Board Staff Interrogatories for Canadian Niagara Power Inc. regarding the 2008 Electricity Distribution Rates Applications for its CNPI – Eastern Ontario Power (EB-2008-0222), CNPI – Fort Erie (EB-2008-0223) and CNPI – Port Colborne (EB-2008-0224) Service Areas

As identified in the Procedural Order No. 1 issued on October 10, 2008, the Board has determined that the review of these three applications will be combined into one proceeding, while maintaining the separate identification of each of the applications. The following Board Staff interrogatories contain questions relating both to common elements for the three applications and specific aspects for each of the three service areas.

General – Economic Assumptions

Interrogatories common to all three applications

1. Updates to evidence

a) Since the filing of the three applications, given the economic situation, has CNPI assessed the situation and identified any specific issues that have a material impact on its load and revenue forecasts and bad debt expense forecast.

b) If so, can CNPI provide the necessary evidence and an estimate of the timing of any update including necessary calculations?

Exhibit 2 - Rate Base

Interrogatories common to all three applications

2. Rate Base and Capital Expenditures (excluding Smart Meters)

Ref: Exhibit 2 – Rate Base and Capital Expenditures

Please provide information for the period 2006 to 2009 in the following table format with respect to CNPI's distribution operations for each of:

a) the EOP service area;
b) the Fort Erie service area;
c) the Port Colborne service area; and

	2006 Actual	**2007 Actual**	**2008 Bridge**	**2009 Test**
Allowed Return on Equity (%) on the regulated rate base				
Actual Return on Equity (%) on the regulated rate base				
Retained Earnings				
Dividends paid to shareholders				
Sustaining capital expenditures (excluding smart meters)				
Development capital expenditures (excluding smart meters)				
Operations capital expenditures				
Smart Meters capital expenditures				
Other capital expenditures (please specify)				
Total capital expenditures (including smart meter meters)				
Total capital expenditures (excluding smart meter capital expenditures)				
Depreciation expense				
Construction Work in Progress				
Rate Base				
Taxes/PILs paid/forecasted				
Number of Customer Additions (total)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				
Number of Customers (total, December 31)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				

3. Asset Management

Ref: Exhibit 2/Tab 1/Schedule 1/Appendix D – Asset Management

CNPI describes its asset management practice in this Appendix, common to all three applications.

a) Please describe CNPI's policies and practices for assessing the condition of its assets, and of how such reviews feed into the asset management review.

b) Does CNPI conduct an Asset Condition Assessment study?
   i) If not, please explain.
   ii) If yes, please provide a copy on CNPI's most recent Asset Condition Assessment study for each of the service areas:

a) EOP;
b) Fort Erie; and
c) Port Colborne.

c) In the exhibit, CNPI states that: "It is during the five-year business forecast process that project prioritization is initially carried out. This achieves the objectives of setting the overall future annual capital and operating budgets and specifies the timing of larger capital items within the five-year forecast period." Please provide CNPI's latest five-year business forecast for annual capital budgets, indicating major capital items, the timing of these and the reasons supporting them with respect to timing/prioritization and need (e.g. reliability improvement).

4. Asset Management Plan

Ref: Exhibit 2/Tab 1/Schedule 1/Appendix D – Asset Management
Ref: Exhibit 4/Tab 1/Schedule 1

Asset management consists of processes and systems that help evaluate, prioritize, and select the distributor's maintenance and capital plans to maximize the benefits to its customers and shareholder.

For the purpose of providing the information regarding its maintenance and capital plans, CNPI should use its identified materiality threshold items.

a) In regards to CNPI's 2009 maintenance plans:
   i) Please provide a list of criteria and rationale that CNPI has utilized in prioritization and selection of its 2009 maintenance projects.
   ii) Please complete the following Table 1 and provide ranking and the description of the identified material maintenance projects. Please note that the rating "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.
   iii) Please explain and file with the Board necessary evidence, if any, how the priorities of these maintenance projects are determined and their expenditures are justified by CNPI's management using the criteria identified in part "a(i)", e.g. reliability statistics, customer complaints, cost information, etc.

Table 1 – 2009 Maintenance Programs or Projects

Priority Ranking	Name of Program or Project	Ongoing or One-time	Type of Program	Description of Project	Maintenance Expenditure ($)	Rationale for Priority Selection
1						
2	e.g. Tree trimming	Ongoing	Preventive	This project is to perform tree trimming based on a three-year cycle	$	To enhance system reliability and maintaining SAIDI <X, SAIFI < Y, and CAID < Z and reduce outages to the customers
3						
4						
….						
….						
Total Prioritized Programs					$$	
Total Prioritized Programs % of Overall 2009 Maintenance Programs					%	

Notes:

1. Type of program can be Reactive, Preventive, or Predictive.
2. The need for implementing reactive programs may not occur, but be budgeted based on utility's business practice and based on past experience related to equipment failure or defects.
3. Some programs may have the same priority ranking.

b) In regards to CNPI's 2009 capital plans:
   i) Please provide a list of criteria and rationale that CNPI has utilized in prioritization and selection of its 2009 capital projects.
   ii) Please complete the following Table 2 and provide ranking and the description of the identified material capital projects. Please note that the rating "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.
   iii) Please explain and file with the Board necessary evidence, if any, how the priorities of these capital projects are determined by CNPI's management using the criteria identified in part "b(i)", e.g. asset condition study, system planning, regulatory compliance, etc.

Table 2 – 2009 Capital Projects

Priority Ranking	Project Name	Description of Project	Type of Program	Capital Investment ($)	Discretionary Or Non-discretionary	Start Date of Project	Date In Service	Rationale for Priority Selection
1								
2								
3	e.g. New 27.6 kV	This project is to build a new U/G feeder from Station ABC	Addition of a new asset	$	Non-discretionary	June 09	Dec. 09	To relief the overloading of the existing underground feeders and meet the load growth of x% forecasted in the next y years.
4								
….								
….								
Total $ for Prioritized Programs				$$$				
Total $ Prioritized Programs as a % of Overall Total 2009 CAPEX				%				
Discretionary Programs as % of Total Prioritized Programs				%				
Non-discretionary Programs as				%				

% of Total Prioritized Programs			
Replacement Programs as % of Total Prioritized Programs		%	
Rehabilitation Programs as % of Total Prioritized Programs		%	
Upgrade Programs as % of Total Prioritized Programs		%	
New Additions as % of Total Prioritized Programs		%	

Notes:

1. Type of program can be replacement, rehabilitation, or upgrade of an existing asset, or an addition of a new asset.
2. Non-discretionary – a "must do" project or related directly to the core infrastructure (e.g. Stations, feeders, etc.), or the need for which is determined beyond the control of the Applicant, e.g. regulatory or Government initiatives.
3. Discretionary – the need is determined at the discretion of the Applicant and the program can be deferred.
4. Some programs may have the same priority ranking.

5. Depreciation Expense

Ref: Exhibit 2/Tab 2/Schedule 4 and Exhibit 2/Tab 2/Schedule 5 – Depreciation Expense

Board staff has prepared the following table of documented Depreciation Rates from Appendix B of the 2006 Electricity Distribution Rate Handbook, from Appendix 4: Amortization Rates of CNPI's 2006 EDR application for each of the three service territories, and from Exhibit 4 / Tab / Schedule 7 of CNPI's 2009 Cost of Service application for each service territory.

a) Please confirm or revise the rates documented in the table;
b) It appears that, in 2006 EDR applications, CNPI was using depreciation rates that differed in some asset categories between the three service territories. However, CNPI appears to be using a common set of depreciation rates, which differ in some cases from the Board's standard depreciation rates. Please explain any impact of CNPI going to a common set of depreciation rates;
c) Please explain CNPI's reasons for transitioning to depreciation rates that differ from those documented by the Board in the 2006 EDRH and the Accounting Procedures Handbook.
d) It appears that CNPI did not have a stated depreciation rate for account 1980 – GA System Supervisory Equipment in its 2006 EDR applications. Please explain CNPI's reasons for adopting a depreciation rate of 10% (10 year expected life) as opposed to the 6.67% rate (15 year expected life) documented in the 2006 EDRH and Accounting Procedures Handbook.

Depreciation/Amortization Rates

		Board (2006 EDRH) Effective January 1, 1992		CNPI (2006 EDR)			CNPI (2009 EDR)		
				Fort Erie	Port Colborne	Eastern Ontario Power (Gananoque)	Fort Erie	Port Colborne	Eastern Ontario Power (Gananoque)
Account	**Description**	**Life-years**	**Rate (%)**	**EB-2005-0343**	**EB-2005-0344**	**EB-2005-0345**	**EB-2008-0223**	**EB-2008-0224**	**EB-2008-0222**
1608	Franchises & Consents						2.50%	2.50%	2.50%
1805	D Land	non-depreciable		non-depreciable	non-depreciable	non-depreciable	non-depreciable	non-depreciable	non-depreciable
1806	D Land Rights						2.50%	2.50%	2.50%
1808	D Bldgs & Fixtures	50 and 25	2% and 4%	2% and 3%	2% and 3%	2%	2%	2%	2%
1820	D Stn Equipment < 50 kV	30	3.33%	3%	3.33%		3%	3%	3%
1830	D Poles, Towers & Fixtures	25	4%	3% and 4%	3% and 4%	3% and 4%	4%	4%	4%
1835	D OH Cond & Devices	25	4%	3% and 4%	3% and 4%	3% and 4%	3%	3%	3%
1840	D UG Cond & Manholes	25	4%	2% and 3%	2%, 3% and 4%	2% and 3%	2%	2%	2%
1845	D UG Cond & Devices	25	4%	2% and 3%	2%, 3% and 4%	2% and 3%	3%	3%	3%
1850	D Line Transformers	25	4%	3% and 4%	3% and 4%	3% and 4%	3%	3%	3%
1855	D Services	25	4%	2%, 3% and 4%	2%, 3% and 4%	2%, 3% and 4%	3%	3%	3%
1860	D Meters	25	4%	3% and 4%	4%	3% and 4%	3%	3%	3%
1865	D Other Install on Cust Prem								
1875	D St Lites & Signal Systems								
1908	GA Bldgs & Fixtures	50	2%	2% and 3%	2% and 3%	2%	2%	2%	2%
1910	Leasehold Improvements	Over term of lease					20%		
1915	GA Off Furn & Equipment	10	10%	10% and 20%	10%	10%	10%	10%	10%
1920	GA Comp Hardware	5	20%	10 and 20%	20%	10% and 20%	20%	20%	20%
1925	GA Comp Software						10%	10%	10%
1930	GA Transportation Equipment	4,5,8	25%, 20%, 12.5%	10%	12% and 20%	10%	10%	10%	10%
1935	GA Stores Equip	10	10%	10%	10%	#N/A	10%	10%	10%
1940	GA tools, shop & garage equip	10	10%	10%	10% and 20%	#N/A	10%	10%	10%
1945	GA measure & test equip						10%	10%	10%
1950	GA power op equip	8	12.50%	5% and 10%	#N/A	#N/A	10%	10%	10%
1955	GA Comm Equipment						5%	5%	5%

1960	GA Misc Equip						20%	20%	20%
1965	Water heater rental units	10	10%	#N/A	#N/A	#N/A			
1970	Load management control - customer premises	10	10%	#N/A	#N/A	#N/A			
1975	Load management control - utility premises	10	10%	#N/A	#N/A	#N/A			
1980	GA System Supv Equip	15	6.67%	#N/A	#N/A	#N/A	10%	10%	10%
1985	Sentinel Lighting rental units	10	10.00%	#N/A	#N/A	#N/A			
1995	Contributed Capital								

CNPI – EOP specific interrogatories

6. Overhead Distribution Lines

Ref: Exhibit 2/Tab 3/Schedule 1/Appendix A/page 9 – Overhead Distribution Lines

Under the 2009 Test Year, please identify the estimated project cost for the replacement of 25 poles in various locations of the 4.16 kV distribution system.

