

**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**

February 2, 2011

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Niagara Peninsula Energy inc.  
2011 Electricity Distribution Cost of Service Application  
Board Staff Interrogatories  
Board File No. EB-2010-0138**

In accordance with Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Niagara Peninsula Energy Inc. and to all other registered parties to this proceeding.

In addition please advise Niagara Peninsula Energy Inc. that responses to interrogatories are due by February 25, 2011.

Yours truly,

*Original signed by*

Neil Mather  
Project Advisor

Encl.

**BOARD STAFF INTERROGATORIES**  
**Niagara Peninsula Energy Inc. (NPEI)**  
**2011 Electricity Distribution Cost of Service Application**  
**EB-2010-0138**

**1. Responses to Letters of Comment**

Several letters of comment have been filed with the Board concerning this rate application. Please confirm whether a reply was sent from NPEI to the authors of the letter. If confirmed, please file the replies with the Board. If not confirmed, please explain why a response was not sent and whether the applicant intends to respond.

**2. Asset Management Plan**

Ref: Exh 1, p. 13; Exh 8, p. 25

- a) When was the Asset Management Plan scheduled to be received from Kinectrics, and when does NPEI expect to file the plan?
- b) Will the Asset Management Plan address capital expenditures that will lower NPEI's Distribution Loss Factor?

**3. Low Income Energy Assistance Program (LEAP)**

Ref: Exh 1, p. 34

- a) Please confirm that NPEI has not included an amount in its requested revenue requirement for the emergency financial assistance component of the Low Income Energy Assistance Program (LEAP).
- b) Please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2011 Test Year.

**4. Stranded Meters**

Ref: Exh 2, p. 25

- a) What amount does NPEI expect to recover from stranded meters by resale or scrap? What proportion of the expected total recovery has been realized to date?
- b) Since transferring stranded meter costs to the sub-account of account 1555, has NPEI continued to record depreciation expenses in order to

reduce the net book value through accumulated depreciation? If so, please provide the depreciation expense amounts for the period from the time the stranded meters were transferred to the sub-account to December 31, 2010.

- c) If no depreciation expenses were recorded, please provide the depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2010.
- d) Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2010
- e) If the amount that NPEI is transferring, \$4,175,010, does not reflect depreciation, carrying charges, and salvage, please provide an estimate of the amount that will ultimately be recorded for stranded meters.
- f) Please describe how NPEI intends to recover stranded meter costs in rates, including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.

## **5. Service Reliability Indices**

Ref: Exh 2, p. 11

- a) Does NPEI confirm that SAIDI in the Peninsula West service area was 1.84 in 2006 and 3.38 in 2007, as reported in the OEB statistical yearbook?
- b) What was the SAIDI for the Peninsula West service area in 2010?
- c) If the index continued the apparent unfavourable trend over the previous four years, please describe any steps that NPEI has undertaken or is planning to improve the reliability of service in that area.

## **6. Load Forecast Model**

Ref: Exh 3, p. 31 (Table 3-7); p. 34

In order to understand why the coefficient of "CDM kWh Saved" is substantially greater than unity (in absolute terms):

- a) Does NPEI have consumption statistics that would be able to show whether new customers (and/or newcomers in the population) consume lower kWh than those who are established in the service area?

- b) As an alternative to dropping the CDM variable, did NPEI estimate a regression model in which the coefficient of CDM would be constrained at -1.0 or some value nearer to -1 than to -9? In other words, did NPEI estimate a model that would forecast kWh purchases gross of cumulative CDM savings, while retaining the population or customer count variable?

## **7. Comparison of 2010 Load Forecast versus Actual System Purchases**

Ref: Exh 3, p. 36 (Table 3-8)

- a) Please provide the actual system purchases in 2010, the actual Cooling Degree Days, and if possible the actual Heating Degree Days.
- b) Please provide any updated analysis on how well the forecast model performed in forecasting 2010 purchases, after taking account of actual versus average weather data.

## **8. Forecast Purchases and Billed Energy**

Ref: Exh 3, p. 38 (Table 3-11a); Exh 8, p. 25 (Table 8-21)

Is the variable "System Purchases" measured to include losses of 0.45% or to exclude these losses? Is the Distribution Loss Factor of 1.0513 the appropriate conversion factor to use from Predicted Purchases to Weather Normalized Billed Energy, or should it be 1.056 as proposed for the Total Loss Factor in Exhibit 8?

