



Ontario  
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**BY E-MAIL**

February 9, 2024

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Newmarket-Tay Power Distribution Limited (Newmarket-Tay Power)  
Application for 2024 Distribution Rates Application  
Ontario Energy Board (OEB) File Number: EB-2023-0039**

In accordance with Procedural Order No. 1, please find attached the OEB staff's interrogatories in the above-noted proceeding. Newmarket-Tay Power and all intervenors have been copied on this filing.

Newmarket-Tay Power's responses to interrogatories are due by February 23, 2024.

Any questions relating to this letter should be directed to the Case Manager, Oluwole (Wolly) Bibiresanmi, at 437-880-4352 or [oluwole.bibiresanmi@oeb.ca](mailto:oluwole.bibiresanmi@oeb.ca).

Yours truly,

Oluwole (Wolly) Bibiresanmi  
Case Manager

Attach.

**OEB Staff Interrogatories**  
**Newmarket-Tay Power Distribution Limited (Newmarket-Tay Power)**  
**EB-2023-0039**  
**February 9, 2024**

\*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**1-Staff-1**

**Ref: Newmarket-Tay Power Midland and Newmarket-Tay Power Rate Zone IRM Rate Generator Model, Tab 11, 18, and 21**

OEB staff has updated the North Bay Rate Zone IRM rate generator model for the following items:

1. Updated Uniform Transmission Rates <sup>1</sup> (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates (Sheet 11)<sup>2</sup>
3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge<sup>3</sup> (Sheet 18)
4. Updated Time of Use(TOU) RPP Prices and Percentages(Sheet 18)
5. Updated the Ontario Electricity Rebate (OER) (Sheet 21)

Question:

- a) Please confirm that the models attached to these interrogatories reflect these updates.

Uniform Transmission Rates		Unit	2022 Jan to Mar		2022 Apr to Dec		2023 Jan to Jun		2023 Jul to Dec		2024
Rate Description			Rate		Rate		Rate		Rate		Rate
Network Service Rate	kW	\$	5.13	\$	5.46	\$	5.60	\$	5.37	\$	5.78
Line Connection Service Rate	kW	\$	0.88	\$	0.88	\$	0.92	\$	0.88	\$	0.95
Transformation Connection Service Rate	kW	\$	2.81	\$	2.81	\$	3.10	\$	2.98	\$	3.21

  

Hydro One Sub-Transmission Rates		Unit	2022		2023		2024	
Rate Description			Rate		Rate		Rate	
Network Service Rate	kW	\$		4.3473	\$	4.6545	\$	4.9103
Line Connection Service Rate	kW	\$		0.6788	\$	0.6056	\$	0.6537
Transformation Connection Service Rate	kW	\$		2.3267	\$	2.8924	\$	3.3041
Both Line and Transformation Connection Service Rate	kW	\$		3.0055	\$	3.4980	\$	3.9578

<sup>1</sup> EB-2023-0222, Decision and Order, January 18, 2024,

<sup>2</sup> EB-2023-0030, Partial Decision and Rate Order, December 14, 2023,

<sup>3</sup> EB-2023-0268, Decision and Order, December 7, 2023,

### Regulatory Charges

Effective Date of Regulatory Charges		January 1, 2023	January 1, 2024
Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0041	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	0.0007	0.0014
Standard Supply Service - Administrative Charge (if applicable)	\$/kWh	0.25	0.25

### Time-of-Use RPP Prices and Percentages

As of	November 1, 2023		
Off-Peak	\$/kWh	0.0870	63%
Mid-Peak	\$/kWh	0.1220	18%
On-Peak	\$/kWh	0.1820	19%

## 1-Staff-2

### Materiality Threshold

**Ref 1: EB-2014-0219, Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, page 23, Appendix B**  
**Ref 2: Manager's Summary, pages 33-35**

In Reference 1, the OEB's policy states that in the calculation of the materiality threshold, distributors "should use the IPI from its most recent Price Cap IR application as a placeholder for the initial application filing. This information is updated if new information becomes available during the proceeding."<sup>4</sup>

In Reference 2, Newmarket-Tay Power stated that it has applied the geometric mean IPI calculated from 2011 to 2024 using 2.12% in the ICM to calculate the Threshold capital expenditure level in the Newmarket-Tay Power RZ.

In Reference 2, Newmarket-Tay Power stated that "the use of the most recent inflation factor as a proxy for each value will not accurately represent the historical effect of inflation on depreciation."<sup>5</sup>

<sup>4</sup> EB-2014-0219, Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, page 23.