7. Meters

Ref: Exhibit 2/Tab 1/Schedule 1 and Exhibit 2/Tab 3/Schedule 1/Appendix A/ page 11 – Meters

CNPI provides the following table for meter capital expenditures:

Year	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Exhibit 2 / Tab 1 / Schedule 1	$59,786	$25,684	$58,878	$36,880
Exhibit 2 / Tab 3 / Schedule 1 / Appendix A Investment ($)	$24,000	$23,000	$58,000	$14,000

CNPI states: "Increased capital expenditure levels for 2008 Bridge Year reflect an increased emphasis on meter changeouts to meet reverification requirements." It then states: "CNPI has deferred meter changeouts until a decision is made regarding the smart meter technology that will be employed in the smart meter implementation planned for 2009. Once CNPI selects a technology and vendor, the smart meter specifications will be used for future meter changeouts. This will avoid the incremental cost of installing conventional meters in 2008, then replacing them in 2009 with smart meters."

a) Please explain the differences between the two exhibits as shown in the above table.

b) Please provide further explanation of meter capital expenditures by year, breaking out actual and forecast expenditures by:
   i) Wholesale meters
   ii) Residential meters
   iii) General Service < 50 kW non-interval meters
   iv) General Service, Intermediate and Large Use Interval meters.

c) What, if any, options has CNPI considered, to avoid capital expenditures for conventional meter expenditures until CNPI is authorized to and commences smart meter deployment.

d) Is CNPI making efforts to become authorized to deploy smart meters pursuant to O. Reg. 427/06 as amended on June 25, 2008? If yes, please provide further explanation.

e) Please provide CNPI's estimate of when it expects to begin smart meter deployment once authorized.

8. Underground Assets

Ref: Exhibit 2/Tab 1/Schedule 1 and Exhibit 2/Tab 3/Schedule 1 – Underground Assets

CNPI provides the following information on capital expenditures related to underground distribution assets in each of the exhibits:

		2006 Actual	2007 Actual	2008 Bridge	2009 Test
Exhibit 2 / Tab / Schedule 1					
1840	D UG Cond & Manholes	$ 2,114	$ 1,478	$ 969	$ 3,232
1845	D UG Cond & Devices	$ 3,909	$ 26,738	$ 14,535	$ 48,485
Exhibit 2 / Tab 3 / Schedule 1 / Appendix A					
	Underground Distribution Lines	$ 26,000	$ 47,000	$ 19,000	$ 65,000

Please explain the differences between the numbers shown in the two exhibits.

9. Service Quality and Reliability

Ref: Exhibit 1/Tab 2/Schedule 1 and Exhibit 2/Tab 1/Schedule 1/Appendix B – Service Reliability

On page 8 of this Exhibit, CNPI states that "[it] has made a significant capital investment in its distribution system [i.e. serving Gananoque]. This has benefited ratepayers by maintaining a high level of reliability. SAIDI and SAIFI indices for CNPI – EOP have increased over a three-year period."

a) Increasing values for SAIDI and SAIFI would be indicative of decreasing reliability. Please clarify what is meant by the statement that "SAIDI and SAIFI indices in Gananoque have increased … ."

b) Please provide reliability performance data for the CNPI – EOP service area in the following table format.

	All Causes of Interruptions			All Interruptions except for Loss of Supply (Cause Code 2)		
Year	SAIDI	SAIFI	CAIDI	SAIDI	SAIFI	CAIDI
2002						
2003						
2004						
2005						
2006						
2007						

c) Please indicate any reliability indicator and year where performance was out of standard, meaning that it was higher than the range of the previous years. For any such case, please provide an explanation for the decreased reliability and the actions taken by CNPI to address the issue.

d) Please provide the derivation of the three-year averages shown in the table in Exhibit 2/Tab 1/Schedule 1/Appendix B/page 2/line 4.

10. Smart Meters
Ref: Exhibit 1/Tab 2/Schedule 1/page 14 and Exhibit 9/Tab 1/Schedule 1/ page 11 – Smart Meters

In Exhibit 1/Tab 2/Schedule 1, at page 14, CNPI states "CNPI – Gananoque is not authorized to conduct discretionary smart metering activities and as such is not requesting a change to the current Board Approved Smart Metering Rate Adder of $0.27 per metered customer."

In Exhibit 9/Tab 1/Schedule 1, at page 11, CNPI states "CNPI – Eastern Ontario Power is not authorized to conduct discretionary smart metering activities and as such is not requesting a change to the current Board Approved Smart Metering Rate Adder of $0.26 per metered customer.

a) Please confirm the smart meter funding adder approved by the Board and embedded in CNPI – EOP's current Board-approved distribution rates.
b) Please confirm the smart meter funding adder that CNPI is seeking approval for, for the 2009 test year, in this Application.

<u>CNPI – Fort Erie specific interrogatories</u>

11. Computer Hardware and Software
Ref: Exhibit 2/Tab 1/Schedule 1, Exhibit 2/Tab 1/Schedule 1/Appendix C and Exhibit 2/Tab 3/Schedule 1/Appendix B – Computer Hardware and Software

On page 2 of Exhibit 2/Tab 1/Schedule 1, CNPI provides a table showing capital expenditures by year and by asset account. For Computer Hardware and Software, the following data are provided:

Account		**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**	**Cumulative Total**
1920	GA Comp Hardware	$ 160,293	$ 184,501	$ 145,864	$ 345,701	$ 836,359
1925	GA Comp Software	$ 200,886	$ 233,718	$ 208,324	$ 238,792	$ 881,720
	Total Computer Hardware/Software capex	***$ 361,179***	***$ 418,219***	***$ 354,188***	***$ 584,493***	***$ 1,718,079***
Total Capital Expenditures (before CIAC)		$ 3,949,523	$ 4,312,787	$ 4,327,533	$ 4,116,771	$ 16,706,614
	Computer capex as % of total capex	9.14%	9.70%	8.18%	14.20%	10.28%

In Appendix C of the Exhibit, CNPI documents its IT strategy. CNPI documents that SAP is a core part of its Information Technology strategy. After a review in 2007, a decision on upgrading SAP in 2010 was deferred, and CNPI states that it will review its decision again in 2009 regarding an upgrade in 2010/11.

In Exhibit 2/Tab 3/Schedule 1/Appendix B, CNPI documents SAP expenditures of at least $100,000 in each year from 2006 actual to 2009 test.

In light of CNPI's IT Strategy documented in Appendix C, please explain CNPI's ongoing computer hardware and software capital expenditures, which amount to $1.718 Million cumulative from 2006 to 2009 and represent an average of about 10% of annual capital expenditures.

12. Transportation
Ref: Exhibit 2/Tab 1/Schedule 1 – Transportation

On page 2 of Exhibit 2/Tab 1/Schedule 1, CNPI provides a table showing capital expenditures by year and by asset account. For Transportation, the following data are provided:

Account		**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**	**Cumulative Total**
1930	GA Transportation Equipment	$ 397,207	$ 299,862	$ 354,199	$ 365,198	$ 1,416,466
Total Capital Expenditures (before CIAC)		$ 3,949,523	$ 4,312,787	$ 4,327,533	$ 4,116,771	$ 16,706,614
	Transportation capex as % of total capex	10.06%	6.95%	8.18%	8.87%	8.48%

In Exhibit 2/Tab 3/Schedule 1 Appendix A, on pages 12 and 13 under Transportation Equipment, CNPI provides further documentation on the types of vehicles being purchased in each year.

a) Please explain why CNPI documents $158,000 in vehicle capital expenditures for 2006 Actuals in the table on Exhibit 2/Tab 3/ Schedule 1/Appendix A/page 12/line 23, but $397,207 in Exhibit 2/Tab 1/Schedule 1.

b) Are these vehicles dedicated to serving CNPI's Fort Erie distribution customers only?

c) If the answer to b) is in the negative, please explain how the capital costs are allocated to other of CNPI's distribution and transmission operations, as applicable, or how cost recovery when these assets are utilized elsewhere is effected.

d) Based on the above analysis, CNPI has spent or plans to spend $1.416 Million cumulative from 2006 to 2009. This represents an average of about 8.5% of annual capital expenditures. Please provide further explanation of CNPI's transportation capital strategy in support of these expenditures.

13. Station 12 Projects
Ref: Exhibit 2/Tab 3/Schedule 1/Appendix A – Station 12 Projects

CNPI documents the following capital expenditures to refurbish Station 12, its largest distribution station and one which is 60 years old:

Year	2006 Actual	2007 Actual	2008 Bridge	2009 Test	Cumulative Total
Investment	$ 66,000	$ 32,000	$ 207,000	$ 230,000	$ 535,000

a) Please provide CNPI's forecasts, if available, for Station 12 capital expenditures for the period 2010-2012.

b) Please explain what options to its approach for sustaining the 60-year facility, such as replacement, CNPI has considered. Please explain CNPI's rationale for adopting its approach to sustain the existing distribution station.

14. Meters
Ref: Exhibit 2/Tab 1/Schedule 1 and Exhibit 2/Tab 3/Schedule 1/Appendix A/ page 12 – Meters

CNPI provides the following table for meter capital expenditures in Fort Erie in two exhibits:

Year	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Exhibit 2 / Tab 1 / Schedule 1 / page 2 Capital Expenditures	$ 90,899	$ 190,786	$ 137,292	$ 121,471
Exhibit 2 / Tab 3 / Schedule 1 / Appendix A / page 12 Investment	$ 122,000	$ 161,000	$ 137,000	$ 123,000

CNPI states: "Increased expenditure levels in 2007 Actual reflect an increased emphasis on meter change-outs to meet Measurement Canada reverification requirements. CNPI has delayed further meter changeouts until a decision is made regarding the smart meter technology that will be employed in the smart meter implementation planned for 2009. Once CNPI selects a technology and vendor, that smart meter specification will be used for future meter changeouts. This will avoid the incremental cost of installing conventional meters in 2008, then replacing them in 2009 with smart meters." With CNPI expecting that smart meter deployment will actually commence in 2009, the 2008 bridge and 2009 test year meter capital expenditures are higher than 2006 actuals.

a) Please explain the differences between the two exhibits as shown in the above table.
b) Please provide further explanation of meter capital expenditures by year, breaking out actual and forecast expenditures by:
   i) Wholesale meters
   ii) Residential meters
   iii) General Service < 50 kW non-interval meters
   iv) General Service, Intermediate and Large Use Interval meters.
c) What, if any, options has CNPI considered, to avoid capital expenditures for conventional meter expenditures until CNPI is authorized to and commences smart meter deployment.
d) Is CNPI making efforts to become authorized to deploy smart meters pursuant to O. Reg. 427/06 as amended on June 25, 2008? If yes, please provide further explanation.
e) Please provide CNPI's estimate of when it expects to begin smart meter deployment once authorized.

