IRR 1 – 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 [1] (Sheet 11)
2. Updated Hydro One Sub-Transmission Rates (Sheet 11)[2]
3. Updated Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge[3] (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
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

[1] EB-2023-0222, Decision and Order, January 18, 2024,
[2] EB-2023-0030, Partial Decision and Rate Order, December 14, 2023,
[3] 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%

Response:

a) Confirmed for NTRZ and MRZ.

IRR 2 - 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." [4]
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."[5]

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.

Response:

a) NT Power's 2023 approved IPI was 3.7%. The calculation is provided in ICM/ACM model in IRR 2 - Attachment 1a. The materiality threshold for the Newmarket-Tay rate zone (NTRZ) from applying an IPI of 3.7% is as follows:

[4] EB-2014-0219, Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, page 23.
[5] 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.

Table – 2.1

Price Cap Year	Threshold CAPEX
2012	$ 7,331,551
2013	$ 7,428,621
2014	$ 7,529,533
2015	$ 7,634,437
2016	$ 7,743,491
2017	$ 7,856,861
2018	$ 7,974,716
2019	$ 8,097,234
2020	$ 8,224,599
2021	$ 8,357,004
2022	$ 8,494,648
2023	$ 8,637,737
2024	$ 8,786,488

In the event that OEB staff is referring to the 2024 IPI of 4.8%, the calculation is provided in the ICM/ACM model in IRR 2- Attachment 1b. The materiality threshold for NTRZ from applying an IPI of 4.8% is as follows:

Table – 2.2

Price Cap Year	Threshold CAPEX
2012	$ 8,017,309
2013	$ 8,176,229
2014	$ 8,343,194
2015	$ 8,518,612
2016	$ 8,702,910
2017	$ 8,896,539
2018	$ 9,099,970
2019	$ 9,313,699
2020	$ 9,538,249
2021	$ 9,774,166
2022	$ 10,022,027
2023	$ 10,282,436
2024	$ 10,556,028

b) The maximum eligible incremental capital using the OEB's issued inflation parameter of 4.8% is as follows:

Table – 2.3

Component	Amount ($)
2024 Capital Expenditure Forecast	18,631,284
Less: Materiality Threshold	10,556,028
Maximum Eligible Incremental Capital	8,075,256

c) As discussed in the Manager's Summary, while preparing the ICM request for this proceeding, NT Power noted that the calculated materiality threshold and maximum eligible incremental capital being produced by the model was yielding highly unusual and unexpected results. It was determined that the inflation factor of 4.8% was a key driver of this, as well as the number of years since rebasing. Since the ICM materiality threshold formula factors in the cumulative impact of both growth and the price cap index, NT Power's unusually high materiality threshold was being driven by the record-high inflation factor for 2024 and NT Power's 13-year deferred rebasing period (last rebased in 2011). Accordingly, the use of the most recent inflation factor as a proxy for each respective year since NT Power last rebased would not accurately represent the actual historical effect of inflation on the depreciation reflected in rates.

NT Power reviewed, and agrees with, OEB staff's submission on the use of an alternative IPI, as filed in other utility ICM applications in recent years (notably Alectra Utilities' 2023 and 2024 ICM applications). In those proceedings, OEB staff submitted that the intention of the materiality threshold is to calculate how historical IPIs and growth have affected the level of depreciation expense being recovered in current rates, from the level of depreciation expense recovered as part of the revenue requirement underpinning approved rates at the utility's last rebasing. OEB staff further noted that given the sharp increase in IPI beginning in mid-2021, it is unlikely that the current IPI will accurately represent the historical effect of inflation on depreciation. Using the current high IPI would therefore inflate the materiality threshold value, relative to the impact that actual historical price cap rate adjustments and growth have had on rates and revenues.[6] NT Power believes that these statements not only apply to the circumstances for NT

[6] EB-2022-0013, OEB Staff Submission, August 23, 2022, p.4-7. EB-2024-0004, OEB Staff Submission, October 18, 2023, p.4-8

Power's ICM request in this proceeding, but are exaggerated by the 13-year period since NT Power last rebased rates in its Newmarket-Tay rate zone.

NT Power also considered using a simple arithmetic mean of the IPIs from 2012 to 2024 (1.67%), as well as by applying NT Power's actual approved 2012 to 2024 Price Cap Index to depreciation expense. The results from these different approaches are as follows:

Table – 2.4

IPI	2024 IPI 4.80%	Geometric Mean 2.11%	Arithmetic Mean 1.67%	Actual IPI from 2012-2024*
Materiality Threshold	$10,556,028	$6,812,164	$6,369,768	$5,385,557
Maximum Incremental Capital	$8,075,256	$11,819,120	$12,261,517	$13,245,728
Revenue Requirement per ICM/ACM Model	$683,864	$785,699	$785,699	$785,699

*Note that NT Power did not have rate increases in NTRZ in 2013 and 2016 as no rate applications were filed for those respective years.

NT Power proposed to use the geometric mean as it considers the compounding effect of different IPI values in their respective years, and would more accurately reflect actual historical price cap rate adjustments and growth on rates and revenues for NT Power's circumstances than the use of the 2024 OEB inflation factor. The use of the 2024 inflation factor would materially understate and misrepresent this value.

IRR 3 - 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 Works on Highways 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.[7]

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. [8]

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

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

System Access-Expenditure	Capital Expenditure($MM)
Material	$5.81
Labour & Equipment	$9.88

[7] Public Service Works on Highways Act, R.S.O. 1990, c. P.49, s. 2 (2); 2020, c. 12, s. 86 (7).
[8] 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).

Capital Contribution	($6.41)
Net Total	**$9.28**

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.

Response:

a) NT Power became aware of this project during the initial phase of the broader Yonge Street relocation project, covering Davis Drive to Sawmill Valley Drive/Savage Road, which was completed in October 2017. York Region developed their Master Plan in 2016, which informed the general scope of work for the Yonge Street North capital project. Initial York Region Streetscaping designs did not begin until late 2017.

b) This project is categorized as System Access only and there is no cost component in System Renewal, System Service or General Plant. Based on NT Power's most recent Asset Condition Assessment report, if not for this System Access project, NT Power would not have replaced or performed work on the

assets on Yonge Street within the next 10-15 years. A further breakdown of the System Access cost components is provided in the table below.

