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BY EMAIL

October 31, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission
Newmarket-Tay Power Distribution Ltd.
Application for 2026 Electricity Distribution Rates
OEB File Number: EB-2025-0021**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Kelli Benincasa

Kelli Benincasa
Analyst, Incentive Rate-setting

Encl.

cc: All parties in EB-2025-0021



ONTARIO ENERGY BOARD

OEB Staff Submission

Newmarket-Tay Power Distribution Ltd.

2026 Electricity Distribution Rates Application

EB-2025-0021

October 31, 2025

Introduction

Newmarket-Tay Power Distribution Ltd. (NT Power) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 20, 2025, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective January 1, 2026. NT Power also applied for a Z-factor rate rider to recover the costs resulting from a severe ice storm on March 29, 2025. OEB staff has no objections to the application.

In its application, NT Power is requesting disposition of Group 1 Deferral and Variance Accounts (DVAs) on a consolidated basis, as well as updates to consolidated Retail Transmission Service Rates (RTSRs) and consolidated Low Voltage (LV) charges, which will be recorded in NT Power's consolidated Group 1 accounts. This is the result of NT Power receiving approval from the OEB, in its May 22, 2025 Decision and Order, to consolidate its Group 1 and Group 2 DVAs, among other items, for its two rate zones¹ – the Newmarket-Tay Rate Zone (NTRZ) and Midland Rate Zone (MRZ).

In the NTRZ Rate Generator Model, NT Power presents Group 1 balances, associated billing determinants, historical transmission-related charges, and LV charges billed to NT Power on a consolidated basis. Presenting this data on a consolidated basis results in the calculation of consolidated Group 1 rate riders, RTSRs and LV charges that are applicable to both of NT Power's rate zones. Due to limitations of the Rate Generator Model, the Group 1, RTSR and LV tabs in the MRZ Rate Generator Model are not used for the purpose of calculating the rate riders/charges. Instead, NT Power manually input the consolidated rate riders and charges calculated in the NTRZ Rate Generator Model into the tariff in the MRZ Rate Generator Model.

NT Power is requesting the disposition of its Group 1 DVA debit balances as of December 31, 2024, including projected carrying charges to December 31, 2025, totaling \$3,438,518. NT Power is also requesting an update to its LV Service Rates for the NTRZ and MRZ. OEB staff has no concerns with either of these requests.

NT Power has updated the Rate Generator Model for each rate zone to reflect the preliminary Uniform Transmission Rates and proposed Hydro One Networks Inc. Sub-Transmission Rates, as communicated by the OEB on October 9, 2025.² OEB staff has updated the time-of-use pricing and Ontario Electricity Rebate in the Rate Generator Model for each rate zone to reflect the updated values set on October 17, 2025.

¹ In EB-2017-0269, the OEB granted the former Newmarket-Tay Power Distribution Inc. approval to purchase and amalgamate with the former Midland Power Utility Corporation and continue operations as a single electricity distribution company.

² EB-2025-0232, 2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, October 9, 2025

Consistent with Chapter 3 of the Filing Requirements,³ NT Power applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. An inflation factor of 3.70% applies to all IRM applications for the 2026 rate year.⁴ The stretch factor assigned to NT Power's rate zones is 0.15%,⁵ resulting in a rate adjustment of 3.55% based on the Price Cap adjustment formula. OEB staff has no concerns with NT Power's proposed Price Cap adjustments.

For the MRZ, NT Power proposes transferring the credit amount of \$92 shared tax savings adjustment to Account 1595 for future disposition as the adjustment did not generate rate riders to four decimal places. For the NTRZ, NT Power seeks approval to refund \$42,299, as calculated in the Rate Generator Model, effective January 1, 2026, via a fixed monthly rate rider for residential customers and volumetric riders for all other classes over a one-year period. OEB staff has no concerns regarding the proposed shared tax savings adjustments.

NT Power requested and was granted approval of 2023-2027 Lost Revenue Adjustment Mechanism (LRAM)-eligible amounts, on a prospective basis, as part of its IRM application⁶ for 2023 rates. In this application, NT Power requests approval of 2026 rate riders to recover the 2026 LRAM-eligible amounts approved in its 2023 IRM proceeding. OEB staff has no concerns with the proposed request.

OEB staff makes a detailed submission on the following issue:

- Z-factor Claim

³ Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 19, 2025

⁴ OEB Letter, 2026 Inflation Parameters, issued June 11, 2025

⁵ Empirical Research in Support of Incentive Rate-Setting: 2024 Benchmarking Update, Report to the Ontario Energy Board, August 2025 p. 23, Table 5

⁶ EB-2022-0050, Decision and Rate Order, March 23, 2023

Z-factor Claim

Background

NT Power has applied for a Z-factor due to a severe ice storm, affecting both the NTRZ and MRZ, on March 29, 2025, and is requesting recovery of \$160,431 (including carrying charges). NT Power is proposing to recover this amount through a 12-month rate rider, effective January 1, 2026. NT Power notes that as the ice storm intensified, multiple upstream 44 kV feeders supplying NT Power's distribution stations in the MRZ locked out due to downed trees making contact with overhead lines. As a result, there was a loss of supply to the region and widespread outages. The outages impacted 26% of NT Power's customer base, with NT Power being able to restore 90% of the affected customers within 50 hours, while full restoration took approximately 149 hours.

