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October 21, 2024

via RESS

Ms. Nancy Marconi, Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4
Registrar@oeb.ca

Re: Newmarket-Tay Power Distribution Ltd. Application to Consolidate Deferral and Variance Accounts

Dear Ms. Marconi,

Newmarket-Tay Power Distribution Ltd. ("NT Power") submits its application for approval to consolidate deferral and variance accounts for its two rate zones, the Newmarket-Tay Rate Zone and the Midland Rate Zone, effective January 1, 2025.

Should you have any questions regarding this application, please do not hesitate to contact the undersigned.

Sincerely,

Donna Kwan, CPA, CA
Regulatory Finance Manager
Newmarket-Tay Power Distribution Ltd.
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Newmarket-Tay Power Distribution Ltd.

Application for Consolidation of Deferral and Variance Accounts, effective January 1, 2025

Filed: October 21, 2024

APPLICATION FOR APPROVAL OF CONSOLIDATION OF DEFERRAL AND VARIANCE ACCOUNTS

1. Executive Summary

Newmarket-Tay Power Distribution Ltd. ("NT Power") submits this application pursuant to sections 6, 21, and 78 of the *Ontario Energy Board Act* for approval to consolidate its deferral and variance accounts (DVAs) for its two rate zones, the Midland rate zone ("MRZ") and the Newmarket-Tay rate zone ("NTRZ"). NT Power intends to track all DVAs on a consolidated basis upon Ontario Energy Board (OEB) approval.

On July 17, 2023, the OEB issued the delegations under section 6 of the *Ontario Energy Board Act, 1998* for certain powers and duties to OEB Staff, including the "Delegated Powers and Duties – Rates" ("Delegated Powers").[1] Subsequent to this, the OEB issued the updated Handbook to Electricity Distributor and Transmitter Consolidations on July 11, 2024 ("MAADs Handbook"), wherein the OEB encourages the consolidation of Group 1 accounts post-consolidation rather than on a rate zone basis. The MAADs Handbook also states that consolidation of Group 2 accounts may also be warranted provided the electricity distributor furnishes supporting rationale.

NT Power submits that no person, other than NT Power, will be adversely affected in a material way by the outcome of this proceeding and NT Power consents to disposal of this proceeding without a hearing. NT Power acknowledges that the Delegated Powers do not include a specific power for the Delegated Authority to approve the consolidation of DVAs given the Delegated Powers were issued prior to the MAADs Handbook.

NT Power seeks a Delegated Authority decision to approve the consolidation of its DVAs without a hearing on the basis that:

a. consolidation of NT Power's DVAs does not require a prudence review (no amounts are being proposed for disposition);

b. NT Power is not proposing any corrections to previously approved DVA disposition amounts;

c. the OEB encouraged the consolidation of DVAs post-consolidation in the MAADs Handbook and NT Power is implementing this guidance;

[1] https://www.oeb.ca/about-oeb/corporate-governance-and-reports/delegations-under-section-6-ontario-energy-board-act

d. none of the exceptions in Schedule B of the Delegated Powers apply; and

e. no person will be adversely affected in a material way, as discussed below.

2. Background

The Applicant in this proceeding is NT Power. NT Power distributes electricity to approximately 45,000 customers within the Town of Newmarket, Town of Midland, and the Township of Tay, as set out in its Electricity Distribution Licence (ED-2007-0624).

In the Decision and Order in NT Power's Mergers, Acquisitions, Amalgamations and Divestiture (MAADs) Application (EB-2017-0269), dated August 23, 2018, the OEB granted approval for the former Newmarket-Tay Power Distribution Ltd. to purchase and amalgamate with the former Midland Power Utility Corporation and continue operations as a single electricity distribution company (NT Power). The amalgamation was effective September 7, 2018. The amended Licence ED-2007-0624 was issued September 17, 2018. NT Power was granted a 10-year deferred rebasing period, maintaining two separate rate zones, NTRZ and MRZ, until rates are rebased. In its Decision and Order, the OEB also approved the request to continue to track costs to each of the applicants' existing DVAs.

