



Newmarket-Tay Power Distribution Ltd.

Newmarket-Tay Power Distribution Ltd.

2023 IRM Application

Responses to Staff Questions

EB-2022-0050

OEB Staff – 1

Ref 1: IRM Rate Generator Tab 16, 17, 19 and 20 – Annual Adjustment Mechanism

Ref 2: OEB Letter, 2023 Inflation Parameters

Ref 3: EB-2022-0020, Decision and Order

Ref 4: EB-2022-0021, Decision and Order

OEB staff has made the following updates to Newmarket-Tay Power's Main RZ as well as the former Midland RZ Rate Generators:

- Updated the IPI Inflation Factor to 3.70%¹ in Tab 16 and Tab 17-Retail Service Charges
- Updated the Ontario Electricity Rebate in Tab 20 to 11.7% (as of November 1, 2022)
- Updated the Wireline Pole Attachment Charge to \$36.05² in Tab 17
- Updated Retail Service Charges by the inflation factor of 3.7% in Tab 17

Question:

- a) Please confirm the accuracy of these updates in the attached rate generator.

Response:

NT Power confirms the accuracy of these updates in the Main RZ and Midland RZ rate generator models.

¹ OEB Letter, 2023 Inflation parameters, issued October 20, 2022

² EB-2022-0221, Decision and Order, issued November 3, 2022

OEB Staff – 2

Ref: IRM Rate Generator Tab 17 and Tab 20 – Regulatory Charges, Time of Use RPP Prices and Distribution Rate Protection Charge

OEB staff has made the following updates to Tab 17 of the rate generator:

Regulatory Charges

Effective Date of Regulatory Charges		January 1, 2022	January 1, 2023
Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005	0.0007
Standard Supply Service - Administrative Charge (if applicable)	\$/kWh	0.25	0.25

Question:

- a) Please confirm the accuracy of these updates in the rate generator.

Response:

NT Power confirms the accuracy of these updates in the Main RZ and Midland RZ rate generator models.

OEB Staff – 3

Ref 1: IRM Rate Generator Tab 19 and Tab 20 – Retail Service Transmission Rates (RTSRs)
Ref 2: Decision and Order, EB-2021-0110

OEB staff made the following updates to Tab 11 of the rate generator model:

Uniform Transmission Rates		Unit	2021		2022		2023
Rate Description			Jan to Jun	Jul to Dec	Jan to Mar	Apr to Dec	Rate
Network Service Rate	kW	\$	4.67	4.90	5.13	5.46	5.60
Line Connection Service Rate	kW	\$	0.77	0.81	0.88	0.88	0.92
Transformation Connection Service Rate	kW	\$	2.53	2.65	2.81	2.81	3.10

Hydro One Sub-Transmission Rates		Unit	2021		2022		2023
Rate Description			Rate		Rate		Rate
Network Service Rate	kW	\$	3.4778	\$	4.3473	\$	4.6545
Line Connection Service Rate	kW	\$	0.8128	\$	0.6788	\$	0.6056
Transformation Connection Service Rate	kW	\$	2.0458	\$	2.3267	\$	2.8924
Both Line and Transformation Connection Service Rate	kW	\$	2.8586	\$	3.0055	\$	3.4980

Question:

- a) Please confirm the accuracy of these updates in the rate generator.

Response:

NT Power confirms the accuracy of these updates in the Main RZ and Midland RZ rate generator models.

Main RZ

OEB Staff – 4

Ref: NTRZ 2023 Rate Generator Model, Tab 3

OEB staff notes the following inputs for disposition in 2021 in Account 1595 (2016 and pre-2016), which cannot be reconciled with the Decision and Order EB-2020-0041.

Transactions Debit / (Credit) during 2021	OEB-Approved Disposition during 2021	Principal Adjustments ¹ during 2021	Closing Principal Balance as of Dec 31, 2021	Opening Interest Amounts as of Jan 1, 2021	Interest Jan 1 to Dec 31, 2021	OEB-Approved Disposition during 2021	Interest Adjustments ¹ during 2021	Cl Int Amou Dec:
193,053	334,906	0	347,150	14,781	2,167	12,158		
14,030	(70,795)	0	59,564	(3,528)	138	(3,300)		
706,992	(254,483)	(71,916)	383,752	(23,876)	4,234	(20,853)		
(1,501)	0	11,503	0	0	0	0		
(81,220)	0	(11,503)	(129,761)	0	0	0		
515,031	(263,125)	0	417,127	4,613	9	6,654		
(55,083)	157,723	0	(206,308)	8,925	(1,178)	8,530		
1,320,472	907,098	(879,425)	(30,975)	91,386	(2,068)	120,451	0	
(488,210)	(933,395)	951,340	996,101	51,204	(5,330)	6,225	0	
1	36,101		1	2,262	0	2,262		
			1,057	377	6			
			(56,955)	20,934	(325)			
			(91,528)	102,431	(522)			
(176,878)			(23,438)	15,970	80			
(831,394)			(831,394)	0	(109,519)			
			0	0				

