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BY EMAIL

March 18, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission
Newmarket-Tay Power Distribution Ltd.
Application for 2021 Electricity Rates
OEB File Number: EB-2021-0041**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 3.

Yours truly,

Margaret DeFazio, P.Eng.
Project Advisor, Electricity Distribution: Major Rate Applications and Consolidations

Encl.

cc: All parties in EB-2021-0041



ONTARIO ENERGY BOARD

OEB Staff Submission

Newmarket-Tay Power Distribution Ltd.

2021 Rates Application

EB-2021-0041

March 18, 2021

Introduction

Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay Power) filed an Incentive Rate-setting Mechanism (IRM) application with the Ontario Energy Board (OEB) on November 23, 2020 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, to be effective May 1, 2021.

On March 4, 2021, Newmarket-Tay Power served and filed new information, consisting of a draft calculation of the Holland Transformer Station (Holland TS) 10th anniversary true-up payment amount, based on information provided by Hydro One Networks Inc. (Hydro One) on March 3, 2021, and an updated Incremental Capital Module (ICM) model. According to Newmarket-Tay Power,

Hydro One notes that [the updated calculations] are drafts and may change after the following two events:

- (a) The completion of quality checks by Hydro One; and
- (b) Consultation by Hydro One with [Newmarket-Tay Power] to determine whether the analysis of the underlying data is correct.

These events are expected to occur over the next several weeks, depending on the schedules of the various experts of NT Power and Hydro One.¹

In Procedural Order No. 3, issued on March 15, 2021, the OEB permitted this amendment to the evidentiary record and allowed OEB staff and intervenors an opportunity to file supplementary submissions on the reliance the OEB should place on this new material in rendering a decision in this proceeding, and Newmarket-Tay Power an opportunity to reply to any such submissions.

¹ EB-2020-0041, Application and Evidence, March 4, 2021

Staff Submission

Newmarket-Tay Power applied for relief under the OEB's ICM funding mechanism for two items: the Holland TS 5th and 10th anniversary true-up payment amounts, in accordance with a Connection and Cost Recovery Agreement (CCRA) with Hydro One. The revised information submitted on March 4, 2021 applies only to the second CCRA true-up payment, originally estimated at \$6,100,000, to be paid in 2021.

The new information filed by Newmarket-Tay Power is an estimate provided by Hydro One for the ten-year true-up, which increased the previous amount of \$6,100,000 by \$485,200, to \$6,585,200. OEB staff submits that the updated amount should be used in this proceeding.

Newmarket-Tay Power had two options for including the revised 2021 CCRA ten-year true-up payment in the capital budget:

- 1) Increase the overall capital budget envelope.
- 2) Defer capital spending and maintain the original capital budget envelope.

Newmarket-Tay Power submitted it will increase the 2021 capital budget by the amount that the ten-year CCRA true-up payment increased. This approach is consistent with the position that Newmarket-Tay Power has previously expressed in this proceeding. For example, in its reply submission filed on March 4, 2021, Newmarket-Tay Power discussed proposals to reduce its total 2021 capital budget by deferring asset replacement, stating:

NT Power explained that it already paced all categories of replacement at levels that were under the recommendation of the Asset Condition Assessment (ACA).² If NT Power were to further reduce its planned capital expenditures in 2021, it would result in an unsustainable system renewal program that is insufficient to maintain asset condition based on the information gained from the ACA.

OEB staff does not object to Newmarket-Tay Power's proposal to increase its capital budget in 2021 to incorporate the revised ten-year true-up amount, while maintaining asset replacement spending levels.

² Response to Board Staff NTRZ IR-21(a).

Table 1: Impacts of Increase to Ten-Year CCRA True-Up Amount

| | 2021 Original (\$000) | 2021 Revised (\$000) |
|--|-----------------------------|----------------------------|
| Distribution Plan Capital Expenditures | 12,497 | 12,982 |
| Ten-Year CCRA True-Up | 6,100 | 6,585 |
| ICM Materiality Threshold | 6,909 | 6,909 |
| ICM Maximum Eligible Incremental Capital | 5,588 | 6,073 |
| ICM Revenue Requirement | 549 | 603 |

OEB staff has reviewed the revised ICM calculations by Newmarket-Tay Power summarized in Table 1 and submits that they are correct.

OEB staff submits that the revised information does not change the results of the ICM evaluation for materiality, need or prudence of the Holland TS ten-year true-up payment contained in OEB staff's February 18, 2021 submission.³ OEB staff further submits that, consistent with its prior submission, the ten-year true-up payment application meets the criteria for ICM approval.

~All of which is respectfully submitted~

³ EB-2020-0041, OEB Staff Submission, February 18, 2021