On July 11, 2024, the OEB issued the MAADs Handbook to provide guidance to applicants and stakeholders on applications to the OEB for approval of distributor and transmitter consolidations and subsequent rate applications. Section 5.9 of the MAADs Handbook states that utilities may gain efficiencies by tracking Group 1 accounts on a consolidated basis and encourages utilities to consolidate the accounts as soon as it is practical. Regarding Group 2 accounts, the MAADs Handbook states that though legacy Group 2 accounts should generally be tracked separately on a rate zone basis, there could also be some accounts where tracking on a rate zone basis is not warranted. Therefore, utilities are required to provide a proposal in their MAADs applications on which legacy or new Group 2 accounts are to be tracked on a rate zone basis or consolidated basis going forward, with supporting rationale.

3. Consolidation

NT Power requests approval to track its Group 1 and Group 2 accounts on a consolidated basis, effective January 1, 2025. NT Power is requesting consolidation at this time mainly due to the OEB's recent issuance of the MAADs Handbook that provided new guidance on the tracking of DVAs post-consolidation, which provided clarification for NT Power regarding its tracking of DVAs. Also, the timing of the proposed consolidation aligns with NT Power's implementation of a new Enterprise

Resource Planning (ERP) system, as discussed below. These two factors, combined with NT Power's commitment to look for continuous improvements and efficiencies, has resulted in NT Power's current application.

NT Power confirms that consolidating its DVAs will allow for significant operational efficiencies, as the OEB inferred in the MAADs Handbook. Currently, NT Power maintains two sets of financial records for DVAs, one for each rate zone and therefore, duplicates the significant amount of work required to maintain DVAs. For example, on a monthly basis, NT Power prepares, reviews, and approves sets of principal journal entries and carrying charge journal entries. In addition, NT Power monitors and analyzes DVA balances on a monthly basis, and investigates anomalies in DVA balances on an as needed basis. NT Power also performs monthly settlements with the IESO. On an annual basis, NT Power requests disposition of Group 1 DVAs, which requires the preparation of evidence (e.g. IRM Rate Generator Model, GA Analysis Workform), completing all the required steps in the application process (e.g. staff questions, draft rate order process), and implementing DVA rate riders in its billing process (if balances are approved for disposition). NT Power notes that maintaining DVAs is just one function of the Regulatory team, and consolidation of DVAs will result in significant ongoing efficiency benefits, and therefore, cost savings for NT Power and its customers. These cost savings would reasonably be expected to translate to lower rates in the future for customers and a more effective organization to serve customers.

The proposed timing to consolidate (i.e. January 1, 2025) aligns with NT Power's implementation of its new ERP system. Tracking accounts on a consolidated basis would result in efficiencies in planning and implementing the ERP system, where the structure of the Uniform System of Accounts can be simplified and the number of accounts minimized, reducing implementation and subsequent maintenance costs.

NT Power also considered implications to its future rate harmonization and updates to tariff of rates and charges. If the OEB does not approve consolidation of DVAs until its subsequent planned rebasing year (2028), then NT Power will effectively be required to maintain two sets of DVAs until at least 2033, six years after NT Power's rates are harmonized.[2] This would be contrary to having NT Power operate as one consolidated entity, negating the administrative cost savings that would otherwise result.

[2] 2027 rate zone specific DVA balances would be disposed in NT Power's 2029 rate application, at the earliest. If approved, the balances will be transferred to the rate zone specific Account 1595 (2029), which will be eligible for disposition in the 2033 rate application.

<u>Group 2 Accounts</u>

NT Power's understands that Group 1 accounts have been specifically encouraged to be consolidated as soon as practical as noted in the MAADs Handbook, and accordingly, limits its further commentary to the consolidation of Group 2 accounts.

Regarding Group 2 accounts, the MAADs Handbook requires utilities to provide a proposal in their MAADs applications on which legacy or new Group 2 accounts are to be tracked on a rate zone basis or consolidated basis going forward, with supporting rationale.[3] The MAADs Handbook states that there may be some accounts where tracking on a rate zone basis is not warranted for post-MAADs transactions, and noted Account 1522 Pension & OPEB Forecast Accrual vs. Cash Payment Differential Carrying charges, and Account 1508 – Other Regulatory Assets, Sub-account Green Button Initiative Costs as examples of accounts that may be tracked on a consolidated basis. NT Power is proposing to track and eventually dispose all of its Group 2 accounts on a consolidated basis. NT Power assumes that all Group 2 accounts it established after the approved consolidation, which are generic accounts established by the OEB, apply to the consolidated entity as NT Power was expected to operate as a consolidated entity after the consolidation. NT Power provides the most current balances for these accounts in Table 1 below.