<sup>5</sup> Newmarket-Tay Power has calculated the geometric mean IPI from 2011 to 2024 to be 2.12% and considers all OEB-approved IPIs from 2012-2024.

Questions:

- a) Please provide the calculation of the ICM materiality thresholds by applying the OEB's approved IPI in Newmarket-Tay's most recent price cap application.
- b) Please recalculate the Maximum eligible incremental capital using the OEB's issued Inflation Parameters for Electricity Distributors of 4.8%.
- c) Please provide the reasoning, analysis, or rationale for the use of a geometric mean of IPI in the calculation of the ICM Materiality Threshold, which does not comply with the OEB's policy.

### **1-Staff-3**

#### **Project Expenditure**

**Ref 1: Manager's Summary, Appendix A**

**Ref 2: Manager's Summary, pg 38**

**Ref 3: Public Service Works on Highways Act, R.S.O. 1990, c. P.49**

Newmarket-Tay Power explained that:

The cost-sharing for the Road authority projects is set by the Public Service Work on Highway Act ("PSWHA") which stipulates that the Road authority driving the relocation is responsible for paying 50% of the Labour, and labor-savings (equipment) associated with the relocation project. At the same time, the utility performing the relocation is responsible for covering the costs associated with the remaining 50% of labour and equipment as well as 100% of the costs associated with the materials.

Section 2 of the PSWHA Act specifically states that:

The road authority and the utility company may agree upon the apportionment of the cost of labour employed in such taking up, removal or change, but, subject to a minimal time interval, in default of such agreement, such cost shall be apportioned equally between the road authority and the utility company, and all other costs of the work shall be borne by the utility company.<sup>6</sup>

Section 5 of the PSWHA Act explained the compensation payable by Newmarket-Tay Power RZ for loss or expenses incurred by road authority as a result of Newmarket-Tay Power neglecting to take up, remove, or change the location of the utility infrastructure by the date specified in a notice given by the road authority. in the event of the ICM funding being approved or not approved.<sup>7</sup>

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<sup>6</sup> Public Service Works on Highways Act, R.S.O. 1990, c. P.49, s. 2 (2); 2020, c. 12, s. 86 (7).

<sup>7</sup> Public Service Works on Highways Act, R.S.O. 1990, c. P.49, s. 2 (5); 2020, c. 12, s. 86 (10); 2021, c. 4, Sched. 6, s. 82 (1).

Newmarket-Tay Power gave the below estimate as the Project's Budget.

**Table 1 – Newmarket-Tay RZ Expenditure (\$ millions)**

<b>System Access-Expenditure</b>	<b>Capital Expenditure(\$MM)</b>
Material	\$5.81
Labour & Equipment	\$9.88
Capital Contribution	(\$6.41)
<b>Net Total</b>	<b>\$9.28</b>

Questions:

- a. Please explain when Newmarket-Tay Power RZ became aware of this project
- b. Please provide a detailed breakdown of the Material, Labour, and Equipment in Excel with additional columns confirming the categorization on the Project listing under System, Renewal, system service, etc.
- c. Please explain what the capital contribution in Table 1 represents and provide the calculation showing where the \$6.4MM received by Newmarket-Tay Power RZ was derived from.
- d. In Reference 3, the PSWHA Act explained the compensation payable for loss or expenses incurred by the road authority if Newmarket-Tay Power RZ is found to be negligent in relocating its infrastructure on the date specified. Please provide explanations on the strategy Newmarket-Tay Power has put in place to avoid incurring such avoidable penalties if the ICM funding is denied.
- e. Please confirm that the costs requested in this application pertain to only costs to be borne by the utility, not the total cost of the project.

**1-Staff-4**

**Discrete Project and Unfunded Through Base Rate**

**Ref 1: Manager's Summary, pg 35**

**Ref 2: OEB Letter on ICM During Extended Deferred Rebasing Periods, February 10, 2022.**

In Reference 1 Table 8.3, Newmarket-Tay Power provided 2018 – 2024 Capital Expenditures by category in Newmarket-Tay RZ.