## **9. Other Operating Revenue**

Ref: Exh 3, p. 56 (Table 3-31)

- a) Please provide the actual 2010 revenue from Sale of Scrap Materials within account 4215, and provide an explanation of why there has been a downward trend that is forecast to continue in the test year.
- b) Please provide a description of revenues that are included in Miscellaneous within account 4235, including the actual amount in 2010 if available, and explain why the forecast for the test year is near the bottom of the range observed in Table 3-31.

## **10. Bad Debt Expense**

Ref: Exh 4, p. 31 (Table 4-5A) and p. 44

- a) What was the actual Bad Debt Expense at year-end 2010?

- b) Please confirm that the projected decrease from the Bridge Year to the Test Year of \$15,100 is the result of a change to monthly billing, and that no adjustment has been made for economic conditions.

#### **11. Ontario Municipal Employees Retirement System Pension Costs**

Ref: Exh 4, p. 78, Table 4-17

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. It appears that NPEI has calculated a cost of OMERS premiums for 2010, together with an increase of 2.5% for 2011.

Does NPEI have a proposal on how to recover the cost with OMERS increases after that?

#### **12. Employee Costs**

Ref: Exh 4, p. 76 (Table 4-15)

- a) Please confirm that the total Salary and Wages in the test year (summing the rows for Management and Non-Union) is approximately 42% more than in 2009, and that the total number of employees in these categories is approximately 9% more.
- b) Please explain this seemingly disproportionate increase in salary and wages.

#### **13. Employee Costs**

Ref: Exh 6, p. 11

“Job performance increases” is listed as a cost driver that has contributed to the revenue deficiency.

- a) What is the amount of these increases (approximately, if precise data is not available).
- b) Please also provide a year-by-year breakdown of these increases.

#### **14. Depreciation Expense**

Ref: Exh 4, pp. 86-88 (Tables 4-24, -25, -26)

Depreciation expense for Meters (account 1860) is shown in the three years 2009 – 2011 as \$206,512, \$174,327, and \$259,578.

- a) Please confirm that NPEI's proposal is to include Smart Meters in Rate Base @ \$4,175,010 as of mid-2010, and confirm that the annual depreciation expense @ 4% would be approximately \$160,000.
- b) Please explain the pattern of meter depreciation over the three years, including how depreciation of Smart Meters is reflected in the annual amounts.

## **15. Long Term Debt**

Ref: Exh 5, pp. 3, 13-14

- a) Does NPEI consider that the terms of the promissory note might enable it to negotiate a lower interest rate, based on the phrasing in the notes that the rate is based on what the Ontario Energy Board may permit regulated distribution corporations to recover for rate-making purposes?
- b) Would any of NPEI's capital projects have qualified for Infrastructure Ontario loans when it borrowed money from Scotiabank or TD?
- c) What was the date of issuance of the latter loan from Scotiabank (last row in Table 5-1)?

## **16. Cost Allocation**

Ref: Exh 7, p. 11

The data in the model shows that there are 52 customers with Sentinel Lights, and there are 563 connections.

Has NPEI verified the assumption that the average number of sentinel lights per customer is nearly 11?

## **17. Low Voltage Cost Forecast in Working Capital**

Reference: Exh 2, p.154, Table 2-30; Hydro One Networks Rate Order EB-2009-0096

NPEI's forecast of LV Charges of \$360,512 appears to be based on Hydro One Sub-transmission rates with the effective date May 1 2010.

- a) Please provide an updated forecast using the rates that became effective January 1, 2011 [EB-2009-0096, rate order filed December 17, 2010, pp. 22-23]. Include documentation showing NPEI's assumptions concerning rate riders # 3, #4, #6, and #8 which expire on various dates during 2011

- b) Please provide an alternative calculation of NPEI's LV cost in 2011 with the assumption that Hydro One Networks had no rate riders. If there is a material difference, please provide NPEI's views on the validity of the forecast in part a) for costs during the IRM years following 2011.