Table – 3.1

Description	Material	Labour	Equipment	Total
Caissons & Poles Installations	$4,288,328	$1,852,824	$1,307,703	$7,448,855
Conductors Installations	$887,185	$1,589,929	$1,253,812	$3,730,926
Ductbank Relocations	$630,563	$873,889	$296,906	$1,801,358
Temporary Backup Generators	-	$767,756	$487,051	$1,254,806
Contract Administration & Inspections	-	$1,454,157	-	$1,454,157
Total	**$5,806,075**	**$6,538,556**	**$3,345,471**	**$15,690,102**

c) The capital contributions, as shown in the table below, represents York Region's cost responsibility based on the cost sharing agreement executed between York Region and NT Power, which is generally based on the cost-sharing arrangements prescribed in the PSWHA Act. The final agreed-upon cost sharing arrangement is more favourable to NT Power than a cost sharing agreement based solely on the stipulations in the PSWHA Act. In particular, there are certain costs that York Region has agreed to bear 100% of the responsibility for, to the benefit of NT Power and its ratepayers, that the standard terms in the PSWHA would otherwise require NT Power to bear.

Table – 3.2

Description	Material	Labour	Equipment	Total
Caissons & Poles Installations	$1,517,594	$1,091,655	$821,519	$3,430,768
Conductors Installations	-	$787,065	$626,906	$1,413,971
Ductbank Relocations	-	$432,603	$148,453	$581,055
Temporary Backup Generators	-	$380,063	$243,525	$623,588
Contract Administration & Inspections	-	$362,963	-	$362,963
Total	**$1,517,594**	**$3,054,348**	**$1,840,403**	**$6,412,345**

d) If the ICM funding requested is denied, NT Power is still required to proceed with the York Street Road Widening Project in accordance with the PSWHA Act. NT Power will continue to manage the project in a prudent manner and ensure that the relocation of infrastructure is completed by the specified date irrespective of whether ICM funding is received or not.

e) Confirmed.

IRR 4 - 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	2018-2023 Actual	2018-2023 Variance
Funded through distribution rates			
System Access Line Relocation (Davis to Green Lane).			
Funded through ICM rate riders			
Line Relocation (Davis to Green Lane).			
Total			

Response

a) In responding to this question, NT Power assumes that only Line Relocation projects are being requested in this question and not a full project listing for all capital expenditures. NT Power also expanded the time period in the table to include 2011 to 2024 to show the connection between amounts funded in rates, as well as to be able to show total amounts pertaining to an entire project, as some projects started prior to 2018, and were subsequently completed between 2018 and 2023. Also, NT Power assumed that the “Budget” amount in Table 2 above is intended to represent NT Power’s internal budget and not the approved amount in base rates. NT Power provides the below re-formatted table to be responsive to what NT Power believes the intent of the question is, which is to assess amounts that are beyond the level of capital expenditures that are expected to be funded through base rates.

Table 4.1

	2011	2012-2023			2024
	Actual	**Budget** (Note 1)	**Actual**	**Variance**	**Forecast**
SYSTEM ACCESS LINE RELOCATION PROJECTS					
1. YRT VIVAnext BRT Road Widening - Davis Dr (Yonge to Hwy 404)	$10,548	$1,937,576	$2,499,367	$561,791	$0
2. YRT VIVAnext BRT Road Widening– Yonge St (Davis Dr to Sawmill Valley/Savage Rd)	$0	$2,579,000	$2,348,000	($231,000)	$0
3. Town of Newmarket Road Widening – Park Ave	$0	$95,000	$103,456	$8,456	$0
4. York Region Road Widening – Yonge St (Davis Dr to Green Lane)	$0	$234,554 (Note 4)	$243,825	$9,271	$9,277,757
5. Town of Newmarket Road Widening – Millard Ave	$0	$0	$0	$0	$80,000
Total	**$10,548**	**$4,846,130**	**$5,194,676**	**$348,546**	**$9,357,757**
FUNDING OF PROJECTS					
Funded through distribution rates (Note 2)	$44,000	N/A	$558,645	N/A	$53,434
Funded through requested ICM (Note 3)	$0	N/A	$0	N/A	$9,277,757
Unfunded through distributions rates	$0	N/A	$4,636,031	N/A	$26,566
Total	**$44,000**	**N/A**	**$5,194,676**	**N/A**	**$9,357,757**

Note 1 – Budget amounts represent the final internal budget for the net capital project for the specified projects.

Note 2 –Amounts represent the $44,000 in base rates for 2011, escalated by NT Power's price cap index from 2012 to 2024 and summed together for those years.

Note 3 – NT Power has not requested or been approved for any other line relocation ICMs beyond the one requested in the current proceeding.

Note 4 – This amount represents the portion of the work completed prior to 2024.

b) The notable 2012-2023 variances between budget and actual are as follows:

i. **Project #1 YRT VIVAnext BRT Road Widening - Davis Dr (Yonge to Hwy 404):** This was the first major VIVA road widening project that was undertaken by NT Power with York Region. The budget was prepared while the design was in progress and with estimated construction costs. The variance in actual expenditure was attributed to an increase in scope of work greater than originally planned and an underestimation of construction costs.

ii. **Project #2 YRT VIVAnext BRT Road Widening– Yonge St (Davis Dr to Sawmill Valley/Savage Rd):** Based on experiences from Project #1, NT Power was in a better position to estimate costs and scope of work for Project #2. Greater contingency costs were built into the budget to take into account potential scope increases experienced once construction started. NT Power was ultimately able to forecast costs within 10% of the budgeted amount.

c) In the approved settlement proposal for the Newmarket-Tay rate zone, parties agreed to test year capital expenditures of $5,259,062, which represented actual 2010 capital expenditures.[9] Within this capital expenditures amount, approximately $44,000 was for a different road relocation project. The requested ICM is $9,227,757, which is $3,968,695 more than the entire approved total capital expenditures in the test year. As discussed on pages 36-38 of the Manager's Summary, this project represents 50% of the entire capital budget for the Newmarket-Tay rate zone in 2024 and is not in any way related to an ongoing capital program embedded in rates. The capital funding requested in this proceeding is clearly not funded by existing distribution rates.

