional, the errors were human in nature and within the control of Energy+.
2. The frequency with which the distributor has made the same error: This was the first occurrence for Energy+ and an isolated issue.

⁷ The 2018 balances were approved for disposition on an interim basis in Energy+'s 2020 rate application (EB-2019-0031). The 2018 and 2019 balances were subsequently approved for disposition on a final basis in Energy+'s 2021 rate application (EB-2020-0016).

⁸ Page 21, Report of the Ontario Energy Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), July 31, 200

⁹ OEB staff submission, p.3

¹⁰ Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019

3. Failure to follow guidance provided by the OEB: The error was inadvertent and not due to lack of guidance from the OEB.
4. The degree to which other distributors are making similar errors: Not an issue experienced by other distributors to GrandBridge's understanding.¹¹

In its submission, OEB staff supported the proposed disposition of the Group 1 accounts, excluding GrandBridge's proposed correction to the accounting error.¹² Regarding the accounting error, OEB staff submitted that the proposed debit principal adjustments for Account 1589 and Account 1580, Sub-account CBR Class B should be denied. OEB staff also submitted that the \$34,000 debit interest amount that accumulated from the error residing in Account 1595 (2018) should also be denied.¹³

OEB staff stated that the proposed adjustments to Account 1589 and Account 1580, Sub-account CBR Class B were retroactive in nature and that an asymmetrical approach, as referenced in the OEB's Letter, was appropriate in this circumstance.¹⁴ OEB staff submitted that GrandBridge should be held accountable for its error. The OEB had issued guidance on this type of journal entry which is commonly recorded by Energy+ and other distributors in the past. OEB staff argued that allowing GrandBridge to be kept whole will be at the expense of GrandBridge's current customers.¹⁵

OEB staff stated that while no net customer impact may occur, some customer groups would be negatively affected because the impacted three accounts are disposed to different customer groups. For example, OEB staff suggested that transition customers from the past proceedings be identified as they may not be current customers, and some current customers may be in the same or different customer group compared to the prior proceeding.

Furthermore, OEB staff stated that current customers were not responsible for the 2018 and 2019 balances for which the accounting error pertained and should not be held accountable for the error as there was no cost-causality relationship between the current customers and the error. OEB staff submitted that the \$34,000 interest on the error should not be recovered from customers as GrandBridge should not be able to charge interest related to its own error.

In its reply submission, GrandBridge disagreed with OEB staff's proposed treatment of the error. However, GrandBridge stated that it was willing to forego the interest of approximately \$34,000 that accumulated from the error residing in Account 1595

¹¹ Pre-filed evidence, p.14, GrandBridge Reply submission, p.6

¹² OEB staff submission., p.5

¹³ Ibid., p.5-6

¹⁴ Ibid.

¹⁵ OEB Staff Submission, p.6

(2018)) if and only if the OEB approves all the other requested corrections to the accounting error.¹⁶

GrandBridge argued that there was a direct cost causality to the proposed correction and each of the different groups of customers.¹⁷ GrandBridge stated that non-RPP and non-wholesale market participant Class B customers all received a windfall benefit in 2020 and 2021 that they were not entitled to.

GrandBridge further argued that it was not necessary to address OEB staff's concerns regarding intergenerational inequity resulting from deferred rate recovery since there had been limited customer growth or turnover during 2020 to 2022.¹⁸

In addition, GrandBridge submitted that OEB staff's proposal was unprecedented based on a review of prior OEB decisions dealing with similar accounting errors.¹⁹

GrandBridge stated that the OEB has never approved an asymmetric disposition of accounts previously disposed of on a final basis to account for errors to a utility's detriment in the absence of express consent from the utility and that GrandBridge does not consent to the asymmetric disposition of the impacted accounts in this proceeding.²⁰ Furthermore, GrandBridge stated that OEB staff's proposal would be an imposition of a punitive material financial penalty of \$451,594, which risks undermining GrandBridge's ongoing financial viability and may violate the fair return standard. GrandBridge submitted that OEB should depart from its typical policy of no retroactive ratemaking in this application and noted that it is only proposing an exception to the general rule of no retroactivity if it will not be harmed financially from the remedy approved by the OEB.

