**Newmarket-Tay Power Distribution Ltd.**
**EB-2024-0309**
**March 26, 2025**

**IRR1 - Staff – 1**
**Reference:** Page 1

**Preamble:**

In its Executive Summary, NT Power begins to describe its request for consolidating its DVAs and tracking them going forward. “NT Power intends to track all DVAs on a consolidated basis, effective January 1, 2025 upon Ontario Energy Board (OEB) approval. NT Power plans to file for disposition of Group 1 balances on a consolidated basis in its 202…”

**Question:**

1. Please complete the sentence.

**Response**:
NT Power plans to file for disposition of Group 1 balances on a consolidated basis in its application for rates effective January 1, 2026.

NT Power apologizes for the typographical error.

**IRR 2- Staff – 2**
**Ref 1**: Page 4
**Ref 2:** Appendix C - 2010-2024 DVA Continuity Schedule_NTRZ_MRZ

**Preamble:**

NT Power is requesting disposition of a debit of $31,020 for NTRZ and debit of $72,571 for MRZ for Account 1508, Sub-account Deferred IFRS Transition Costs. This sub-account is used to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates.
In reference 2, OEB staff notes that transactions begin in 2015 for NTRZ, and 2012 for the Midland rate zone. OEB staff has compiled a table below showing the transactions by year (if any) in each rate zone:

| | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|---|---|---|---|---|---|---|
| **NTRZ** | - | - | - | 20,340 | 5,085 | - |
| **MRZ** | 58,656 | - | - | - | - | - |

**Questions:**

a) Please provide a detailed breakdown of the costs that were recorded for NTRZ and MRZ by year, including a detailed description of the nature and purpose of the expenditure.
b) Please explain how these costs are incremental in nature.
c) Please confirm in which year NTRZ and MRZ transitioned to IFRS per its audited financial statements.
    a. Please explain how the timing of the costs corresponds with the timing of the transition to IFRS, if not incurred directly prior to or directly after.

**Response:**

1. For NTRZ, the 2015 amount is for one invoice for accounting services relating to the adoption of IFRS, including research, discussion, review and reporting of accounting policies, financial statement presentation and audit testing of opening balances and IFRS restatement. The 2016 amount is for one invoice for the transition to preparing financial statements in accordance with IFRS.
   For MRZ, the majority of the costs were for audit costs relating to the adoption of IFRS.

2. For NTRZ, as noted in interrogatory responses to the former Newmarket-Tay Power Distribution Ltd.'s 2010 cost of service rate application, no amounts for IFRS transition costs were included in the test year revenue requirement.[1] These costs were expected to be recorded in the OEB established deferral account for IFRS transition costs.
   For MRZ, as noted in the settlement proposal for the former Midland Public Utility Corporation's (MPUC) 2013 cost of service rate application, parties agreed to disposing the 2011 account balance in that proceeding and continuing to use the account and disposing of the amount recorded in a future proceeding.[2]

   In both rate zone proceedings, it is clear that there are no IFRS transition costs embedded in base distribution rates, and accordingly, are entirely incremental.

3. Both the former Newmarket-Tay Power Distribution Ltd. and former MPUC adopted IFRS in 2015 per the audited financial statements.
   a. For MRZ, costs were incurred in 2012, 2014 and 2015, with the majority of costs incurred in 2015 ($30,700) instead of 2012 as shown in the DVA Continuity Schedule. Please see the revised 2010-2024 DVA Continuity Schedule in Appendix A reflecting this. Given that the adoption of IFRS was originally to be effective January 1, 2011 and then delayed multiple times, IFRS related costs were incurred in years prior to 2015.

[1] EB-2009-0269, Board Staff IRR #22, p.37
[2] EB-2023-0247, Decision and Order, January 17, 2013, Appendix A, p.36

**IRR 3 - Staff – 3**
**Ref 1:** Page 5-6
**Ref 2:** Appendix C - 2010-2024 DVA Continuity Schedule_NTRZ_MRZ
**Ref 3:** Accounting Procedures Handbook Guidance March 2015, p 4
**Preamble:**

NT Power requests disposition a debit of $604,707 for NTRZ and a debit of $50,288 for MRZ for Account 1557 – MIST Meters. NT Power states that

> The amounts represent the revenue requirement calculation resulting from MIST meter capital expenditures of $654,063 for NTRZ and $47,336 for MRZ. No OM&A costs were incurred. The balances requested for disposition is the total annual revenue requirement from 2020 to 2027. NT Power is requesting amounts pertaining to 2025 to 2027 for disposition as these amounts are known and will not change. Disposing the 2025 to 2027 amounts in this application will allow NT Power to subsequently discontinue the account, thereby reducing the administrative efforts to NT Power to maintain all the sub-accounts pertaining to Account 1557, as well as minimizing intergenerational inequity associated with customers paying for these costs several years after they were incurred.

Further, NT Power is not requesting to recover any carrying charges on the account. NT Power notes that financing costs are already reflected in the cost of capital component of revenue requirement.

