**Newmarket-Tay Power Distribution Ltd.**

**EB-2024-0042**

**October 1, 2024**

Please note, Newmarket-Tay Power Distribution Ltd. (NT Power) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

**Reference:**

1. EB-2024-0042, Midland Power Utility Rate Zone (MRZ), Tab 3, Continuity Schedule, Cells BE36 and BJ36
2. EB-2024-0042, NT Power Main Rate Zone (NRZ), Tab 3, Continuity Schedule, Cells BE36 and BJ36
3. Chapter 3 - Filing Requirement for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025, June 18, 2024, Pg. 16
4. EB-2022-0050, Application for Rates and Other Charges to be Effective May 1, 2023, Decision and rate Order, Issued on March 23, 2023, Pg. 10-12

Preamble:

Chapter 3 of the Filing Requirements in Ref. (III) specifies that when the OEB approves the disposition of Deferral and Variance Account (DVA) balances, the approved principal amounts and carrying charges are to be transferred to Account 1595 for that rate year. This means that all OEB-approved dispositions from NT Power’s 2023 rate application should be transferred to sub-account 1595 (2023) for disposition and rate rider calculation.

**Question(s):**

1. OEB staff observes that the principal and interest amounts in Sub-account 1595 (2023) in both Ref. (I) and Ref. (II) do not match the total amounts approved by the OEB for disposition. OEB staff notes that these amounts should correspond to the total approved for disposition in Ref. (IV), but with the opposite sign. Please explain the discrepancy.
2. OEB staff also notes that an approved disposition for Account 1595 (2018), referenced in Ref. (IV), is missing from the Continuity Schedule for both rate zones under the 2023 column. Please confirm if Account1595 (2018) was disposed of on a final basis and that the account balance is now zero.

**Staff Question-2**

**Reference:**

1. EB-2024-0042, Midland Power Utility Rate Zone (MRZ), Tab 3, Continuity Schedule, Columns BM and BN
2. EB-2024-0042, NT Power Main Rate Zone (NRZ), Tab 3, Continuity Schedule, Columns BM and BN
3. EB-2023-0039, 2024 Rates Application, Decision and Order, Issued May 7, 2024, Pg. 19 and 21.

Preamble:

OEB staff notes that the transfer of OEB approved disposition amounts from Ref. (III) are not reflected in Account 1595 (2024) in Ref. (I) and Ref. (II). OEB staff also observes that the approved disposition amounts for Sub-account 1595 (2019), in Ref. (III), are missing in the continuity schedules for the two rate zones.

**Question(s):**

1. OEB staff requests that NT Power explain why the transfer of OEB-approved disposition amounts is not reflected in Sub-account 1595 (2024) in Ref. (I) and Ref. (II).
2. Please clarify how NT Power intends to dispose of the approved amount related to Sub-account 1595 (2019).

**Staff Question-3**

**Reference:**

1. EB-2024-0042, Midland Power Utility Rate Zone (MRZ), Rate Generator Model, Tab 4, Column N
2. EB-2024-0042, NT Power Main Rate Zone (NRZ), Rate, Generator Model, Tab 4, Column N
3. EB-2021-0044, Midland Power Utility Rate Zone, Rate Generator Model, Tab 5, Column F
4. EB-2021-0044, NT Power Main Rate Zone (NRZ), Rate Generator Model, Tab 5, Column F
5. EB-2024-0042, Midland Power Utility Rate Zone (MRZ), Rate Generator Model, Tab 4, Cell N18

Preamble:

If any residual balances of Account 1595 Sub-accounts are being requested for disposition, the distributor needs to populate the percentage allocations by customer class. These percentage allocations should be derived from the information used to establish the rate riders originally. Hence, the percentage allocations for 1595 (2020), Ref (I) and Ref (II), should match those applied to the DVA Accounts in the 2022 rate application, as used during the initial disposal of the 2020 balances for the calculation of the rate riders, Ref. (III) and Ref. (IV).

**Question(s):**

1. Please explain the basis for percentage allocations in Ref. (I) and Ref. (II) for each rate class and discuss grounds for a negative allocation in Ref. (V).
2. OEB staff notes that the percentage allocations should align with those originally used to establish the rate riders in the vintage year application, Ref. (III) and Ref. (IV). Please confirm and explain any discrepancies.
3. Please update the Rate Generator Model to reflect the correct allocations, if required and verify the impact on subsequent tabs.

**Staff Question-4**

**Reference:**

1. EB-2023-0039, NRZ, Rate Generator Model, Tab 3, Columns BG and BL
2. EB-2024-0042, NRZ, Rate Generator Model, Tab 3, Columns BC and BH
3. EB-2023-0039, MRZ, Rate Generator Model, Tab 3, Columns BG and BL
4. EB-2024-0042, MRZ, Rate Generator Model, Tab 3, Columns BC and BH

Preamble:

OEB staff notes discrepancies between the 2022 closing balances for principal and interest in Ref. (I) and Ref. (III) and the 2023 opening balances for principal and interest in Ref. (II) and Ref. (IV) for Sub-accounts 1595. Tables 1 and 2 below illustrate the variances between these opening and closing balances.

