

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

January 18, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Fl.
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories
Application by Niagara West Transformation Corporation (NWTC) for 2011
Electricity Transmission Rates
Board File No. EB-2010-0345**

Please find attached the Board Staff Interrogatories with respect to the above proceeding.

Please forward the attached interrogatories to NWTC and all intervenors in this proceeding.

Yours truly,

Original Signed by

Edik Zwarenstein
Project Advisor



Board Staff Interrogatories

Niagara West Transformation Corporation

2011 Electricity Rates for Transmission Transformation Connection Service EB-2010-0345

TABLE OF CONTENTS

- 1. Corporate Structure and Existing Agreements**
- 2. Cost of Service**
- 3. Cost of Capital and Capital Structure**
- 4. Load Forecast and CDM**
- 5. Cost Allocation, Rate Design, and Uniform Transmission Rates (“UTR”)**

Note:

Board staff requests that NWTC seek the assistance, as and when appropriate, from other parties in order to provide complete and accurate responses, including:

- **Hydro One Networks Inc. Transmission (“Hydro One Transmission”);**
- **the Independent Electricity System Operator (“IESO”);**
- **Grimsby Power Inc.; and**
- **Niagara Peninsula Energy Inc.**

1. Corporate Structure and Existing Agreements

Interrogatory 1: Existing Agreement

Reference: Application/ Pages 29-31/Appendix A: Board Decision and Order, dated March 28, 2005

Question/Request:

- a. Please have the two distributors (Grimsby Power Inc. and Niagara Peninsula Energy Inc. on behalf of its predecessor Peninsula West Utilities Limited) provide a copy of their respective Connection and Cost Recovery Agreements ("CCRA") with Hydro One Networks Inc. If there are clauses preventing either or both distributors from filing the requested CCRA contracts, please send a request with the CCRAs for confidential treatment and cite the clauses that require such treatment, in accordance with the Board practice for confidential information, available on the Board's website under Rules of Practice and Procedure.
- b. What is the duration and date of expiry of these two CCRAs?
- c. What are the conditions imposed by the two CCRAs at the end of the respective CCRA term?
- d. Please provide copies of the annual statements indicating the amounts recorded for payments for incremental transformation load, which NWTC filed with the Board as directed at Reference (1) on page 31 of the Application under the Board Order, item 3.
- e. Please provide a legible and clear copy of the Overview Operating Diagram of which a photocopy is provided at pages 8 and 9 of the application.
- f. Please provide a legible and clear copy of the station circuit diagram indicating the protections and metering instrumentation.

Interrogatory 2:

Reference: Application/Appendix A/Pages 29-31: Board Decision and Order, dated March 28, 2005.

Preamble:

Board staff wishes to put on the record the mechanics and understanding of the current payment mechanism.

Question/Request:

In regard to the March 28, 2005 Board Decision and Order please indicate:

- a. Who makes the monthly payments to NWTC i.e. Hydro One directly, or the IESO?
- b. What form does the payment take i.e. cheque, electronic transfer?
- c. What have the payments been and what were the corresponding loads for each month since the payments were instituted?
- d. Please provide a recent typical monthly statement which would accompany a payment to NWTC.

Interrogatory 3:

Reference: Application/Page 31/ Board order of March 28, 2005

Preamble:

The Board, in part 2 of the referenced Board order required that the NWTC establish accounts to record the income and the cost of transformation and provide these to the Board and the proposed accounting treatment and in part 3 required that NWTC provide annual statements to the Board indicating that the amounts recorded represent payment for incremental transformation load only.

Question/Request:

In order to complete the record in this proceeding, please provide the documentation that was to be provided as specified in the Board's order as

- a. item 2 and
- b. item 3 (this was also requested under interrogatory 1 and need not be duplicated, but please provide a reference).

Interrogatory 4:

Reference: Application/Operating Costs /Page 11/First paragraph

Preamble:

It appears that administrative services are handled by Niagara Peninsula Energy Inc. through the service agreement and that there is no staff directly in the employ of NWTC.