15. Leasehold Improvements

Ref: Exhibit 2/Tab 3/Schedule 1/Appendix A/pages 14-15 – Leasehold Improvements

CNPI projects a leasehold improvement of $189,000 in 2009 for the Fort Erie Service Centre. What is the lease term over which CNPI will be amortizing the leasehold improvement?

16. Service Quality and Reliability

Ref: Exhibit 2/Tab 1/Schedule 1/Appendix B – Service Reliability

CNPI provides reliability performance for the years 2003 to 2007 inclusive in the appendix, but states that the statistics shown "excludes outages due to Loss of Supply and Major Storms".

a) Please provide CNPI's definition of what constitutes a Major Storm, and how reliability statistics are adjusted for such events.
b) Please provide reliability performance data for the Fort Erie service area in the following table format.

	All Causes of Interruptions			All Interruptions except for Loss of Supply (Cause Code 2)		
Year	SAIDI	SAIFI	CAIDI	SAIDI	SAIFI	CAIDI
2002						
2003						
2004						
2005						
2006						
2007						

c) Please indicate any reliability indicator and year where performance was out of standard, meaning that it was higher than the range of the previous years. For any such case, please provide an explanation for the decreased reliability and the actions taken by, or being taken by, CNPI to address the issue.

<u>CNPI – Port Colborne specific interrogatories</u>

17. Meters

Ref: Exhibit 2/Tab 3/Schedule 1/Appendix A/page 91 – Meters

CNPI provides the following table for meter capital expenditures, excluding smart meters:

Year	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**
Investment ($)	71,000	70,000	130,000	101,000

CNPI states: "Increased capital expenditure levels for 2008 Bridge and 2009 Test Years reflect an increased emphasis on meter changeouts to meet Measurement Canada reverification requirements. CNPI has delayed further meter changeouts until a decision is made regarding the smart meter technology that will be employed in the smart meter implementation planned for 2009. Once CNPI selects a technology and vendor, the smart meter specifications will be used for future meter changeouts. This will avoid the incremental cost of installing conventional meters in 2008, then replacing them in 2009 with smart meters."

a) Please provide further explanation for the increased 2008 and 2009 conventional meter capital expenditures, and reconcile the increases versus CNPI's statement to defer meter changeouts until it starts smart meter deployment, which CNPI has also stated that it has planned to begin in 2009.

b) What, if any, options has CNPI considered to avoid capital expenditures for conventional meter replacements until CNPI is authorized to and commences smart meter deployment?

18. Service Quality and Reliability

Ref: Exhibit 2/Tab 1/Schedule 1/Appendix B – Service Reliability

On page 2 of this exhibit, CNPI provides reliability statistics for 2005 to 2007 excluding outages due to Loss of Supply and Major Storms.

a) Please provide reliability performance data for the Port Colborne service area in the following table format.

	All Causes of Interruptions			**All Interruptions except for Loss of Supply (Cause Code 2)**		
Year	**SAIDI**	**SAIFI**	**CAIDI**	**SAIDI**	**SAIFI**	**CAIDI**
2002						
2003						
2004						
2005						
2006						
2007						

b) Please indicate any reliability indicator and year where performance was out of standard, meaning that it was higher than the range of the previous years.

c) Please define what CNPI defines as a "Major Storm" for the purposes of excluding the associated outage statistics from reported reliability performance.

d) CNPI states that "… both SAIDI and SAIFI indices in Port Colborne have increased over the three-year period. This indicates that outages are occurring more frequently in Port Colborne partially as a result of equipment failures but also because of an increase in bad weather activity over the last few years." Please provide a breakdown of all outages, outage duration, and customers affected, with respect to the Cause Codes listed in Table 15.2 of the *2006 Electricity Distribution Rate Handbook*, for all outages in 2006, 2007 and 2008 year-to-date.

19. Financial Statements

Ref: Exhibit 1/Tab 3/Schedule 2 – 2007 Audited Financial Statements and Pro forma financial statements for 2008 and 2009

In Exhibit 1/Tab 3/Schedule 2, CNPI documents a net loss after taxes for the Port Colborne service area of $75,074 in 2007, $82,631 forecasted in 2008 and $217,839 forecasted in 2009. In Note 16 of CNPI's Audited Financial Statements, CNPI shows a net loss after taxes of $168K in 2007 for the Port Colborne service area, following net earnings of $245K in 2006.

a) Please reconcile the 2007 actual results between Note 16 of the 2007 Audited Financial Statements.

b) Please provide further explanation for the actual and forecasted net losses in the Post Colborne service area from 2007 to 2009 forecasted.

Exhibit 3 - Operating Revenue

Forecasting Related

Interrogatories common to all three applications

20. Weather Normalization and Modelling
Ref: Exhibit 3/Tab 2/Schedule 1

CNPI references the Cost Allocation Informational Filing for which Hydro One determined the weather-normalized data that was subsequently used for the current applications. CNPI explains how the Province-wide IESO historical weather correction factors were used as the basis for weather-normalizing the Applicant's 2005 to 2007 data.

Please:

a) Provide the Hydro One report and any spreadsheets containing data supporting the calculation of the weather-normalized historical load,
b) Rationalize how the IESO data which averages the weather-load data from throughout the *whole* Province, is a sufficiently accurate weather-load basis for the Applicant's three geographically-diverse service areas (and required only to be modified for weather-sensitive and non-weather-sensitive loads) to make them applicable for each respective service area.

21. Weather Normalization and Modelling
Ref: Exhibit 3/Tab 2/Schedule 1/ and Appendix A

In Schedule 1 CNPI states: "To further support the reasonableness of the weather normalization factor derived …" additional data were derived; specifically, the number of Heating and Cooling Degree Days were determined based on a 30 Year Average and for 2005, 2006 and 2007. Appendix A shows the GWh Weather Correction values for each week for the May 2002 to May 2008 period. It is not obvious how (a) the additional data support the reasonableness of the factors determined, (b) how the number of Heating and Cooling Degree Days were determined to ascertain the 30 Year Average, or (c) the role played, if any, by the 2002-2004 data in Appendix A.

Please:

a) Explain how, with reference to the values calculated for each service area in turn, the reasonableness of the weather normalization factor is supported by the additional data derived,
b) Explain how, with reference to the values calculated for each service area in turn, the Applicant's forecast would change if, instead of basing the forecast on the average weather over a 30 year period, the Applicant had based it on:
    (i) 10 year average weather, or
    (ii) 20 year trend in weather,
c) Explain how the number of Heating and Cooling Degree Days were ascertained to determine the 30 Year Average and the values for 2005, 2006 and 2007, and
d) Explain the role played by the 2002-2004 data in Appendix A.

22. Expected Future Change
Ref: Exhibit 3/Tab 2/Schedule 1

CNPI explains that it has "…taken a microeconomic view in determining its customer and load forecast through to 2009. Being a smaller LDC, its customer forecasts for growth and energy throughput are more influenced by the microeconomic and socioeconomic conditions within the community, rather than larger scale macroeconomics and the use of econometric equations." It goes on to explain that in many cases the annual *average* use per customer per year (normalized in many customer classes) is the constant value that is extrapolated for establishing future values.

Please:

a) Explain how CNPI's forecasting methodology is differentiated from an approach that would rely solely (or substantially) on a simple extrapolation of the past and which would ignore both broader economic effects that would impact the Province as a whole and energy consumption changes as a result of CDM, and
b) Compare the economic assumptions made in the application with economic forecasts prepared by national economic forecasting institutions (e.g. Canadian chartered banks) and regional forecasters (e.g. Boards of Trade or regional councils).

23. kW and Revenue Forecast
Ref: Exhibit 3/Tab 2/Schedule 1

CNPI discusses the role played by the class load factors in the its kWh to kW conversion process and provides a definition of the factors. The numerical value of the class load factors is not shown nor is the derivation of the values.

Please provide full details of the development of the kWh to kW conversion factors including the process and values used to develop the factors for each of the customer classes.

24. Load and Revenue Forecast
Ref: Exhibit 3

In Exhibit 3, CNPI has developed its load and revenue forecasts. While there is no precise method to measure the accuracy of this forecast until after the actual load has been met, the applicant's forecasting track record based on historical forecasts or backcasting statistics based on the current forecast, may provide some indication of the accuracy of the current forecast.

Please provide any data CNPI has that may indicate the accuracy of its current or previous load forecasts.

<u>CNPI – EOP specific interrogatories</u>

25. Weather Normalization and Modelling
Ref: Exhibit 3/Tab 2/Schedule 1/ pages 4-5

On page 4, CNPI shows the Weather Correction Factors it developed for the years 2005, 2006 and 2007 to be respectively a 2.24% correction for a more-than-average electrically-demanding year, a 1.14% correction for a less-than-average electrically-demanding year, and a 0.79% correction for a more-than-average electrically-demanding year. On page 5, in the un-numbered table, CNPI shows the number of Heating and Cooling Degree Days determined for a 30 Year Average and for 2005, 2006 and 2007.

Please:

a) Confirm that the 2005, 2006 and 2007 Total Mean Degree Days in the un-numbered table on page 5, show that based on Total Mean Degree Days these years were approximately 2.84% more-than-average electrically demanding, 10.36% less-than-average electrically demanding, and 5.98% more-than-average electrically demanding compared to the 30 Year Average (value 4,282.1),

b) Explain the differences in magnitude (from an average electrically-demanding year) between the data values in pages 4 and 5; specifically:

Year	Page 4 data indicates the year was more/less electrically demanding	Page 5 data indicates the year was more/less electrically demanding
2005	2.24% more	2.84% more
2006	1.14% less	10.36% less
2007	0.79% more	5.98% more

26. Weather Normalization and Modelling
Ref: Exhibit 3/Tab 2/Schedule 1/Appendix A, page 4

On page 4, CNPI shows separately for the years 2005, 2006 and 2007, the "IESO Weather Normalization Factor" for the applicable year. For any year, the value of the factor is shown to be the same for the first three classes/sub-classes (i.e. Residential, GS < 50 kW and GS > 50 kW Weather Sensitive) but different for GS > 50 kW T.O.U. Weather Sensitive.