NT Power states that it incurred \$47,363 in capital-related costs due to the ice storm. However, NT Power is not requesting recovery for these capital-related costs. Tables 1 and 2 below provide a breakdown of NT Power's Z-factor claim amount and proposed fixed rate riders, respectively.

Table 1: Z-factor Claim Amount

	Total (\$)
Labour	124,711
Material	4,325
Equipment	20,540
Sub-contractors	4,928
Other	2,746
Total	157,250
Carrying Charges	3,181
Total Claim	160,431

Table 2: Proposed 12-month Fixed Rate Riders

	Allocated Consolidated Revenue Requirement (\$)	% of Allocated Consolidated Rev Requirement	Z-factor Allocation (\$)	# of Customers	Monthly Fixed Rate Rider (\$)
Residential	12,027,613	57.3%	91,856	40,435	0.19
GS<50	3,553,179	16.9%	27,139	4,209	0.54
GS>50	4,666,418	22.2%	35,642	395	7.52
Streetlight	679,048	3.2%	5,187	11,037*	0.04
Sentinel	26,317	0.1%	201	240*	0.07
USL	51,786	0.2%	396	59	0.56
	21,004,361	100%	160,431	56,375	

*based on number of connections

This recovery is sought under the OEB's policy for Z-factor treatment for events or causes that are outside of the distributor's ability to predict or control. The claimed amount consists of incremental operating, maintenance, and administration (OM&A) costs and carrying charges on the costs incurred for the ice storm.

For amounts to be recoverable by way of a Z-factor, the amounts must satisfy the following three eligibility criteria:

- **Causation:** Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.
- **Materiality:** The amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.
- **Prudence:** The amounts must have been prudently incurred. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.⁷

NT Power states the following regarding the Z-factor criteria in its pre-filed evidence:

- **Causation:** The costs resulting from the ice storm were unforeseen and outside the control of NT Power. NT Power states that it maintains a proactive vegetation management program to ensure compliance with overhead clearance requirements. However, due to the intensity of the storm, as well as the weight of accumulated ice, it caused trees to bend or break and come into contact with overhead equipment, resulting in service disruptions.
- **Materiality:** NT Power's consolidated revenue requirement escalated to 2026 is \$26,011,156, and the corresponding materiality threshold is \$130,056. NT Power

⁷ EB-2007-0673, [Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors](#), July 14, 2008, pp. 34-37 and Appendix, p. V

states that it meets the materiality threshold as its Z-factor claim is \$157,250, excluding carrying charges of \$3,181.

- *Prudence*: NT Power notes that its priority during the ice storm was to restore service to customers as quickly and safely as possible. NT Power deployed all available internal resources to the restoration effort and issued all required materials directly from stores to minimize premiums for emergency purchases and expedited delivery. Aside from one third-party vegetation management assistance, all restoration efforts were completed internally by NT Power staff.

OEB staff does not object to NT Power's Z-factor claim of \$160,431 and makes submissions on the following:

Submission on Causation

Based on NT Power's evidence for the OM&A-related Z-factor claim, OEB staff submits that the costs incurred as a result of the ice storm qualify for Z-factor treatment in accordance with the OEB's policy and practice. Further, in response to OEB staff interrogatories, NT Power confirmed that the total claim of \$160,431 is outside of the base upon which rates were derived and that it did not have any Emergency OM&A amounts included in rates.⁸ OEB staff is satisfied, based on interrogatory responses, that NT Power could not have reasonably designed or managed its distribution system to avoid all of the damage and outages resulting from this storm, and therefore, could not have included these amounts in rates.⁹

Submission on Materiality

The OEB-defined materiality threshold applicable to NT Power for Z-factors is based on 0.5% for a distributor with a distribution revenue requirement of between \$10 million and \$200 million. The consolidated revenue requirement escalated to 2026 is \$26,011,156, and the corresponding materiality threshold is \$130,056. When asked in OEB staff interrogatories, NT Power provided its calculation for determining the materiality threshold in Excel format,¹⁰ where it escalated each of the legacy utility's revenue requirements by its approved annual rate increase (i.e., inflation less X factor) for each rate zone. As a result, NT Power's Z-factor claim of \$157,250, excluding carrying charges, meets the materiality criteria. OEB staff submits that the materiality threshold applicable to NT Power has been met.

⁸ Interrogatory Responses #5 and #6

⁹ Interrogatory Response #4

¹⁰ Interrogatory Response #10, Attachment 4

Submission on Prudence

OEB staff notes that NT Power called upon available internal and external resources to address the ice storm outage. NT Power employed only one sub-contractor, at a total cost of \$4,928 for a bucket truck with a chipper.¹¹ All other labour was completed by internal NT Power staff. NT Power also confirmed that it pays non-union employees overtime based on the employee's employment contract and does not pay management overtime as per legislation.

OEB staff also recognizes that NT Power acted promptly and restored power within a reasonable period and had minimal deviations from its Emergency Operation Plan.¹² Based on the evidence NT Power provided in its application and interrogatory responses, OEB staff submits that NT Power has established prudence.¹³

~All of which is respectfully submitted~

¹¹ Interrogatory Response #7

¹² Interrogatory Response #6

¹³ Interrogatory Response #6 and Managers Summary, p. 21