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**Newmarket-Tay Power Distribution Ltd.**

February 03, 2017

**BY RESS/COURIER/EMAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, ON  
M4P 1E4

Dear Ms Walli:

**Re: Newmarket – Tay Power Distribution Ltd.  
2017 IRM Distribution Rate Application  
Final Submission  
EB-2016-0275**

Please find attached Newmarket – Tay Power Distribution Ltd.'s OEB Final Submission in the above proceedings.

Regards

(Original signed by)

Richard Green

cc: Ms. Kelli Benincasa (email)  
Michael Janigan (email)  
Shelley Grice (email)

**Newmarket – Tay Power Distribution Ltd.**

**EB-2016-0275**

**Final Submission**

**February 03, 2017**

## **Introduction**

Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay Power) filed an application with the Ontario Energy Board (OEB) on November 9, 2016 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Newmarket-Tay Power charges for electricity distribution, effective May 1, 2017.

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the evidence submitted by Newmarket-Tay Power.

### Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Newmarket-Tay Power. Pursuant to the OEB's Guideline G-2008-0001, OEB staff notes that the OEB has approved the 2017 Sub-Transmission Class RTSRs for Hydro One Networks Inc. to use for billing embedded distributors<sup>1</sup>. OEB staff will further update the applicable data in the IRM model prior to the issuance of the OEB's decision on the application.

### Response:

**Newmarket-Tay has no further comments.**

### Tax-Savings

OEB staff notes that the Shared Tax-Savings portions of the Rate Generator Model reflect the Revenue Requirement Work Form from the OEB's cost of

service decision (EB-2009-0269). OEB staff has no concerns with the information as filed.

**Response:**

**Newmarket-Tay has no further comments.**

**Disposition of Deferral and Variance Account 1576 Balance**

This application is based on the Annual IR Index option. Newmarket-Tay Power also applied in this application for the establishment of a 1576 rate adder which is a refund to customers. Under normal circumstances, an Annual IR Index application would not involve any requests (beyond the base rate adjustments) other than tax savings or a Z factor. OEB staff however notes that it would be appropriate to allow the disposition to commence at this time given the efficiencies gained by combining this request with the base rate application and given that Newmarket-Tay Power will likely remain on the Annual IR method until it rebases in 2020. OEB staff also notes that it is in the best interest of Newmarket-Tay Hydro's customers to commence refunding the money at this time given the size of the refund.

Newmarket-Tay Power made changes to its depreciation and capitalization policies effective January 1, 2012. It has recorded the financial difference arising from changes to its depreciation and capitalization policies in Account 1576 for 2012 - 2015. As a result of asset componentization and the reassessment of the remaining useful lives of all its distribution assets, Newmarket-Tay Power has recorded significantly lower depreciation expense for 2012 - 2015.

Newmarket-Tay Power has proposed to continue to use Account 1576 until such time as a full disposition is approved during the next cost based rate application. Newmarket-Tay Power indicated in its interrogatory responses that it will be filing a cost of service application for 2020 rates. Newmarket-Tay Power is seeking an interim disposition of Account 1576 to begin the return of funds to customers associated with balances that have accumulated to December 31, 2015. The rate

adder represents a return of \$6,382,286 to Newmarket-Tay Power customers over a proposed one-year period on an interim basis.

In the interrogatory phase, OEB staff requested that Newmarket-Tay Power provide bill impacts for a two-year disposition of Account 1576:

Bill Impacts Table: 1-Year vs. 2-Year

Newmarket-Tay Power Distribution Bill Impacts				
	One Year \$	One Year %	Two Year \$	Two Year %
Residential	-\$ 6.94	-5.32%	-\$ 3.58	-2.74%
GS less than 50 kW	-\$ 1.01	-0.28%	-\$ 0.21	-0.06%
GS 50 to 4,999	-\$ 116.79	0.00%	-\$ 41.24	-0.11%
Unmetered Scattered Load	-\$ 0.28	-0.86%	-\$ 0.20	-0.61%
Sentinel	-\$ 0.20	-0.26%	-\$ 0.07	-0.08%
Street Lighting	-\$ 101.16	-0.12%	-\$ 9.36	-0.01%