[9] EB-2009-0269, Decision and Rate Order, February 24, 2011

IRR 5 - 1-Staff-5

Asset Management and Capital Planning
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.

Response:

a) As with all other electrical assets within NT Power's service areas, the asset management and capital planning process provides a systematic process for determining and justifying long-term sustainment needs. Health indexing and risk assessment form the basis of these processes. The Health Index expresses the condition of an asset as a single number, and risk assessment accounts for the consequence of asset failure. Using this process, the quantities of assets that will require attention in the next several years can be estimated.

   However, it should be noted, the relocation works is considered System Access. The existing electrical assets would not have been replaced and/or relocated if had not been requested by York Region and mandated by the PSWHA.

b) The details of this project were not included as evidence in a prior proceeding, as NT Power has not rebased since the project became known, however, it was discussed in NT Power's 2020-2024 Distribution System Plan, filed in the EB-2017-0269 MAADs proceeding as a post-hearing filing.

c) N/A

IRR 6 – 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.

Response:

a) NT Power performed a high-level review of the current reliability performance of the overhead assets in the project area and deemed the reliability benefit negligible when compared to relocating assets underground. Furthermore, the customer hours of interruptions, as well as traffic interruptions, to perform the

relocation work would significantly increase two to three-fold if option 2 was pursued.

b) The circuits on the existing pole line have seen no issues related to the overhead equipment since 2018. Therefore, the reliability benefits to relocate underground would be negligible. Also, the option to underground the distribution system would be significantly higher (estimated to be 5-6 times more than current configurations) and therefore it was determined to be uneconomical, relative to relocating the overhead system. Furthermore, other factors were considered that could severely affect the viability and cost of option 2 (easements for all properties along Yonge St, expropriation of lands, coordination with all customers to change all incoming overhead services to underground, boulevard space to accommodate underground assets, construction timelines, etc.).

c) No other options were considered.

IRR 7 - 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.

Response:

a) NT Power's communication to customers regarding the Yonge Street Road Widening Project includes:

- Project Pages on the NT Power and York Region websites
- Signs at the site with QR Codes directing to the websites
- Posts on social media about the project
- Letters to customers in the area who will be directly affected by the construction work

Furthermore, NT Power plans to issue letters to customers about planned outages as the outages are scheduled.

b) NT Power has not received any feedback from customers resulting from the above communication efforts.

c) N/A

IRR 8 - 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.

Response:

a) The Account 1580 – WMS balances in the 2.1.7 RRR column of the IRM Rate Generator Models are incorrect. The balances as shown in the Continuity Schedule for Account 1580 – WMS, Account 1580, Sub-account CBR Class A and Account 1580, Sub-account CBR Class B correctly represent the balance in each account/sub-account. NT Power will file a RRR 2.1.7 revision to correct the Account 1580 – WMS balance in the RRR.

IRR 9 - 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.[10]

Question(s)

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.

[10] OEB Procedural Order No.2, June 2, 2023, P2-3.

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

Account/ Description	Debit-$	Credit-$	Year	Remark

Response:

a) A summary of the entry in error and the correcting entry is as follows:

Table – 9.1

	Account/ Description	Debit-$	Credit-$	Year	Remark
JE 1	Accounts Receivable	$768,874		2020	Accrual entry made in error
	Account 1588 RSVA Power		$274,795		
	Account 1589 RSVA Global Adjustment		$494,079		
JE 2	Account 1588 RSVA Power	$274,795		2021	Correcting JE
	Account 1589 RSVA Global Adjustment	$494,079			
	Accounts Receivable		$768,874		

b) Each one of the requirements of the OEB's decision and order cited by OEB Staff were explicitly addressed on pages 16-22 of the Manager's Summary. However, NT Power will reproduce its responses and further discuss and elaborate, where appropriate, on each specific item as follows:

Requirement 1 - 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.

As noted on pages 17-18 in the Manager's Summary, NT Power confirmed that the below allocation accrual entry was made in error. The CT 2148 credit of $768,874 that was included on the IESO invoice was the result of a settlement adjustment relating to Class A customers' consumption. The allocation of the $768,874 was apportioned between RPP customers (in Account 1588) and non-RPP Class B customers (in Account 1589) as follows.

Debit Accounts Receivable (IESO)	$768,874	
Credit Account 1588 RSVA Power		$274,795
Credit Account 1589 RSVA Global Adjustment		$494,079

Requirement 2 - 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.

As discussed in the Manager's Summary, the nature of the RPP and non-RPP allocation journal entry is a standard journal entry made to ensure that Global Adjustment charges stemming from prior period adjustments (i.e. CT 2148) are appropriately allocated to Accounts 1588 and 1589, in accordance with the Accounting Guidance related to Accounts 1588 Power and 1589 Global Adjustment. The calculation process and basis for the pro-ration was the percentage of the customer class's consumption for the month in which the error pertained to (i.e. RPP consumption as a percentage of the total RPP and non-RPP consumption; and non-RPP consumption as a percentage of total RPP and non-RPP consumption) applied to the total adjustment of $768,874. However, as clarified in response to SEC-2, the RPP and non-RPP shares were transposed in the erroneous accrual entry (i.e. Account 1589 should have been allocated $274,795 and Account 1588 should have been allocated $494,079). Despite the incorrect allocation in the accrual, NT Power confirms that all CT 148 (Global Adjustment Class B) and CT 2148 amounts, including the CT2148 credit that was included in the December 2020 IESO invoice,

were correctly apportioned based on the total RPP and non-RPP consumption in the month that the amounts pertained to and recorded in the general ledger.

Requirement 3 - Provide updated 2020 and 2021 Global Adjustment Analysis Workforms that incorporate the two adjustments.

In its pre-filed evidence, NT Power included updated GA Analysis Workforms for 2020 and 2021, incorporating the required adjustments pertaining to the CT2148 issue, as well as other adjustments following a comprehensive and extensive review of its deferral and variance account (DVA) balances.

Requirement 4 - Confirm that Newmarket-Tay Power has completed a full review of its DVAs and certifies that the balances are accurate.

As noted in the Manager's Summary, NT Power confirmed that it has completed a full and comprehensive review of its DVAs and certified that the balances are accurate.