Question/Request:

- a. Please confirm if this statement is correct.
- b. Who handles the regulatory applications for NWTC?
- c. Does NWTC anticipate that it will continue with its current service agreements rather than hire dedicated staff?

2. Cost of Service**Interrogatory 5: Budget Overview**

Reference: Application/Page 11/Paragraph 3/Lines 15-19

Preamble:

At Reference (1) NWTC stated in part that:

To confirm budgeted maintenance expenditures for the 2011 test year, NWTC used the information gathered through inspections, testing and asset condition assessments. All directors were involved in the process and approved the results at a regular board meeting in a resolution that was approved by all.

Question/Request:

- a. Please provide summary descriptions of the information noted at Reference (1) and also noted in the excerpt in the Preamble above in regard to inspection, testing and asset condition assessment.
- b. Please describe how the noted information qualitatively and quantitatively was used in preparing the 2011 budget.

Interrogatory 6: Operating Costs – Bell Canada Circuit Charges

Reference: (1) Application/Page 19/Paragraph 1/Lines 1-4
(2) NPEI Application for Cost of Service for 2011 distribution rates, (EB-2010-0138)/Exhibit 1/page 68

Preamble:

At Reference (1), NWTC indicated that the amount of \$33,604 is for circuit charges that cover all electronic circuits used for the connections to Hydro One and NPEI.

At Reference (2), NPEI indicated that since 2004 it also owns a transformer station that steps the voltage down from 115 kV to 13.8 kV.

Question/Request:

- a. Please indicate whether the Bell Canada circuit charges of \$33,604 noted in Reference (1), relates solely to the 230 kV: 27.6 kV transformer station owned by NWTC or whether it also includes circuit charges related to the 115 kV: 13.8 kV transformer station owned by NPEI per Reference (2).
- b. If the answer to 1. above indicates that the Bell Canada cost of \$33,604 is only for the transformer station owned by NWTC, please provide evidence showing a breakdown of the \$33,604 costs for Bell Canada circuit charges, for the various services provided to the NWTC transformer Station as well as evidence to indicate how much Bell Canada is charging NPEI for circuit charges that covers all electronic circuits for connection to Hydro One control centre.
- c. Please provide a copy of the contract between Bell Canada and NWTC. If there are clauses preventing NWTC from filing such a contract, please send a request with the contract copy for confidential treatment and cite the clause that require such treatment.

Interrogatory 7: Operating Costs – Directors Fees

Reference: (1) Application/Page 10/Chart identifying NWTC corporate and utility structure

(2) Application/Page 18/Table 6 & Page 19/ paragraph 2/lines 6-9

Question/Request:

- a. Since the human resources structure of the company is unique, please indicate for each year referred to in Reference (2), Table 6, how many directors, and how many meetings took place, and how many are forecast for 2011.
- b. At Reference (1), it is shown that NWTC has 6 Directors on its Board and it is helpful for the record to have NWTC provide a short summary on each of the 6 member Board of Directors, covering:
 - (i) The relationship of each Board member to any related company to NWTC in terms of ownership or services rendered or received;
 - (ii) Additional managerial functions performed by the director to NWTC, and any specific monetary compensation/salary for performing such functions.
- c. At Reference (2), Table 6, page 18 the "Directors Fees" cost is estimated to be \$15,300, and at page 19 it is indicated that the Budget costs for 2010 and forecast amount for 2011 is \$15,300, and at Reference (2), page 19 it is indicated that the Director Fees are \$200 per month plus \$150 per meeting for recording secretary. Please confirm that this indicates that the NWTC Board intends to meet 6 times in 2011, based on:
 - (i) The annual directors fees is calculated to be \$14,400 (6 Directors multiplied by \$200/month and by 12 months);
 - (ii) The \$900 remainder (\$15,300 less \$14,400) divided by \$150 per meeting for the recording secretary would indicate that 6 meetings for 2011 are expected.
- d. Based on historical records, and notwithstanding the special circumstances surrounding the fire that took place in 2008, please describe the topics covered in the Board of Directors meetings of a typical year. Please file the minutes of a typical meeting for illustrative purposes.