Please:
a) Clarify if the "IESO Weather Normalization Factor" value used for the first three classes/sub-classes is an IESO-provided value or a value calculated by the Applicant based on an IESO-provided value,
b) Explain the rationale for using the Applicant's value for some classes/sub-classes and using the IESO value for another sub-class.

27. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 2/Schedule 1/ pages 11-12

On page 11, CNPI explains that by the end of 2008 there will be only two of the six customers remaining in the General Service 50 to 4,999 kW class. While some supporting data are provided, there is not sufficient data to permit an independent assessment of the forecasted load for this key customer class.

Please provide multi-year data separately for each of the two remaining customers together with supporting text that fully explains the forecast shown in the un-numbered table on page 11. To retain confidentiality, it will be sufficient to refer to the customers as "A" and "B".

28. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 1/Schedule 2/ page 1 and Exhibit 3/Tab 2/Schedule 1/page 16

In the first un-numbered table in Exhibit 3/Tab 1/Schedule 2/page 1, CNPI provides a summary of its 2009 kWh forecasted load. In the un-numbered table in Exhibit 3/Tab 2/Schedule 1/page 16, it provides a summary of its 2009 kWh and kW forecasted load. The kWh values in the two referenced tables do not agree. Also, the kWh and kW values in the second referenced table do not appear to be the respective sums of the individual customer classes values detailed in the pages preceding page 16.

Please provide a table showing the class-by-class values and totals (for Number of Connections, kWh load and kW load) for the Applicant's historical periods, its 2008 forecast and its 2009 forecast.

29. Customer Count, kWh load, kW load and Revenue
Ref: Exhibit 3

Some of CNPI's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any Exhibit 3 tables that require to be updated as a result of changes in the evidence.

<u>CNPI – Fort Erie specific interrogatories</u>

30. Weather Normalization and Modelling
Ref: Exhibit 3/ Tab 2/ Schedule 1/ pages 4-5

On page 4, CNPI shows the Weather Correction Factors it developed for the years 2005, 2006 and 2007 to be respectively a 2.10% correction for a more-than-average electrically-demanding year, a 1.07% correction for a less-than-average electrically-demanding year, and a 0.74% correction for a more-than-average electrically-demanding year. On page 4, in the second un-numbered table, the Applicant also shows the number of Heating and Cooling Degree Days determined for a 30 Year Average and for 2005, 2006 and 2007.

Please:
a) Confirm that the 2005, 2006 and 2007 Total Mean Degree Days in the second un-numbered table on page 4, show that based on Total Mean Degree Days these years were approximately 4.33% more-than-average electrically demanding, 9.83% less-than-average electrically demanding, and 0.94% less-than-average electrically demanding compared to the 30 Year Average (value 4,282.1),
b) Explain the differences in sign and in magnitude (from an average-electrically demanding year) between the data values in pages 4 and 5; specifically:

Year	Page 4 data indicates the year was more/less electrically demanding	Page 5 data indicates the year was more/less electrically demanding
2005	2.10% more	4.33% more
2006	1.07% less	9.83% less
2007	0.74% *more*	0.94% *less*

31. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 1/Schedule 2/page 1 and Exhibit 3/Tab 2/Schedule 1/page 14

In the first un-numbered table in Exhibit 3/Tab 1/Schedule 2/page 1, CNPI provides a summary of its 2009 kWh forecasted load. In the un-numbered table in Exhibit 3/Tab 2/Schedule 1/page 14, it provides another kWh summary. While the total kWh values in the two tables agree, some kWh values in the first referenced table do not appear to agree with the values detailed in the subsequent pages thus resulting in a different total from that shown in both tables.

Please provide a table showing the class-by-class values and totals (for Number of Connections, kWh load and kW load) for the Applicant's historical periods, its 2008 forecast and its 2009 forecast.

32. Other Revenue
Ref: Exhibit 3/Tab 3/Schedule 1/pages 1-2

On page 1, CNPI shows a significant reduction from historical levels in the forecasted Interest and Dividend Income.

Please provide supporting data.

33. Customer Count, kWh load, kW load and Revenue
Ref: Exhibit 3

Some of CNPI's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any Exhibit 3 tables that require to be updated as a result of changes in the evidence.

CNPI – Port Colborne specific interrogatories

34. Weather Normalization and Modelling

Ref: Exhibit 3/Tab 2/Schedule 1/ pages 4-5

On page 4, CNPI shows the Weather Correction Factors it developed for the years 2005, 2006 and 2007 to be respectively a 2.15% correction for a more-than-average electrically-demanding year, a 1.09% correction for a less-than-average electrically-demanding year, and a 0.76% correction for a more-than-average electrically-demanding year. On page 5, in the un-numbered table, the Applicant shows the number of Heating and Cooling Degree Days determined for a 30 Year Average and for 2005, 2006 and 2007.

Please:

a) Confirm that the 2005, 2006 and 2007 Total Mean Degree Days in the un-numbered table on page 5, show that based on Total Mean Degree Days these years were approximately 6.75% more-than-average electrically demanding, 9.35% less-than-average electrically demanding, and 0.25% more-than-average electrically demanding compared to the 30 Year Average (value 3,861.4),
b) Explain the differences in magnitude (from an average electrically-demanding year) between the data values in pages 4 and 5; specifically:

Year	Page 4 data indicates the year was more/less electrically demanding	Page 5 data indicates the year was more/less electrically demanding
2005	2.15% more	6.75% more
2006	1.09% less	9.35% less
2007	0.76% more	0.25% more

35. kWh and Revenue Forecast

Ref: Exhibit 3/Tab 2/Schedule 1/pages 8-10 and Appendix A, page 2

On page 8, CNPI explains regarding the Residential class and on page 9 regarding the General Service < 50 kW class, that it has assumed the forecasted growth to be the average of the annual growth in the previous three years (2005-2007). In Appendix A, page 2, the Applicant provides historical growth for the previous six years (2002-2007). The historical growth over the shorter period (2005-2007) would appear to be moderately lower for both the Number of Customers and kWh load compared to the longer historical period (2002-2007), thus resulting in higher rates.

Please:

a) Explain why CNPI has chosen to base its forecast on the shorter historical period, and
b) Estimate the resulting Number of Customers and kWh load if the forecasts were based on the longer historical period.

36. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 2/Schedule 1/page 8

On page 8, CNPI discusses its plan to eliminate long term load transfer arrangements and its December 20, 2007 (EB-2007-0005) filing with the Board.

Please clarify if the adjustments made in the current application are consistent with those proposed in the December 20, 2007 filing and/or consistent with any subsequent Board findings.

37. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 2/Schedule 1/pages 11-19

On pages 11-19, CNPI discusses the development of its load forecast for the General Service 50 to 4,999 kW class. While a number of details are provided, it is not possible to make an independent assessment based on the information filed.

Please provide an active Excel spreadsheet with comments demonstrating the development of this forecast; i.e. a spreadsheet showing the formulae that were used for the calculations in the individual cells together with comments showing the rationale.

38. kWh and Revenue Forecast
Ref: Exhibit 3/Tab 1/Schedule 2/page 1 and Exhibit 3/Tab 2/Schedule 1/page 22

In the first un-numbered table in Exhibit 3/Tab 1/Schedule 2/page 1, CNPI provides a summary of its 2009 kWh forecasted load. In the un-numbered table in Exhibit 3/Tab 2/Schedule 1/page 22, it provides a summary of its 2009 kWh and kW forecasted load. The kWh values in the two referenced tables do not agree. Also, the kWh value in the second referenced table does not appear to be the sum of the individual customer classes values detailed in the pages preceding page 22.

Please provide a table showing the class-by-class values and totals (for Number of Connections, kWh load and kW load) for the Applicant's historical periods, its 2008 forecast and its 2009 forecast.

39. Other Revenue
Ref: Exhibit 3/Tab 2/Schedule 1/page 21, Exhibit 3/Tab 3/Schedule 1/pages 1-2

In Exhibit 3/Tab 2/Schedule 1/page 21, CNPI discusses Standby/Backup for two customers with load displacement generation facilities and the compensation received for provision of this service. CNPI states it "has allocated standby distribution revenue, if any, to the Base Revenue Requirement…" In Exhibit 3/ Tab 3/Schedule 1/pages 1-2, the Applicant shows how the compensation is allocated to the Miscellaneous Services Revenue account.

Please clarify the Applicant's rationale for allocating *revenue* to *revenue requirement* (i.e. by apparently subtracting *income* from the *cost of operating the utility*) rather than including the standby/backup revenue as part of the utility's total revenue.

40. Customer Count, kWh load, kW load and Revenue
Ref: Exhibit 3

Some of CNPI's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any Exhibit 3 tables that require to be updated as a result of changes in the evidence.

Exhibit 4 - Operating Costs

<u>Interrogatories common to all three applications</u>

41. Corporate Cost Allocation
Ref: Exhibit 4/Tab 3/Schedule 4/Appendix B, and
RP-2005-0020/EB-2005-0344/0345/0346, Exhibit C/Tab 4/Appendix A.

In CNPI's 2006 EDR applications, it proposed a corporate cost allocation study that the Board only accepted for the purposes of the 2006 rates. In its Decision, the Board found that the study had not been sufficiently tested. CNPI has now in its application for 2009 rates brought forward a corporate cost allocation study to be tested. Comparing the Appendix from the 2006 study to the one filed supporting the 2009 costs of service; there are several differences in departments being allocated. The proposed study appears to not address some of these departments.

a) Please provide a table showing the corporate functions being allocated separately from Fort Erie and Cornwall Electric. In this table list:

- Function (customer service. financial, etc.)
- Cost type – (LEM, contractors, etc.)
- Allocator and rationale

b) When costs are applied to the allocators, how are they applied (simple average, weighted average, specific determination)?

c) For those allocators in b) that are based on historical analysis, would the results differ if they were based on future expectations flowing from corporate plans?

42. Corporate Cost Allocation
Ref: Exhibit 4/Tab 3/Schedule 4/Appendix B, and
EB-2005-0001, page 88 (Enbridge Gas)

The Board in its Decision on rates for 2006 for Enbridge Gas listed 5 principles that should be addressed when an independent reviewer assesses corporate cost allocations:

> "10.9.28 The Board further finds that in evaluating each service, the independent review should consider whether:
>
> - the service is specifically required by the utility;
> - the level of service provided is required by the utility;
> - the costs are allocated based on cost causality and cost drivers;
> - the cost to provide the service internally would be higher and the cost to acquire the service externally on a stand-alone basis would be higher; and,
> - there are scale economies."

With respect to the BDR Review:

a) Please provide the BDR report on the 5 principles that the Board has stated in its Enbridge Decision if it is available.

b) If BDR did not report on these principles, please comment on them as they apply to the services provided in the corporate cost allocation.