Requirement 5 – Provide a full explanation addressing the four factors listed in the OEB's Guidance letter issued on October 31, 2019.

NT Power addressed all four factors listed in the OEB's Guidance letter issued on October 31, 2019 in its Manager's Summary on pages 19-22. To summarize:

- Control – The error was within NT Power's control, however, there were many factors that contributed to the error. NT power should have corrected the error in its 2020 balances during the 2022 IRM proceeding, however, the balance including the erroneous accrual appeared reasonable at the time as the GA Analysis Workform for 2020 submitted in that proceeding met the threshold test. Subsequently, NT Power identified the error in 2021 during the preparation of its 2021 GA Analysis Workform for the 2023 IRM application. NT Power realized that the CT 2148 credit amount, which was initially expected to be reflected in the 2021 fiscal year, was already reflected in 2020. Furthermore, this error may have been prevented had the confirmation NT Power sought from the IESO, on whether the December 2020 invoice already included the adjustment, had been received on a timelier basis. The confirmation was received as the proceeding was ongoing instead of during the preparation phase of the rate application; and in NT Power's view, this increased the probability of the oversight.
- Frequency – There is no history of NT Power making this type of error.

- Failure to follow guidance – This error does not flow from any failure to follow OEB guidance. In fact, NT Power was strictly following the OEB's guidance when it made the journal entry that led to the error as the intention of the erroneous accrual entry was to ensure that account balances reflect all amounts and transactions that pertain to the fiscal period being disposed. The error resulted because the adjustment was already reflected in the December 2020 IESO invoice, unknown to NT Power at the time.
- Errors by other distributors – Given the highly specific nature of this error (a single erroneous journal entry), NT Power is not aware of any cases where another distributor made the same or similar error.

In addition, NT Power included in its Manager's Summary additional context on the nature of its operations, including the impact of the COVID-19 pandemic, as part of its discussion of factors that contributed to this erroneous accrual.

c) As noted in the Manager's Summary, NT Power has undergone a full-scale, comprehensive review of its processes, data sources, and accounting practices associated with its DVAs, with a strong emphasis on Commodity Pass-through Accounting 1588 and 1589. During this review, NT Power has identified and implemented improvements in its controls and processes. Also, since the occurrence of the error, NT Power has ensured that it has a thorough and comprehensive understanding of the accounting for commodity accounts. An example of the improvements NT has made includes monitoring and assessing reasonability of commodity account balances on a monthly basis. This ensures a timely investigation of any unexpected variances. In addition, NT Power continues to focus on ensuring that the account balances reflect all amounts and transactions pertaining to the fiscal period being disposed. This includes ensuring that appropriate true-ups are made in the appropriate period. Specific to CT2148, NT Power's understanding is that IESO no longer uses CT 2148 pertaining to adjustments after May 1, 2024. NT Power monitors and tracks all prior period adjustments made to settlements to ensure that any prior period adjustments relating to Global Adjustment are reflected in the appropriate period. All of the above are steps taken, amongst other improvements, that make it highly improbable that a similar error would occur moving forward.

IRR 10 - 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)%
Cumulative	**$1,124,459**	**$(382,179)**	**$742,280**	**$396,218**	**$346,062**	**0.7%**

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.

Response:

a) The GA Analysis Workform is, in essence, a reasonability test. In NT Power's view, unresolved differences being greater than 1% do not necessarily signify that the Account 1589 balance is incorrect. Similarly, unresolved differences being less than 1% does not guarantee that the Account 1589 balance is correct (as was the case in NT Power's 2022 IRM application). The OEB has also expressed this view previously.[11] NT Power believes that the 1% threshold is a guideline and not a definitive threshold. As noted in reference 1, any unexplained discrepancy that is greater than 1% warrants further analysis and NT Power has done such an analysis already. As discussed in the Manager's Summary, NT Power performed a full-scale, comprehensive review including a review of processes, data sources, and accounting practices associated with its DVAs. In its review, NT Power did not identify any issues with the accounting for Account 1589 and 1588. Furthermore, any reconciling items and principal adjustments identified have been appropriately reflected in the GA Analysis Workform.

   The unresolved difference for Account 1589 for 2020 is 1.4%, 0.4% above the 1% threshold. However, the unresolved differences for 2021 and 2022 are both below the 1% threshold (0.4% and (0.1%), respectively). The cumulative unresolved difference for Account 1589 from 2020 to 2022 is also below the 1% threshold. NT Power notes that the Account 1588 reasonability test has also been met for each year from 2020 to 2022, and on a cumulative basis. Given that the accounting for Accounts 1589 and 1588 are correlated, the Account 1588 reasonability test provides further assurances that the Account 1589 balance is reasonable. NT Power reiterates its assurances that it has already devoted its maximum staff efforts towards investigating any potential errors in its DVA

[11] EB-2023-0106 Decision and Order page 13.

balances, and that the balances requested for disposition are accurate, reasonable, and in line with OEB Accounting guidelines.

b) The $47,591 difference between the 2020 principal adjustment of $351,128 in the Account 1588 tab of the GA Analysis Workform and the $305,537 in the Principal Adjustments tab of the GA Analysis Workform is due to a reconciling item relating to 2019. The principal adjustments in the Account 1588 tab and the Principal Adjustment tab serve different purposes. The principal adjustments in the Principal Adjustments tab are used to adjust the balance recorded in the general ledger to the appropriate balance to be requested for disposition. The 2020 balance that was previously approved for disposition excluded the $47,591 as a principal adjustment. Therefore, this amount is also excluded as a principal adjustment in the Principal Adjustment tab of the GA Analysis Workform filed in this proceeding. On the other hand, the Account 1588 tab is a reasonability test that assesses the calendar year Account 1588 activity recorded in the account. The amount in the principal adjustment column adjusts the balance recorded in the general ledger as necessary, to reflect all calendar year activity. Therefore, NT Power included a reconciling item of $47,591 in the principal adjustment column of the Account 1588 tab as this amount pertained to 2019 but was recorded in the 2020 general ledger.