OEB staff has compiled a table below showing the transactions and principal adjustments (if any) by year in each rate zone:

| | **2020** | **2021** | **2022** | **2023** | **2024** | **2025-2027** |
|---|---|---|---|---|---|---|
| **NTRZ** | 17,714 | 75,910 | 88,518 | 86,396 | 84,042 | 252,127 |
| **MRZ** | 5,181 | 6,444 | 6,444 | 6,444 | 6,444 | 19,331 |

According to the APH Guidance from March 2015 on Account 1557 in reference 3,

> *The Board amended the Distribution System Code (DSC) on May 21, 2014 to establish a requirement for the installation of Metering Inside the Settlement Timeframe (MIST) meters. The changes came into force on August 21, 2014. Distributors have until August 21, 2020 to install the required meters. The Board established a deferral account to allow distributors to capture prudently incurred*

*incremental costs that are material and are associated with the subject amendment.*

*With this March 2015 guidance, Account 1557 Meter Cost Deferral Account has been established for the tracking of incremental capital and OM&A costs.*

**Questions:**

1. Please provide a detailed breakdown of the capital expenditures that were recorded for NTRZ and MRZ by year and cost category. For each cost, please describe in detail the nature of the cost.
   a. Please explain how the costs are incremental to base rates and material.
   b. Please confirm what materiality is being used for NTRZ and MRZ.

2. Please explain why transactions were recorded to this account after the deadline of August 21, 2020 noted in reference 3. Please explain NT Power's rationale in requesting disposition of these balances.

3. Please confirm that the amount recorded in the account represents the revenue requirement of the incremental capital expenditures related to MIST meters. If not, please explain why not.

4. Please provide the revenue requirement calculation for 2025-2027 for NTRZ.

5. Please explain why the amounts for 2025-2027 will not change for both NTRZ and MRZ.

   a. Please explain why the MIST meter expense for MRZ for 2021-2027 is the same year to year, i.e. $6,444.

6. Please explain the rationale for collecting costs that would not be incurred by the time of the implementation of the DVA rate riders.

**Response:**

1. A breakdown of the capital expenditures is shown in Table 1 below.

**Table 1 – Breakdown of MIST Capital Expenditures**

| | NTRZ ($) | MRZ ($) | Total ($) | |
|---|---|---|---|---|
| Labour | 77,774 | 7,924 | 85,698 | Labour costs incurred relating to installation of MIST meters |
| Meter Material | 392,551 | 37,674 | 430,225 | Cost of meters and associated communication devices |
| Equipment | 6,887 | 1,738 | 8,624 | Costs associated with usage of vehicles |
| Other | 176,851 | - | 176,851 | Costs paid to consultants, subcontractors, and other purchases |
| **Total** | **654,063** | **47,336** | **701,399** | |

a) and b) The former Newmarket-Tay Power Distribution Ltd. and the former MPUC last rebased rates effective 2011 and 2013, respectively. The revenue requirement approved in these cost of service rate applications did not consider MIST meters as the requirement to install MIST meters came into force August 21, 2014. Therefore, the MIST meter amounts recorded in the account are incremental in nature. Based on the OEB's Chapter 2 Filing Requirements, materiality is $85,000 for NTRZ and $50,000 for MRZ, as derived from the former utilities' last approved revenue requirements.[3]

2. The annual transactions in the account represents the annual revenue requirement on the MIST meters and not the full capital costs. Therefore, NT Power is requesting recovery of the annual revenue requirement impact from MIST meters from the year the asset went into service, until they can be included in rate base at the time of rebasing. NT Power notes there were no capital additions recorded after the deadline. On July 23, 2020, the OEB issued a decision and order that amended each electricity distribution license to be exempt from the requirement under section 5.1.3 (b) of the Distribution System Code until March 31, 2021.[4] Furthermore, in a decision and order regarding NT Power's application to amend its electricity distribution license, the OEB approved NT Power's license to be amended to

[3] Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications, December 9, 2024, p.6
[4] EB-2020-0187

include an exemption, expiring December 31, 2021, from section 5.1.3 (b) of the Distribution System Code.

3. Confirmed.

4. Please see Appendix B for the revenue requirement calculation for NTRZ and MRZ. NT Power noted that there was an error in the original NTRZ calculation and has revised the claim amount to $624,734. The updated amount is reflected in the Appendix A - 2010-2024 DVA Continuity Schedule and Appendix C – OEB’s DVA Continuity Schedule for NTRZ. Note that all the IRRs also reflect the updated amount, where applicable.

5. The 2026 and 2027 amounts for NTRZ and MRZ will not change from the calculated amounts presented in this application as NT Power will not be recording any additional MIST meter related costs in the account.
   a. The NTRZ and MRZ revenue requirements of $88,518 and $6,644, respectively are the same every year from 2022 to 2027 for NTRZ and 2021 to 2027 for MRZ as no further capital additions or OM&A costs were incurred or expected to be incurred during those periods. NT Power’s approach in the revenue requirement calculation is guided by the smart meter and incremental capital module (ICM) methodologies, where the revenue requirement is calculated once and set until the next rebasing rate application. NT Power considered calculating revenue requirement based on full-year depreciation in the year the meters went into service, similar to the OEB’s methodology in determining ICM funding. However, NT Power concluded that this would result in an over-collection of revenue requirement in the first year, and instead, decided to apply the half-year rule in the revenue requirement calculation in the year the asset went into service.

