

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

AND IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2012.

Reply Submission

Newmarket-Tay Power Distribution Ltd.

December 6, 2012

1. In accordance with Procedural Order No. 1 in this proceeding, Newmarket-Tay Power Distribution Ltd. (“Newmarket-Tay”) submits the following Reply Submission to Board Staff’s submission dated November 29, 2012.
 2. This Reply Submission has been organized using the same sub-headings in Board Staff’s submission.
- A. Disposition of Group 1 Deferral and Variance Account Balances as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”):**
3. Board Staff did not take issue with Newmarket-Tay not disposing of its Group 1 Account balances at this time.
 4. Board staff noted that it did not understand what Newmarket-Tay meant by “internal reallocation”, and suggested that Newmarket-Tay should provide further and clearer explanation at the time that it will apply for disposition of its Group 1 Account balances should any differences exist between the amount reported to the Board as part of the RRR and the balances sought for disposition.
 5. Newmarket-Tay will take Board Staff’s suggestion under advisement when it applies for disposition of its Group 1 Account balances in the future should any differences exist between the amount reported to the Board as part of the RRR and the balances sought for disposition.

B. LRAM Claim:

2010 Lost Revenues:

6. Upon further review of its 2010 LRAM request, Newmarket-Tay agrees with the position of Board Staff and withdraws its request to recover \$22,719.83.

2009 Lost Revenues:

7. Newmarket-Tay notes that Board Staff supports the recovery of its requested 2009 LRAM amount of \$22,785.02, as well as Newmarket-Tay's proposal to recover this amount over a one-year period through a variable rate rider. Newmarket-Tay has nothing to add.

C. Account 1521 - Special Purpose Charge:

8. Board Staff raised no concerns with the principal balance of (\$10,276.39) in Account 1521 presented by Newmarket-Tay.
9. Board staff requested that in its reply submission Newmarket-Tay provide rate class specific volumetric rate rider calculations to dispose of the credit balance over a one-year period and assuming a January 1, 2013 implementation. In accordance with that request, Newmarket-Tay provides the following information:

Rate Class	Metered kWh	Metered kW	Revenues	Special Purpose Charge Over Recovery	Unit	Rate Rider
Residential	277,978,370		\$ 9,148,384	\$ 5,692	\$/kWh	0.0000204756
General Service < 50 kW	93,701,712		\$ 2,810,097	\$ 1,748	\$/kWh	0.0000186585
General Service 50 > kW		770,221	\$ 4,167,298	\$ 2,593	\$/kW	0.003366212
Unmetered Scattered Load	374,072		\$ 31,602	\$ 20	\$/kWh	0.0000525608
Sentinel Lighting		866	\$ 26,011	\$ 16	\$/kW	0.018687082
Street Lighting		14,578	\$ 532,540	\$ 331	\$/kW	0.022727759
TOTAL	372,054,154	785,665	\$ 16,715,932	\$ 10,399.99		

D. Account 1562 Deferred PILs Interest Adjustment and Tax Rate Adjustment:

Calculating the balance in the PILs 1562 continuity schedule (Tay Service Area):

10. Board Staff submitted that the credit balance proposed by Newmarket-Tay of \$42,205 to be refunded to customers was calculated according to the Board's PILs methodology and the decisions issued by the Board. Newmarket-Tay has nothing to add.

11. Board Staff further submitted that this balance reflects the delayed implementation of rates to May 1, 2002 and the correct treatment of interest. Newmarket-Tay has nothing to add.

Calculating the balance in the PILs 1562 continuity schedule (Newmarket Service Area):

12. Newmarket-Tay proposed certain adjustments to its Account 1562 balance that would reduce interest carrying charges by \$166,375 and the principal balance by \$113,038 from the balance calculated by Board staff of \$1,570,256. Accordingly, Newmarket-Tay proposed to return \$1,290,831 to its ratepayers in the Newmarket service area over a disposition period of four years.
13. These proposed adjustments were the subject of additional pre-filed evidence, an oral hearing and Argument-In-Chief where Newmarket-Tay explained that its request for the proposed adjustments was the result of a Board error that gave rise to an overcollection. To repeat for greater clarity, Newmarket-Tay wants to return the amount overcollected; what Newmarket-Tay is seeking are certain adjustments with respect to how the interest charges ought to be calculated because of the circumstance of the Board error. As Board Staff does not object to the proposed adjustments, Newmarket-Tay did not see a need to repeat its extensive submissions made in its Argument-In-Chief, but does rely on its Argument-In-Chief as a fuller articulation of the reasonableness of its proposals in this matter, and Newmarket-Tay suggests that the Board review the applicant's Argument-In-Chief along with this Reply Submission.
14. In regard to the interest rate adjustment of \$166,375, Newmarket-Tay proposed this adjustment to avoid being prejudiced by the deemed vs. actual interest rates, since had it been aware of the error made by the Board in the 2002 Rate Order, Newmarket-Tay would have remedied the error to avoid recording higher deemed interest amounts than actual interest earned.
15. Board Staff did not object to Newmarket-Tay's proposed interest rate adjustment. Newmarket-Tay submits that its proposed interest rate adjustment is reasonable and fair, since it avoids Newmarket-Tay from being penalized for the Board's error in the 2002 Rate Order
16. In regard to the tax rate adjustment of \$113,038 to the principal balance, Newmarket-Tay proposed this adjustment to avoid being prejudiced by the difference between the corporate tax rates at the time the Board's error existed and the present rates which have declined. Newmarket paid corporate taxes on the principal amounts at the time they were taxed, but Newmarket-Tay will only receive tax relief at the current lower tax rates.
17. Board Staff agreed that Newmarket would have paid PILs at income tax rates that varied from 38.62% in 2002 to 36.12% in 2004 on the PILs recoveries. Board Staff also agreed that Newmarket-Tay will pay PILs in 2012 at the current tax rate of 26.25% or less, and that the PILs tax benefits of the corresponding deductions for the payments to ratepayers will be less than the PILs tax paid on recoveries in 2002-2004. We further note that Board

Staff did not object to Newmarket Tay's proposed tax adjustment to mitigate the Board's error in the 2002 Rate Order. Newmarket-Tay submits that its proposed tax rate adjustment is also reasonable and fair, since it avoids Newmarket-Tay from being penalized for the Board's error in the 2002 Rate Order.