IRR 11- SEC-1

[p.16-22] With respect to the proposed adjustment to correct the errors made:

a. Please provide the total interest it seeks to collect and the breakdown by year related to the proposed adjustment.
b. Please provide a table that shows for each of Account 1588 and 1589, the total amount being sought from each customer class because of the proposed adjustment.
c. Please provide a bill impact table, for each customer class, that shows the impact of the proposed adjustment. Please provide all underlying calculations.

Response:

a) The interest associated with the proposed adjustment, including associated amounts disposed to Account 1595, is as follows:

Table – 11.1

	Accounts 1588 and 1589 ($)	**Account 1595 (2020) ($)**
Dec. 31, 2020 Balance	(768,874)	0
Jan - May 2021 Interest	(1,461)	0
May 1, 2021 Balance	0	(768,874)
May to August 2021 Interest	0	(1,180)
August 31, 2021 Balance	768,874	(532,297)
Sept to Dec 2021 Interest	1,461	(730)
2021 Total Interest	0	(1,910)
2022 Interest	14,724	(303)
2023 Interest	38,790	0
2024 Interest	14,070	0
Total Interest	**67,584**	**(2,213)**

b) The total amount being sought from each customer class for the proposed adjustment is as follows:

Table – 11.2

	Account 1588		Account 1589	
	% of total kWh	Balance ($)	% of total kWh	Balance ($)
RESIDENTIAL SERVICE	44.2%	121,485.78	1.9%	9,354.99
GS<50	13.9%	38,326.35	8.1%	40,241.80
GS 50 to 4,999 kW SERVICE	41.4%	113,742.80	88.7%	438,156.81
USL	0.0%	107.31	0.0%	0.00
SENTINEL LIGHTING	0.0%	66.93	0.0%	0.00
STREET LIGHTING SERVICE	0.4%	1,065.83	1.3%	6,325.40
	100.0%	**274,795.00**	**100.0%**	**494,079.00**

c) The bill impact for each customer class showing the impact from the proposed bill including the adjustment to the bill excluding the adjustment is as follows. The underlying calculations are provided in IRR11 - Attachment 2

Table – 11.3

Rate Class	Consumption	Rate Rider ($/kWh)	Charge ($)	Proposed Charge With Adjustment ($)	Charge Without Adjustment ($)	$ Impact	% impact
Residential RPP	750	0.0004	0.30	134.86	134.56	0.30	0.22%
GS<50 RPP	2,000	0.0004	0.80	347.41	346.61	0.80	0.23%
GS>50 Non-RPP	237,500	0.0004 0.0026	95.00 617.50	36,611.99	35,899.49	712.50	1.95%
USL - RPP	200	0.0004	0.08	40.74	40.66	0.08	0.20%
Sentinel - RPP	475	0.0004	0.19	77.79	77.60	0.19	0.24%
Street Lighting - Non-RPP	474,500	0.0004 0.0026	189.80 1,233.70	72,233.12	70,809.62	1,423.50	1.97%
Residential Non-RPP	750	0.0004 0.0026	0.30 1.95	145.43	143.18	2.25	1.55%

IRR 12 - SEC-2

[p.18] The Applicant states: "CT 2148 is effectively a balancing adjustment to the original CT 148 Global Adjustment charge from the IESO. Its accounting treatment therefore requires apportionment between the two classes of customers that ultimately pay for the CT 148 charge – RPP Class B customers and Non-RPP Class B customers. NT Power confirms that this charge type adjustment has been appropriately apportioned, on the basis of each customer class's consumption for the month in which the correction pertains to. Specifically, of the total kWh for the month in which the adjustment pertains to, RPP consumption represented 64.26% of total Class B consumption and Non-RPP kWh consumption represented 35.74%, resulting in the allocated amounts of $274,795 and $494,079, respectively." If the total Non-RPP kWh consumption was 35.74% of total class B consumption, please explain why Account 1589 was allocated $494,079, and not $274,795.

Response:

NT Power would like to clarify this aspect of its evidence. The intent of that section of the Manager's Summary was to emphasize that the actual Charge Type 2148 amount, as included in the IESO's invoice, was appropriately allocated to each customer class based on their proportionate consumption. However, the erroneous accrual that was recorded in December 2020 through the journal entry below was also incorrectly apportioned between the two commodity accounts (the amounts were transposed between the 1588 and 1589 portions). In this application, NT Power is seeking to reverse this erroneous accrual.

Debit Accounts Receivable (IESO)	$768,874	
Credit Account 1588 RSVA Power		$274,795
Credit Account 1589 RSVA Global Adjustment		$494,079

However, to be clear, all CT 148 (Global Adjustment Class B) and CT 2148 amounts, including the CT2148 credit that was included in the December 2020 IESO invoice were correctly apportioned based on the total RPP and non-RPP consumption in the month the adjustment pertained to and recorded in the general ledger.

IRR 13 - SEC-3

[Appendix A] With respect to the project budget.

a. Please provide a breakdown of the project budget.
b. The Applicant notes that the estimated cost of the project was provided by the constructor during the tender process.

    i. Please confirm that the Applicant undertook a specific competitive procurement for this project.
    ii. Please provide the number of bidders for the project and on what basis the contractor was selected.

Response:

a) Please refer to IRR 3 - 1-Staff-3

b)

i. NT Power participated in a competitive procurement process that was led by York Region. The Request for Tender (RFT) included the advance construction work to support the reconstruction and road widening of Yonge Street for both NT Power's electrical asset relocations and York Region's road widening construction work. Both parties agreed that combining the construction work into one tender would yield cost savings.

ii. RFT details can be found on York Region's public website: https://york.bidsandtenders.ca/Module/Tenders/en/Tender/Detail/018b995f-85da-4517-9353-ab7a20c3ae27

The successful contractor was selected by York Region based on its evaluation process. However, the lowest bid was selected.

IRR 14 - 3.2-CCMBC-1

Reference: Exhibit 3.2 Elements of the Price Cap Plan, Page 9, Table 3 Calculation of Price Cap Index for 2024

Preamble: "On June 29, 2023, the OEB issued a letter on the inflation factors to be used to set rates for 2024. The industry-specific inflation factor for 2024 rate applications for electricity distributers is 4.8%."