Question:

- a) Please explain the difference and update the rate generator if necessary.
- b) Please provide the amount that has been transferred to account 1595 (2021) and update the RG accordingly.
- c) Please complete the 1595 Workform for all applicable years.

Response:

- a) The 2016 and pre2016 1595 principal and interest amounts were incorrectly entered. NT Power has updated the rate generator model to reflect the approved disposition from the Decision and Order EB-2020-0041.
- b) The rate generator models Tab 3 has been updated to reflect the approved disposition from the Decision and Order EB-2020-0041 to the 1595 (2021) NTRZ and MRZ accounts as follows:

NTRZ 2020 DVA account 1595 rate order		
Account	Principal	Interest
LV	334,906	12,158
SME	(70,795)	(3,300)
WMSC	(254,483)	(20,853)
Network	(263,125)	6,654
Connection	157,723	8,530
Power	907,098	120,451
GA	(933,395)	6,225
1595-2014 & prior	(210,739)	(246,343)
1595 2015	(1,894)	1,751
Total Group 1	(334,704)	(114,727)
LRAM	400,550	10,293
1576 true up	(2,111,966)	-
Tax changes	(41,095)	-
Total 2021 disposition transfers	(2,087,215)	(104,434)

MRZ 2020 DVA account 1595 rate order		
Account	Principal	Interest
LV	542,529	12,639
SME	(13,540)	(378)
WMSC	(59,956)	(1,424)
WMS Class B	(13,232)	(332)
Network	31,874	1,003
Connection	87,580	1,342
Power	(137,465)	(5,497)
GA	71,832	9,785
Total Group 1	509,622	17,138
LRAM	51,710	1,329
Tax changes	1,017	-
Total 2021 disposition transfers	562,349	18,467

- c) NT Power is submitting NTRZ's and MRZ's 2018 1595 Analysis Workform models. The 2018 1595 Analysis Workforms collections/returns variance for NTRZ is (4.9%) and MRZ is 3.7%.

OEB Staff - 5

Ref: NTRZ, GA Analysis WorkForm, Tab GA2021

OEB staff calculated the actual loss factor below based on information in the GA Analysis Workform.

NRTZ	2021
Non-RPP retail kWh, including loss (A)	187,795,660
Approved loss factor (B)	1.0383
Non-RPP retail kWh excluding loss (C = A/B)	180,868,400
Non-RPP wholesale kWh (D)	191,420,826
Calculated actual loss factor (=D/C)	1.0583

Question:

- a) Please comment on the reasonability of the calculated actual loss factor as compared to the actual losses that NT Power has experienced in NRTZ.

Response:

- b) NT Power experienced a total 2021 line loss factor of 1.0376 within NTRZ. This resulted in an RPP line loss factor of 1.0294 compared to the non-RPP loss of 1.0583. Going forward, NT Power will review the GA Analysis to manage and troubleshoot the reasonableness of loss factors for RPP vs Non-RPP on a more frequent basis.

OEB Staff - 6

Ref 1: NT Power, 2023 Incentive ratemaking application, Page 6 of 22

Ref 2: NT Power, 2023 Incentive ratemaking application, Page 11 of 22

Ref 3: NTRZ & MRZ, 2023 Rate Generator Models, Tab3, Cell BT41

OEB staff has compiled the following table based on the information provided in Reference 1 & 2:

Group 1 Balance for Disposition	Reference 1	Reference 2	Variance
NTRZ	2,165,814	2,155,433	10,381
MRZ	984,086	944,951	39,135
NT Power	3,149,900	3,100,385	49,515

OEB staff has also noted that the balances for both rate zones in Reference 2 match those in Reference 3.

Question

- a) Please reconcile the difference of both rate zones and the total Group 1 Balance for Dispositions in the above table, and revise the schedules as needed.