43. Vegetation management program

Ref: Exhibit 4/Tab 2/Schedule 1, Appendix C

CNPI has a vegetation management program that is based on a three year cycle. In their application before the Board, EB-2007-0681, Hydro One Networks Inc. stated that they were intending to reach an optimum cycle of eight years for their vegetation management program and potentially six years as noted by their consultant's report.

a) Has CNPI assessed their 3 year program relative to other cycle periods?

b) If so, what were the results?

c) If not, would a longer cycle period not provide sufficient vegetation management to protect plant at a lower cost?

44. Regulatory costs

Ref: Exhibit 4/Tab 2/Schedule 2 p. 5

a) Please provide the breakdown for actual and forecast, where applicable, for the 2006 Board approved, 2006 actual, 2007 actual, 2008 bridge year, and 2009 Test Year regarding the following regulatory costs and present it in the table format shown below.

b) Under "Ongoing or One-time Cost", please identify and state if any of the regulatory costs are "One-time Cost" and not expected to be incurred by the applicant during the impending period when the applicant is subject to the 3rd Generation IRM process or it is "Ongoing Cost" and will continue throughout the 3rd Generation of IRM process.

c) Please state the utility's proposal on how it intends to recover the "One-time" costs as part of its 2009 rate application

Regulatory Cost Category	Ongoing or One-time Cost?	2006 Board Approved	2006 Actual	2007 Actual	% Change in 2007 vs. 2006	2008 (As of Sept 2008)	% Change in 2008 vs. 2007	2009 Test Year	% Change in 2009 vs. 2008
1. OEB Annual Assessment									
2. OEB Hearing Assessments (applicant initiated)									
3. OEB Section 30 Costs (OEB initiated)									
4. Expert Witness cost for regulatory matters									
5. Legal costs for regulatory matters									
6. Consultants costs for regulatory matters									
7. Operating expenses associated with staff resources allocated to regulatory matters									
8. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources)									
9. Other regulatory agency fees or assessments									
10. Any other costs for regulatory matters (please define)									

45. Adequacy of skilled staffing
Ref: Exhibit 4/Tab 2/Schedule 5, Appendix A

The forecast for FTE are given on this exhibit. Considering the industry wide issue of an aging skilled workforce, what plans are in the forecast to ensure adequate skilled staffing in the future as these employees retire?

46. Productivity Targets
Ref: Exhibit 1/Tab 2/Schedule 2

This exhibit describes CNPI's budget process.

a) Please describe any cost efficiency programs that are either in place now or planned in the budget.
b) Please describe the nature of any such program and the scope of the benefits envisioned in the planning horizon for the budget
c) Are the efficiency programs successes measurable?

47. Incentive compensation
Ref: Exhibit 4/Tab 2/Schedule 5, page 4.

A list of six corporate targets is given in this exhibit for the short-term incentive compensation. This evidence describes the benefits of such programs. In better understanding the incentive/performance relationship, please provide the following information:

a) Are the programs described in response to 45a) above tied to these incentives?
b) Are the performance targets for the employees set as personal goals to achieve?
c) Are the performance targets for the employees measurable?

<u>CNPI – EOP specific interrogatories</u>

48. Operating Costs
Ref: Exhibit 4/Tab 1/Schedule 1

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Table 1

		Col. 1 **2003**	*Col. 2* **2004**	*Col. 3* **2005**
1	**Operation**	$225,186	$257,502	$243,559
2	**Maintenance**	$101,467	$148,402	$164,644
3	**Billing and Collection**	$37,478	$335,698	$240,109
4	**Community Relations**	$5,166	$2,168	$347
5	**Administrative and General Expenses**	$798,375	$256,077	$577,447
6	**Total OM&A Expenses**	**$1,169,675**	**$1,001,850**	**$1,228,110**

a) Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Board staff prepared Table 2 below to review CNPI's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

Table 2

		Col. 1 **2006 Bd Appr.**	*Col. 2* **2006 Actual**	*Col. 3* **2007**	*Col. 4* **2008 Bridge**	*Col. 5* **2009 Test**
1	**Operation**	257,502	286,543	211,361	234,418	250,755
2	**Maintenance**	173,348	155,026	192,808	242,150	205,570
3	**Billing and Collection**	310,698	286,279	267,986	258,419	269,081
4	**Community Relations**	2,160	-	951	2,450	4,000
5	**Administrative and General Expenses**	575,355	656,664	514,893	424,408	462,469
6	**Total**	1,319,063	1,384,512	1,187,999	1,161,845	1,191,875

Board Staff Table 3 below was created to review CNPI's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

Table 3

Eastern Ontario Power (CNP)

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*	*Col. 9*	*Col. 10*
		2006 Board Approved	Variance 2006/2006	**2006** Actual	Variance 2007/2006	**2007** Actual	Variance 2008/2007	**2008** Bridge	Variance 2009/2008	**2009** Test	Variance 2009/2006
1	Operation	257,502	29,041	286,543	-75,182	211,361	23,057	234,418	16,337	250,755	-35,788
2			*11.3%*		*-26.2%*		*10.9%*		*7.0%*		***-12.5%***
3	Maintenance	173,348	-18,322	155,026	37,782	192,808	49,342	242,150	-36,580	205,570	50,544
4			*-10.6%*		*24.4%*		*25.6%*		*-15.1%*		***32.6%***
5	Billing & Collections	310,698	-24,419	286,279	-18,293	267,986	-9,567	258,419	10,662	269,081	-17,198
6			*-7.9%*		*-6.4%*		*-3.6%*		*4.1%*		***-6.0%***
7	Community Relations	2,160	-2,160	0	951	951	1,499	2,450	1,550	4,000	4,000
8			*-100.0%*		*#DIV/0!*		*157.6%*		*63.3%*		***#DIV/0!***
9	Administrative and General Expenses	575,355	81,309	656,664	-141,771	514,893	-90,485	424,408	38,061	462,469	-194,195
10			*14.1%*		*-21.6%*		*-17.6%*		*9.0%*		***-29.6%***
11	Total OM&A Expenses	**1,319,063**	**65,449**	**1,384,512**	**-196,513**	**1,187,999**	**-26,154**	**1,161,845**	**30,030**	**1,191,875**	**-192,637**
12			4.96%		-14.19%		-2.20%		2.58%		***-13.91%***

b) Please confirm that CNPI agrees with the two tables prepared by Board Staff presented above. If CNPI does not agree with any table please advise why not. If CNPI determines that the tables require corrections, please provide amended tables with full explanation of changes made.

c) Please complete Table 4 by identifying the key cost drivers that are contributing to the overall increase of 13.9% over 2006 Historical relative to 2009.

Table 4

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
		2006	**2007**	**2008**	**2009**
	Opening Balances	**1,319,063**	**1,384,512**	**1,187,999**	**1,161,845**
1	Cost Driver 1				
2	Cost Driver 2				
3	Cost Driver 3				
4	Cost Driver 4				
…	Etc.				
	Closing Balances	**1,384,512**	**1,187,999**	**1,161,845**	**1,191,875**

49. Contracted services from third parties

Ref: Exhibit 4/Tab 2/Schedule 1

a) For the 2009 test year, what portion of total OM&A expenses is related to contracted services from third parties?

b) Please identify how these contracted services are selected?

c) For each contracted service, please identify the year in which a tendering process was used to obtain the contract.

50. Charitable donations
Ref: Exhibit 4/Tab 2/Schedule 2

Please confirm that charitable donations are not included in the revenues sought from utility ratepayers.

<u>CNPI – Fort Erie specific interrogatories</u>

51. Operating Costs
Ref: Exhibit 4/Tab 1/Schedule 1

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Table 1

		Col. 1	*Col. 2*	*Col. 3*
		2003	**2004**	**2005**
1	**Operation**	$739,002	$714,745	$869,059
2	**Maintenance**	$833,420	$932,164	$890,055
3	**Billing and Collection**	$581,062	$849,730	$1,016,664
4	**Community Relations**	$2,434	$4,234	$1,322
5	**Administrative and General Expenses**	$1,413,592	$1,344,862	$1,109,075
6	**Total OM&A Expenses**	**$3,571,514**	**$3,847,739**	**$3,888,181**

a) Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Board staff prepared Table 2 below to review CNPI's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

Table 2

		Col. 1 2006 Bd Appr.	*Col. 2* 2006 Actual	*Col. 3* 2007	*Col. 4* 2008 Bridge	*Col. 5* 2009 Test
1	**Operation**	714,745	1,356,505	914,403	791,762	841,410
2	**Maintenance**	934,204	686,312	1,021,025	1,015,734	1,013,416
3	**Billing and Collection**	796,730	1,034,116	1,019,329	1,021,251	946,160
4	**Community Relations**	4,234	2,661	6,788	14,500	43,830
5	**Administrative and General Expenses**	1,869,376	1,464,801	1,872,730	1,588,543	1,645,174
6	**Total**	4,319,289	4,544,395	4,834,275	4,431,790	4,489,990

Board Staff Table 3 below was created to review CNPI's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

Table 3

Fort Erie (CNP)

		Col. 1 2006 Board Approved	*Col. 2* Variance 2006/2006	*Col. 3* 2006 Actual	*Col. 4* Variance 2007/2006	*Col. 5* 2007 Actual	*Col. 6* Variance 2008/2007	*Col. 7* 2008 Bridge	*Col. 8* Variance 2009/2008	*Col. 9* 2009 Test	*Col. 11* Variance 2009/2006
1	Operation	714,745	641,760	1,356,505	-442,102	914,403	-122,641	791,762	49,648	841,410	-515,095
2			*89.8%*		*-32.6%*		*-13.4%*		*6.3%*		***-38.0%***
3	Maintenance	934,204	-247,892	686,312	334,713	1,021,025	-5,291	1,015,734	-2,318	1,013,416	327,104
4			*-26.5%*		*48.8%*		*-0.5%*		*-0.2%*		***47.7%***
5	Billing & Collections	796,730	237,386	1,034,116	-14,787	1,019,329	1,922	1,021,251	-75,091	946,160	-87,956
6			*29.8%*		*-1.4%*		*0.2%*		*-7.4%*		***-8.5%***
7	Community Relations	4,234	-1,573	2,661	4,127	6,788	7,712	14,500	29,330	43,830	41,169
8			*-37.2%*		*155.1%*		*113.6%*		*202.3%*		***1547.1%***
9	Administrative and General Expenses	1,869,376	-404,575	1,464,801	407,929	1,872,730	-284,187	1,588,543	56,631	1,645,174	180,373
10			*-21.6%*		*27.8%*		*-15.2%*		*3.6%*		***12.3%***
11	**Total OM&A Expenses**	**4,319,289**	**225,106**	**4,544,395**	**289,880**	**4,834,275**	**-402,485**	**4,431,790**	**58,200**	**4,489,990**	**-54,405**
12			5.21%		6.38%		-8.33%		1.31%		***-1.20%***

b) Please confirm that CNPI agrees with the two tables prepared by Board Staff presented above. If CNPI does not agree with any table please advise why not. If CNPI determines that the tables require corrections, please provide amended tables with full explanation of changes made.

c) Please complete Table 4 by identifying the key cost drivers that are contributing to the overall increase of 13.9% over 2006 Historical relative to 2009.