Income Tax Rates Used in SIMPIL Models Sheet TAXCALC:

18. In regard to the income tax rates used in the SIMPIL models sheet TAXCALC, Board Staff submitted that the maximum income tax rates used by Newmarket-Tay are appropriate based on its rate base and on other PILs tax attributes. Newmarket-Tay has nothing to add.

Excess Interest True-up:

19. In regard to excess interest true-up, Board Staff submitted that Newmarket-Tay applied the methodology as contained in the Board's decisions in determining whether any interest true-up adjustments were necessary for the Newmarket service area. Newmarket-Tay has nothing to add.

Disposition Period of Four Years Requested:

20. Newmarket-Tay proposed a disposition period of four years to refund the credit balance of \$1,290,831 to customers in its Newmarket rate area.
21. Board Staff noted that the Board has not allowed prolonged disposition periods in other recent cases, and that the Board may wish to consider a two-year disposition period.
22. Although Board Staff did not cite the "other recent cases" it referred to, Newmarket-Tay submits that the disposition of its Account 1562 balance is like no other disposition in other recent cases. The four-year disposition period proposed by Newmarket-Tay is unique for the following reasons:
 - the quantum of the Account 1562 balance is significant;
 - the Account 1562 balance was caused by an error of the Board; and
 - until this proceeding, Newmarket-Tay was unaware that its Account 1562 balance was significant and therefore could not have planned for a two-year disposition period.
23. Further, Newmarket-Tay submits that a four-year disposition period is reasonable and fair because it represents approximately the same period over which the error occurred and would reduce the financial impact on the company.
24. Newmarket-Tay requests that the four-year implementation commence upon the implementation of its new rates. The rate rider for Newmarket will clear its balance of \$1,290,830.56 starting January 1, 2012 and expire December 31, 2015. The rate rider for

Tay will clear its balance of \$42,204.69 starting January 1, 2012 and expire December 31, 2013.

Refund through a fixed rate rider:

25. Newmarket-Tay is agreeable to a volumetric rate rider as recommended by Board Staff.
26. Newmarket-Tay proposes that the Account 1562 balances incurred through the 2002 to 2005 period be disposed separately to each of the Newmarket and Tay customers as the balances occurred prior to the merger of Newmarket Hydro and Tay Hydro.
27. The rate riders are calculated below using volumetric data from Newmarket-Tay's 2010 cost of service application. The rate rider for Newmarket will clear its balance of \$1,290,830.56 starting January 1, 2013 and expire December 31, 2016. The rate rider for Tay will clear its balance of \$42,204.69 starting January 1, 2013 and expire December 31, 2016.

Rate Class	Metered kWh	Metered kW	Revenues	PILS Over Recovery	Unit	Rate Rider 4 year period
Newmarket						
Residential	245,792,489		\$ 8,357,969	\$ 708,153	\$/kWh	0.00072
General Service < 50 kW	88,897,653		\$ 2,405,457	\$ 203,809	\$/kWh	0.00057
General Service 50 > kW		756,518	\$ 3,942,188	\$ 334,013	\$/kW	0.1104
Unmetered Scattered Load	211,968		\$ 16,270	\$ 1,379	\$/kWh	0.00163
Sentinel Lighting		837	\$ 25,140	\$ 2,130	\$/kW	0.6359
Street Lighting		13,370	\$ 487,992	\$ 41,347	\$/kW	0.7731
TOTAL	334,902,110	770,725	\$ 15,235,016	\$ 1,290,830.56		
GS> 50 T/A			\$ (508,583.00)			
Revenue Requirement			\$ 14,726,433			

Rate Class Tay	Metered kWh	Metered kW	Revenues	PILS Over Recovery	Unit	Rate Rider 4 year period
Residential	32,185,881		\$ 1,185,802	\$ 33,795	\$/kWh	0.00026
General Service < 50 kW	4,804,059		\$ 154,640	\$ 4,407	\$/kWh	0.00023
General Service 50 > kW		13,703	\$ 85,111	\$ 2,426	\$/kW	0.0443
Unmetered Scattered Load	162,104		\$ 10,333	\$ 294	\$/kWh	0.00045
Sentinel Lighting		29	\$ 464	\$ 13	\$/kW	0.1140
Street Lighting		1,208	\$ 44,548	\$ 1,270	\$/kW	0.2627
TOTAL	37,152,044	14,940	\$ 1,480,898	\$ 42,204.69		
GS> 50 T/A			\$ (3,707.00)			
Revenue Requirement			\$ 1,477,191			

E. Effective Date of the Rate Change:

28. Newmarket-Tay does not object to Board Staff's submission that the new rates be effective on the month following the issuance of the Board's Decision and Order on this application.

All of which is respectfully submitted.

December 6, 2012



Andrew Taylor