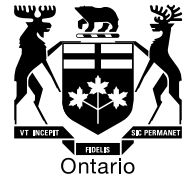


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**BY EMAIL**

February 21, 2018

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Newmarket-Tay Power Distribution Ltd.  
2018 IRM Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2017-0062**

In accordance with Procedural Order No.1, please find attached the OEB Staff Submission in the above proceeding. This document is being forwarded to Newmarket-Tay Power Distribution Ltd. and to all other registered parties to this proceeding.

Newmarket-Tay Power Distribution Ltd. is reminded that its Reply Submission is due by March 2, 2018, should it choose to file one.

Yours truly,

*Original Signed By*

Marc Abramovitz  
Advisor, Electricity Rates & Accounting  
Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2018 ELECTRICITY DISTRIBUTION RATES

Newmarket-Tay Power Distribution Ltd.

EB-2017-0062

**February 21, 2018**

**OEB Staff Submission  
Newmarket-Tay Power Distribution Ltd.  
2018 IRM Rate Application  
EB-2017-0062**

## **Introduction**

Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay Power) filed an application with the Ontario Energy Board (OEB) on November 6, 2017 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, 2018.

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.

### Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Newmarket-Tay Power has requested disposition for the 2011 to 2016 LRAMVA balance which includes CDM savings persistence from 2011 to 2015 programs. The LRAMVA balance identified for disposition is \$1,197,288.

OEB staff notes that the requested amount for disposition does not include interest of \$29,517 which the applicant has requested to waive in order to mitigate the large impact of the LRAMVA.

OEB staff takes no issue with the amount claimed.

### 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<sup>1</sup>. OEB staff has no concerns with the information as filed.

### Disposition of Deferral and Variance Accounts – Group 1

As per chapter 3 of the OEB's Filing Requirements and the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative*, group 1 account

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<sup>1</sup> EB-2009-0269

balances will be reviewed and disposed if the pre-set disposition threshold of \$0.001 per kWh is exceeded. Newmarket-Tay Power exceeded the threshold at a total claim per kWh of \$0.0018. Newmarket-Tay Power is requesting disposition for the period January 1, 2013 to December 31, 2016. The previous rate year in which Newmarket-Tay Power received approval for disposition was 2014 for 2012 audited balances. In this application, the total amount originally requested for disposition was a credit of \$1,127,753. This amount includes an Account 1589 – Global Adjustment debit balance of \$2,495,850 and Account 1588 – Power credit balance of \$2,384,130. Through OEB staff interrogatories the amounts requested for disposition related to Accounts 1589 and 1588 were revised to a credit of \$1,354,974 and a debit of \$1,466,692 respectively (see Table 1). The total claim excludes an Account 1568-LRAM Variance Account balance of \$1,197,390.

**Table 1**

<b>Account Description</b>	<b>Account Number</b>	<b>Principal (as of December 31, 2016)</b>	<b>Interest (until April 30, 2018)</b>	<b>Total</b>
LV Variance Account	1550	\$ 498,134	\$ 17,583	\$ 515,716
Smart Metering Entity Charge Variance Account	1551	\$ 43,503	\$ 1,509	\$ 45,011
RSVA - Wholesale Market Service Charge	1580	\$ (2,064,933)	\$ (81,238)	\$ (2,146,171)
RSVA - Retail Transmission Network Charge	1584	\$ (216,119)	\$ 1,767	\$ (214,352)
RSVA - Retail Transmission Connection Charge	1586	\$ 525,905	\$ 34,417	\$ 560,322
RSVA - Power	1588	\$ (1,356,234)	\$ 1,260	\$ (1,354,974)
RSVA - Global Adjustment	1589	\$ 1,376,375	\$ 90,317	\$ 1,466,692
Total Group 1 Account Balance		\$ (1,193,369)	\$ 65,614	\$ (1,127,755)

In response to OEB staff interrogatories, Newmarket-Tay Power indicated that its general ledger tracks the transactions for both accounts 1588 and 1589 in one

combined account (account 1588) which is then manually allocated between accounts 1588 and 1589 for regulatory purposes. OEB staff further notes that in its application Newmarket-Tay Power noted a transposition error between account 1588 and 1589 resulting in a contra variance of +/- \$1,260,255. In its responses to interrogatories by OEB staff, Newmarket-Tay Power subsequently revised this transposition error to +/- \$257,178 and noted that the revision was due to the fact that it had inadvertently forgot to include the Tay service area.