Response:

- a) NT Power confirms the incorrect amounts were cited in Reference 1 and confirms Reference 2 is the correct Group 1 Balance for Disposition for NTRZ and MRZ.

OEB Staff - 7

Ref 1: NTRZ, GA Analysis WorkForm, Tab GA2021 & Principal Adjustments Tab

Ref 2: NTPower, 2023 Incentive ratemaking application, Page 15 of 22

Ref 3: NTPower, 2023 Incentive ratemaking application, NTRZ, Page 12 of 22

Ref 4: NTPower, 2023 Incentive ratemaking application, MRZ, Page 13 of 22

Ref 5: OEB letter issued on October 31, 2019 – “Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition”

In Reference 2, NT Power states that “NT Power reconciled the 2021 GA accounts for NTRZ and MRZ post the 2021 yearend due to staffing issues”.

NT Power provide a Table 8 for the reconciling items and provide the associated explanation as below.

Table 8 GA reconciling items by rate zone

Item #	Description	NTRZ		MRZ	
		Amount	Principal Adj on 3. Continuity Sch	Amount	Principal Adj on 3. Continuity Sch
1	2021 Non RPP GA recorded in WM account 1580	\$ 71,916	Yes		
2	2021 Non RPP GA split correction	\$ 879,425	Yes	\$ 193,849	Yes
3	2020 settlement credit recorded twice	-\$ 768,874	No		
Total Reconciling Items		\$ 182,467		\$ 193,849	

1. NTRZ coding error between GA account 1589 and 1580.
2. The incorrect GA RPP vs non RPP split percentage (%) used in January 2021 for calculating the non RPP GA.
3. NTRZ had submitted a post settlement class A adjustment in October 2020 for (\$768,874) and accrued the adjustment in December 2020 by debiting AR IESO and crediting GA 1589. The adjustment was reversed in 2021 crediting AR IESO and debiting GA 1589.

Reference 3 states that “Identified the January 2021 adjustment for the RPP vs Non RPP GA was incorrect. An adjustment is provided in the continuity schedule in 2021 to reallocate \$878,424 from Power 1588 account to GA 1589 account.”

Reference 4 states that “Identified the January 2021 adjustment for the RPP vs Non RPP GA was incorrect. An adjustment is provided in the continuity schedule in 2021 to reallocate \$193,849 from Power 1588 account to GA 1589 account.”

Reference 5 states that “Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB
- the degree to which other distributors are making similar errors

Questions:

- a) Please explain whether any of the adjustments identified in Table 8 impacts the final disposed balances for both rate zones.
 - i) If so, please provide the details regarding the periods impacted and how it was impacted.
 - ii) If so, please provide NT Power’s consideration regarding the rates retroactivity issues raised in the OEB’s Oct 31, 2019 letter in Reference 5.
 - a. Please also comment on the four factors outlined in Reference 5.
 - iii) If not, please explain why not, especially related to the adjustment for 2020 settlement credit recorded twice,
- b) Please explain in detail what “a post settlement class A adjustment” in Reference 2 means.
- c) Please confirm that the adjustment of \$(768,874) in Reference 2 was not included in the final disposed 2020 balance in 2022 IRM application. If so, please explain why.
- d) Please explain whether there is a corresponding adjustment to Account 1588 relating to the \$(768,874) adjustment. Please why or why not.
- e) Please confirm the reconciling item #8 of \$(768,874) in Reference 1 Tab GA2021 was recorded in the 2021 GL.
 - a. If confirmed, please also confirm the \$(768,874) was not included in the “Net Change in Principal Balance in the GL” of \$(488,210) on the Reference 1 Tab GA2021 Cell C75.
 - i. Please explain why the \$(768,874) was a reconciling item. Please revise the evidence as needed.
 - b. If not confirmed, please explain why the \$(768,874) is not shown as principal adjustment.
- f) The \$878,424 in reference 3 does not match with the adjustment of \$879,425 on NTRZ GA Analysis Workform in reference 1 Tab GA 2021 Cell. Please explain why.
- g) Please explain how NT Power identified the errors in Reference 3 & 4 and explain the nature of the adjustments in details.

- h) Please confirm that the two adjustments pertain to the year of 2021 but not impact any other prior years. If not, please provide the details regarding the periods that are impacted and the associated adjustments in the periods.
- i) Please elaborate on NT Power's plan to address its global adjustment allocation practices moving forward.