**Question(s):**

1. Please confirm whether the balances in 1595 (2019) in Ref. (I) and (III) are currently being disposed of on a final basis. Additionally, please explain why the opening balances in Sub-account 1595 (2019) are not presented in Ref. (II) and (IV) for both rate zones.
2. OEB staff requests NT Power to provide explanation for the variances in opening and closing balances shown in Tables 1 and 2 above.

**Staff Question-5**

**Reference:**

I. EB-2024-0042, Application for 2025 Rates, Manager’s Summary, Pg. 22

Preamble:

In the Managers Summary, NT Power stated that in reviewing Non-RPP Class A GA related transactions, NT Power identified internal process improvements to enable enhanced tracking of these transactions. NT Power did not identify any adjustments required resulting from this review.

**Question(s):**

1. Please provide more details on the process improvements identified for future GA tracking and whether these improvements will have a measurable impact on reducing discrepancies.

**Staff Question-6**

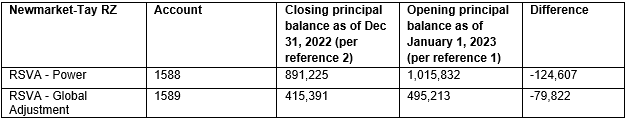
**Reference:**

I. EB-2024-0042, NRZ, Rate Generator Model, Tab 3 Continuity Schedule, Cells BC28 & BC29

II. EB-2023-0039, NRZ, Rate Generator Model, Tab 3 Continuity Schedule, Cells BG28 & BG29

Preamble:

OEB staff notes the following differences in the opening balance for 2023:



**Question(s):**

1. Please explain the differences noted above. If any adjustments are needed for this year’s DVA continuity schedule, please explain and provide updated continuity schedule.

**Staff Question-7**

**Reference:**

1. EB-2024-0042, Application for 2025 Rates, Manager’s Summary, Pg. 10 & 11
2. EB-2024-0042, NRZ, Rate Generator Model, Tab 19, Additional Rates
3. EB-2024-0042, MRZ, Rate Generator Model, Tab 19, Additional Rates

Preamble:

In Ref. (I), NT Power proposed a one-time, four-month Rate Year Alignment Rate Riders for fixed service charge and volumetric charge, from January 1, 2025, to April 30, 2025, to address the impact of rate year alignment. These riders would adjust distribution rates to the levels that would have applied had the rate year continued unchanged until May 1, 2025. NT Power has also provided the calculations for the Rate Year Alignment Rate Riders for both rate zones. OEB staff acknowledges the accuracy of the service charge rate adjustments and confirms their correct transfer into the Rate Generator Models in Ref. (II) and Ref. (III). However, OEB staff is unclear about the method used to calculate the Volumetric Rate Year Alignment Rate Riders. According to the Tables in Ref. (I), NT Power calculated the volumetric rate riders by subtracting values in Column C from those in Column B. However, OEB staff’s calculations do not match NT Power’s results when subtracting the values in columns B and C. The screenshot below illustrates the labeled Tables for each rate zone.

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**Question(s):**

1. Please confirm whether there is a labelling error in ‘2025 Rate Year Alignment Rate Riders’ column and correct the labelling in the tables, as necessary.
2. OEB staff requests NT Power to explain the methodology used to arrive at Volumetric Rate Riders for rate year alignment.

**Staff Question-8**

**Reference:**

1. EB-2024-0042, NRZ, Rate Generator Model, Tab 20, Final Tariff Schedule
2. EB-2024-0042, MRZ, Rate Generator Model, Tab 20, Final Tariff Schedule

Preamble:

OEB staff notes that the Final Tariff Schedule includes two rate riders for Tax Change, one for 2024 and another for 2025. The 2024 rate rider is effective until April 30, 2025, and 2025 rate rider is effective until December 31, 2025. OEB staff observes a similar approach applied to other rate riders, including those for Global Adjustments (GA), DVA, and Capacity-Based Recovery (CBR). An example of the Tariff Schedule is provided below to illustrate NT Power's approach in relation to the rate year alignment.

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**Question(s):**

1. Please confirm if the 2025 Tax Change rate rider will take effect on May 1, 2025, immediately following the end of the 2024 Tax Change rate rider.
2. If the 2025 Tax Change rate rider is effective from January 1, 2025, discuss the rational behind carrying two rate riders for Tax Change from January 1 to April 30, 2025, including consideration on the bill impact.
3. Please discuss the potential bill impact of having two rate riders for DVA and GA from January 1 to April 30, 2025, and whether a mitigation strategy should be applied to minimize the impact, similar to the approach used for service and volumetric charge adjustments.

**Staff Question-9**

**Reference:**

1. EB-2024-0042, Rate Generator Models, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

**Staff Question-10**

**Reference:**

1. 2024 IRM Rate Generator Model, Continuity Schedule, Tab 3
2. IRM Rate Generator – DVA Tabs Instructions ‐ 2024 Rates
3. OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

Preamble:

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.
2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.
3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) and Tab 4 as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
2. If this balance is not applicable, please explain.