Findings

The OEB finds that GrandBridge has addressed two of the four factors identified in the OEB's Letter, sufficient to approve GrandBridge's partial recovery of the error in Group 1 DVA balances as follows:

2. The frequency with which the distributor has made the same error: This was the first occurrence of the error for Energy+ Inc. and an isolated issue

4. The degree to which other distributors are making similar errors: Other distributors have made errors in the collection and accounting for Group 1 "pass-through" commodity costs affecting various customer groups.²¹

¹⁶ GrandBridge Energy Reply Submission, pp.3-4

¹⁷ Ibid, pp. 6-7

¹⁸ Ibid. pp.3-4

Ibid.

²⁰ Ibid, pp.9-11

²¹ EB-2014-0301, EB-2014-0072, EB-2016-0090, EB-2017-0056, EB-2022-0024, EB-2022-0067

The OEB denies the proposed principal adjustments to Account 1589 and Account 1580, Sub-account CBR Class B. The OEB also denies the proposed principal adjustment to Account 1595 (2018), but approves a partial recovery of the Account 1595 (2018) balance and a different cost allocation compared to the disposition proposed by GrandBridge. The other two factors identified in the OEB's Letter, that the error was in the control of the utility and OEB guidance was available, will be addressed later.

Fundamentally, only those customers who received a credit in error in 2020/21 should bear a cost to correct that error in 2023. Further, from the perspective of the individual customer, the cost of the error correction should not exceed the credit received in error. Based on these considerations, the OEB finds that a reduction of the principal balance in Account 1595 (2018) by \$44,000, or approximately 10%, is reasonable.

The \$44,000 reduction is the OEB's judgement of an appropriate reduction to address issues such as the estimated consumption of customers that transitioned into non-RPP/non-WMP Class B after GrandBridge's accounting error, and the growth in GrandBridge's customer base for these customer classes over the two-year period. The OEB referenced the 2022 and 2023 rate generator models filed by GrandBridge and applied its judgement. This adjustment of the principal error should result in just and reasonable rates for the customers who will bear the cost of the error. The OEB will also disallow recovery from customers of the \$34,000 in interest costs to prevent the utility from earning interest on its own error. The OEB also finds it appropriate for GrandBridge's shareholders to bear a total cost of \$78,000 to ensure the error, an error for which GrandBridge's management is responsible, is fair and equitable among its current customers.

The OEB does not regard this disallowance from recovery as a penalty as suggested by GrandBridge in reply submission. This cost to shareholders is in recognition of the responsibility the utility bears to ensure its customers are not unduly penalized for management errors that occurred over many years, and before Energy+ Inc. merged with Brantford Power. To clarify, administrative monetary penalties referenced in reply submission were related to issues of licensing.

In reducing the principal amount and narrowing the scope of customers to receive a rate rider for the error, the OEB strives to minimize the risk of intergenerational equity and cross subsidization among customer groups. The OEB does not find GrandBridge's proposed use of Account 1595's default allocation factor appropriate given the unique circumstances in this case. For example, it would not be fair for residential RPP

customers, who never received a credit in error, to pay the cost of that error. Also, the 11 transition customers in 2023 should not be charged for GA and CBR Class B amounts whether they were customers in 2020-21 or not. Rather, the OEB provides instructions for GrandBridge to calculate new rate riders to exclude specific customer groups.

The OEB notes that utilities have ultimate control over their books and are responsible for ensuring that they follow the OEB's Accounting Procedures Handbook. In this instance, the OEB finds that GrandBridge has not met its responsibility to do so. Energy+ Inc. failed to execute the OEB's 2018 Decision and Order correctly, consistent with the OEB's accounting policies. The accounting entries at issue were not unique to Energy+ Inc. in 2018. The OEB agrees with OEB staff that such entries are commonly recorded by other distributors as every distributor must credit/debit Account 1595 with collections/refunds from approved DVA balances. The OEB finds that based on the evidentiary record, GrandBridge's accounting error was clearly within the utility's control and not as a result of a lack of guidance from the OEB.²²

It is important to bear in mind that, just because the OEB has the ability to allow a utility to go back and fix a Group 1 DVA error from a prior fiscal period, does not mean that it should keep the utility whole. The impact on customers and the unique circumstances of a case are considered in the OEB's Letter.