Table 1 – Consolidated Group 2 Account Balances

Account #	Account Name	Unaudited Sept. 30, 2024 Balance ($)
1508	Sub-account OEB Cost Assessments*	324,064
1508	Sub-account Pole Attachment Revenue Variance	(846,791)
1508	Sub-account LEAP EFA Funding Deferral	60,809
1522	P&OPEB Forecast Accrual versus Actual Cash Payment Differential, Carrying charges	11,115
1557	Meter Cost Deferral Account	360,409
1592	Sub-account, CCA Changes	(1,144,473)

*This balance represents the balance accumulated in the account from 2019, after NT Power's MAADs transaction, and where NT Power received one consolidated invoice from the OEB for OEB Cost Assessments.

NT Power provides the current account balances for the legacy accounts that existed prior to the approved consolidation in Table 2 below.

[3] Pages 31-32, Handbook to Electricity Distributor and Transmitter Consolidations, July 11, 2024

Table 2 – Legacy Group 2 Account Balances

Account #	Account Name	Unaudited Sept. 30, 2024 Balance ($)		
		NTRZ	MRZ	Total
1508	Sub-account Deferred IFRS Transition Costs	30,430	71,211	101,641
1508	Sub-account OEB Cost Assessment*	106,918	25,906	132,824
1518	RCVA - Retail	164,914	(41,723)	123,190
1548	RCVA - STR	64,230	7,441	71,670
1592	Sub-account HST / OVAT Input Tax Credits (ITCs)	0	(17,100)	(17,100)
Total**		**366,491**	**45,734**	**412,225**

*The balance represents the balance accumulated prior to NT Power's consolidation

**Principal balances are not expected to change for all the accounts listed in the table, except for Accounts 1518 and 1548.

NT Power understands that tracking legacy Group 2 accounts on a rate zone basis would enable account balances to be disposed specifically to the group of customers that directly contributed to the balances, rather than proportionally disposing of the amounts based on applicable consolidated billing determinants. However, NT Power submits that the costs of maintaining this detailed level of cost causality substantially outweighs the benefits outlined above. NT Power considered the impact of disposing the legacy Group 2 accounts in Table 2 above on a rate zone specific basis, versus a consolidated basis. The resulting impact of disposing legacy Group 2 accounts on a consolidated basis would be a minor redistribution between the total Group 2 legacy account balances disposed to customers in the NTRZ and MRZ, relative to that disposed on a rate-zone specific basis. As illustrated in Table 3 below, if the accounts were disposed of on a consolidated basis instead of a rate zone specific basis, an additional credit amount of approximately $35,000 would be disposed to customers in the NTRZ, while an additional debit amount of approximately $35,000 would be disposed to customers in the MRZ. NT Power notes that the $35,000 impact is appreciably lower than the OEB's DVA materiality threshold of approximately $105,000 for NT Power.[4]

Table 3 – Balances Disposed to NTRZ and MRZ Customers

Tracking Basis	NTRZ ($)	MRZ ($)	Total ($)
Legacy accounts disposed on rate zone basis	366,491	45,734	412,225
Legacy accounts disposed on consolidated basis	331,987	80,238	412,225
Difference	(34,504)	34,504	0

[4] Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, p. 6, Dec. 15, 2022 - 0.5% of distribution base revenue requirement for a distributor with a distribution base revenue requirement greater than $10 million and less than or equal to $200 million

NT Power also considered the bill impact to customers using NT Power's proposed bill impact in its current 2025 IRM proceeding (EB-2024-0042). If the legacy Group 2 accounts were approved for disposition, the total bill impact resulting from disposing accounts on a rate zone specific basis versus on a consolidated basis would be insignificant, averaging -0.07% for the NTRZ rate classes and 0.10% for the MRZ rate classes. Furthermore, these bill impacts are exclusive of impacts associated with the cost savings that accrue to all customers from consolidation.

NT Power requests that the OEB approves the above request as filed. All of which is respectfully submitted.