Interrogatory 8: Operating Costs – Bookkeeping Fees

Reference: Application/Page 18/Table 6

Questions/Requests:

It is noted that between 2007 and 2010, bookkeeping fees have doubled; please provide a breakdown of the reasons for the cost increase.

Interrogatory 9: Operating Costs – Legal Fees

Reference: Application/Page 18/Table 6

Questions/Clarifications:

Please provide descriptions of the work performed in the year 2007 showing \$12,298 under Legal Fees.

- a. Please provide details in regard to the work expected to be performed in 2010 costing \$ 5,500 under Legal Fees, and explain the reasons that show a marked reduction for 2011 being \$2,000 under Legal Fees.
- b. What is the hourly rate for the charges by counsel to NWTC in terms of hourly rate?
- c. Please provide details of any contracts or agreements for work to be done under this category

Interrogatory 10: Operating Costs – Insurance

Reference: (1) Application/Page 18/Table 6 & Page 19/Paragraph 4/Lines 19 - 21
(2) Application/Page 21/ Full-paragraph 5/Lines 20 -22
(3) Application/Page 21/Full-paragraph 6/Lines 24 -26

Preamble:

At Reference (1), Table 6, the forecasted cost under “Insurance” for 2011 is shown to be \$60,000, which is an increase over the amount of \$28,752 for 2009 of more than 200%.

At Reference (1), Page 19, NWTC stated that:

Insurance for liability is with MEARIE and due to a difficult year from claims in general insurance, not just our claim for the fire, and aging assets, on average most property subscribers saw a 100% increase in premiums.

At Reference (2), Page 21, NWTC stated that:

Arcon Engineering issued a report indicating that the five year old transformer requiring oil processing for water and particle contamination would, in itself, suggest that there was something inherently wrong with the transformer.

Question/Request:

- a. Please provide a copy of the insurance policy. If there are clauses preventing NWTC from filing such a policy, please send a copy of the policy with request for confidential treatment and cite the clause that require such treatment.
- b. Please quantify the impact of the fire on the insurance premiums/fees, and a valuation of the percentage input in the cost increase in insurance premiums/fees.
- c. Did NWTC investigate an alternative insurance provider following the fire? If yes, please provide a breakdown of the different bids / cost-service options that were presented. Please also indicate why the current alternative was the preferred one. If no, please indicate the reasons for not pursuing a more cost effective alternative.
- d. At Reference (2), page 21, full-paragraph 5, please confirm whether or not the transformer which Arcon Engineering had issued a report on is the Instrument Transformer which was the cause of the April, 2008 accident. If not please provide details about that transformer.
- e. Please indicate how many Instrument Transformers are from the same vintage and make as the one that caused the April, 2008 accident, and what are the responsibilities of the manufacturer, Trench, in regard to replacement of these transformers

- f. At Reference (3), page 21, full-paragraph 6, please provide a breakdown of the \$359,401.70 amount of compensation received from MEARIE in regard to the fire of April 17, 2008.
- g. Is there a back-up plan that would ensure continued reliable service to the distributors in the event of a forced outage of a) one power transformer and b) both power transformers, for an extended length of time, e.g. 3 months? If so please provide details.

Interrogatory 11: Operating Costs – Regulatory Fees

Reference: (1) Application/Page 18/Table 6
(2) Application /Appendix B

Preamble:

The Board is aware that NWTC has an Electricity Transmission Licence attached at Reference (2).

Question/Request:

- a. What do the regulatory fees encompass? Please provide details of any other regulatory matters that warrant financial provisions?
- b. For what regulatory activity were the regulatory fees in each of the years indicated?
- c. Does NWTC include an estimate for the costs of the current application in the fees for the year 2011?
- d. Does NWTC include costs for the Regulatory Reporting Requirements of the Board?