6. NT Power has already incurred the full capital cost in 2020 and 2021. NT Power is requesting disposition of the 2026 and 2027 balances through rate riders effective May 1, 2025 to December 31, 2025 for two main reasons. The first is that NT Power will be able to subsequently discontinue the account, thereby reducing the administrative efforts to NT Power to maintain all the sub-accounts pertaining to Account 1557. This will also allow NT Power to consolidate DVA rate riders on the tariff going forward. This is aligned with one of the main purposes of NT Power’s application to consolidate accounts, which allows for a streamlined and less costly implementation of a new finance system and commensurate cost savings flowed to customers. Further, intergenerational inequity associated with customers paying for

these meter costs several years after they were incurred will be minimized, which better aligns beneficiary with payee. If NT Power follows the typical timing for disposition, the 2027 balance would not be disposed until NT Power's rebasing application in 2033, 6 years after the 2027 balance is recorded in the account and 14 years after the gross capital costs were incurred. NT Power also notes that the OEB has provided funding adders in the past (see IRR 11).

NT Power also considered the bill impacts from a scenario where the 2026 and 2027 MIST meter amounts are recovered through rate riders effective from January 1, 2026 through to next rebasing. The bill impacts comparing the proposed rate riders (i.e. including the 2026 and 2027 MIST meter amounts) to the rate riders derived from the proposed disposition excluding the 2026 and 2027 MIST meter amounts are shown in Tables 1 and 2 below. The bill impacts from excluding the 2026 and 2027 MIST meter amounts from the proposed May 1, 2025 rate riders are less than a 0.25% decrease for NTRZ and less than a 0.1% decrease for MRZ for all rate classes. The rate riders to recover the annual revenue requirement from 2026 until rebasing is shown in Table 3 below. NT Power continues to propose to recover the 2026 and 2027 MIST meter amounts through rate riders effective May 1, 2025, as the bill impacts from doing so (as shown in Tables 1 and 2 below), are not significant and there are many benefits to doing so as discussed above, including cost savings to all customers associated with implementation of the new finance system. However, NT Power is not necessarily opposed to recovering the future annual MIST Meter revenue requirement amounts through a rate rider commencing January 1, 2026 and effective until rebasing, if the OEB deems that to be more appropriate, after consideration of the customer benefits of an advanced disposition.

**Table 1 – NTRZ Bill Impacts**

| Rate Class | kWh | kW | RPP vs Non-RPP | Proposed Total Bill in Application ($) | Total Bill Excluding 2026 and 2027 MIST Meter Balance ($) | $ Change | % Change |
|---|---|---|---|---|---|---|---|
| Residential | 750 | | RPP | 134.76 | 134.48 | (0.28) | (0.21%) |
| GS<50 kW | 2,000 | | RPP | 348.08 | 347.25 | (0.83) | (0.24%) |
| GS 50 to 4,999 kW | 237,500 | 500 | Non-RPP | 39,947.92 | 39,856.61 | (91.31) | (0.23%) |
| USL | 200 | | RPP | 41.91 | 41.83 | (0.08) | (0.20%) |
| Sentinel Lighting | 475 | 1 | RPP | 78.93 | 78.78 | (0.15) | (0.20%) |
| Street Lighting | 474,500 | 1,000 | Non-RPP | 79,524.82 | 79,356.46 | (168.36) | (0.21%) |

## Table 2 – MRZ Bill Impacts

| Rate Class | kWh | kW | RPP vs Non-RPP | Proposed Total Bill in Application ($) | Total Bill Excluding 2026 and 2027 MIST Meter Balance ($) | $ Change | % Change |
|---|---|---|---|---|---|---|---|
| Residential | 750 | | RPP | 140.30 | 140.23 | (0.07) | (0.05%) |
| GS<50 kW | 2,000 | | RPP | 339.26 | 339.04 | (0.22) | (0.06%) |
| GS 50 to 4,999 kW | 210,000 | 500 | Non-RPP | 35,817.21 | 35,791.99 | (25.22) | (0.07%) |
| USL | 275 | | RPP | 53.95 | 53.92 | (0.03) | (0.06%) |
| Street Lighting | 46,300 | 115 | Non-RPP | 7,742.33 | 7,737.22 | (5.11) | (0.07%) |

## Table 3 – Annual Rate Rider for MIST Meter Until Rebasing

| | | NTRZ ($) | MRZ ($) |
|---|---|---|---|
| Residential | # of Customers | 0.10 | 0.02 |
| GS<50 | kWh | 0.0001 | 0.0000 |
| GS>50 | kW | 0.0539 | 0.0149 |
| USL | kWh | 0.0001 | 0.0000 |
| Sentinel | kW | 0.0516 | N/A |
| Streetlight | kW | 0.0497 | 0.0131 |

**IRR 4 - Staff – 4**
**Ref:** Page 6

**Preamble:**

NT Power has used the most recent billing determinants available for allocating DVA balances for calculating rate riders. NT Power used consumption as filed in its 2023 Reporting and Record-Keeping Requirements (RRR) which was reflected in NT Power's 2025 IRM rate application, as well as customer count data as at December 31, 2024.

**Question:**

1. Although 2024 consumption data is not due until April 30, 2025, please provide the rate riders using the billing determinants based on 2024 consumption data and compare with the rate riders using 2023 consumption data.

**Response:**

NT Power notes that the 2024 consumption data has not been finalized yet. Using the current 2024 consumption data, the rate riders are as shown in the table below.

**Table 1 – NTRZ Rate Riders**

| Rate Class | Units | Rate Rider Using 2023 Billing Determinant ($) | Rate Rider Using 2024 Billing Determinant ($) | Difference ($) |
|---|---|---|---|---|
| Residential | # of Customers | 2.00 | 2.01 | 0.01 |
| GS<50 | kWh | 0.0021 | 0.0021 | (0.0001) |
| GS>50 | kW | 0.7022 | 0.7289 | 0.0267 |
| USL | kWh | 0.0033 | 0.0033 | (0.0000) |
| Sentinel | kW | 1.1927 | 1.1892 | (0.0036) |
| Streetlight | kW | 0.6476 | 0.6370 | (0.0105) |

## Table 2 – MRZ Rate Riders

| Rate Class | Units | Rate Rider Using 2023 Billing Determinant ($) | Rate Rider Using 2024 Billing Determinant ($) | Difference ($) |
|---|---|---|---|---|
| Residential | # of Customers | 0.12 | 0.12 | (0.00) |
| GS<50 | kWh | 0.0009 | 0.0009 | (0.0000) |
| GS>50 | kW | 0.4540 | 0.4664 | 0.0124 |
| USL | kWh | 0.0009 | 0.0008 | (0.0000) |
| Streetlight | kW | 0.3829 | 0.3752 | (0.0077) |

**IRR 5 - Staff – 5**

**Ref 1**: Pages 2, 9
**Ref 2:** EB-2024-0042 (with December 31, 2023 audited figures)

**Preamble:**

NT Power stated that in its original application it did not request disposition of legacy Group 2 accounts (i.e. Group 2 accounts that were established prior to consolidation, and specific to each rate zone) as NT Power did not intend to file an application that would result in any bill impact to its customers (other than cost savings associated with DVA consolidation, which would flow to customers at rebasing).

In its amended application, NT Power is requesting approval to track its Group 1 and Group 2 accounts on a consolidated basis, effective January 1, 2025. NT Power stated that it understood that Group 1 accounts have been specifically encouraged to be consolidated as soon as practical, as noted in the MAADs Handbook, and mainly limited its application to the details and information relating to its Group 2 accounts.

**Question:**

1. Please provide the bill impacts for customers and any associated cross-subsidization between the two rate zones from the consolidation of Group 1 accounts using NT Power's December 31, 2023 figures.

**Response:**

The total bill and the bill impacts from comparing the January 1, 2025 bill as presented in NT Power's approved 2025 IRM Rate Generator Models to the total bill if the Group 1 2023 balances were disposed on a consolidated basis is shown in the table below.

## Table 1 – NTRZ Bill Impacts

| | kWh | kW | RPP vs Non-RPP | Jan 1, 2025 Total Bill ($) | Jan 1, 2025 Total Bill - Group 1 Consolidated ($) | $ Change | % Change |
|---|---|---|---|---|---|---|---|
| Residential | 750 | | RPP | 137.46 | 137.72 | 0.25 | 0.18% |
| GS<50 kW | 2,000 | | RPP | 359.50 | 360.31 | 0.81 | 0.22% |
| GS 50 to 4,999 kW | 237,500 | 500 | Non-RPP | 41,485.90 | 41,594.05 | 108.14 | 0.26% |
| USL | 200 | | RPP | 41.95 | 42.02 | 0.08 | 0.18% |
| Sentinel Lighting | 475 | 1 | RPP | 80.66 | 80.79 | 0.13 | 0.16% |
| Street Lighting | 474,500 | 1,000 | Non-RPP | 81,831.37 | 81,968.82 | 137.45 | 0.17% |

## Table 2 – MRZ Bill Impacts

| Customer Class | kWh | kW | RPP vs Non-RPP | Jan 1, 2025 Total Bill ($) | Jan 1, 2025 Total Bill - Group 1 Consolidated ($) | $ Change | % Change |
|---|---|---|---|---|---|---|---|
| Residential | 750 | | RPP | 141.56 | 140.69 | (0.87) | (0.61%) |
| GS<50 kW | 2,000 | | RPP | 341.37 | 338.58 | (2.79) | (0.82%) |
| GS 50 to 4,999 kW | 210,000 | 500 | Non-RPP | 36,689.44 | 36,299.76 | (389.68) | (1.06%) |
| USL | 275 | | RPP | 54.30 | 53.85 | (0.45) | (0.82%) |
| Street Lighting | 46,300 | 115 | Non-RPP | 7,898.73 | 7,826.06 | (72.68) | (0.92%) |

**IRR 6 - Staff – 6**
**Ref 1: Pages 3-4**

**Preamble:**
NT power is requesting to dispose the 2024 unaudited balances for certain Group 2 DVA balance for two rate zones. NT power provides Table 1 and Table 2 for the total claims for these accounts of each rate zone.