OEB staff submits that the Accounting Procedures Handbook, issued December 2011 and effective January 1, 2012, requires utilities to use two separate accounts for record keeping purposes – Account 1588 (RSVA Power) and Account 1589 (RSVA GA). The utility has not followed this requirement and OEB staff is concerned that the manual allocation used to segregate the balances for regulatory purposes is prone to error, as evidenced by the more than \$1 million in adjustments to the accounts as noted above. OEB staff further notes that there are also concerns with the consumption data used to populate the GA Analysis workforms, which are used to support the disposition of accounts 1588 and 1589. OEB staff is unable to draw reasonable conclusions from the GA Analysis workforms as they are incomplete.

The OEB normally disposes of all RSVAs at that same time. OEB staff recommends that no RSVA balances be disposed at this time given the issues that OEB staff has noted above, and given that in OEB staff's view, the applicant has not provided sufficient confidence that other accounts are not affected by the applicant's own internal processes that it has chosen to establish.

OEB staff submits that Newmarket-Tay Power would benefit from a special purpose audit of all RSVA accounts for the years 2013 through 2017 and recommends that such an audit be conducted prior to approving disposition of the applicant's group 1 deferral and variances accounts for the respective years.

#### Disposition of Variance Account 1576 Balance

Newmarket-Tay Power has applied to establish a one year rate rider for interim clearance of the 2016 balance Account 1576.

Effective January 1, 2012, Newmarket-Tay Power implemented new asset useful lives

and has recorded the financial differences in Account 1576. Newmarket-Tay Power proposed in the 2017 IRM application (EB-2016-0275) to clear the 1576 balance annually until the next Cost of Service. In its 2017 decision, the OEB approved the disposition of account 1576 for the balance accrued from 2012-2015 over a one-year period on an interim basis.

In its current application, Newmarket-Tay Power is requesting the approval for a one-year interim clearance of the 2016 balance of Account 1576 in the amount of \$1,593,745. Newmarket-Tay Power noted that no carrying charges have been applied to this balance and it will also continue to use this account until its next Cost of Service rate application.

The table below summarizes the proposed rate rider by class over a one-year period.

Proposed Rate Rider by Customer Class

Customer Class	Units of Measure	2016 Allocator	Allocation of 1576	Account 1576 Rate Rider	Monthly Billing Units
Residential	# of customers	31,945	\$ 673,707	\$ 1.7575	\$/customers
GS <50 kW	kWh	87,282,578	\$ 219,452	\$ 0.0002	\$/kWh
GS >50 kW	kW	701,463	\$ 692,424	\$ 0.0823	\$/kW
Unmetered Scattered Loads	kWh	275,297	\$ 692	\$ 0.0002	\$/kWh
Sentinel Lighting	kW	798	\$ 723	\$ 0.0755	\$/kW
Street Lighting	kW	7,341	\$ 6,747	\$ 0.0766	\$/kW
<b>Total</b>			<b>\$1,593,745</b>		

OEB staff submits it has no concerns with the data supporting the disposition of the deferral and variance Account 1576 balance for Newmarket-Tay Power. OEB staff supports Newmarket Tay's request to return \$1,593,745 to Newmarket-Tay Power customers over a proposed one-year period on an interim basis. OEB staff notes that the same rate rider derivation methodology was used in Newmarket-Tay Power's 2017 application.

All of which is respectfully submitted