Questions:

a) Please confirm that NT Power has been using the OEB inflation factors to set rates since last rebasing.

b) Has the OEB inflation factor increased since 2021?

c) Please confirm that a higher OEB inflation factor results in a higher price cap increase and a higher annual rate adjustment.

d) Please confirm that a lower OEB inflation factor results in a lower price cap increase and a lower annual rate adjustment.

Response:

a) Confirmed.

b) Yes.

c) Confirmed.

d) Confirmed.

IRR 15 - 3.3-CCMBC-2

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 33

Preamble: "The inflation measure (the Input Price Index or IPI) used to calculate the PCI in the materiality threshold formula is the OEB-approved inflation factor for the respective ICM year (i.e., 4.8% in 2024 for electricity distributors), and this inflation factor is applied to each historical year."

Question:

a) Is the quoted text in the preamble an exact quote from Section *4.1.5 of the Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module* (EB-2014-0219), issued on September 18, 2014 ("the ACM Report")? If the answer is no, please file the exact quote that NT Power is paraphrasing.

b) Is NT Power applying for an exemption from Section 4.15? If the answer is yes, please explain why the application for exemption was not included in the application. If the answer is no, please explain why not.

c) Does NT Power believe that the OEB policy is wrong and should be changed? If the answer is yes, please explain why and discuss the process to change it. If the answer is no, please explain what NT Power is seeking.

Response:

a) The quoted text in the preamble is not an exact quote from the referenced report. The quote is NT Power's explanation of what the materiality threshold calculation does based on the formula of the calculation.

b) NT Power's proposed approach to the IPI value in the ICM/ACM model, and commensurate capital funding, has been explicitly presented. In the application, NT Power noted that the materiality threshold in the ICM/ACM model typically uses the Price Cap Index from the distributor's most recent Price Cap IR application. NT Power also stated that it has applied the geometric mean IPI calculated from 2012 to 2024 in the ICM Module for the purposes of calculating the threshold capital expenditure level in NTRZ, and provided its rationale for doing so.

c) In its application, NT Power discussed the materiality threshold as applied to its own particular circumstances in this specific proceeding. In particular, NT Power noted highly unusual results in its calculated materiality threshold. The application of the most recent inflation factor has a material impact on NT Power's materiality threshold as the multi-year ICM materiality threshold formula factors in the cumulative impact of both growth and the price cap index over the years since NT Power's last rebasing application for 2011 rates. This is compounded by the 4.8% inflation factor being the highest inflation factor the OEB has ever issued during a period of significant volatility.

   In short, NT Power is not suggesting that the standard OEB approach is necessarily "wrong" – it may be that in other circumstances, there is no material impact from using the current IPI in the model. However, NT Power's position is that applying the standard IPI approach in this specific set of circumstances (including the extensive 13-year period since rates were rebased) is yielding a materially inaccurate representation of the amount of capital funding already included in base rates, and thus, constraining the setting of just and reasonable rates. NT Power is seeking to remedy this shortcoming of the model's calculations by accounting for the different annual inflation amounts experienced by NT Power since last rebasing on a geometric average basis.

IRR 16 - 3.3-CCMBC-3

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 34, Table 8.1

Preamble: Accordingly, NT Power has applied the geometric mean IPI calculated from 2011 to 2024 (2.12%) in the ICM Module for the purposes of calculating the threshold capital expenditure level in NTRZ.

Question:

a) Please explain how NT Power calculated the 2.12% geometric mean by filing a schedule that shows all inputs and formulas.

b) Please add a column to Table 8.1 showing the Price Cap for each year from 2012 to 2024 inclusive and file the table with the added column.

Response:

a) The geometric mean is calculated using the following formula.

$$G = \sqrt[n]{X_1 \,.\, X_2 \,\ldots\ldots\, X_n}$$

In preparing the response to this question, NT Power notes that the OEB IPI as presented in Table 8.1 of the Manager's summary for 2012 and 2013 should be 2.0% and 1.6% respectively, and not 1.85% and 1.90% as presented in Table 8.1 of the Manager's Summary. The recalculated geometric mean is 2.11% instead of 2.12%. Please see IRR 16 - Attachment 3 for the calculation.

NT Power provides an updated ICM/ACM model in Attachment 3 using the geometric mean of 2.11%. A comparison of the amounts in the model using 2.11% and 2.12% as inflation is shown in the table below. NT Power provides the revised ICM/ACM model in IRR 16 - Attachment 4. The total funding requested is unchanged following this correction.

Table -16.1

Geometric Mean	2.11%	2.12%
Materiality Threshold	$6,812,164	$6,825,022
Maximum Incremental Capital	$11,819,120	$11,806,263
Revenue Requirement	$785,699	$785,699

b) The requested table (revised for 2012 and 2013 inflation figures as noted in the response to part a above), is as follows:

Table - 16.2

Year	OEB IPI	Geometric Mean 2012-2024	IPI vs Geometric Mean	NTRZ Price Cap (I-X)*
2012	2.00%	2.11%	-0.11%	0.88%
2013	1.60%	2.11%	-0.51%	0.48%
2014	1.70%	2.11%	-0.41%	1.10%
2015	1.60%	2.11%	-0.51%	1.00%
2016	2.10%	2.11%	-0.01%	1.50%
2017	1.90%	2.11%	-0.21%	1.30%
2018	1.20%	2.11%	-0.91%	0.60%
2019	1.50%	2.11%	-0.61%	0.90%
2020	2.00%	2.11%	-0.11%	1.40%
2021	2.20%	2.11%	0.09%	1.60%
2022	3.30%	2.11%	1.19%	2.70%
2023	3.70%	2.11%	1.59%	3.55%
2024	4.80%	2.11%	2.69%	4.65%

*Note that NT Power did not file rate applications for 2013 and 2016.

IRR 17 - 3.3-CCMBC-4

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 35, Table 8.2 Threshold Capital Expenditure Calculation - NTRZ

Question:
Please file a version of Table 8.2 with the OEB Approved inflation factor of 4.8% instead of the proposed NT Power inflation factor of 2.12%.

Response:

Table 2 using an inflation factor of 4.8% is below. Please also refer to IRR 2 – Attachment 1b for the ICM/ACM model.