**Question:**

1. Please provide updated Table 1 and Table 2 by adding the 2023 audited balance for these Group 2 accounts of each rate zone.

**Response:**

Please see the tables below for the 2023 and 2024 Group 2 account balances for NTRZ and MRZ. For Account 1557, per the MIST meter accounting guidance,[5] the 2023 balances in the tables below represent the gross capital amount. The 2024 balance represents the revenue requirement impact relating to the capital that is being requested for disposition.

In 2024, NT Power completed a comprehensive review of Group 2 accounts for the purpose of requesting disposition in this application. Any adjustments required were recorded in the 2024 general ledger. Note that for the purpose of the DVA Continuity Schedule, the balances are presented in the year in which the amounts pertained to.

NT Power's 2024 financial statement audit is in the final stages. At this point, no changes to any of the deferral and variance accounts are expected.[6] NT Power notes that the OEB has approved unaudited balances for disposition in many instances.[7] Per the annual Chapter 2 Filing Requirements, some accounts may include a forecasted balance to the effective date of its new rates, provided the forecast is done with reasonable accuracy.

[5]Accounting Procedures Handbook Guidance, March 2015, #3
[6] No changes are expected following the change in MIST meter balance (see IRR3)
[7] For example, the following utilities disposed forecasted balances in Account 1508 – Wireline Pole Attachment and/or RCVA related accounts in their cost of service rate applications: 1) Synergy North Corporation (EB-2023-0052), 2) Bluewater Power Distribution Corporation (EB-2022-0016) including Account 1508 – OEB Cost Assessment, Account 1592, Sub-account CCA Changes, 3) EPCOR Electricity Distribution Ontario Inc. (EB-2022-0028), including Account 1508 – OEB Cost Assessment, Account 1509 – COVID-19 Deferral Account

## Table 1 – NTRZ Group 2 Accounts

| Account # | Account Name | 2023 Principal ($) | 2023 Interest ($) | 2023 Total ($) | 2024 Principal ($) | 2024 Interest ($) | 2024 Claim ($) |
|---|---|---|---|---|---|---|---|
| 1508 | Sub-account Deferred IFRS Transition Costs | - | - | - | 25,425 | 5,595 | 31,020 |
| 1508 | Sub-account OEB Cost Assessment | - | - | - | 91,097 | 17,929 | 109,026 |
| 1518 | RCVA - Retail | 151,541 | 21,054 | 172,595 | 133,926 | 29,552 | 163,477 |
| 1548 | RCVA - STR | 52,727 | 8,602 | 61,330 | 53,671 | 11,987 | 65,658 |
| 1557 | Meter Cost Deferral Account | 654,222 | 47,680 | 701,903 | 624,734 | - | 624,734 |
| **Total** | | **858,490** | **77,336** | **935,827** | **928,853** | **65,062** | **993,915** |

## Table 2 – MRZ Group 2 Accounts

| Account # | Account Name | 2023 Principal ($) | 2023 Interest ($) | 2023 Total ($) | 2024 Principal ($) | 2024 Interest ($) | 2024 Claim ($) |
|---|---|---|---|---|---|---|---|
| 1508 | Sub-account Deferred IFRS Transition Costs | 58,656 | 10,187 | 68,843 | 58,656 | 13,915 | 72,571 |
| 1508 | Sub-account OEB Cost Assessment | 17,153 | 2,672 | 19,826 | 22,541 | 3,868 | 26,408 |
| 1518 | RCVA - Retail | (29,657) | (5,998) | (35,654) | (36,074) | (8,083) | (44,157) |
| 1548 | RCVA - STR | 5,300 | 269 | 5,569 | 7,447 | 681 | 8,128 |
| 1557 | Meter Cost Deferral Account | 47,336 | 3,340 | 50,676 | 50,288 | - | 50,288 |
| 1592 | Sub-account HST / OVAT Input Tax Credits (ITCs) | (3,387) | - | (3,387) | (13,685) | (3,732) | (17,417) |
| **Total** | | **95,402** | **10,471** | **105,873** | **89,172** | **6,649** | **95,821** |

**IRR 7 - Staff – 7**

**Ref:** Pages 6-8

**Preamble:**

NT Power considered the bill impact of an 8-month disposition period and noted that the bill impacts are all negative (i.e., bills are decreasing when including the impacts of prevailing rate riders expiring April 30, 2025), and are under 4% for all rate classes in NTRZ and under 3% for all rate class in MRZ, as outlined in table 5 below.

**Table 5 –Proposed Bill Impacts**

| Rate Class | kWh | kW | RPP vs. Non-RPP | NTRZ | | MRZ | |
|---|---|---|---|---|---|---|---|
| | | | | $ Change | % Change | $ Change | % Change |
| Residential | 750 | | RPP | (2.70) | (1.97%) | (1.26) | (0.89%) |
| GS<50 | 2,000 | | RPP | (11.42) | (3.18%) | (2.11) | (0.62%) |
| GS>50 | 237,500 | 500 | Non-RPP | (1,537.98) | (3.71%) | (872.23) | (2.38%) |
| USL | 200 | | RPP | (0.04) | (0.08%) | (0.35) | (0.64%) |
| Sentinel | 475 | 1 | RPP | (1.73) | (2.14%) | 0.00 | 0.00% |
| Streetlight | 474,500 | 1,000 | Non-RPP | (2,306.55) | (2.82%) | (156.41) | (1.98%) |

**Question:**

1. Please confirm whether NT Power is comparing the bill impacts of a 12-month disposition period to an 8-month disposition period in Table 5.
    a. If confirmed, please explain the main drivers causing the bill impacts to be negative using the 8-month disposition period.
    b. Please provide the bill impacts of disposing of the group 2 DVAs in relation to the 2025 approved tariff.

**<u>Response</u>**:

1. Not confirmed, in Table 5, the $ Change and % Change represents the comparison between the bill derived from the January 1, 2025 approved tariff and the May 1, 2025 proposed tariff which is derived from rates recovered over an 8-month disposition period.

    a. Not confirmed.

    b. The bill impact comparing the bill derived from the approved January 1, 2025 tariff to the May 1, 2025 proposed tariff reflecting an 8-month disposition period for Group 2 accounts (as revised in IRR 3) and the removal of rate riders that expire April 30, 2025 is provided in Table 1 below

The bill impacts comparing the January 1, 2025 approved tariff to a May 1, 2025 tariff reflecting an 8-month disposition period for Group 2 accounts only (i.e. without the removal of rate riders expiring April 30, 2025) is provided in Table 2 below. NT Power notes that these impacts are only illustrative and conceptual in nature, as the actual bill impacts experienced by customers on May 1, 2025 will include the effects of any cessation of riders that lapse on April 30, 2025.

**Table 1 – Bill Impacts: January 1, 2025 Approved Tariff vs. May 1, 2025 Proposed Tariff**

| Rate Class | kWh | kW | RPP vs. Non-RPP | NTRZ | | MRZ | |
|---|---|---|---|---|---|---|---|
| | | | | $ Change | % Change | $ Change | % Change |
| Residential | 750 | | RPP | (2.67) | -1.94% | (1.26) | -0.89% |
| GS<50 | 2,000 | | RPP | (11.33) | -3.15% | (2.11) | -0.62% |
| GS>50 | 237,500 | 500 | Non-RPP | (1,527.66) | -3.68% | (872.23) | -2.38% |
| USL | 200 | | RPP | (0.03) | -0.06% | (0.35) | -0.64% |
| Sentinel | 475 | 1 | RPP | (1.71) | -2.12% | 0.00 | 0.00% |
| Streetlight | 474,500 | 1,000 | Non-RPP | (2,287.50) | -2.80% | (156.41) | -1.98% |

**Table 2 – Bill Impacts from Disposition of Group 2 Accounts Only**

| Rate Class | kWh | kW | RPP vs. Non-RPP | NTRZ | | MRZ | |
|---|---|---|---|---|---|---|---|
| | | | | $ Change | % Change | $ Change | % Change |
| Residential | 750 | | RPP | 1.99 | 1.45% | 0.12 | 0.08% |
| GS<50 | 2,000 | | RPP | 4.24 | 1.18% | 1.77 | 0.52% |
| GS>50 | 237,500 | 500 | Non-RPP | 396.73 | 0.96% | 256.53 | 0.70% |
| USL | 200 | | RPP | 0.66 | 1.58% | 0.24 | 0.44% |
| Sentinel | 475 | 1 | RPP | 1.19 | 1.48% | 0.00 | 0.00% |
| Streetlight | 474,500 | 1,000 | Non-RPP | 731.74 | 0.89% | 49.76 | 0.63% |

**IRR 8 - Staff – 8**
**Ref**: Page 5

**Preamble:**

NT Power states that it requests disposition of a debit of $163,477 and a debit of $65,658 for NTRZ's Accounts 1518 and 1548 respectively, as well as a credit of $44,157 and a debit of $8,128 for MRZ's Accounts 1518 and 1548.

**Question(s):**

1. Please explain why Account 1518 for MRZ is a credit balance of $44,157 while Account 1518 for NTRZ is a debit balance of $163,477.
2. Please provide NT Power's thoughts of writing off the debit balance of $8,128 in Account 1548 for MRZ because the balance is immaterial.

**Response**:

1. The Account 1518 balance for MRZ is a credit balance while Account 1518 for NTRZ is a debit balance mainly due to the accumulation of the balance prior to the MAADs transactions. The former MPUC incurred different levels of retail service expenses than the former Newmarket-Tay Power Distribution Ltd.

2. NT Power does not agree in principle with writing off the $8,128 in Account 1548 for MRZ in isolation. NT Power is of the view that the disposition of these accounts should be treated consistently.

**IRR 9 - Staff – 9**
**Ref:** Page 11

**Preamble:**

NT Power provides Table 7 for a list of Group 2 DVAs that are to be continued on a consolidated basis. One of the accounts is Account 1592 sub-account CCA changes.

**Question:**

1. Please propose how to calculate the CCA differences for each rate zone that are to be recorded in the consolidated Account 1592 sub-account CCA changes.

**Response:**

If NT Power had to calculate CCA differences for each rate zone, NT Power would need to identify the capital asset additions for each rate zone and calculate CCA differences. NT Power notes that capital expenditures are not always discernable by rate zone (such as general plant additions, software, etc.), and accordingly, would require an allocation methodology. NT Power does not intend on calculating rate-zone specific amounts for the CCA changes, nor does it believe that would be appropriate, as it has operated its capital expenditures and CCA claims on a consolidated basis since before the 1592 sub-account was introduced.

**IRR 10 - VECC-1**

Ref 1: Application for DVAs p. 4
Ref 2: Appendix C- 2010-2024 DVA Continuity Schedule_NTRZ_MRZ

Please explain why the total claim amounts in Table 1 and Table 2 at Reference #1 differ from the amounts shown in Appendix C.

**<u>Response</u>:**

Tables 1 and 2 are the total claim amounts requested for disposition, including forecasted interest. The amounts in Appendix C are the account balances excluding forecasted interest.

**IRR 11 - VECC-2**

**Ref: Application for DVAs p. 3**

With respect to Account 1557 MIST Cost Deferral Account, NT Power is requesting disposition of the MIST meter account balance forecasted to December 31, 2027, as the amounts are known and will not change.

a) Has NT Power previously been granted OEB approval to collect costs not incurred at the time the Rate Riders come into effect? If yes, please explain.

b) Is NT Power aware of any other OEB approvals to collect costs not incurred at the time the Rate Riders come into effect. If yes, please explain.

c) How are the amounts incurred in Account 1557 for the years 2025, 2026 and 2027 determined/derived?

**Response:**

a) To NT Power's knowledge, there are no previous company circumstances where a collection of costs yet to be incurred was necessary, and accordingly, is not aware of any prior OEB approval to collect costs not incurred at the time rate riders come into effect.

b) NT Power notes that the Guideline for Smart Meter Funding and Cost Recovery, dated October 22, 2008 provided advanced funding. Page 8 of the guideline states the below:

> The Board has revised the term "rate adder" to be "funding adder". This more clearly communicates that the adder is a tool designed to provide advance funding and thus to mitigate the anticipated rate impact of smart meter costs when recovery of those costs is approved by the Board. This may be distinguished from the cost recovery tool (i.e., the disposition rider) discussed in section 5.
>
> Any distributor may apply for a smart meter funding adder. Approval of a smart meter funding adder does not constitute regulatory approval of any costs actually incurred to conduct smart meter activities. The prudence of such costs will be examined, and the costs will be approved (or denied), at

the time at which the distributor applies to recover them (see section 5 below).

NT Power notes that there would be no future prudence review, over and above the one being undertaken in this proceeding, for the 2026 and 2027 costs, as those costs are a known amount and simply a mathematical extrapolation of the historical meter costs already incurred, for which the associated disposition is being sought in this proceeding.

c) Please refer to IRR-3 – Staff 3.

**IRR12 - SEC-1**

[p.4; DVA Continuity Schedule] NT Power is not showing or referencing Account 1592 – CCA Changes Sub-Account in its evidence. SEC assumes NT Power has no balance in the account.

a) Has NT Power taken advantage of the Accelerated Investment Incentive to date?

b) If the answer to part (a) is yes, please provide the appropriate Account 1592 – CCA Changes Sub-Account balance and all supporting information, calculations, and relevant CCA continuity schedules.

c) If the answer to part (a) is yes, please provide a proposal for recovery of the balances.

**Response:**

a) to c) SEC's assumption is incorrect. NT Power has a balance in Account 1592, Sub-account CCA Changes, in the amount of $1.27M credit as of December 31, 2024. NT Power has claimed accelerated CCA under the Accelerated Investment Incentive program and recorded the associated impacts in the account. However, as noted in the application, NT Power is following OEB's staff recommendation and requesting to dispose only the legacy Group 2 account balances to each respective rate zone (i.e., those that ascribe back to a pre-amalgamated entity).[8] NT Power's intent is to consolidate all deferral and variance accounts effective January 1, 2025, while proposing disposition in this proceeding of the legacy rate-zone specific accounts to each specific rate zone. NT Power is not proposing to dispose any Group 2 accounts (including the 1592 sub-account) that were established after the approved MAADs transaction, which are generic accounts established by the OEB that apply to the consolidated entity as a whole. These consolidated accounts will be reviewed and disposed at next rebasing, in the normal course of operations.

[8] Pages 2-3 of Application

**IRR13 - SEC-2**

[p.5] With respect to Account 1508 – OEB Cost Assessment Sub-Account:

a) Please provide all calculations used to derive the annual principal entries.

b) Please provide a table for each rate zone that includes the following information for each year between 2016 to 2024:

i. OEB Cost Assessment amount embedded in rates
ii. Annual IRM adjustment
iii. OEB Cost Assessment amount
iv. Utility-specific materiality threshold

**Response**

a) The calculation for the principal entries in Account 1508, Sub-account OEB Cost Assessment that are being requested for disposition is shown in Tables 1 and 2 below. Note that post Q2-2019 entries are based on a consolidated OEB invoice, and not rate-zone specific and therefore, are not being requested for disposition in this application.

**Table 1 – NTRZ Account 1508, Sub-account OEB Cost Assessment**

| | Invoice ($) (A) | Amount in Rates ($) (B)* | DVA ($) (= A-B) |
|---|---|---|---|
| Q2 2016 | 39,390 | 30,118 | 9,272 |
| Q3 2016 | 39,390 | 30,118 | 9,272 |
| Q4 2016 | 39,387 | 30,118 | 9,269 |
| Q1 2017 | 39,387 | 30,118 | 9,269 |
| Q2 2017 | 40,922 | 30,118 | 10,804 |
| Q4 2017 | 38,762 | 30,118 | 8,644 |
| Q1 2018 | 38,761 | 30,118 | 8,643 |
| Q2 2018 | 39,046 | 30,118 | 8,928 |
| Q3 2018 | 35,783 | 30,118 | 5,665 |
| Q4 2018 | 35,783 | 30,118 | 5,665 |
| Q1 2019 | 35,784 | 30,118 | 5,666 |
| Total | 422,395 | 331,298 | 91,097 |

*Annual amount pro-rated quarterly

**Table 2 - MRZ Account 1508, Sub-account OEB Cost Assessment**

| | Invoice ($) (A) | Amount in Rates ($) (B)* | DVA ($) (= A-B) |
|---|---|---|---|
| Q2 2016 | 8,203 | 5,942 | 2,261 |
| Q3 2016 | 8,203 | 5,942 | 2,261 |
| Q4 2016 | 8,203 | 5,942 | 2,261 |
| Q1 2017 | 8,010 | 5,942 | 2,068 |
| Q2 2017 | 8,267 | 5,942 | 2,325 |
| Q3 2017 | 8,267 | 5,942 | 2,325 |
| Q4 2017 | 7,247 | 5,942 | 1,305 |
| Q1 2018 | 7,827 | 5,942 | 1,885 |
| Q2 2018 | 7,880 | 5,942 | 1,937 |
| Q3 2018 | 7,247 | 5,942 | 1,305 |
| Q4 2018 | 7,247 | 5,942 | 1,305 |
| Q1 2019 | 7,246 | 5,942 | 1,304 |
| | 93,848 | 71,307 | 22,541 |

*Annual amount pro-rated quarterly

b) The amounts OEB cost assessment amount embedded in rates and the cost assessment amount is provided in response a above. The annual IRM adjustments are provided in Table 3 below. Materiality for NTRZ is $85,000 and materiality for MRZ is $50,000 based on the OEB's Chapter 2 Filing Requirements.

| | NTRZ Annual IRM Adjustment | MRZ Annual IRM Adjustment |
|---|---|---|
| 2016* | 0.00%* | 1.65% |
| 2017 | 1.30% | 1.45% |
| 2018 | 0.60% | 0.75% |
| 2019 | 0.90% | 1.05% |
| 2020 | 1.40% | 1.85% |
| 2021 | 1.60% | 1.90% |
| 2022 | 2.70% | 2.70% |
| 2023 | 3.55% | 3.55% |
| 2024 | 4.65% | 4.65% |

*The former Newmarket-Tay Power Distribution Ltd. did not file a rate application in 2016. NT Power assumes that the applicable IRM adjustment factor would have been 1.5%, if an application was filed.

**IRR 14 - SEC-3**

[p.5] With respect to Account 1557 – Meter Cost Deferral Account, please provide supporting information regarding the calculation of principal entries and the prudence of the balances.

**Response:**

Please see IRR 3 – Staff 3 for a breakdown of the capital costs, and calculation of the account balances. Regarding prudence of the costs incurred, NT Power employs policies and practices that ensures that NT Power operates in a financially prudent and sustainable manner. NT Power's purchasing policy is governed by the principle that ensures only quality goods and services are acquired at the most favourable prices while yielding optimal benefit to high environmental, safety, ethical and professional standards. Wherever possible, NT Power employs fair, open and competitive processes in selecting suppliers and vendors, through request for proposals or quotations processes. NT Power notes that the OEB Chapter 2 Filing Requirements, Section 2.9.2 states that prudence of any costs incurred means that the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers. For MIST meters, NT Power explored and tested several products over several years leading up to implementation. Although cost was an important consideration for NT Power, NT Power was also constrained by existing legacy metering infrastructure and the limited available options for meters at that time that would comport to that legacy infrastructure, particularly given the requirement to deploy these meters by a mandated deadline and significant supply chain issues stemming from the COVID-19 pandemic. NT Power ultimately selected the final meter solution that ensured the appropriate functionality and reliability of the meters, while maximizing cost savings on deployment wherever possible. For instance, with respect to the communications-related equipment supporting MIST meters, the Company purchased in bulk to maximize savings. As well, the Company took advantage of the different system configurations between the Midland and Newmarket territories, rather than deploying a uniform or simplified approach to the whole customer base. In the Midland service territory, the existing AMI infrastructure and communication network was leveraged, which allowed the Company to avoid upgrading those associated assets, resulting in substantive cost savings.