## **18. Recovery of LV Cost in LV Rate Riders**

Reference: Exh 1, p. 76, Table 1-6; Exh 8, p. 14, Table 8-11

NPEI is applying for approval of an LV rate rider for the GS < 50 kW class of \$0.0003 per kWh. It appears that the LV rate riders are calculated on the basis of total LV costs of \$360,512 being recovered from only five rate classes, not including the General Service < 50 kW class.

- a) Please update the proposed rate riders to be consistent with current HONI ST rates.
- b) If necessary, please provide a corrected allocation and calculation of LV rate riders reflecting an allocation to the GS < 50 kW class.

## **19. Retail Transmission Service Rates**

Ref: Exh 8, Appendix 8-B, p. 83; Hydro One Networks Rate Order EB-2010-0002

New Uniform Transmission Rates have been approved since NPEI filed its application on November 26, 2010.

- a) Please update the IESO portion of the table on p. 83 with the newly-approved Uniform Transmission Rates.
- b) Please explain how the rates have been calculated in the Hydro One portion of the table on p. 83, including why there is a reference to UTR's at the head of two of the columns.

## **20. Niagara West Transformer Corporation**

Ref: Exh 1, p. 68

NPEI receives power through several TSs and DSs owned by Hydro One Networks, and through one TS owned by Niagara West Transformer Corporation.

Please provide information on NPEI's purchases from the latter, including what proportion these costs are of NPEI's transmission and/or Low Voltage costs.

## **21. Transmission Cost Component of the Cost of Power**

Ref: Exh 2, pp 151-152

- a) Please confirm that NPEI's forecast of transmission costs for the purpose of the working capital allowance was based on its own retail transmission service rate revenues from the 2010 tariff.
- b) Please provide an update of the transmission cost component of the Working Capital Allowance for the test year consistent with NPEI's response to the previous interrogatory

## **22. Specific Service Charges**

Ref: Conditions of Service, section 2.4.1.3 "Additional Charges"; Exh 8, pp. 40 and 43

- a) NPEI's Conditions of Service lists a charge "credit check fee". Is this charge a uniform amount that should be included on the tariff sheet?
- b) Does NPEI's list of additional charges include any other items that should be on the tariff sheet? Please explain NPEI's criteria for charges that it lists in the Conditions of Service which are not to be included on the tariff sheet.

## **23. PILS**

Ref: Exh 4, p. 92; NPEI COS Tax Model 20101126 (Excel spreadsheet)

The amount for PILs in Exhibit 4 and throughout the application is \$1,725,276. However, the tax model submitted in support of the application ('PILs, Tax Provision' last page of the PILs Income Taxes Work Form, shows an amount of \$679,290 as "Corporate PILs/Income Tax Provision Gross Up" bringing the total to \$2,404,586 as the "Tax Provision for Test Year Rate Recovery".

Please confirm the correct PILs proxy amount.

## **24. Deferred PILs Accounts**

Ref: Exhibit 9, Table 9-1

According to the Accounting Procedures Handbook, Frequently Asked Questions issued in April 2003, the amounts recorded in account 1562, Deferred PILs account, and account 1563, Deferred PILs Contra Account should be the same, with reverse signs. The balances filed by NPEI in the prefiled evidence for these two accounts are not the same (account 1562 has a credit of \$4,747,283, and



account 1563 has a debit balance of \$3,972,809). Although, these accounts are not requested for disposition in this proceeding, for the record,

- a) Please provide an explanation as to why the numbers are not equal,
- b) Did NPEI change the method for recording entries into these accounts to Method 3 from another Method from 2001 to 2005?
- c) If NPEI did change the method for recording entries in its PILs accounts, please provide the date when this change took place.

## **25. Other Deferred Credits**

Ref: Exh 9, p. 33

NPEI has reported an amount for account 2425 under section 2.1.7 filing for December 31, 2009. However, the prefiled evidence including the continuity schedule does not show a balance for this account.

- a) Please reconcile 2.1.7 to the continuity schedule for account 2425, and provide an explanation for the difference.
- b) What does the amount in this account pertain to?
- c) Is the balance in this account a regulatory asset that can only be cleared through a Decision of the Board?
- d) Is NPEI planning to bring this account balance to Board in a future proceeding for disposition? If so, when?