Responses:

- a) Table 8 adjustments that impacts final disposition balance is the \$(768,874) for NTRZ.
 - a. The \$(768,874) adjustment for NTRZ was accrued in the general ledger in Dec 2020 and the IESO posted the \$(768,874) adjustment on the Dec 2020 invoice resulting in the adjustment being recorded twice in 2020. NT Power was unable to verify the IESO posted the adjustment on the Dec 2020 invoice until Sept 2021. The accrual was reversed in Sept 2021 when confirmed with the IESO and the \$768,874 reversal was posted to the GA account.
 - b. The error was outside the control of NT Power due to IESO staffing changes which caused delays confirming when the adjustment was recorded by the IESO. The IESO initially advised the Oct 2020 post settlement adjustment would be on the Feb or March 2021 IESO invoice. NT Power attempted to confirm the posting of the adjustment within the Feb 2021 invoice several times and a response was provided Sept 2021 that the adjustment was in fact posted to the Dec 2020 invoice. NT Power did not fail to follow OEB guidance for handling GA adjustments as the error was a result of timing to confirm when the adjustment was reflected on the IESO invoice. NT Power has not made this type of error in the past and is not aware other distributors have made similar errors.
 - c. NA.
- b) There was an error in the Oct 2020 settlement Class A filing submission that resulted in an overbilling of Class B capacity-based recovery. As a result, the Class A load information was not received by the IESO and NTRZ was overbilled for charge type 148 (Global Adjustment).
- c) The \$(768,874) adjustment is included in the final disposed 2020 balance in the 2022 IRM application because the adjustment was recorded twice in the 2020 GA account balance.
- d) There is no corresponding adjustment to Account 1588 because the \$(768,874) adjustment was recorded to Account 1589 twice in Dec 2020.
- e) The \$768,874 adjustment was recorded in 2021 GL.
 - a. The \$(768,874) is not included in the "Net Change in Principal Balance in the GL" of \$(488,210). The \$768,874 adjustment is included in the "Net Change in Principal Balance in the GL" of \$(488,210). The \$(768,874) adjustment identified in Table 8 is required to explain the \$768,874 recorded in the GL in 2021.
- f) NT Power confirms reference 3 is incorrectly stated and should stated the adjustment amount is \$879,425.
- g) NT Power identified the errors in Reference 3 & 4 when reconciling the GA workform. The GA allocation error occurred between Power and GA accounts

for Jan 2021 because the incorrect financial data was used when determining the allocation.

- h) NTRZ's two 2021 adjustments in table 8 pertain to 2021 and do not impact prior years.
- i) NT Power has been addressing staffing changes and will be striving to identify process improvements within the settlement and finance processes to have the GA allocation true up for the year end financial records in 2023.

OEB Staff - 8

Ref: MRZ 2023 Rate Generator model, Tab 3

Question:

- a) OEB staff noted that the Projected Interest on Dec 31, 2021 Balances for Account 1595 (2018) balances (Cell BQ33 & BR33) have not yet been completed. Please update the schedule and revise the evidence as needed.

Response:

- b) NT Power has updated the projected interest in cell BQ33 & BR33. This has updated the 1595 (2018) claim to be a refund in the amount of \$13,223 instead of a charge in the amount of \$2,568. The threshold test for group 1 accounts is revised to \$0.0052 from \$0.0053 and the test for disposition is met.

Staff Question – 9

Ref: LRAMVA Workform, Tab 1 – LRAMVA Summary

Question:

- a) Please update Tab 1 – LRMVA Summary for both the MRZ and NTRZ LRAMVA workforms as it appears there was an error in the forms that were filed with NT Power's application.

Response:

NT Power is submitted updated 2023 MRZ and MTRZ LRAMVA workforms.

Staff Question -10

Ref 1: LRAMVA work form, Tab 5 – 2015-2027 LRAM

Ref 2: [OEB 2021 CDM Guidelines \(EB-2021-0106\)](#), December 20, 2021, p. 26
[Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 3, 2022

The 2021 CDM Guidelines (section 8) require distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established thresholds, including approval of LRAM-eligible amounts in future years (arising from persisting savings) until a distributor's next rebasing application, unless a distributor does not have complete information on eligible savings.

The additional guidance provided in June 2022 noted that the expectation is that distributors with prospective LRAMVA balances, beginning with 2023 amounts, will seek disposition at the time of the corresponding rate year. That means that for distributors with 2023 prospective LRAMVA balances, the expectation is that these amounts will be included in the 2023 rate generator model and addressed as part of this year's rate applications.