Interrogatory 12: Operating Costs – Regular Maintenance - Rondar

Reference: (1) Application/Page 18/Table 6
(2) Application/Page 19 -20

Preamble:

NWTC indicated at Reference (1), that the five year agreement with Rondar calls for certain maintenance that will cost \$ 25,917 in year 3 of the contract, which is the Test Year, and listed the following codes for activities under Scope of work:

Scope of Work: I, II, II, IV, V, VI, VII, (VIII, IX – Bus B), and X

Questions/Requests:

- a. At Reference (1), Table 6 under Regular Maintenance (Rondar), please provide breakdown for each year maintenance fees since 2007, and a rationale for the 2011 figure.
- b. Please provide full description of the work being performed for each designated codes noted in Reference (2) and in the Preamble.
- c. Please provide a copy of the Rondar service contract. If there are clauses preventing NWTC from filing such a contract, please send a request with the contract copy for confidential treatment and cite the clause that require such treatment.
- d. Has NWTC considered alternative service providers? If yes, provide a summary of the costs and terms of the other alternative(s). If no, please provide the reasons for not pursuing alternatives in order to get the best value.

Interrogatory 13: Operating Costs – Monitoring (Hydro One)

Reference: Application/Page 18/Table 6 & Page 21-22

Preamble:

At page 18, Table 6 of the Application, it is shown under Monitoring Hydro One the following costs which are recast below in tabular form (no costs provided for 2005 and 2006)

Year	2005	2006	2007	2008	2009	2010	2011
Monitoring Costs in \$ (Hydro One)			12,000	26,932	24,563	27,262	27,262

At pages 21-22, NWTC stated in part that:

The monitoring through Hydro One for the station (all alarms, outages, overloads, etc.) go through Hydro One at Barrie. The increase between

2007 and 2008 reflected higher charges from Hydro One for the monitoring service. In 2008 NWTC was over charged which caused the 2009 costs to be a small amount lower. For 2010 and 2011 the projected costs reflect the expected charges from Hydro One for the service.

Question/Request:

- a. Please provide the monitoring costs charged by Hydro One and paid for by NWTC for the "Monitoring Costs" for the years 2005 and 2006, by completing
- b. Please provide, details in regard to the noted higher charges that started in 2008 (\$26,932), where the increase over 2007 (\$12,000) is in the order of 224%.
- c. Is the "Monitoring" activities covered by a formal Agreement between the two parties? If so please provide a copy of that Agreement. If there are clauses preventing NWTC from filing such an Agreement, please send a copy of that agreement with request for confidential treatment and cite the clause that require such treatment.
- d. If there is no formal agreement with Hydro One for the Monitoring activities, what would be the basis for future increases by Hydro One in providing that service?

Interrogatory 14: Operating Costs – Services (NPEI)

Reference: (1) Application/Page 11, Paragraph 1
(2) Application/Page 18/Table 6
(3) Application/Page page 22/Full-paragraph 3/Lines 7-9
(4) Application/Pages 9, 54
(5) Application/ Page 36

Preamble:

At page 18, Table 6 of the Application it is indicates that NWTC will be paying an annual amount of \$12,100, and further specifies at page 22 that if there are additional expenses over and above the agreed upon service agreement, that they will be invoiced to NWTC at the cost of repair.

Question/Request:

- a. Please a detailed description of inspections i.e. by identifying the system element, and description of the inspection and frequency, and cost.
- b. Are NWTC and NPEI affiliates according to the Affiliate Relationship Code?
- c. Since NPEI is related to NWTC as indicated at reference 4, and its licence is subject to the Affiliate Relationships Code as indicated at reference 5, please confirm that the Affiliate Relationship Code's rules are being followed.
- d. Please provide a copy of the service agreement with NPEI as mentioned at Reference (3).
- e. Did NWTC consider alternative service providers prior to contracting with NPEI? If yes, provide a summary of the costs and terms of the other alternative(s). If not, please provide the reasons for not pursuing alternatives in order to get the best value.

Interrogatory 15: PILs – Loss Carry Forwards

Reference: Application/Page 22/Lines 23-24

Preamble:

NWTC stated in its application that:

“Regarding PILs, NWTC has over \$500,000 in loss carried forwards from previous years which means NWTC will not be paying PILs in the 2011 test year.”

Question/Request:

Please provide a schedule showing the amount of loss carry forwards expected to be used for each specific year in the future.