Table 4

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
		2006	**2007**	**2008**	**2009**
	Opening Balances	**1,319,063**	**1,384,512**	**1,187,999**	**1,161,845**
1	Cost Driver 1				
2	Cost Driver 2				
3	Cost Driver 3				
4	Cost Driver 4				
…	Etc.				
	Closing Balances	**1,384,512**	**1,187,999**	**1,161,845**	**1,191,875**

52. Contracted services from third parties

Ref: Exhibit 4/Tab 2/Schedule 1

a) For the 2009 test year, what portion of total OM&A expenses is related to contracted services?

b) Please identify how these contracted services are selected?

c) For each contracted service, please identify the year in which a tendering process was used to obtain the contract.

53. Charitable donations

Ref: Exhibit 4/Tab 2/Schedule 2

Please confirm that charitable donations are not included in the revenues sought from utility ratepayers.

CNPI – Port Colborne specific interrogatories

54. Operating Costs

Ref: Exhibit 4/Tab 1/Schedule 1

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Table 1

		Col. 1	*Col. 2*	*Col. 3*
		2003	**2004**	**2005**
1	**Operation**	$249,857	$328,347	$307,178
2	**Maintenance**	$437,386	$368,661	$386,448
3	**Billing and Collection**	$533,507	$664,533	$509,652
4	**Community Relations**	$0	$0	$0
5	**Administrative and General Expenses**	$305,728	$316,059	$2,749,691
6	**Total OM&A Expenses**	**$1,528,481**	**$1,679,605**	**$3,954,974**

a) Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Board staff prepared Table 2 below to review CNPI's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

Table 2

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
		2006 Bd Appr.	**2006 Actual**	**2007**	**2008 Bridge**	**2009 Test**
1	**Operation**	714,745	1,356,505	914,403	791,762	841,410
2	**Maintenance**	934,204	686,312	1,021,025	1,015,734	1,013,416
3	**Billing and Collection**	796,730	1,034,116	1,019,329	1,021,251	946,160
4	**Community Relations**	4,234	2,661	6,788	14,500	43,830
5	**Administrative and General Expenses**	1,869,376	1,464,801	1,872,730	1,588,543	1,645,174
6	**Total**	4,319,289	4,544,395	4,834,275	4,431,790	4,489,990

Board Staff Table 3 below was created to review CNPI's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

Table 3

Port Colborne (CNP)

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*	*Col. 9*	*Col. 11*
		2006		**2006**		**2007**		**2008**		**2009**	
		Board Approved	Variance 2006/2006	Actual	Variance 2007/2006	Actual	Variance 2008/2007	Bridge	Variance 2009/2008	Test	Variance 2009/2006
1	Operation	328,347	92,242	420,589	93,583	514,172	-112,736	401,436	9,267	410,703	-9,886
2			*28.1%*		*22.3%*		*-21.9%*		*2.3%*		***-2.4%***
3	Maintenance	370,866	8,896	379,762	73,764	453,526	13,980	467,506	78,247	545,753	165,991
4			*2.4%*		*19.4%*		*3.1%*		*16.7%*		***43.7%***
5	Billing & Collections	584,533	-56,715	527,818	129,811	657,629	-61,590	596,039	16,480	612,519	84,701
6			*-9.7%*		*24.6%*		*-9.4%*		*2.8%*		***16.0%***
7	Community Relations	0	0	0	1,847	1,847	4,453	6,300	17,398	23,698	23,698
8			*#DIV/0!*		*#DIV/0!*		*241.1%*		*276.2%*		***#DIV/0!***
9	Administrative and General Expenses	2,461,450	-34,923	2,426,527	34,049	2,460,576	25,651	2,486,227	6,289	2,492,516	65,989
10			*-1.4%*		*1.4%*		*1.0%*		*0.3%*		***2.7%***
11	**Total OM&A Expenses**	**3,745,196**	**9,500**	**3,754,696**	**333,054**	**4,087,750**	**-130,242**	**3,957,508**	**127,681**	**4,085,189**	**330,493**
12			0.25%		8.87%		-3.19%		3.23%		***8.80%***

b) Please confirm that CNPI agrees with the two tables prepared by Board Staff presented above. If CNPI does not agree with any table please advise why not. If CNPI determines that the tables require corrections, please provide amended tables with full explanation of changes made.

c) Please complete Table 4 by identifying the key cost drivers that are contributing to the overall increase of 13.9% over 2006 Historical relative to 2009.

Table 4

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
		2006	**2007**	**2008**	**2009**
	Opening Balances	**1,319,063**	**1,384,512**	**1,187,999**	**1,161,845**
1	Cost Driver 1				
2	Cost Driver 2				
3	Cost Driver 3				
4	Cost Driver 4				
…	Etc.				
	Closing Balances	**1,384,512**	**1,187,999**	**1,161,845**	**1,191,875**

55. Contracted services from third parties

Ref: Exhibit 4/Tab 2/Schedule 1

a) For the 2009 test year, what portion of total OM&A expenses is related to contracted services?

b) Please identify how these contracted services are selected?

c) For each contracted service, please identify the year in which a tendering process was used to obtain the contract.

56. Charitable donations

Ref: Exhibit 4/Tab 2/Schedule 2
Please confirm that charitable donations are not included in the revenues sought from utility ratepayers.

Determination of Loss Adjustment Factors

<u>CNPI – EOP specific interrogatories</u>

57. Determination of Loss Adjustment Factors

References:

Exhibit 4, Tab 2, Schedule 8, Page 1
Exhibit 4, Tab 2, Schedule 8, Page 2
Exhibit 4, Tab 2, Schedule 8, Page 4
"Loss Factors" - Exhibit 9, Tab 1, Schedule 1, Appendix A
Exhibit 1, Tab 1, Schedule 2, Appendix A, Page 3
Exhibit 1, Tab 1, Schedule 12, Page 1
Tariff of Rates and Charges, Effective May 1, 2006 (RP-2005-0020/EB-2005-0346)

- The 1st reference provides a calculation of actual distribution loss factors (DLF) and total loss factors (TLF) for 2005 to 2007 and the average for the 3-year period.
- The 2nd reference provides the proposed loss factors for 2009.
- The 3rd reference provides an explanation of losses in the distribution system of the host distributor Hydro One.
- The 4th reference provides 2006 EDR Board approved and proposed (2009) loss factors.
- The 5th reference provides proposed TLF for 2009.
- The 6th reference provides an explanation of host and embedded utilities.
- The 7th reference provides TLF effective May 1, 2006 in the Tariff of Rates and Charges.

a) With respect to the table in the 1st reference:
   - Please confirm if the correct formulaic representation of "Total Supply – No Losses" is "G=D-E+F" rather than "G=D-E-F".
   - Please confirm if the correct formulaic representation of "Total Loss Factor" is "M=N*H" rather than "M=C*I".

b) With respect to the table in the 2nd reference, please confirm if the 2nd label "Distribution Loss Factors" should be corrected to read "Total Loss Factors".

c) Losses within the distribution system of CNPI-EOP as reflected by "Distribution Loss Factor" in the 1st reference increase from 1.0093 in 2005 to 1.0350 in 2006 to 1.0870 in 2007.
   - Please explain reasons for the 835% increase in losses between 2005 and 2007 and confirm that the data underlying the calculations of these losses is correct.
   - Please describe any steps that are contemplated to decrease losses in the CNPI-EOP distribution system during the test year (2009) and/or during a longer planning period.

<u>CNPI – Fort Erie specific interrogatories</u>

58. Determination of Loss Adjustment Factors

References:
Exhibit 4, Tab 2, Schedule 8, Page 1
Exhibit 4, Tab 2, Schedule 8, Page 2

- The 1st reference provides a calculation of actual distribution loss factors (DLF) and total loss factors (TLF) for 2005 to 2007 and the average for the 3-year period.
- The 2nd reference provides loss factors proposed for 2009 and details of modifications and upgrades made to the distribution system to bring about an enduring reduction in CNPI-Fort Erie's DLF.

a) With respect to the table in the 1st reference, please provide an explanation or rationale for proposing an average (of years 2005 to 2007) DLF (1.0357) for the test year 2009 rather than a lower DLF such as the actual DLF for 2005 (1.0289).
b) Please provide details of losses pertaining to years 2003 and 2004 together with comments on whether recent performance demonstrates the success of the modifications and upgrades made to the distribution system provided in the 2nd reference.
c) Please explain the reason for proposing a SFLF of 1.0033 (2nd reference) that is different from the industry standard (1.0045).

<u>CNPI – Port Colborne specific interrogatories</u>

59. Determination of Loss Adjustment Factors

References:
Exhibit 4, Tab 2, Schedule 8, Page 1
Exhibit 4, Tab 2, Schedule 8, Page 2

- The 1st reference provides a calculation of actual distribution loss factors (DLF) and total loss factors (TLF) for 2005 to 2007 and the average for the 3-year period.
- The 2nd reference provides loss factors proposed for 2009 and a rationale for using 2007 data as a basis for their determination.

a) The actual System Facility Loss Factor (SFLF), DLF and TLF for 2005 are shown as less than unity in the 1st reference. Please explain the rationale for the negative loss percentage implied by this and confirm that the data underlying the calculations of these losses is correct.
b) Notwithstanding the explanation provided in the 2nd reference for selecting the actual DLF for 2007 as the proposed DLF for 2009, please provide an explanation or rationale for not selecting a lower DLF such as the actual DLF for 2006 (1.0149) as the proposed DLF for 2009.
c) Please explain the reason for proposing a SFLF of 1.0052 (2nd reference) that is different from the industry standard (1.0045).

Taxes

Interrogatories common to all three applications

60. Taxes
Ref: Exhibit 4/Tab 3/Schedule 2, 2007 Audited Financial Statements and Exhibit 1/Tab 3/Schedule 2 (pro forma financial statements) - Taxes

In Exhibit 4/Tab 3/Schedule 2, CNPI provides a spreadsheet deriving the tax expense allocated to each of the three operating service areas, based on a top-down derivation of CNPI's taxes on a corporate basis, then allocated between Transmission and Distribution, and finally allocated between the three service areas. The derivation is provided for 2006 and 2007 actual, 2008 and 2009 test years. Board staff has prepared the following table summarizing the utility and taxable income and tax expense from this exhibit in all three applications.

CNPI Taxes (actual and forecasted) - per Exhibit 4 / Tab 3 / Schedule 2

Net Income (before addbacks and deductions)	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**
All Operations	$ 2,141,257	$ 3,529,198	$ 348,000	$ 3,927,823
Transmission	$ 1,348,153	$ 3,178,959	-$ 181,000	$ 1,802,000
Distribution	$ 793,104	$ 350,239	$ 529,000	$ 2,125,823

Note: 2006, 2007, 2008 per financial statements; 2009 is regulated utility income.