With the objective of establishing just and reasonable rates, the OEB directs GrandBridge to calculate rate riders to reflect the following:

- The principal adjustment in Account 1595 (2018) of \$407,594 will be collected only from non-RPP Class B and non-WMP Class B customers.
- Customers of the Energy+ rate zone who were added to the non-RPP and non-WMP Class after the incorrect Account 1580, Sub-account CBR Class B and Account 1589 were disposed on a final basis will be excluded from the billing determinants in calculating the rate rider.
 - Customers of Energy+ that transitioned into non-RPP/non-WMP Class B since 2022 will be excluded from the recovery.
 - Customers of Energy+ that were new since 2022 will be excluded from the recovery.

²² Manager's Summary, p.14, Accounting Procedures Handbook (APH), effective January 1, 2012 and the APH Frequently Asked Questions December 2010 #6

With respect to the mechanism for allocating costs to be recovered, the OEB finds it appropriate for GrandBridge to determine two rate riders based on non-WMP/non-RPP Class B billing determinants and charge the rate riders only to non-WMP/non-RPP customers. This will ensure that the rate riders will recover the precise amount approved for recovery, or \$407,594, of the principal adjustment. If rate riders to the fourth decimal place are not generated for the amount to be recovered from non-WMP Class B, then GrandBridge is directed to propose an alternative recovery mechanism in the draft rate order.

The OEB disagrees with GrandBridge's statement in its reply submission that it was "willing to forego"²³ the interest amount of approximately \$34,000 if and only if the OEB approves all the other requested corrections to the accounting error. The OEB also has concerns with the claim in reply submission that a utility needs to provide its express consent to enable an asymmetric disposition²⁴. The *Ontario Energy Board Act, 1998* provides the OEB with broad powers to set just and reasonable rates for customers, that is not constrained by utility proposals and offers. Instead, the OEB would encourage the utility to focus on its regulatory accounting practices to ensure they are improved on a go-forward basis.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.²⁵

The OEB approves the disposition of an adjusted debit balance of \$402,271 as of December 31, 2021, including interest projected to December 31, 2022, for Group 1 accounts on a final basis.

Table 2 identifies the principal and interest amounts, which the OEB approves for disposition. The OEB approves the adjusted principal balances to be disposed through final rate riders, charges, or payments, as applicable, in effect over a one-year period from July 1, 2023, to July 1, 2024.

²³ Reply submission, p. 4

²⁴ Reply submission, p. 9

²⁵ After considering the applicable principal adjustments to the balances proposed for disposition

Table 2: Group 1 Deferral and Variance Account Balances – Energy+ Rate Zone

| Account Name | Account Number | Principal Balance (\$) A | Interest Balance (\$) B | Total Claim (\$) C=A+B |
|--|-----------------------|-------------------------------------|------------------------------------|-----------------------------------|
| RSVA - Wholesale Market Service Charge | 1580 | 1,268,611 | 22,345 | 1,290,956 |
| 1580, Sub-account CBR Class B | 1580 | (140,812) | (1,693) | (142,506) |
| RSVA - Global Adjustment | 1589 | (2,400,232) | (34,975) | (2,435,207) |
| Disposition and Recovery of Regulatory Balances (2018) | 1595 | 2,010,960 | (321,932) | 1,689,028 |
| Total for Group 1 accounts | | 738,527 | (336,255) | 402,271 |

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors*. The date of the transfer must be the same as the effective date set out in this decision.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. GrandBridge Energy Inc. shall file with the OEB a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order and the Phase 1 decision issued December 8, 2022, no later than June 22, 2023. GrandBridge Energy Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order.
2. OEB staff shall file any comments on the draft rate order with the OEB, and forward to GrandBridge Energy Inc., no later than June 29, 2023.
3. GrandBridge Energy Inc. shall file with the OEB, responses to any comments from OEB staff on its draft rate order no later than July 6, 2023.

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-2022-0305** 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, Natalya Plummer at Natalya.plummer@oeb.ca, and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca

Email: registrar@oeb.ca

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

DATED at Toronto June 15, 2023

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar