Newmarket-Tay Power Distribution Ltd.

Application for Disposition and Consolidation of Deferral and Variance Accounts,

Re-Filed: February 11, 2025

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 section 78 of the *Ontario Energy Board Act* for approval to dispose certain legacy Group 2 deferral and variance account (DVA) balances and subsequently consolidate all DVAs for its two rate zones, the Midland rate zone ("MRZ") and the Newmarket-Tay rate zone ("NTRZ"). 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. 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

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.

NT Power filed an application on October 31, 2024 for approval to consolidate DVAs for its two rate zones. The OEB completed its preliminary review of this application on November 5, 2024 and noted that it will begin processing the application. Following discussions with OEB staff, and based on OEB staff's recommendation, NT Power informed the OEB on December 3, 2024 that NT Power would revise and re-file the application to include a request to dispose certain Group 2 DVA balances to each respective rate zone, rather than consolidating those specific accounts and disposing them at next rebasing.

NT Power 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) in its original application 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). Furthermore, NT Power noted that 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 the scenario where those balances are disposed on a rate-zone specific basis.[2] Therefore, NT Power's original intent was to dispose all Group 2 accounts on a consolidated basis as part of its next rebasing rate application, so that there would be no impact on customers in the intervening years. However, NT Power understands that disposing Group 2 accounts to each specific rate zone would enable account balances to be disposed precisely to the group of customers that directly contributed to those balances. While NT Power maintains that the differential between rate-zone specific and consolidated account dispositions of Group 2 accounts represents an insignificant impact to its customers, NT Power is not opposed to OEB staff's recommendation to instead request disposition of the legacy Group 2 accounts to each relevant rate zone and, accordingly, is now requesting disposition in this application.

[2] NT Power quantified the impact of disposing on a consolidated basis instead of a rate zone basis to be an additional credit amount of approximately $35,000 that would be disposed to customers in the NTRZ, while an additional debit amount of approximately $35,000 that would be disposed to customers in the MRZ

3. Disposition Request

a) Summary of Legacy Balances Requested for Disposition

NT Power's disposition request is guided by the OEB's Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications, dated December 9, 2024.

NT Power's Group 2 accounts consist of:

- legacy accounts that were established prior to consolidation, and are specific to the former Newmarket-Tay Power Distribution Ltd. and the former Midland Power Utility Corporation, and
- accounts that were established after the approved consolidation, which are generic accounts established by the OEB, that apply to the consolidated entity.

NT Power requests the disposition of unaudited December 31, 2024 legacy account balances, as presented in the tables 1 and 2 below. 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).[3] The NTRZ balances also include forecast amounts for the MIST Cost Deferral Account for 2025 to 2027, as the amounts are known and will not change. NT Power has not made any adjustments to DVA balances that were previously approved by the OEB on a final basis. NT Power also confirms that it has used the prescribed interest rates established by the OEB for calculating carrying charges on account balances. The Q1 2025 rate has been used to forecast carrying charges.

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,[4] NT Power is requesting disposition of unaudited balances. NT Power notes that typically the OEB requires audited balances to be requested for disposition, however the OEB does also allow for unaudited balances to be disposed.[5] 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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[3] 2009 balances were last approved for disposition in the former Newmarket-Tay Power Distribution Ltd's 2010 cost of service rate application (EB-2009-0269) and the 2011 balances were last approved for disposition in the former Midland Public Utility Corporation's 2013 cost of service rate application (EB-2012-0147)

[4] Audit financial statements expected to be issued in Q2 2025

[5] For example, per Chapter 2 Filing Requirements (pp.63, 66) some accounts (e.g. Account 1508, Sub-account Pole Attachment Revenue Variance, Accounts 1518 RCVA Retail, Account 1548 RCVA STR)

NT Power provides the OEB's DVA Continuity Schedules[6] for NTRZ in Appendix A, and MRZ in Appendix B. The OEB's DVA Continuity Schedule begins from 2018 while NT Power's legacy accounts requested for disposition started to accumulate since 2010 for NTRZ and 2012 for MRZ. Therefore, to provide the full continuity schedule from the period where the balance started to accumulate to 2024, NT Power provides a full continuity schedule in Appendix C to complement Appendix A and B.[7]

Table 1 - NTRZ Group 2 Accounts Requested for Disposition

Account #	Account Name	Principal ($)	Interest ($)	Total 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	133,926	29,552	163,477
1548	RCVA - STR	53,671	11,987	65,658
1557	Meter Cost Deferral Account	604,707	0	604,707
	Total	**908,826**	**65,062**	**973,888**

Table 2 - MRZ Group 2 Accounts Requested for Disposition

Account #	Account Name	Principal ($)	Interest ($)	Total Claim ($)
1508	Sub-account Deferred IFRS Transition Costs	58,656	13,915	72,571
1508	Sub-account OEB Cost Assessment*	22,541	3,868	26,408
1518	RCVA - Retail	(36,074)	(8,083)	(44,157)
1548	RCVA - STR	7,447	681	8,128
1557	Meter Cost Deferral Account	50,288	0	50,288
1592	Sub-account HST / OVAT ITCs	(13,685)	(3,732)	(17,417)
	Total	**89,172**	**6,649**	**95,821**

b) Legacy Account Balances

<u>Account 1508, Sub-account Deferred IFRS Transition Costs</u>

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.

NT requests disposition of a debit of $31,020 for NTRZ and debit of $72,571 for MRZ.

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may include a forecasted balance to the effective date of its new rates, provided the forecast is done with reasonable accuracy.

[6] Issued February 5, 2025 for 2026 cost of service rate applications

[7] The 2024 balances shown in Appendix C are inputted into the 2024 principal adjustments

Account 1508, Sub-account OEB Cost Assessment

The OEB established the 1508 sub-account in its letter dated February 9, 2016, to record 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.

NT requests to dispose a debit of $109,026 for NTRZ and a debit of $26,408 for MRZ. The balances represent the balance accumulated prior to NT Power's consolidation that pertains to the specific rate zones. In 2019, after consolidation, NT Power received one consolidated invoice for OEB cost assessments. Since then, NT Power has been recording transactions on a consolidated basis, consistent with the OEB cost assessment invoices received. Those consolidated amounts are not being proposed for disposition as part of this proceeding.

Account 1518 RCVA – Retail, Account 1548 RCVA – STR

Account 1518 records the difference between the amount billed and the incremental costs of providing retail services pertaining to establishing service agreements, distributor-consolidated billing, and retailer consolidated billing.

Account 1548 records the difference between the amount billed in relation to a service transaction requests (STR) and the incremental costs of providing the initial screening and actual processing services for the STR.

NT Power has followed Article 490 of the Accounting Procedures Handbook for the accounting of Accounts 1518 and 1548. Costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.

NT Power requests disposition of a debit of $163,477and 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.

Account 1557 MIST Meter

On May 21, 2014 the OEB amended the Distribution System Code to require the installation of Metering Inside Settlement Time ("MIST") meters by distributors by August of 2020. This date was subsequently amended to March 31, 2021. The OEB established Account 1557 to track the associated incremental Capital and Operating, Maintenance and Administrative (OM&A) costs. Distributors were to be guided by the various OEB documents related the disposition of smart meter costs.

NT Power requests disposition a debit of $604,707 for NTRZ and a debit of $50,288 for MRZ. 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.[8] 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.

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.

Account 1592, Sub-account HST / OVAT Input Tax Credits

The 1592 sub-account is used to record the incremental input tax credit (ITCs) received on the distribution revenue requirement items that were previously subject to Provincial Sales Tax and which became subject to Harmonized Sales Tax (HST), effective July 1, 2010.

The former Midland Public Utility Corporation was approved to dispose the 2011 balance for this sub-account in its 2013 cost of service rate application.[9] In this application, NT Power requests disposition of a credit of $17,417 for MRZ, which represents 50% of the 2012 transactions. No further transactions were recorded after 2012 as the former Midland Public Utility Corporation was to stop using this sub-account commencing December 31, 2012 in accordance with the 2013 settlement agreement.[10]

NTRZ does not have a balance in this sub-account as HST was considered in determining the rates in its 2010 cost of service rate application.[11]

c) Proposed Rate Riders and Bill Impacts

NT Power proposes the rate riders as shown in tables 3 and 4 below. NT Power allocated DVAs using the default allocators in the OEB's DVA Continuity Schedule. NT Power has used the most recent billing determinants available for allocating DVA balances and

[8] 2025-2027 amounts are shown in the 2024 Principal Adjustments column in Appendix C.
[9] EB-2012-0147
[10] EB-2012-0147 Decision and Order, January 17, 2013, Appendix A, p.36
[11] EB-2009-0269

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. NT Power is proposing an 8-month disposition period from May 1, 2025 to December 31, 2025 for operational efficiency purposes, as NT Power is already planning on billing changes during these dates. NT Power will need to implement billing changes April 30, 2025 as certain approved rate riders on NT Power's tariff expire. NT Power will also need to implement billing changes effective January 1, 2026 to reflect any changes in distribution rates for the 2026 rate year. Importantly, NT Power is also seeking to minimize the number of times in a year in which rates are changing for its customers, to mitigate fluctuations and volatility. 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. NT Power provides the proposed tariffs for NTRZ in Appendix D and for MRZ in Appendix E.

Table 3 – NTRZ Proposed Rate Riders

Rate Class	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
Residential	# of Customers	33,663	$529,085	$ 1.96
GS<50	kWh	93,378,516	$129,086	$ 0.0021
GS>50	kW	683,999	$311,860	$ 0.6839
USL	kWh	263,914	$576	$ 0.0033
Sentinel	kW	421	$330	$ 1.1752
Streetlight	kW	7,018	$2,951	$ 0.6307
Total			**$ 973,888**	

Table 4 – MRZ Proposed Rate Riders

Rate Class	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
Residential	# of Customers	6,773	$6,446	$ 0.12
GS<50	kWh	24,772,364	$14,600	$ 0.0009
GS>50	kW	245,030	$74,169	$ 0.4540
USL	kWh	422,340	$245	$ 0.0009
Streetlight	kW	1,417	$362	$ 0.3829
Total			**$ 95,821**	

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%)

4. <u>Continuation and Discontinuation of Accounts</u>

Table 6 below presents NT Power's proposal to continue or discontinue the accounts that are requested for disposition in this application.

Table 6 – Continuation/Discontinuation of Accounts

Account #	Account Name	Continue Account?	
		NTRZ	MRZ
1508	Sub-account Deferred IFRS Transition Costs	No	No
1508	Sub-account OEB Cost Assessment	Yes - consolidated	
1518	RCVA - Retail	Yes - consolidated	
1548	RCVA - STR	Yes - consolidated	
1557	Meter Cost Deferral Account	No	No
1592	Sub-account HST / OVAT ITCs	N/A	No

- Account 1508, Sub-account Deferred IFRS Transition Costs – Discontinue as no further activity expected in this sub-account after disposition.
- Account 1508, Sub-account OEB Cost Assessment – In 2019, after consolidation, NT Power started to receive one consolidated invoice for OEB Cost Assessments. In this application, NT Power is requesting to dispose the rate-zone specific balances that accumulated prior to consolidation. NT Power proposes to continue to record post-consolidation transactions on a consolidated basis until next rebasing.
- Accounts 1518 RCVA Retail, 1548 RCVA STR – NT Power is requesting consolidation of these rate-zone specific accounts in this application. If approved, NT Power will record consolidated balances that will accumulate going forward.

- Account 1557 MIST Cost Deferral Account: As noted in section 3b above, NT Power is requesting disposition of the MIST meter account balance forecasted to December 31, 2027. No further balance is expected in this account after that date, and therefore, this account is proposed to be discontinued.

- Account 1592, Sub-account HST/OVAT Input Tax Credits (ITCs) - Discontinue as no further activity is expected in this sub-account after disposition. Per the former Midland Public Utility Corporation's 2013 settlement agreement, this sub-account will not be used commencing December 31, 2012.

5. 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 generally 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, are the bases for NT Power's current application.

NT Power confirms that consolidating its DVAs will allow for significant operational efficiencies, an expectation that 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 a more efficient and 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 expected in 2025. 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 costs as well as 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.[12] This would be contrary to having NT Power operate as one consolidated entity, negating the administrative cost savings that would otherwise result.

a) Group 2 Accounts

NT Power 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.[13] 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. With the exception of balances being proposed for disposition in this proceeding, NT Power is proposing to track and eventually dispose all of its Group 2 accounts on a consolidated basis. The Group 2 accounts that NT Power currently uses will continue on a consolidated basis in 2025, if NT Power's proposal on the continuation and discontinuation of the accounts in this application is approved, are shown in Table 7.

[12] 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, based on the OEB's timelines for clearing residual balances in Account 1595.

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

Table 7- Accounts Continuing on Consolidated Basis**

Account #	Account Name
1508	Sub-account OEB Cost Assessments*
1508	Sub-account Pole Attachment Revenue Variance
1508	Sub-account LEAP EFA Funding Deferral
1522	P&OPEB Forecast Accrual versus Actual Cash Payment Differential, Carrying Charges
1592	Sub-account, CCA Changes
1518	RCVA - Retail
1548	RCVA - STR

*Account will only reflect balances accumulated starting in 2019, after NT Power's consolidation, where NT Power received one consolidated invoice for OEB Cost Assessments.
**Note there are other OEB established accounts that are not included in this listing but may be utilized by NT Power in the future.

Only Accounts 1518 and 1548 are legacy rate-zone specific accounts. The other accounts were established after NT Power consolidated. NT Power submits that any potential cross-subsidization from disposing the RCVA accounts on a consolidated basis rather than to customers in the specific rate zone, for the 2025-2027 balances would be expected to be insignificant. NT Power is currently proposing to dispose the entire current balance (i.e. 2010 to 2024 transactions for NTRZ, 2012 to 2024 transactions for MRZ) in these accounts. Therefore, any potential cross-subsidization due to disposition of the remaining balance for 2025 to 2027 activity would not be expected to be significant based on historical annual activity in these accounts.

NT Power requests that the OEB approves the above request as filed.

All of which is respectfully submitted.