Taxable Income	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**
All Operations	$ 3,276,718	$ 5,344,019	$ 398,768	$ 3,953,457
Transmission	$ 2,874,196	$ 5,350,488	$ 347,993	$ 2,500,577
Distribution	$ 402,522	-$ 6,469	$ 50,795	$ 1,452,880

Taxes (Actual / Forecasted)	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**
All Operations	$ 1,331,418	$ 2,098,652	$ 331,956	$ 1,710,151
Transmission	$ 1,044,060	$ 1,956,504	$ 163,484	$ 869,592
Distribution	$ 287,358	$ 142,148	$ 168,472	$ 840,559
Fort Erie (-0223)	$ 201,233	$ 95,244	$ 109,723	$ 538,151
Gananoque (-0222)	$ 29,478	$ 15,586	$ 22,024	$ 111,423
Port Colborne (-0224)	$ 56,647	$ 31,319	$ 36,724	$ 190,985

Distribution of Tax Payments (Actual and Forecasted)	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**
Transmission	78.42%	93.23%	49.25%	50.85%
Distribution	21.58%	6.77%	50.75%	49.15%
Percentage of Distribution				
Fort Erie (-0223)	70.03%	67.00%	65.13%	64.02%
Gananoque (-0222)	10.26%	10.96%	13.07%	13.26%
Port Colborne (-0224)	19.71%	22.03%	21.80%	22.72%

Annual Percentage Changes	**2006 Actual**	**2007 Actual**	**2008 Bridge**	**2009 Test**	*3-year geometric average*
All Operations		57.63%	-84.18%	415.17%	8.70%
Transmission		87.39%	-91.64%	431.91%	-5.91%
Distribution		-50.53%	18.52%	398.93%	43.02%
Fort Erie (-0223)		-52.67%	15.20%	390.46%	38.80%
Gananoque (-0222)		-47.13%	41.31%	405.92%	55.77%
Port Colborne (-0224)		-44.71%	17.26%	420.06%	49.95%

In Exhibit 1/Tab 3/Schedule 1, CNPI provides its 2007 Audited Financial Statements (“AFS”). Note 16 of the AFS provides Segmented Information for transmission and the distribution operations in each of CNPI’s three service areas. In Exhibit 1/Tab 3/Schedule 2 of each service area application, CNPI provides pro forma financial statements for that service area, showing 2007 Regulatory Actuals and 2008 and 2009 forecasts. Board staff has derived the following information based on the net earnings and taxes paid and forecasted from these exhibits below:

CNPI Taxes (per Audited Financial Statements and pro forma financial statements

Net Earnings	**2006 Actual**	**2007 Actual (AFS)**	**2007 Actual (pro forma)**	**2008 Bridge**	**2009 Test**
All Operations	$ 2,141,000	$ 3,529,000			
Transmission	$ 1,348,000	$ 3,178,000			
Distribution	$ 793,000	$ 351,000	$ 138,583	$ 432,760	$ 35,769
Fort Erie (-0223)	$ 440,000	$ 490,000	$ 126,318	$ 447,971	$ 317,534
Gananoque (-0222)	$ 108,000	$ 29,000	$ 87,339	$ 67,420	-$ 63,926
Port Colborne (-0224)	$ 245,000	-$ 168,000	-$ 75,074	-$ 82,631	-$ 217,839

Note: 2006 and 2007 from Note 16: Segement Information to 2007 Audited Financial Statements
Note: 2008 and 2009 forecasts taken from Exhibit 1/Tab 3/Schedule 2 (pro forma financial statements) of CNPI service area applications

Taxes	**2006 Actual**	**2007 Actual (AFS)**	**2007 Actual (pro forma)**	**2008 Bridge**	**2009 Test**
All Operations	$ 967,000	$ 1,725,000			
Transmission	$ 733,000	$ 1,580,000			
Distribution	$ 234,000	$ 145,000	$ 282,933	$ 404,000	$ 158,200
Fort Erie (-0223)	$ 94,000	$ 221,000	$ 318,591	$ 508,000	$ 383,200
Gananoque (-0222)	$ 44,000	$ 7,000	$ 26,240	-$ 26,000	-$ 70,600
Port Colborne (-0224)	$ 96,000	-$ 83,000	-$ 61,898	-$ 78,000	-$ 154,400

a) Please provide a detailed explanation of why the 2007 actuals for Net Earnings and Taxes differ between the 2007 Audited Financial Statements and the pro forma statements.
b) Please provide a detailed explanation of why the taxes derived in Exhibit 4/Tab 3/Schedule 2 differ from those shown in the Audited Financial Statements and pro forma financial statements.
c) Please provide an explanation for the year over year changes in net and taxable income and taxes calculated in Exhibit 4/Tab 3/Schedule 2 for:
    i. CNPI
    ii. Distribution;
    iii. Each of the three distribution service areas.

    In particular, please discuss what factors or tax planning CNPI has used or assumed for the 2008 bridge and 2009 test years.

Exhibit 5 – Deferral and Variance Accounts

CNPI – EOP specific interrogatories

61. Deferral and Variance Accounts

References:
Exhibit 1, Tab 2, Schedule 1, page 12
Exhibit 5, Tab 1, Schedule 1, page 1
Exhibit 5, Tab 1, Schedule 2, page 1

- The 1st reference provides a brief statement about a deferral account related to seasonal customers.
- The 2nd reference provides an overview of deferral and variance accounts.
- The 3rd reference provides a calculation of balances by account.

a) In the 1st reference, the application states “CNPI - Gananoque is also seeking a deferral account mitigating rate effects on seasonal customers”. In the 2nd reference, the application states “CNPI – Gananoque” is not requesting any new deferral accounts at this time”. Please confirm which of the two statements is correct.

b) If the former is correct, please provide the following information.

- What is the regulatory precedent for this proposed deferral account?
- What is the justification for this account?
- What are the journal entries to be recorded?
- When does the applicant plan to ask for its disposition?
- How does the applicant plan to allocate this amount by rate class?
- If the costs or fees are not known, what would be the basis of the approval to record these amounts in a deferral account?
- What new or additional information is available that would improve the Board’s ability to make a decision to approve the recording of these costs or fees in a deferral account?

c) Please provide the balance as of December 31, 2007 in each of the following accounts:

1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1590, 1592, 1595, and 2425

It is noted that the information provided in the table in the 3rd reference does not match previously reported information. Please provide any comments that might be helpful on the amounts provided.

d) Please provide a continuity schedule for the above accounts using the Excel spreadsheet attached. (Please note that forecasting principal transactions beyond December 31, 2007 and the interest on those transactions in columns AM – AP is optional.)

e) CNPI-EOP is requesting disposition of regulatory variance account 1508 only (2nd reference). Notwithstanding this, please provide rate riders that would dispose of the net balance of all of the accounts listed in part c), including details of how the individual balances would be allocated to customer classes and the length of time over which the rate rider would be charged or rebated.

CNPI – Fort Erie specific interrogatories

62. Deferral and Variance Accounts

References:
Exhibit 5, Tab 1, Schedule 1, page 1
Exhibit 5, Tab 1, Schedule 2, page 1

- The 1st reference provides an overview of deferral and variance accounts.
- The 2nd reference provides a calculation of balances by account.

a) Please provide the balance as of December 31, 2007 in each of the following accounts:
1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1590, 1592, 1595, and 2425.
It is noted that the information provided in the table in the 2nd reference does not match previously reported information. Please provide any comments that might be helpful on the amounts provided.

b) Please provide a continuity schedule for the above accounts using the Excel spreadsheet attached. (Please note that forecasting principal transactions beyond December 31, 2007 and the interest on those transactions in columns AM – AP is optional.)

c) CNPI-Fort Erie is requesting disposition of regulatory variance account 1508 only (1st reference). Notwithstanding this, please provide rate riders that would dispose of the net balance of all of the accounts listed in part a), including details of how the individual balances would be allocated to customer classes and the length of time over which the rate rider would be charged or rebated.

<u>CNPI – Port Colborne specific interrogatories</u>

63. Deferral and Variance Accounts

References:

Exhibit 1, Tab 2, Schedule 1, page 12
Exhibit 5, Tab 1, Schedule 1, page 1
Exhibit 5, Tab 1, Schedule 2, page 1

- The 1st reference provides a brief statement about a deferral account related to seasonal customers.
- The 2nd reference provides an overview of deferral and variance accounts.
- The 3rd reference provides a calculation of balances by account.

a) In the 1st reference, the application states "CNPI – Port Colborne is also seeking a deferral account mitigating rate effects on seasonal customers". In the 2nd reference, the application states "CNPI – Port Colborne" is not requesting any new deferral accounts at this time". Please confirm which of the two statements is correct.

b) If the former is correct, please provide the following information.

- What is the regulatory precedent for this proposed deferral account?
- What is the justification for this account?
- What are the journal entries to be recorded?
- When does the applicant plan to ask for its disposition?
- How does the applicant plan to allocate this amount by rate class?
- If the costs or fees are not known, what would be the basis of the approval to record these amounts in a deferral account?
- What new or additional information is available that would improve the Board's ability to make a decision to approve the recording of these costs or fees in a deferral account?

c) Please provide the balance as of December 31, 2007 in each of the following accounts:

1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1590, 1592, 1595, and 2425.

It is noted that the information provided in the table in the 3rd reference does not match previously reported information. Please provide any comments that might be helpful on the amounts provided.

d) Please provide a continuity schedule for the above accounts using the Excel spreadsheet attached. (Please note that forecasting principal transactions beyond December 31, 2007 and the interest on those transactions in columns AM – AP is optional.)

e) CNPI-Port Colborne is requesting disposition of regulatory variance account 1508 only (2nd reference). Notwithstanding this, please provide rate riders that would dispose of the net balance of all of the accounts listed in part c), including details of how the individual balances would be allocated to customer classes and the length of time over which the rate rider would be charged or rebated.

Exhibit 8 – Cost Allocation; Exhibit 9 - Rate Design; Exhibit 10 - Rate Harmonization

Interrogatory common to all three applications

64. Specific Service Charges:
Reference:
Exhibit 1, Tab 1, Schedule 2, Appendix A

- The reference provides a list of specific service charges proposed for 2009.

  Please confirm that the proposed specific services charges as shown in the reference are identical to standard charges in Schedule 11-3 of the 2006 EDR Handbook.

