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**BY EMAIL**

May 17, 2024

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission on Draft Rate Order  
Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay Power)  
Application for 2024 Electricity Distribution Rates  
OEB File Number: EB-2023-0039**

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Please find attached OEB staff's submission on the draft rate order in the above referenced proceeding, pursuant to the OEB's Decision and Order dated May 7, 2024.

Yours truly,

Oluwole (Wolly) Bibiresanmi  
Case Manager

Encl.

cc: All parties in EB-2023-0039



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission on Draft Rate Order**

**Newmarket-Tay Power Distribution Ltd.**

**Application for 2024 Electricity Distribution Rates**

**EB-2023-0039**

**May 17, 2024**

## Introduction

Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay Power) filed an incentive rate-setting mechanism application with the Ontario Energy Board (OEB) on November 22, 2023, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective May 1, 2024, for the Newmarket-Tay Rate Zone (RZ) and Midland RZ. Newmarket-Tay Power's application also included a request for capital funding for the relocation of electrical distribution assets due to a road widening project in the Newmarket-Tay RZ.

In its Decision and Order, dated May 7, 2024, the OEB, among other things, directed Newmarket-Tay Power to file a draft rate order (DRO). Newmarket-Tay Power was to include an updated Global Adjustment (GA) Analysis Workform and Rate Generator Model for both its Newmarket-Tay RZ and Midland RZ, and updated Incremental Capital Module (ICM) models reflecting the OEB's findings.<sup>1</sup> The DRO was also to provide the updated 2022 balances of Accounts 1588 and 1589, reflecting the findings of the OEB's Decision and Order, including the breakdown of the respective disallowed interest amounts, in each account, for the Newmarket-Tay RZ.

Newmarket-Tay Power filed its DRO on May 14, 2024. If the DRO were to be accepted as filed, the total bill impact (this change does not factor in applicable taxes or the Ontario Electricity Rebate), over the period starting May 1, 2024, to April 30, 2025, for a typical residential customer with a monthly consumption of 750 kWh will be an increase of \$7.04 (5.02%) for the Newmarket-Tay RZ, and an increase of \$3.91 (2.65%) for the Midland RZ.

## OEB Staff Submission

OEB staff submits that Newmarket-Tay Power has updated its GA Analysis Workform and Rate Generator Model for both its Newmarket-Tay RZ and Midland RZ, and updated ICM models in accordance with the numbers set out in the Decision and Order. However, Newmarket-Tay Power identified three errors in the Decision and Order including one which has an impact on the DRO. Each of these errors is discussed below.

### ***Group 1 Deferral and Variance Accounts – Newmarket-Tay RZ***

In its Decision and Order, the OEB determined that recovery of a portion of the principal amount of the error<sup>2</sup> should be disallowed to reflect, on an overall class basis, the percentage of customers who were not previously Newmarket-Tay Power customers in 2020 and did not receive a credit, therefore lowering the total recoverable amount on a

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<sup>1</sup> Decision and Order, May 7, 2024, pp. 39-40

<sup>2</sup> Newmarket-Tay Power had previously recorded amounts in Accounts 1588 and 1589 due to an accounting error.

class basis. The OEB disallowed recovery of a total of \$38,636 – representing a disallowance of \$29,842 (6.04% x \$494,079) of the proposed principal in Account 1588 and \$8,793 (3.20% x \$274,795) of the proposed principal in Account 1589.<sup>3</sup>

Newmarket-Tay Power indicated in its DRO that the Account 1588 and 1589 amounts noted by the OEB in its Decision and Order, for which the reduction was based, were inversed relative to the account in which the retroactive error occurred. This means that for (i) Account 1588 the actual disallowance should have been \$16,598 (6.04% x \$274,795), and for (ii) Account 1589 the actual disallowance should have been \$15,811 (3.20% x \$494,079). The resulting total disallowance should have been \$32,408, not the \$38,635 set out in the Decision and Order. However, Newmarket-Tay Power indicated that it would accept the OEB's findings for a reduction of \$38,635 – an amount (\$6,227) that would be of benefit to ratepayers and is immaterially different compared to the \$32,408 reduction.<sup>4</sup>

Newmarket-Tay Power proposed to correct the misallocation of the \$38,635 reduction to Accounts 1588 and 1589, according to the proportion of the reduction to these accounts, had the value been calculated without the error in the Decision and Order. This would result in the reallocation being consistent with the intent of the OEB's findings in determining the disallowance and result in applying a reduction of \$19,787 and \$18,848 to Accounts 1588 and 1589, respectively. Newmarket-Tay Power also noted that it was only proposing to correct the arithmetic error in the OEB's findings, based on its interpretation of the OEB's intent, with respect to which customer groups should benefit from the disallowance, and that the carrying charges for Accounts 1588 and 1589 had been calculated based on the proportion of the noted amounts.<sup>5</sup>

OEB staff agrees that there was an error in the OEB's Decision and Order with respect to Accounts 1588 and 1589 for the Newmarket-Tay RZ. OEB staff also acknowledges Newmarket-Tay Power's willingness to accept the findings for a reduction of \$38,635. However, OEB staff questions whether it is appropriate for Newmarket-Tay Power to absorb \$6,227 due to the error by the OEB in its Decision and Order. As a result, OEB staff asks that Newmarket-Tay Power, in its reply submission, provide an updated DRO that reflects the intended disallowance of \$32,408.

### ***Account 1580, Sub-account Capacity Based Recovery (CBR) Class B – Midland RZ***

In its Decision and Order, the OEB erroneously indicated that Newmarket-Tay Power had no Class A customers in the Midland RZ during the period.

In its DRO, Newmarket-Tay Power pointed out that the Midland RZ did have Class A customers during the relevant time period and proposed to dispose of the CBR Class B

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<sup>3</sup> Decision and Order, May 7, 2024, p. 17

<sup>4</sup> Newmarket-Tay Power, Draft Rate Order, May 14, 2024, p. 4

<sup>5</sup> Newmarket-Tay Power, Draft Rate Order, May 14, 2024, pp. 4-5

balance through a separate rate rider. Newmarket-Tay Power confirmed that the proposed tariff already included the CBR Class B rate rider in the Midland RZ and that no changes were required in the DRO process.

OEB staff confirms that there were, in fact, Class A customers in the Midland RZ during the relevant time period and the DRO appropriately reflects that.

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

In the Overview section of its Decision and Order, the OEB stated that Newmarket-Tay Power had requested the disposition of certain outstanding LRAMVA balances related to program savings for conservation programs that it delivered.<sup>6</sup>

In its DRO, Newmarket-Tay Power noted that it did not request disposition of LRAMVA for either of the Newmarket-Tay RZ or Midland RZ as it had nil balances for both rate zones. However, Newmarket-Tay Power did confirm that it received approval for the mechanistically adjusted LRAM-eligible amounts and the rate riders for such amounts were included in the Rate Generator Model for the Newmarket-Tay RZ and Midland RZ.<sup>7</sup>

OEB staff submits that it does not have any concerns with the LRAM-eligible amounts included in Tab 19 of the Rate Generator Model for the Newmarket-Tay RZ and Midland RZ.

~All of which is respectfully submitted~,

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<sup>6</sup> Decision and Order, May 7, 2024, p. 1

<sup>7</sup> Newmarket-Tay Power, Draft Rate Order, May 14, 2024, p. 8