In Reference 2, the OEB issued a letter on February 10, 2022, which updated the OEB’s ICM policy for distributors who select an extended rebasing period under the MAADs policy. The Letter explained that” To qualify for an ICM, the capital project must satisfy a materiality threshold to demonstrate that the incremental capital amounts are beyond the normal level of capital expenditures expected to be funded by existing rates”

Questions:

- a) Please provide the project listings for the years 2018 to 2023 under each of the categories in the format of the OEB Table 2 below, in Excel for budget and corresponding actual. Please include the plan for 2024 in the table in the format stated in Table 2.
- b) Please explain any actual/budget variances between budget and actual expenditure in the table produced in part a of this question.
- c) Please provide the analysis (in the format below) and explanations on the criteria used to determine the Capital project expenditure funded from the 2018- 2024 base rate budget.

**OEB Staff Table 2 – Newmarket-Tay Power RZ Project Budget and Actual (\$ millions)**

Category/Investment	2018-2023		
	Budget	Actual	Variance
<b>Funded through distribution rates</b>			
<b>System Access</b>			
Line Relocation (Davis to Green Lane).			
<b>Funded through ICM rate riders</b>			
Line Relocation (Davis to Green Lane).			
Total			

**Ref 1: Manager's Summary pg 38**

**Ref 2: Manager's Summary Appendix A**

In Reference 1, Newmarket-Tay Power RZ explained that the electrical assets relocation projects represent nearly half of the entire 2024 capital budget for Newmarket-Tay Power RZ and have been evaluated in the asset management and capital planning process in 2024.

In Reference 2, Newmarket-Tay Power RZ explained that the road widening project duration is between 2018 to 2024. Newmarket-Tay Power further explained that the initial project of the Yonge Street relocation was from October 2017.

- a) Please explain in detail how the electrical assets relocation projects were evaluated in the asset management and capital planning process.
- b) If this project is ongoing as noted by Newmarket-Tay Power RZ in its explanation, has Newmarket-Tay Power RZ included this information in prior application?
- c) If not, please explain why it was not included.

#### **1-Staff-6**

**Options considered.**

**Ref 1: Manager's Summary, Appendix A**

**Ref 2: Exhibit 2, Tab 1, Schedule 4, page 19, Table 12**

**Ref 3: EB-2022-0013 Interrogatory Responses 1-Staff-16**

Newmarket-Tay Power RZ explained that it evaluated 3 options in arriving at the proposed solution.

In Reference 1, Newmarket-Tay Power RZ stated that it considered the below options:

**Option 1:** Status Quo.

**Option 2:** Installation of underground feeder cables in place of an overhead system.

**Option 3:** Relocate overhead and underground assets based on the current configuration.

Questions:

- a) Please provide reasoning, analysis, possible customer hours of interruption during the proposed relocation project and explanation used for determining the Newmarket-Tay Power RZ recommended solution.
- b) Please provide the analysis and criteria for rejecting the two other options not selected by Newmarket-Tay Power RZ as the recommended solution.
- c) Please explain if any other option was considered.

**1-Staff-7**

**Customers**

**Ref 1: Manager's Summary pg 1**

**Ref 2: Newmarket-Tay Power ACM\_ICM\_Model\_20231122 -Tab 11**

In Reference 1 Newmarket-Tay Power explained that it distributes electricity to approximately 45,000 customers within the Town of Newmarket, the Town of Midland, and the Township of Tay. In Reference 2 Newmarket-Tay Power allocated the proposed required expected Revenue across customers by Rate class.

- a) Were there any engagement efforts to enlighten customers that will be impacted by these ongoing Projects?
- b) If the response to part A is 'Yes', please provide engagement results and further details.
- c) If not, please explain.

**1-Staff-8**

**Ref 1: Newmarket-Tay Power – 2024 IRM rate Generator Model NTRZ, Tab 3, Cells C58, BW23 & BV25**

**Ref 2: Newmarket-Tay Power – 2024 IRM rate Generator Model MRZ, Tab 3, Cells C58, BW23 & BV25**

References 1 & 2 Cell C58 states that the “RRR balance for Account 1580 RSVA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580, Variance WMS – Sub-account CBR Class B.”



OEB staff notes that the control account 1580 in the continuity schedule excludes balances in CBR Class A and CBR Class B. The control account in RRR includes the balances of the two sub-accounts. Therefore, in the variance column, it is expected to see a variance in cell BW23 equaling the RRR balance of 1580 Sub-account CBR Class B in cell BV25.

Question(s)

- a) Please explain why there is no variance in Cell BW23 on Tab 3 of Reference 1 & 2. Please also revise the schedules or the RRR filing 2.1.7 as needed.