OEB staff requested Newmarket-Tay Power to comment on a two-year versus one-year disposition. Newmarket-Tay Power noted that it experienced a customer gain of 4,439 in 2016 and a similar significant increase is expected in 2017. Newmarket-Tay Power suggested that, in this light, the greater inter-generational inequity of a two-year, versus one-year, disposition period be considered. Newmarket-Tay Power also stated a two-year disposition would increase costs by \$419,205 and that they currently have the financial capacity for a one-year clearance. Furthermore, Newmarket-Tay Power will be seeking to dispose of Account 1576 balances on an interim basis in all subsequent Annual IRM applications until it files its next cost of service application (planned for 2019). As such Newmarket-Tay Power suggests a one-year disposition is appropriate as it avoids the need for two concurrent Account 1576 rate riders in 2018.

OEB staff is not opposed to a one year disposition but does note that the applicant has not identified on the record the impacts arising from its 2018 IRM

application which will dispose of the 2016 balance. This one year accumulation of credits will replace the large \$6 million amount (representing four years of over-collection) that is being disposed as part of this proceeding and may lead to a spiking of bill impacts. OEB staff is of the view that Newmarket-Tay Power should provide information on bill impacts for 2018, assuming a standard, mechanistic Annual IR Index application using the current inflation and productivity factors. OEB staff has estimated the total bill impact to be approximately 4%.

**Response:**

**Newmarket - Tay Power has calculated the Bill Impacts of the estimated 1576 Rate Adder for the 2018 IRM application which will dispose of the 2016 balance and would replace the 2012-2015 proposed 1576 Rate Adder in the following table. It shows a rate impact for the residential class of 4.29%.**

Newmarket-Tay Power Distribution Bill Impacts	2017		2018	
	1576 Rate Adder 2012-2015		1576 Rate Adder 2016	
	One Year \$	One Year %	One Year \$	One Year %
Residential	-\$ 6.94	-5.32%	\$ 5.30	4.29%
GS less than 50 kW	-\$ 1.01	-0.28%	\$ 2.42	0.67%
GS 50 to 4,999	-\$ 116.79	-0.33%	\$ 203.54	0.57%
Unmetered Scattered Load	-\$ 0.28	-0.86%	\$ 0.55	1.10%
Sentinel	-\$ 0.20	-0.26%	\$ 0.66	0.85%
Street Lighting	-\$ 101.16	-0.12%	\$ 670.18	0.83%

In terms of the applicant's plan going forward, since Property Plant and Equipment differences will continue to be recorded in Account 1576 until Newmarket-Tay Power's next rebasing, OEB staff suggests an alternate approach to addressing Account 1576 in the interests of increased efficiency. OEB staff suggests that Newmarket-Tay Power can dispose the balance of Account 1576 to the end of 2017 in its 2018 IRM application on a final basis, and

in the same application, apply to reduce base distribution rates such that the deferral account will no longer be required. A similar adjustment was approved by the OEB in Enersource Hydro Mississauga Inc.'s 2017 IRM application<sup>2</sup>. This alternative plan would also require the approval of the 2015 year-end balance to be approved on a final basis but that approval should wait until the 2018 IRM application in the event the applicant uncovers errors or the need for adjustments following its preparation of the 2016 balance for submission to the OEB.

**Response:**

**Newmarket - Tay Power is very appreciative of OEB Staff's guidance in suggesting this alternative approach. Newmarket – Tay Power proposes to adopt it as it plans to address Account 1576 going forward.**

In either scenario, OEB staff submits that it has reviewed and has no concerns with the data supporting the disposition of the 2015 deferral and variance Account 1576 balance for Newmarket-Tay Power.

All of which is Respectfully Submitted:

Richard Green