CNPI – EOP specific interrogatories

65. Cost Allocation & Rate Design:
References:
Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O1
Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O2
EB-2008-0223/Exhibit 10, Tab 1, Schedule 3, page 6
EB-2008-0223/Exhibit 10, Tab 1, Schedule 3, pages 14 to 22
EB-2008-0223/Exhibit 10, Tab 1, Schedule 7, pages 2 to 4

- The 1st reference provides Sheet O1 from the Cost Allocation Informational Filing (Run 2).
- The 2nd reference provides Sheet O2 from the Cost Allocation Informational Filing (Run 2).
- The 3rd reference provides harmonized base revenue requirement.
- The 4th reference provides revenue-to-cost ratios based on harmonized rates across CNPI – Fort Erie and CNPI – EOP.
- The 5th reference provides bill impact calculations based on harmonized rates between CNPI – Fort Erie and CNPI – EOP.

a) For completeness of the evidence relating to CNPI – EOP, please file the equivalent of Rate Harmonization as presented in Exhibit 10 of the CNPI – Fort Erie application as part of the CNPI – EOP application.

b) Please confirm that the harmonized base revenue requirement of $11,476,276 provided in the 3rd reference represents the combined revenue requirement of CNPI – Fort Erie and CNPI – EOP. Further please confirm that of this amount, $9,252,464 is attributable to the former and $2,223,812 to the latter.

c) Please provide a breakdown by rate class of CNPI – EOP's component of the harmonized base revenue requirement of $11,476,276 referred to above.

d) With respect to the USL rate class:
    - The application acknowledges in the 4th reference the need to gradually move the revenue-to-cost ratio towards 100%. However in actual fact the ratio has changed from 65.94% in the Cost Allocation Informational Filing (1st reference) to 44.69% in the proposal for 2009 (4th reference). Please explain the reason for the movement of the ratio to a value away from rather than towards 100%.
    - Please explain the reason for the 21% increase in the distribution component of the monthly bill from $53.79 for 2008 to $44.42 for 2009 (5th reference) when the revenue-to-cost ratio has declined as stated above.

e) With respect to the Sentinel Lighting rate class, as shown in the 5th reference, the percentage increase in the monthly service charge from 2008 to 2009 ($1.78 to $2.94, i.e. 65%) exceeds the percentage increase in the volumetric rate ($2.6201/kW to $3.3822/kW, i.e. 29%). Please provide a calculation of rates where the percentage increase in the monthly service charge is the same as the percentage increase in the volumetric rate and comment on how the resulting monthly service charge compares with the Customer Unit Cost per month – Minimum System.

66. Retail Transmission Rate:

References:

Exhibit 9, Tab 1, Schedule 1, page 11
Guideline – Electricity Distribution Retail Transmission Service Rates (G-2008-0001)

- The 1st reference states that CNPI – EOP is not forecasting a change from the current Board Approved Retail Transmission Rates.
- The 2nd reference provide electricity distributors with instructions on the evidence needed, and the process to be used, to adjust retail transmission service rates to reflect changes in the Ontario Uniform Transmission Rates.

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors. Given that CNPI – EOP is embedded within Hydro One Distribution, its wholesale cost of transmission service is affected by the approved UTRs change.

On October 22, 2008, the Board issued its Guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

CNPI – EOP is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts
b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts

CNPI – Fort Erie specific interrogatories

67. Cost Allocation & Rate Design:

References:

Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O1
Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O2
Exhibit 10, Tab 1, Schedule 3, page 6
Exhibit 10, Tab 1, Schedule 3, pages 14 to 22
Exhibit 10, Tab 1, Schedule 7, pages 2 to 4

- The 1st reference provides Sheet O1 from the Cost Allocation Informational Filing (Run 2).
- The 2nd reference provides Sheet O2 from the Cost Allocation Informational Filing (Run 2).
- The 3rd reference provides harmonized base revenue requirement.
- The 4th reference provides revenue-to-cost ratios based on harmonized rates across CNPI – Fort Erie and CNPI – EOP.
- The 5th reference provides bill impact calculations based on harmonized rates between CNPI – Fort Erie and CNPI – EOP.

a) Please confirm that the harmonized base revenue requirement of $11,476,276 provided in the 3rd reference represents the combined revenue requirement of CNPI – Fort Erie and CNPI – EOP. Further please confirm that of this amount, $9,252,464 is attributable to the former and $2,223,812 to the latter.

b) Please provide a breakdown by rate class of CNPI – Fort Erie's component of the harmonized base revenue requirement of $11,476,276 referred to above.

c) With respect to the USL rate class:
   - The application acknowledges in the 4th reference the need to gradually move the revenue-to-cost ratio towards 100%. However the ratio has changed from 56.76% in the Cost Allocation Informational Filing (1st reference) to 44.69% in the proposal for 2009 (4th reference). Please explain the reason for the apparent movement of the ratio to a value away from rather than towards 100%.
   - Please explain the reason for the 110% increase in the distribution component of the monthly bill from $25.06 for 2008 to $52.67 for 2009 (5th reference) when the revenue-to-cost ratio has declined as stated above.
   - As indicated in the 5th reference, the percentage increase in the monthly service charge from 2008 to 2009 ($8.56 to $36.39, i.e. 325%), contrasts against the percentage decrease in the volumetric rate ($0.0220/kWh to $0.0217/kWh, i.e. 1.4%). Moreover the proposed monthly service charge exceeds the Customer Unit Cost per month – Minimum System of $29.19 (2nd reference). Please provide a calculation of rates where the percentage increase in the monthly service charge is the same as the percentage increase in the volumetric rate and comment on how the resulting monthly service charge compares with the Customer Unit Cost per month – Minimum System.
   - In the 4th reference, the application states that effective May 1, 2009, CNPI – Fort Erie will implement billing on a per customer basis from a per connection basis. This will align with CNPI – EOP which currently bills on a per customer basis. Please explain the rationale for choosing per customer basis rather than per connection basis as the standard.

d) With respect to the Street Light rate class:
   - The revenue-to-cost ratio has increased/improved from 19.16% in the Cost Allocation Informational Filing (1st reference) to 23.91% in the proposal for 2009 (4th reference). In order to analyze the impact of further improvement, please provide a calculation of rates that would yield a revenue- to-cost ratio of 40% together with a total bill impact calculation.
   - Please explain the reason for the 43% increase in the distribution component of the monthly bill from $4,540.54 for 2008 to $6,475.67 for 2009 (5th reference) when the revenue-to-cost ratio has increased to a lesser extent as shown above.

e) With respect to the GS<50 rate class, as indicated in the 5th reference the percentage increase in the monthly service charge from 2008 to 2009 ($17.56 to $21.34, i.e. 22%) exceeds the percentage increase in the volumetric rate ($0.0222/kWh to $0.0228/kWh, i.e. 3%). Moreover the proposed monthly service charge exceeds the Customer Unit Cost per month – Minimum System of $28.30 (2nd reference). Please provide a calculation of rates where the percentage increase in the monthly service charge is the same as the percentage increase in the volumetric rate and comment on how the resulting monthly service charge compares with the Customer Unit Cost per month – Minimum System.

68. Retail Transmission Rate:

References:

Exhibit 9, Tab 1, Schedule 1, page 9
Guideline – Electricity Distribution Retail Transmission Service Rates (G-2008-0001)

- The 1st reference states that CNPI-Fort Erie is not forecasting a change from the current Board Approved Retail Transmission Rates.
- The 2nd reference provide electricity distributors with instructions on the evidence needed, and the process to be used, to adjust retail transmission service rates to reflect changes in the Ontario Uniform Transmission Rates.

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors.

On October 22, 2008, the Board issued its Guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

CNPI-Fort Erie is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts
b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts

CNPI – Port Colborne specific interrogatories

69. Cost Allocation & Rate Design:

References:

Exhibit 9, Tab 1, Schedule 1, page 25
Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O1
Exhibit 9, Tab 1, Schedule 1, page 6
Exhibit 9, Tab 1, Schedule 5, pages 2-4
Exhibit 8, Tab 1, Schedule 2, Appendix A, Sheet O2
Exhibit 9, Tab 1, Schedule 1, page 19

- The 1st reference provides revenue-to-cost ratio's for each rate class with respect to proposed rates for 2008 and in the Cost Allocation Informational Filing. Additionally the reference provides class revenue requirement expressed as a percentage of total revenue requirement, in the proposed allocation for 2009.
- The 2nd reference comprises Sheet O1 of the Cost Allocation Informational Filing (Run 2).
- The 3rd reference provides a calculation of base revenue requirement.
- The 4th reference comprises 2008-to2009 bill impact calculations for each rate class.
- The 5th reference comprises Sheet O2 of the Cost Allocation Informational Filing (Run 2).
- The 6th reference provides an analysis of proposed 2009 rates for the Unmetered Scattered Load (USL) rate class.

a) With respect to the GS>50 rate class:
   - Please explain the sharp increase in the class revenue requirement expressed as a percentage of total revenue requirement, in the proposed allocation for 2009 (29.6%[1]) compared to the allocation in the Cost Allocation Informational Filing (17.7%[2]), given that the revenue to cost ratio has dropped to135.6% in the former from167.1% in the latter (1st reference).
   - Please explain the method by which the transformer allowance of $141,484 (3rd reference) is allocated amongst the rate classes, including the rationale for doing this allocation.
   - Please explain the reason for the Monthly Service Charge proposed for 2009 ($649.87) as shown in the 4th reference being significantly higher than the Customer Unit Cost per month – Minimum System ($197.15), as shown in the 5th reference.

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[1] $1,684,608 divided by sum of proposed allocation column $5,683,947 per 1st reference.
[2] $866,865 divided by $4,908,033 per the 2nd reference.

b) With respect to the USL rate class, the application acknowledges in the 6th reference the need to gradually move the revenue-to-cost ratio towards 100%. However the ratio has changed from 61.4% in the Cost Allocation Informational Filing to 52.5% in the proposal for 2009 (1st reference). Please explain the reason for the apparent movement of the ratio to a value away from rather than towards 100%.
c) With respect to the Street light rate class, the revenue-to-cost ratio has increased/improved from 29.4% in the Cost Allocation Informational Filing to 38.7% in the proposal for 2009 (1st reference). In order to analyze the impact of further improvement, please provide a calculation of rates that would yield a revenue- to-cost ratio of 50% together with a total bill impact calculation.
d) With respect to the Sentinel rate class, as shown in the 4th reference, the percentage increase in the monthly service charge from 2008 to 2009 ($2.10 to $4.15, i.e. 98%) exceeds the percentage increase in the volumetric rate ($6.1316/kW to $6.6369/kW, i.e. 8%). Please provide a calculation of rates where the percentage increase in the monthly service charge is the same as the percentage increase in the volumetric rate and comment on how the resulting monthly service charge compares with the Customer Unit Cost per month – Minimum System.
e) Please confirm that the proposed distribution rates are reflected in the bill impact calculations provided in the 4th reference and further please explain the purpose of the bill impact calculations titled “Consistent with the 2006 EDR Methodology” provided in the Rate Design Model section of the application.
f) Please file an electronic copy of Run 2 of the Cost Allocation Informational Filing to be a part of the record of this application.

70. Retail Transmission Rate:

References:

Exhibit 9, Tab 1, Schedule 1, page 11
Guideline – Electricity Distribution Retail Transmission Service Rates (G-2008-0001)

- The 1st reference states that CNPI-Port Colborne is not forecasting a change from the current Board Approved Retail Transmission Rates.
- The 2nd reference provide electricity distributors with instructions on the evidence needed, and the process to be used, to adjust retail transmission service rates to reflect changes in the Ontario Uniform Transmission Rates.

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors.

On October 22, 2008, the Board issued its Guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

CNPI-Port Colborne is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts
b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts