

**EB-2025-0021**

**Newmarket-Tay Power Distribution Ltd.**

**Application for electricity distribution rates and other charges  
effective January 1, 2026**

**VECC Submissions October 31, 2027**

Newmarket-Tay Power Distribution Ltd. (NT Power) filed an incentive rate-setting mechanism 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 approval for Z-factor fixed rate riders affecting both rate zones, related to a severe ice storm that occurred on March 29, 2025.

VECC submissions below relate to NT Power's Z-factor request.

**Z-factor**

The purpose of the Z-factor is to permit recovery of costs of major unforeseen and uncontrollable events.

On March 29, 2025, NT Power experienced a severe ice storm in both the Newmarket-Tay and Midland service areas. The outages impacted 26% of NT Power's customer base.<sup>1</sup> NT Power was able to restore power to 90% of those affected within 50 hours.

NT Power incurred \$157,250 of OM&A and \$47,363 in capital costs. NT Power is not requesting recovery for the capital-related costs of the ice storm as the revenue requirement impact is not significant.<sup>2</sup>

NT Power is requesting a total recovery of \$160,431 (including carrying charges) as shown in Table 1 below.<sup>3</sup> NT Power is proposing to recover this amount through a 12-month rate rider, effective January 1, 2026. These costs have not been audited but will be included in NT Power's 2025 financial statements, which will be subject to an audit in early 2026.<sup>4</sup>

Table 1: Z-factor Claim Amount

	<b>Total (\$)</b>
Labour	124,711
Material	4,325

<sup>1</sup> 7,708 customers in MRZ (17%) and 4,123 customers in NTRZ (9%) as per VECC-1

<sup>2</sup> VECC 2-a

<sup>3</sup> Staff 7-b

<sup>4</sup> Staff 4-c

Equipment	20,540
Sub-contractors	4,928
Other	2,746
<b>Total</b>	<b>157,250</b>
Carrying Charges	3,181
<b>Total Claim</b>	<b>160,431</b>

### Eligibility Criteria

As per the 2025 Chapter 3 Filing Requirements<sup>5</sup>, distributors under a Price Cap IR or Annual IR Index rate-setting plan may request to recover costs associated with unforeseen events that are outside the control of a distributor’s ability to manage, referred to as a claim for a “Z-factor” event. A distributor must submit evidence that the costs incurred meet the three eligibility criteria of causation, materiality, and prudence, as follows:

Criteria	Description
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 Board-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 amount must have been prudently incurred. This means that the distributor’s decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

### Causation

NT Power’s total labour costs of \$124,711 consist of 754.5 regular hours and 567.5 overtime hours totaling \$50,974 and \$73,736, respectively.<sup>6</sup> VECC submits that only incremental labour i.e. overtime is eligible for inclusion in the Z-factor and as a result regular hours totalling \$50,974 should be excluded from NT Power’s Z-factor amount.

This approach is consistent with previous OEB Z-factor decisions that are based solely on the inclusion of incremental hours (overtime) in the approved Z-factor amount.<sup>7</sup> This approach is also consistent with InnPower’s current Z-factor application before the OEB which states that

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<sup>5</sup> June 19, 2025

<sup>6</sup> Staff 8-a

<sup>7</sup> For example: EB-2022-0317 Elexicon Energy Inc. OEB Decision and Order June 15, 2023 p. 8; EB-2023-0013 E.L.K. Energy VECC # 4(a)

the operating expenses included in its application consist of incremental labour (overtime).<sup>8</sup> Regular labour hours are not included in the Z-factor claim.

When the cost of regular hours is excluded, NT Power's Z-factor amount is reduced to \$109,457.

### Materiality

NT Power does not have a consolidated OEB-approved revenue requirement. NT Power's last approved revenue requirements were determined in the former Newmarket-Tay Power Distribution Ltd.'s 2011 and former Midland Public Utility Corporation's 2013 cost of service rate applications, respectively.<sup>9</sup>

NT Power calculates a consolidated 2026 revenue requirement of \$26,011,156 based on the escalation of each of the revenue requirements by its approved annual rate increase (i.e. inflation factor less X-factor) to 2026 for each rate zone.

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. On this basis, NT Power calculates a corresponding materiality threshold of \$130,056.<sup>10</sup>

NT Power's Z-factor amount adjusted to exclude regular hours (\$109,457) does not meet the materiality threshold.

### Prudence

VECC takes no issue with NT Power's response to the March 29, 2025 storm event.

### **Conclusion**

NT Power's Z-factor claim does not meet two of the OEB's eligibility criterion: causation and materiality.

VECC submits the OEB should not approve NT Power's Z-factor request of \$160,431.

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<sup>8</sup> EB-2025-0027 p. 21

<sup>9</sup> Manager's Summary p. 23

<sup>10</sup> Staff 10-a