3. Cost of Capital and Capital Structure

Interrogatory 16: Actual Capitalization

Reference: Page 23 – Cost of Capital

Preamble:

NWTC has assumed the deemed capital structure of 40% equity, 56% long-term debt and 4% short-term debt for rate setting purposes. NWTC documents that it has a loan of \$6,500,000.

Question/Request:

For each of the 2007 actual, 2008 actual, 2009 actual, 2010 bridge and 2011 test year, please provide NWTC's actual capital structure.

Interrogatory 17: Long-term Debt

Reference: (1) Application/Pages 23-24 – Cost of Capital
(2) Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (the "Cost of Capital Report"), (EB-2009 - 0084), issued December 11, 2009,
http://www.oeb.gov.on.ca/OEB/Documents/EB-2009-0084/CostofCapital_Report_20091211.pdf

Preamble:

On page 23 at Reference (1), NWTC states in part that:

"With regards to rate of return of long term debt NWTC proposes to use a rate of return of 5.6%. NWTC has a variable rate term loan issued as bankers acceptances and is due March 9, 2012. The loan is held with the Toronto Dominion Bank. The loan is secured by a general security agreement, assignment of fire Insurance and guarantees by Niagara Power Inc. and Peninsula West Power Inc. in the amount of \$6,500,000. NWTC has entered into a swap transaction for the full amount of the debt, the effect of which is to fix the interest rate of the loan at 5.60% until 29 January 31, 2025."

On page 24 of Reference (1), NWTC provides a copy of the latest documentation of the variable rate loan with the Toronto-Dominion Bank, dated August 31, 2010 and maturing September 30, 2010.

Question/Request:

- a. Please provide a copy of the most recent documentation of the variable rate loan with the Toronto-Dominion Bank.
- b. Please provide a copy of the swap transaction agreement referenced on page 23 of the Application.
- c. Please describe how the proposed rate of 5.60% for the total value of the loan complies with Section 4.4.1 of the Cost of Capital Report.

Interrogatory 18 – Weighted Average Cost of Capital

Reference: (1) Application/Pages 23-25 – Cost of Capital
(2) Letter of the Board announcing Cost of Capital Parameter Updates for 2011 Cost of Service Applications for Rates Effective January 1, 2011, issued November 15, 2010,
<http://www.oeb.gov.on.ca/OEB/Documents/2011EDR/Ltr Jan1st Cost of Capital Parameters 20101115.pdf>

Preamble:

On November 15, 2010, the Board issued a letter providing updated Cost of Capital parameters for 2011 Cost of Service application with an effective date of January 1, 2011, in accordance with the methodologies documented in the Cost of Capital Report.

The letter summarizes the following parameter updates:

Deemed Short-term Debt Rate	2.43%
Deemed Long-term Debt Rate	5.48%
Return on Equity	9.66%

Question/Request:

Please recalculate NWTC's weighted average cost of capital, as summarized in Reference (1), Table 7 on Page 25, using the above Cost of Capital parameters, as applicable.

Interrogatory 19 – 2008 Audited Financial Statements

Reference: (1) Application/ Page 13
(2) Application/ Appendix C

Preamble:

At Reference (1), page 13 of the Application it is indicated that Audited Financial Statements for 2007 to 2009 are provided. Appendix C contains Audited Financial Statements for the years ending December 31, 2007 and December 31, 2009. Audited Financial Statements for 2008 are not provided, although 2008 amounts are shown as the prior year in the 2009 Audited Financial Statements. However, Note 2 to the 2009 Audited Financial Statements states that NWTC adopted the provisions of CICA Handbook Section 1535 – Capital Disclosures, effective January 1, 2009.

Question/Request:

Please provide a copy of NWTC's Audited Financial Statements for the year ending December 31, 2008.

4. Load Forecast and CDM**Interrogatory 20: Load Forecast**

Reference: (1) Application/Page 16/Table 4
(2) Application/Page 17/Table 5

Question/Request:

- a. Please provide a table containing the most recent 12 consecutive actual monthly loads supplied from NWTC's TS to each of Grimsby Power Inc. and Niagara Peninsula Energy Inc.. It would be helpful if these 12 months represent the year 2010 i.e., January 2010 to December 2010.

- b. Based on the load information (requested in Question 20(a) above), please provide a modification to Table 4 at Reference (1) by adding 2 new columns:
- (i) The first new column for 2010 and labelled (unadjusted loads for CDM); and
 - (ii) The second new column is for 2011, where the values are based on averaging the load data from the four years 2007 to 2010 (2010 load from the first new column)
- c. Based on the loads requested above (Questions/Requests 20(a) and Question 20(b) above), please provide a modification to Table 5 at Reference (2) by adding a new column titled 2011 (Revenue at Existing Rate and unadjusted loads for CDM)

Interrogatory 21: Transformer Stations Share – Supply to the two Distributors

Reference: Application/Page 16/Table 4

Preamble:

It is important to have the historical load information (2005-2009), for the budget/forecast bridge year 2010, and the 2011 forecast for the two distributors (Grimsby Power Inc., and Niagara Peninsula Energy Inc.) to be provided by NWTC identifying for each distributor:

All the supplying transformer stations, including NWTS, load in MW (Average Monthly) and MWhs (Annual).

Question/Request:

Please provide information for a total of 14 tables (each distributor needs 7 tables for the years 2005 – 2011 i.e., one table/year). For illustrative purposes the table below is for Grimsby Power Inc., for the year 2005, where the portions of demand and energy from each transformer station (TS) supplying that distributor is required. Note that actual values are expected for the years 2005 – 2009, and mix of mostly actual and some forecast for 2010, and forecast amount for 2011.

Illustrative Table for Grimsby Power Inc. for the year 2005 [each distributor needs to fill 7 Tables - one Table per year for the years 2005 – 2011]		
Transformer Station (TS)/Owner	Amount of the Station Load Supplying Grimsby Power Inc for 2005	
	Demand (Ave. Monthly) [sum of 12 monthly MW/12] MW	Energy (Annual) MWh
TS # 1 (name)/ (owner ?)		
TS # 2 (name)/ (owner ?)		
TS # 3 (name)/ (owner-NWTC)		
TOTAL AMOUNT FOR 2005		

Interrogatory 22: Load Forecast – Incremental Amounts over Base Load

Reference: (1) Application/Page 16/Table 4

(2) Application/Pages 29 - 31/Appendix A/page 2 of Decision and Order

Preamble:

Table 4 of Reference (1), shows annual amounts in kW for both Grimsby Power Inc., and Niagara Peninsula Energy Inc. (formerly Peninsula West Utilities Limited)

At Reference (2) the Board Decision and Order identifies a base load trigger for Grimsby Power Inc. of 19.274 MW, and a base load trigger for Peninsula West Utilities Limited of 42.256 MW

Question/Request:

Please confirm that the loads shown at Table 4 of Reference (1) are incremental loads in that they are for every month of the years 2007 to 2011, and are amounts that are higher than the base load triggers identified in Reference (2).

Interrogatory 23: Load Forecast, CDM Targets and CDM Reductions

- Reference:** (1) Application/ Page 16/ Lines 2 – 16
 (2) Table below showing Board CDM Targets – Peak Demand Savings in MW by 2014, and Net Cumulative Energy Savings, 2011-2014 in GWh for Grimsby Power Inc. and Niagara Peninsula Energy Inc.

Table: Board CDM Targets for Grimsby Power Inc. and Niagara Peninsula Energy Inc

Licenced Distributor	2014 Net Annual Peak Demand Savings Target (MW)	2011-2014 Net Cumulative Energy Savings Target (GWh)
Grimsby Power Inc.	2.060	7.760
Niagara Peninsula Energy Inc.	15.490	58.040

Preamble:

At Reference (1), NWTC indicated in part that currently, the 2010 actual year to date (i.e. January – August) results are tracking about a 6% over the same period for 2009. However, due to the implementation of electricity conservation and demand management (“CDM”) targets to both Grimsby Power Inc. and Niagara Peninsula Energy Inc., NWTC believes the expected level of usage is not sustainable in 2011. NWTC now seeks approval of its load forecast based on the average actual usage from 2007 to 2009.

It is important to reconcile the assumptions used by NWTC, knowledge of the total load being served by both distributors (as requested in **Interrogatory # 21**), and the Board issued CDM Targets shown in Reference (2) in tabular form above.

Question/Request:

- a. Please provide a table showing the reduction in kW in 2011 which NWTC is expected to obtain from both Grimsby Power Inc. and Niagara Peninsula Energy Inc.’s activities related towards achieving their CDM Targets. The reductions in kW for 2011 must be reflective of the share of

the load supplied to each distributor via NWTC compared to the total load of that distributor as requested in **Interrogatory # 21**.

- b. Please provide a table showing the results obtained in responding to Question 23(a) above, as well as the results presented by NWTC in its Load Forecast found in Table 4 of Reference (1); using the 2007 to 2009 actual usage as basis for load forecast for the 2011 test year?
- c. If the results of comparing the two approaches as requested in Question 23(b) above indicate variance, please discuss what NWTC's proposal would be for its load forecast for 2011. Should NWTC conclude that it still favours the use of the 2007 to 2009 actual usage as basis for the 2011 load forecast, please provide a complete explanation and rationale justifying that position.
- d. Please discuss the relationship between the implementation of the electricity CDM Targets on both Grimsby Power Inc. and Niagara Peninsula Energy Inc (as set out in Reference (2)), and a reduction of NWTC's load forecast by 6%, or the amount equal to the level of growth NWTC has witnessed in the 2010 actual year to date compared to the same period for 2009.

5. Cost Allocation, Rate Design, and Uniform Transmission Rates (“UTR”)

Interrogatory 24:

Reference: (1) Application/Page 26
(2) Application/Pages 27-28, and Table 8
(3) Application/Pages 29 - 31/Appendix A/Page 2 of Decision and Order

Preamble:

NWTC indicated in the above Reference (1) that the approved revenue requirement will be allocated completely to the Transformation Connection Rate Pool.

NWTC at Reference (2) indicated that it used extracted information¹ from the pre-filed evidence of the transmission rate application for 2011 and 2012 by Great Lakes Power Transmission LP. NWTC further explained in that Reference (2) that it extracted the information that relates only to the Uniform Transformation Connection Rate with two scenarios – one where NWTC is included in the Pool and the second assuming that NWTC is excluded from the Pool, and in Table 8 it concluded that the Rate remained unchanged for the two scenarios.

Board staff notes that the methodology proposed by NWTC is not consistent with the methodology and approach adopted for the existing four licenced transmitters.

The approved methodology would be carried out as follows (for any licenced transmitter, other than Hydro One):

- (i) Allocate the approved revenue requirement for that transmitter to the three transmission pools, using Hydro One’s ratios - whether or not that transmitter owns assets classed for that pool. To illustrate this approach it is noted that both Canadian Niagara Power Inc. (“CNPI”) and Five Nations Energy Inc. (“FNEI”), do not own any Network classed assets, yet their respective revenues are allocated as described above.

¹ Pre-filed evidence of transmission rate application for 2011 and 2012 by Great Lakes Power LP (EB-2010-0291) – Exh. 8/Tab 2/Sch. 1

- (ii) Include in the load forecast for that transmitter under each of the three pools i.e. Network, Line Connection and Transformation Connection Annual Charge Determinants, whether or not that transmitter owns assets in the three transmission pools. To illustrate this approach it is noted that both Canadian Niagara Power Inc. ("CNPI") and Five Nations Energy Inc. ("FNEI"), do not own any Network classed assets, yet their respective Charge Determinant Forecasts include amounts under the Network column.

Questions/Clarifications:

- a. Given the explanation regarding the methodology as described in the Preamble [the 3rd bullet, and items (i) and (ii)], please provide a revised UTR calculation making sure that the appropriate allocation is carried out regarding the Revenue for NWTC, and that loads are assumed for Network and Line Connection Pools.
- b. Notwithstanding whether or not the Board will actually decide that the appropriate approach is to include NWTC in the UTR, please confirm that under the assumption that NWTC is included in the UTR, the following steps need to be implemented to avoid double counting:
 - (i) NWTC's 2011 Charge Determinants representing the incremental loads for the three pools would need to be subtracted from the corresponding Hydro One Transmission Charge Determinants;
 - (ii) Subtraction of the corresponding NWTC's 2011 revenue requirement from Hydro One 2011 Transmission Revenue Requirement which reflects the incremental loads; and
 - (iii) NWTC would be charging both distributors Retail Transmission Rates for the three services to cover the forecasted incremental loads for 2011– Network, Line Connection and Transformation Connection.
- c. Please confirm that under the assumption that NWTC is included in the UTR, Hydro One Transmission will have to amend the existing CCRA's to:
 - (i) Stop the current payments of the \$1.50/kW/month to NWTC for the Transformation Connection for the incremental loads; but
 - (ii) Keep the Base Load amounts, see Reference (3), page 30, for the two distributors as set out in the Board's Decision and Order and included in the existing CCRA agreements.

Interrogatory 25:

Reference: (1) Application/Page 5, Summary of the Application
(2) Application/Pages 26-28

Preamble:

The Board in considering this application could determine that it is not appropriate to incorporate NWTC into the UTR process.

Questions/Requests:

- a. Please explain why NWTC did not consider an alternative of continuing with the existing arrangement of having Hydro One Networks pay a monthly charge per kW for incremental loads, which would be determined by the Board, once it approves a 2011 revenue requirement for NWTC?
- b. In the event that the Board decided that it would continue with the existing arrangement of receiving a monthly charge per kW for incremental loads, what would be NWTC's concerns in regard to:
 - (i) Achieving a fair and just rate of return through continued authorization to collect an appropriate amount per kW for the service provided?
 - (ii) The process of making application to revise the rates to be charged in future years?
 - (iii) Any other concern that might arise?

Interrogatory 26: Alternatives to UTR

Reference: (1) Application/Appendix A/Page 3/Paragraph 4
(2) Application/Pages 26 - 28

Preamble:

The application by NWTC seeking to be included in the Uniform Transmission Rate Order ("UTR") requires, under the current form of the UTR, that NWTC would recover their required revenue based on a formula which would specify payment rates on the basis of the three components of costs (Network, Line Connection and Transformation Connection) in the same ratio as applicable to Hydro One and applied to all transmitters. For example, FNEI has no Network

component, but their revenue is subject to the rates which the Board allows Hydro One in respect of transmission

Question/Request:

- a. Is NWTC aware that the rates that they charge would be subject to an allocation of costs to the three components, in the same ratio as is found to be applicable for Hydro One, even though only one component is applicable to NWTC?
- b. Is NWTC aware that the sum of the three components would be the basis for collection of the total revenue requirement?
- c. Is NWTC aware that if the Board does not approve NWTC's load forecast because it is considered too low (high), that the Board may issue a rate order based on a higher (lower) forecast load?
- d. Is NWTC aware that NWTC's revenue collection will be on the basis of the product of actual load and the rate that the Board allows based on its approved forecast?

Interrogatory 27:

Reference: Application/Page 5, Summary of the Application

Preamble:

The Board in considering this application could determine that it might be appropriate to deem the Transformation assets as distribution assets of the Local Distribution companies, being served by it in accordance with section 84 (a) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c 15

Questions/Requests:

- a. In the event that this is the case, how would NWTC propose to charge for the services, including respecting the existing obligations to Hydro One for the incremental load.
- b. In the event that this is the case, how would NWTC recommend that the assets be allocated to the two utilities?
- c. Was this possibility considered by the NWTC, and if it was, what were the considerations that made that a less attractive option?

Interrogatory 28:

Reference: Application/Page 29/Board Decision and Order March 28, 2005/First bullet

Preamble:

The first bullet in the Decision and Order reflects that payment is to occur for the costs for service incremental to service being provided by Hydro One in serving the distributors Grimsby Power and Peninsula West Utilities (at that time) and on page 2 of the decision trigger points were established for the Base Load, which if exceeded, would result in transfer of income to NWTC

Question/Request:

- a. Has the load forecast taken into account the trigger point which the Board established in the March 28, 2005 Decision and Order?
- b. Does NWTC propose that this same trigger point be continued and maintained?

-End of Document-