March 27, 2020

Ontario Energy Board

2300 Yonge Street

P.O. Box 2319

Suite 2700

Toronto, ON M4P 1E4

**Attention: Christine E. Long**

**Registrar and Board Secretary**

Dear Ms. Long:

**RE:** **Newmarket-Tay Power Distribution Ltd. (“NT Power”)**

**2020 IRM Distribution Rate Application**

**OEB File No. EB-2019-0055**

**Reply Submission**

On March 19, 2020, NT Power received the OEB Staff Submission with respect to its Incentive Rate Mechanism Adjustment Application for 2020 Distribution Rates (EB-2019-0055).

NT Power has reviewed the OEB Staff Submission and offers the following comments:

**Partial Settlement Proposal**

NT Power is in agreement with OEB Staff’s Conclusion.

**Unsettled Issues**

**Proposal for Account 1576**

NT Power is in agreement with OEB Staff’s recommendation that Account 1576 balance for year 2020 will be submitted on a forecast basis when requesting disposition of Account 1576 in 2021 on a final basis, along with proposed changes to base rates.

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

NT Power is in agreement with OEB Staff submission that the transactions to be recorded in the continuity schedules[[1]](#footnote-1)[[2]](#footnote-2) are the principal and carrying charges amounts as calculated in the LRAMVA models. NT Power will revise the continuity schedules to reflect $434,272 principal and $13,740 carrying charges for NTRZ and $64,497 principal and $2,041 interest for MRZ.

NT Power is in agreement that the amounts calculated for the rate riders are correctly allocated to the rate classes.

**Group 1 Deferral and Variance Accounts**

**Newmarket Tay Rate Zone**

NTRZ contracted an independent special purpose audit of the DVA accounts 1588 and 1589 from 2013 to 2017 prior to the new accounting guidelines. NT Power submits that redoing the recent audit would be an ineffective utilization of resources.

The OEB staff addressed a $4.5m variance in account 1588 for NTRZ as of December 31, 2018. NTRZ has identified $3.3m as a settlement error that began in March, 2018. After accounting for the identified settlement error, there is a remaining $1.2m variance in account 1588 or 1.8% in relation to the power expense account 4705 in the year 2018. NT Power agrees to undertake a review of the 2018 to 2019 DVA accounts 1588 and 1589 for NTRZ and MRZ. NT Power submits that repeating the recent special purpose audit for 2013 to 2017 would provide limited value for the cost and resource utilization required.

NT Power seeks to clarify OEB’s submission on page 12 that states,

*“Newmarket-Tay Power does not appear to be properly accounting for Account 1595 for NTRZ as it has balances in Account 1595 sub-accounts dating back to 2008 (as per its 2018 2.1.7 RRR reporting) and showed residual amounts in sub-accounts for 2015 and 2016, which had already been disposed in 2019.[[3]](#footnote-3)”*

Interrogatory Response, G-Staff-2 b), February 7, 2020 pertains to the MRZ rate zone only. NTRZ last disposal of Account 1595 was in the year 2009.

**Midland Rate Zone**

NT Power is in agreement with OEB Staff that the Group 1 accounts for MRZ will not be disposed of in this application.

NT Power is in agreement that a review will be conducted of MRZ’s accounting and settlement practices for Account 1588 and 1589 for 2018 and 2019.

Should the OEB Staff have questions regarding this reply submission please contact the undersigned.

Respectfully Submitted,

Laurie Ann Cooledge, CPA, CMA, CPA

Chief Financial Officer

[lauriec@nmhydro.ca](mailto:lauriec@nmhydro.ca)

phone: (905) 953-8548 X2268

1. NTRZ Rate Generator Model, Tab 3. Continuity Schedule [↑](#footnote-ref-1)
2. MRZ Rate Generator Model, Tab 3. Continuity Schedule [↑](#footnote-ref-2)
3. Interrogatory Response, OEB Staff 2 b), February 7, 2020 [↑](#footnote-ref-3)