EB-2024-0309

Newmarket-Tay Power Distribution Ltd.

Application for Disposition and Consolidation of Deferral and Variance Accounts

Final Submissions of VECC April 4, 2025

On February 11, 2025, Newmarket-Tay Power Distribution Ltd. (NT Power) filed a revised application to dispose of certain legacy Group 2 deferral and variance account (DVA) balances and to consolidate all DVAs for its two rate zones, the Newmarket-Tay rate zone (NTRZ) and the Midland rate zone (MRZ).

Background

The former Newmarket-Tay Power Distribution Ltd. amalgamated with the former Midland Power Utility Corporation and continues operations as NT Power. 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 approved the request to continue to track costs to each of the applicants' existing DVAs.

NT Power originally filed an application on October 31, 2024 for approval to consolidate DVAs for its two rate zones. Following discussions on the application with OEB Staff, and OEB Staff's recommendation, NT Power revised and refiled its application to include a request to dispose of certain Group 2 DVA balances to each respective rate zone, rather than consolidating those specific accounts and disposing them at next rebasing.

VECC accepts NT Power's reasoning to dispose of certain Group 2 accounts to each specific rate zone as it enables account balances to be disposed to the group of customers that directly contributed to those balances.

Disposition Request

NT Power's Group 2 accounts consist of legacy accounts that were established prior to consolidation specific to the former NTRZ and MR and accounts that were established after the approved consolidation. NT Power requests the disposition of unaudited December 31, 2024 legacy Group 2 account balances, as shown in the Tables 1 and 2 below.[1]

[1] Appendix A – IRR2 2020-2024 DVA Continuity Schedule_NTRZ_MRZ_20250326

The balances requested for disposition represent amounts that accumulated from the last respective approved disposition years (balances from 2010-2024 for NTRZ and 2012-2024 for MRZ).

Table 1: NTRZ Group 2 Accounts Requested for Disposition

Account	Description	Total Claim Before Forecasted Interest
1508	Sub-account Deferred IFRS Transition Costs	$30,711
1508	Sub-account OEB Cost Assessment	$107,921
1518	RCVA - Retail	$161,852
1548	RCVA - STR	$65,007
1557	Meter Cost Deferral Account	$624,733
Total		$990,224

Table 2: MRZ Group 2 Accounts Requested for Disposition

Account	Description	Total Claim Before Forecasted Interest
1508	Sub-account Deferred IFRS Transition Costs	$71,859
1508	Sub-account OEB Cost Assessment	$26,135
1518	RCVA - Retail	$(43,720)
1548	RCVA - STR	$8,037
1557	Meter Cost Deferral Account	$50,288
1592	Sub-account HST/OVAT Input Tax Credits	$(17,251)
Total		$95,349

Account 1508 Sub-account OEB Cost Assessment

This account records the material differences between the OEB cost assessments built into rates and cost assessments that would result from the application of the new cost assessment model effective April 1, 2016.

VECC objects to the disposition of the OEB Cost Assessment account for two reasons.

First, on an annual basis the amounts booked into this account by rate zone do not meet the Filing Requirements materiality threshold of $85,000 and $50,000 for NTRZ and MRZ, respectively.[2] In VECC's view, the materiality threshold is calculated based on a utility's annual

[2] Staff-3 (a) (b) 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

revenue requirement. It is not the aggregate balance in the sub-account that should be measured against the materiality threshold, but the annual entries.

Second, the balances in the account reflect only the gross variance in cost assessments based on the OEB Cost Assessment amount embedded in rates. This means that there is no adjustment being made for the implicit increase in the amount collected for the purpose of covering cost assessments due to IRM rate adjustments. If this were done the balance would be less than currently shown. VECC has reviewed SEC's draft submission, wherein SEC calculates revised principal balances for NTRZ and MRZ to include adjustments made for the implicit increase in the amount collected during IRM rate adjustments, and confirms the revised balances are below the respective thresholds of $85,000 and $50,000.

Account 1557: Meter Cost Deferral Account

The OEB established Account 1557 to track the associated incremental Capital and Operating, Maintenance and Administrative (OM&A) costs.

The balances requested for disposition represent the total annual revenue requirement from 2020 to 2027. NT Power is requesting disposition of forecast amounts pertaining to 2025 to 2027 claiming these amounts are known and will not change. Further, NT Power indicates disposing of the 2025 to 2027 amounts in this application will allow NT Power to subsequently discontinue the account thereby reducing administrative efforts, as well as minimizing intergenerational inequity associated with customers paying for these costs several years after they were incurred.[3]

In VECC's view it is inappropriate for NT Power to include forecast 2025 to 2027 amounts for disposition and require customers to pay now for future costs.

VECC submits the OEB should approve disposition to the end of 2024 and require NT Power to continue Account 1557 to record 2025 to 2027 balances on a rate zone basis for disposition in its next rebasing application.

Audited Balances

Given the timing of NT Power's request for consolidation (January 1, 2025), and the timing of the audit for NT Power's financial statements, NT Power is requesting disposition of unaudited balances.

NT Power confirms that 2024 balances requested for disposition are not expected to be different from the audited financial statement values.

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requirements

[3] Application p.6

VECC has no concerns with NT Power's request to dispose of unaudited balances.

Proposed Rate Riders

In order to minimize the frequency of rate changes to its customers, NT Power requests that rate riders from the proposed disposition be effective from May 1, 2025 to December 31, 2025, to align with the expiry of certain existing rate riders on April 30, 2025 as well as NT Power's 2026 rate year effective January 1, 2026.

VECC takes no issue with NT Power's request for an 8-month disposition period as the bill impacts to customers is minimal.[4]

Consolidation

NT Power intends to track all DVAs (Group 1 & Group 2) 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 application for rates effective January 1, 2026.[5]

VECC supports NT Power's proposal noting it responds to the expectations in the MAADs Handbook regarding DVAs and NT Power will likely gain efficiencies by tracking accounts on a consolidated basis, rather than a rate zone basis.

[4] Application p.8
[5] Staff-1