Table – 17.1

Threshold Capital Expenditure Calculation - NTRZ

Component	Value
Inflation	4.80%
Less: Productivity Factor	0.00%
Less: Stretch Factor	0.30%
Price Cap Index	**4.50%**
Growth Factor	**0.54%**
Rebasing Year	2011
# Years since rebasing	13
Price Cap Index	4.50%
Growth Factor	0.54%
Dead Band	10%
Rate Base	$ 62,007,907
Depreciation	$ 4,434,687
Threshold Value % - 2024	**238%**
Threshold Capital Expenditure $ - 2024	**$ 10,556,028**

IRR 18 - 3.3-CCMBC-5

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 35, Table 8.3 Capital Expenditures by Category - NTRZ

Questions:

a) Please file a detail listing in the order of priority of proposed capital projects that are included in the 2024 Capital Expenditure Budget.

b) Considering the substantial increase in capital expenditures from 2023 to 2024, what has NT Power done to mitigate the rate impacts?

c) Please provide detail explanation of the reasons for the 2021 General Plant expenditure of $8.70 million.

d) Did NT Power apply for ICM funding for the 2021 General Plant Expenditure of $8.7 million? If the answer is yes, please provide information on the ICM application. If the answer is no, please explain why NT Power did not apply for ICM funding.

Response:

a) NT Power's 2024 capital expenditure budget with priority ranking levels is shown in the table below. NT Power followed its asset management process and policy, as outlined in its 2020-2024 Distribution System Plan (DSP), to determine projects it would undertake for its 2024 capital expenditure budget. All asset investment projects are reviewed yearly, and the relative priority of each asset management objective (safety, reliability, customer focus, financial integrity and regulatory compliance) is identified with respect to each other and then assigned a relative weight and score.

Table 18.1

SYSTEM ACCESS	$MM	Priority
New Residential, Subdivision and Commercial Services - NTRZ	0.38	1
Road Authority O/H Line Relocation - Yonge Street (Davis to Green Lane)	9.28	1
Renew Meter Equip, Except Expired Meters - NTRZ	0.40	1
Sub-Total Material Projects	**10.05**	
Miscellaneous Projects (under materiality threshold)	0.00	n/a
Total System Access	**10.05**	
SYSTEM RENEWAL		
Reactive Capital, NTRZ - Distribution Equipment	0.10	1
Pole Renewal - NTRZ	0.14	1
Poleline Rebuild Project - Botany Hill Cres	0.17	2
Poleline Rebuild Project - Lewis Dr	0.19	2
Poleline Rebuild Project - William & Fairy Lake	0.16	2
Cable Replacement Project - Quaker Hills Phase 3	1.03	1
Transformer Renewal - NTRZ	0.85	1
Substation Transformer Renewal - NTRZ	1.45	1
Sub-Total Material Projects	**4.09**	
Miscellaneous Projects (under materiality threshold)	0.38	2
Total System Renewal	**4.47**	
SYSTEM SERVICE		
Upgrade 8kV Ccts from William/Newton to Bourgeois Beach/Charlie	0.30	1
Substation Relay Upgrades	1.00	2
Distribution Automation - NTRZ	0.48	2
Sub-Total Material Projects	**1.78**	
Miscellaneous Projects (under materiality threshold)	0.06	3
Total System Service	**1.83**	
GENERAL PLANT		
Fleet Vehicle Replacements	0.80	2
VLF Cable Tester and Tool Replacements	0.14	3
Office and Leasehold Improvements	0.10	4
Computer Hardware and Software Improvements	1.25	2
Total General Plant	**2.29**	
2024 Total Capital Budget	**18.63**	

b) NT Power considered whether bill mitigation measures should be proposed. Per the OEB's Chapter 3 Filing Requirements, a mitigation plan must be filed if total bill increases for any customer class exceed 10%. As shown in Appendix E of the application, there are no rate classes where the total bill increases exceed 10%. The highest bill increase is 6.5% for Residential Non-RPP customers. Therefore, in order to minimize any intergenerational inequity concerns, NT Power did not propose any bill mitigation measures.

c) The 2021 General Plant capital expenditures is mainly driven by $6.6 million for the Connection and Cost Recovery Agreement (CCRA) true-up payment to Hydro One Networks Inc. for the Holland Transformer Station.

d) Yes, NT Power applied for, and was approved, ICM funding for the CCRA in its 2021 rate application proceeding (EB-2020-0041).

IRR 19 - 3.3-CCMBC-6

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 36, Table 8.4 Maximum Eligible Incremental Capital – NTRZ

Question:

Please file a version of Table 8.4 with the Materiality Threshold calculated using the OEB Approved inflation factor of 4.8% instead of the proposed NT Power inflation factor of 2.12%.

Response:

Please refer to IRR 2-1-Staff-2b and IRR 2-Attachment 1b.

IRR 20 - 3.3-CCMBC-7

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 36, Table 8.5 Eligible Capital Project – NTRZ

Question:

Please explain the discrepancies in timing between capital expenditures and capital contributions. For example, there were no contributions collected to offset the 2018, 2019 and 2020 expenditures until 2021. Did NT Power charge interest on contribution arrears?

Please file a reconciliation of gross capital expenditures, capital contributions, and net capital expenditures for years 2018 to 2023 inclusive.

Response:

NT Power obtained the services of a third-party consultant to assist with designs for this project. At the onset of the project, NT Power and York Region agreed that York Region would cover the costs associated with the third-party design consultant. All further costs would be shared between both parties, as per the cost sharing agreement to be executed at a later date, once construction cost estimates were obtained. The two capital contributions received by York Region in 2021 and 2023 pertain to invoices paid by NT Power to the third-party consultant. These payment were made on time and NT Power did not charge interest to York Region. NT Power is not requesting to recover any amounts incurred from 2018 to 2023 that relate to this project, as part of this proceeding.

Please refer to Table 8.5: Eligible Capital Project – NTRZ for reconciliation for years 2018 to 2023, which is reproduced below.

Table 20.1

Project Description		Gross	Contribution	Net Capital Expenditure
Yonge Street Road Widening	2018 Actual	102,912	-	102,912
	2019 Actual	83,497	-	83,497
	2020 Actual	13,984	-	13,984
	2021 Actual	32,923	(101,095)	(68,172)
	2022 Actual	60,418	-	60,418
	2023 Forecast	71,604	(20,418)	51,186
	2024 Forecast	15,690,102	(6,412,345)	9,277,757
	Total	**$16,055,440**	**($6,533,858)**	**$9,521,582**

IRR 21 - 3.3-CCMBC-8

Reference: Exhibit 3.3 Elements Specific Only to the Price Cap Plan, Page 39, Project Need and Description.