Questions:

- a) Please confirm that NT Power will not be seeking to dispose of any balance in the LRAMVA due to LRAM-eligible CDM activities funded by the IESO through the Conservation First Framework or Interim Framework in a future year's rate application, this includes LRAMVA amounts in 2022 and beyond.
- b) If not confirmed, please explain why a request for disposition was not submitted as part of this application.
- c) If not confirmed, please update the LRAMVA workform to include any persisting LRAMVA amounts into all years beyond 2021 until NT Power's next rebasing application.
- d) If confirmed, please also confirm that NT Power has verified that, relative to the LRAMVA threshold established in Midland Hydro's last rebasing application (EB-2013-0147), the balance in the LRAMVA, and any prospective LRAM-eligible amounts until the next rebasing, are either zero or a debit (i.e., not a credit that would need to be refunded to customers).

Response:

- a) NT Power will be seeking to dispose of LRAMVA balances due to LRAM eligible CDM activities funded by the IESO in future years' rate applications. NT Power is submitting updated 2023 LRAMVA workforms for NTRZ and MRZ to reflect:
 - a. 2023 LRAMVA claim for the 2021 and 2022 years including carrying charges and updated the NTRZ and MRZ Rate Generator Models Tab 3 and Tab 4 in the following table:

	2021	2022	Total
NTRZ			
Principal	346,803	355,814	702,617
Interest			18,072
Total			720,689
MRZ			
Principal	46,700	43,775	90,475
Interest			2,375
Total			92,850

NTRZ	GS<50	GS>50	Total
2021	136,792	210,012	346,804
2022	137,630	218,184	355,814
Interest	7,089	10,982	18,071
Total by cust class	281,511	439,178	720,689
MRZ	GS<50	GS>50	Total
2021	(17,991)	64,691	46,699
2022	(19,885)	63,661	43,776
Interest	(957)	3,332	2,375
Total by cust class	(38,834)	131,684	92,850

- b. NT Power's 2023 to 2027 perspective savings by rate zone is provided in the following table:

2023 LRAMVA prospective claim by rate zone by year			
	NTRZ	MRZ	Total
2023	348,177	42,619	390,796
2024	302,125	39,466	341,591
2025	207,040	13,266	220,306
2026	184,504	6,869	191,373
2027	165,767	(1,018)	164,749
Total	1,207,613	101,202	1,308,815

The follow table provides the calculations for the LRAMVA 2023 prospective claim within the Rate Generator models by rate zone by customer class within Tab 18:

2023 LRAMVA prospective claim by rate zone by customer class			
NTRZ	GS<50 (kWh)	GS>50 (kW)	Total
2023	132,752	215,425	348,177
Tab 7 billing determinants	81,648,660	771,123	
Volumetric rate	0.0016	0.2794	
2023 Price Cap Index	0.0315	0.0315	
2023 LRAM rate rider	0.0017	0.2882	
MRZ	GS<50 (kWh)	GS>50 (kW)	Total
2023	(20,872)	63,492	42,619
Tab 7 billing determinants	20,833,212	287,745	
Volumetric rate	(0.0010)	0.2207	
2023 Price Cap Index	0.0315	0.0315	
2023 LRAM rate rider	(0.0010)	0.2276	

- b) NT Power mistakenly omitted the request for disposition in 2022 and beyond within the initial 2023 IRM application.
- c) NT Power is submitting NTRZ and MRZ LRAMVA workforms for LRAMVA amounts in 2022 to 2027.
- d) NA

Staff Question -11

**Ref: Manager's Summary, p. 18
LRAMVA Workform, Tab 6**

NT Power is seeking recovery of amounts to April 2023. NT Power indicated it has used the Q4 prescribed interest rate for the January-April 2023 carrying charges. The OEB has recently published its prescribed interest rate for deferral and variance account balances for Q1 2023.

Questions:

- a) Please update the carrying charges for Q1 2023 in Tab 6 of the LRAMVA Workform.
- b) Please update the IRM Model to reflect the updated total balance and carrying charges for the LRAMVA.

Response

- a) NT Power has updated the carry charges for Jan to April 2023 using the OEBs' published prescribed interest rate of in Tab 6 of the NTRZ and MRZ LRAMVA Workforms.
- b) NT Power has updated the rate generator models for NTRZ and MRZ for the updated LRAMVA claim for 2021 and 2022 with carrying charges to April 2023. Please refer to Staff question 10 a).