### **1-Staff-9**

#### **Accounting Error**

**Ref 1: Manager's Summary, p3**

**Ref 2: Manager's Summary, pp.16-17**

In Reference 1, Newmarket-Tay Power RZ explained that included in the Group 1 account request is a proposal for a retroactive recovery of \$768,874 due to an accounting error in the Newmarket-Tay Power RZ. Newmarket-Tay Power RZ explained that the accounting error impacted the 2020 Group 1 account balances which were approved for disposition on a final basis as part of the May 1, 2022, IRM application (EB-2021-044).

In Reference 2, Newmarket-Tay Power RZ confirmed that in seeking to recover the impact accounting error, it has addressed the OEB's requirements. The following are the summary of OEB's requirements:

- Provide allocation entry for \$768,874 for the IESO adjustments in December 2020 and a confirmation of the reallocation of \$274,795 out of the \$768,874 Class A adjustment in the December 2020 IESO invoice into the RPP portion.
- Explain the nature of the \$274,795 RPP versus non-RPP allocation journal entry and clarify the basis for separating it from the other \$768,874 adjustment in the 2021 General ledger.
- Provide updated 2020 and 2021 Global Adjustment Analysis Workform that the 2 adjustments.
- Confirm that Newmarket-Tay Power has completed a full review of its DVAs and certifies that the balances are accurate.
- Provide a full explanation addressing the four factors listed in the OEB's Guidance letter issued on October 31, 2019.<sup>8</sup>

Question(s)

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<sup>8</sup> OEB Procedural Order No.2, June 2, 2023, P2-3.

- a) Please provide an analysis of the summary of the error and its correction from its inception to date by completing Table 3 below
- b) Please explain how Newmarket-Tay Power RZ addressed the OEB’s requirements as stated in Reference 2.
- c) Please explain strategies in place to prevent the re-occurrence of the error.

**Table 3 Summary of Newmarket-Tay Power RZ Original Entry and Correction of the Error**

<b>Account/ Description</b>	<b>Debit-\$</b>	<b>Credit-\$</b>	<b>Year</b>	<b>Remark</b>

**1-Staff-10**

**Ref 1:** [Chapter 3 Filing Requirements for Electricity Distributors \(oeb.ca\)](#) , p13

**Ref 2:** EB-2023-0109, Newmarket-Tay Power, Procedural order No 2., p3

**Ref 3:** Manager’s Summary, pp 24 & 26

**Ref 4:** Newmarket-Tay Power – 2024 GA Analysis workform NTRZ, Tabs Account 1588 & Principal Adjustments

Reference 1 states that “any unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges is considered material and warrants further analysis and supporting evidence.”

Reference 2 states that “the updated 2020 and 2021 Global Adjustment Analysis Workform incorporates the two adjustments and any other potential adjustments to evaluate if the threshold tests for accounts 1588 and 1589 are met. If any discrepancies are found in these accounts, an explanation should be provided.”

On page 26 of Reference 3, Newmarket-Tay Power RZ states that “On a cumulative basis, the unresolved difference of \$346,062 for Account 1589 is not significant.”

On page 24 of Reference 3, the principal adjustment of Newmarket-Tay Power RZ is as follows:

**Table 4 – GA Analysis Wordform Account 1589 Summary -Newmarket-Tay Power RZ**

Year	Net Change in Principal Balance in the GL (i.e. Transactions in the Year)	Reconciliation Items	Adjusted Net Change in Principal Balance in the GL	Net Change in Expected GA Balance in the Year Per Analysis	Unresolved Difference	Unresolved Difference as % of Expected GA Payments to IESO
2020	\$532,972	\$288,168	\$821,140	\$528,334	\$292,806	1.4%
2021	\$(488,210)	\$365,080	\$(123,130)	\$(182,724)	\$59,594	0.4%
2022	\$1,079,697	\$(1,035,427)	\$44,270	\$50,608	\$(6,338)	(0.1)%
<b>Cumulative</b>	<b>\$1,124,459</b>	<b>\$(382,179)</b>	<b>\$742,280</b>	<b>\$396,218</b>	<b>\$346,062</b>	<b>0.7%</b>

Question(s)

- a) Please provide explanations and analysis of the \$292,806 unresolved difference in 2020, as noted in the above Table 6.1, in light of Reference 1 & 2, regardless of the less than 1% cumulative percentage variance. Please also revise the schedules as needed.
- b) Please explain why the 2020 principal adjustments of \$351,128 in Reference 4 Tab Account 1588 Cell D18 1 does not agree with the principal adjustments of \$303,537 in Reference 4 Tab Principal Adjustments Cell V62. Please also update the schedules as needed.