Preamble: "To accommodate the growth and increased travel demands resulting from development in the Town of Newmarket, The Regional Municipality of York is expanding the transportation system. This expansion includes widening Yonge Street from four to six lanes, constructing new traffic signals, adding street lighting, installing a new storm sewer system, building sidewalks, creating boulevard bicycle lanes, and enhancing streetscaping."

Questions:

a) Is NT Power an affiliate of the Regional Municipality of York? If the answer is yes, please file the services agreement between NT Power and the Regional Municipality of York as required by the OEB Affiliate Relationships Code. If the answer is no, please explain why not.

b) Does the road widening work involve any transfers of assets, including land, between NT Power and the Regional Municipality of York or its constituent municipalities? If the answer is yes, please provide details and explain how the transfer price was determined. If the answer is no, please explain why not.

c) Please file a signed copy of the cost sharing agreement between NT Power and the Regional Municipality of York for the widening of Yonge Street.

Response:

a) No, NT Power is not an affiliate of York Region as per the definition of an affiliate under the OEB's Affiliate Relationship Code. York Region does not exercise control, directly or indirectly, over NT Power or its parent corporation(s).

b) No transfers of assets are involved.

c) Please see IRR-21 - Attachment 5 for the Cost Sharing Agreement. Please note that NT Power is seeking confidential treatment for certain aspects of the agreement.

IRR 22 - VECC-1
Ref: Appendix A

a) Please provide the date of the ICM Business Case.

b) Please discuss if this project or an ICM for this project was considered as part of EB-2017-0269.

c) Please discuss if this project was included in a previous DSP and if the need for an ICM was identified at that time.

d) If included in a previous DSP, please provide the previous budget forecast by year, schedule and scope of work for this project compared to the current proposal, and explain any variances.

e) Please confirm the start date for construction of the current project and the latest forecast in-service date of the project.

f) Please provide the amount for road relocation work included in base rates.

g) Please provide the budget for other road relocation work in 2024.

Response:

a) The date of the ICM Business Case is May 2023.

b) This project was not, nor was an ICM for this project, considered as part of the EB-2017-0269 proceeding.

c) The project was included in NT Power's 2020-2024 DSP, which was filed as a post-hearing document to EB-2017-0269 as a condition of approval. The need for an ICM was considered as a possibility at that time, but it was not certain.

d) Below is the previous budget breakdown submitted as part of 2020-2024 DSP. At the time of filing, the project was still in the early design phase and the full scope of work was not finalized. NT Power provided a high-level preliminary estimate based on Phase 1 of the Yonge Street relocation project that was completed in 2017. Variances can be attributed to cost increases due to COVID-19, inflation,

the war in Ukraine, additional scope to accommodate the relocation of existing customer services, and the final scope of work associated with the project.

Table 22.1

Project Name		2021	2022	2023	TOTAL
		$'000	$'000	$'000	$'000
Yonge St. - Davis to Green Lane Plant Relocation	Gross	$1,654	$4,408	$2,937	$8,999
	Contribution	$992	$2,695	$1,817	$5,504
	Net	$661	$1,713	$1,120	$3,494

e) Subcontractors began construction in November 2023, and the latest in-service forecast is October 2024.

f) In the approved settlement proposal for the Newmarket-Tay rate zone, parties agreed to 2010 capital expenditures of $5,259,062, which represented actual 2010 capital expenditures.[12] Within this capital expenditures amount, approximately $44,000 was for a different road relocation project.

g) In 2024, NT Power budgeted for one other road relocation project for the Town of Newmarket. The design is in progress at this time, however, the preliminary total budget was estimated to be approximately $80k.

[12] EB-2009-0269, Decision and Rate Order, February 24, 2011

IRR 23 - VECC-2
Ref: Appendix A

The initial project of the Yonge Street relocation was from Davis Drive to Sawmill Valley Drive/Savage Road. This project was completed in October 2017. The project involved installation of 55 concrete poles and approximately 3.2 km of overhead primary cables.

a) Please provide the budget and final cost of the above project and the forecast and actual construction start date and end date.

b) Please discuss if the relocation of underground assets was included in the above project. If yes, please provide the scope of work and the total cost.

Response:

a) The budget and actual costs are shown in the table below. The forecasted construction start date and end date was originally 2016 to 2018. The actual start date was June 2016, with the majority of the plant relocations completed by October 2017. However, the actual project end date was January 2019 since there was an 18-month period where NT Power accommodated minor relocations for York Region and Town of Newmarket streetlighting and traffic lights.

Table 23.1

Project Name		BUDGET	ACTUAL
		$'000	$'000
Yonge St. – Davis Drive to Sawmill Valley Drive/Savage Road Plant Relocation	Gross	$6,294	$9,775
	Contribution	$3,714	$7,427
	Net	$2,579	$2,348

b) Yes, a portion of the project included the relocation of underground assets. This was predominately for the relocation of existing underground infrastructure to connect to new pole riser locations. Furthermore, there was an overhead section (550m) that required conversion to underground in order to meet 230kV transmission clearances. The total gross cost for this work was approximately $900k.

IRR 24 - VECC-3
Ref: Appendix A

The ICM scope includes the installation of new poles, the transfer of conductors to the new poles, the removal of old poles in the overhead portion, and the relocation of underground cables and terminations.

a) Please provide the km of underground cable work.

b) Please provide the % of total budget allocated to overhead vs underground work.

Response:

a) Approximately 3km of underground cable is being installed for this project. This is predominately for the relocation of existing underground infrastructure for existing customer services and to connect to new pole riser locations.

b) Approximately 81% overhead and 19% underground work.

IRR 25 - VECC-4

Ref: Manager's Summary p. 36

With respect to Table 8.5, please explain the scope of work undertaken for the years 2018 to 2023 and what work was eligible for a capital contribution.

Response:

Please refer to IRR 20 - 3.3-CCMBC-7