niagara peninsula energy

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March 27, 2011

Delivery by RESS and by hand

Ontario Energy Board
P.O Box 2319
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2300 Young Street
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Attention: Ms. Kirsten Walli, Board Secretary

Re: Niagara Peninsula Energy Inc. Application for 2011 Distribution Rates
Board File Number: EB-2010-0138
Response to Technical Questions – OEB Staff Interrogatories

Dear Ms. Walli

Please find attached Niagara Peninsula Energy Inc.'s responses to the Technical Question Interrogatories on its 2011 Electricity Distribution Cost of Service Rate Application. Two hard copies and a disc will follow by courier subsequent to the Technical Conference being held on March 28, 2011.

If further information is required, please contact myself at 905-353-6004 or email Suzanne.wilson@npei.ca.

Yours truly,

S. Wilson

Suzanne Wilson
VP Finance

Cc: Intervenors of Record

Technical Conference Question Responses

Niagara Peninsula Energy Inc.

EB-2010-0138

1. Service Reliability Indices

Ref: Board staff Interrogatory # 5

Please provide the 2010 SAIFI index, to complement the SAIDI update provided in the response.

Response:

The SAIFI index for 2010 is 1.0614.

2. Telephone Accessibility

Ref: VECC Interrogatory # 20

NPEI provided at pp. 50-51 information that showed performance during 2010 that fell far below the standard, whereas the performance reported in the Application for 2009 was marginally below standard. NPEI also provided an explanation of corrective measures undertaken, and showed monthly statistics for the latter months of 2010 and early 2011.

a) Please confirm that the corrective measures taken are responsible for the improved performance, and that NPEI expects to maintain the Telephone Service Factor above 65% in the future.
b) Please explain why the percentage of general inquiries picked up within 30 seconds is systematically lower than the percentage of billing, collections, and specific service calls.

Response

a) Yes, the corrective measures taken are responsible for, the improved performance. NPEI expects to maintain the Telephone Service Factor above 65% in the future.

b) The percentage of general inquiries picked up within 30 seconds is systematically lower than the percentage of billing, collections, and specific service calls due to the number of representatives assigned to the queue, the priority of the call coming to the representative, and the routing of a non-general inquiry call into the general inquiry queue.

   As we have new staff trained, and corrective measures such as automated call response (IVR (Interactive Voice Response) telephony solutions) and web presentment in place, a gradual improvement is observed in the time to answer. These corrective measures have allowed for an increase in the number of representatives available to answer the call.

We have also found a routing of calls that are non general inquiry being sent to the general inquiry queue and being manually re-routed which also represented a delay in the time to answer (which resulted in a lower percentage being answered in 30 seconds.) The misrouted calls are handled manually versus use of the queue and do not hold the same priority as a call routed through the queues, meaning the call would appear last in the queue for the representative to take or be rerouted back to a receptionist or voicemail (which takes longer than the queue and results in being answered in more than 30 seconds.) We have addressed the routing issue; and this has contributed to improvement.

3. Asset Management Plan & Asset Condition Assessment

Ref: SEC Interrogatory # 3, Appendix C

NPEI's 2011 Business Plan includes approximately $4.5 million for replacement of deteriorated facilities, at p. 22 of the Asset Management Plan, calculated as the total Sustaining Capital less the road work and minor betterments projects. Sustaining Capital is planned to stay at approximately a constant level through the period to 2015. However, the Asset Condition Assessment (Appendix A to the Asset Management Report) shows at p. vi that Kinectrics had identified slightly more than $2 million for replacements, and this amount gets progressively smaller through the period.

a) Does the 2011 capital expenditure plan include a significant amount of replacement of assets beyond those recommended by Kinectrics, and if so, how does NPEI identify which assets to replace?
b) Please reconcile NPEI's plan for sustaining capital (Appendix C, p. 24) above $5 million annually, with the Kinectric's recommendation which is below $1.7 million by 2014.

Response

The 2011 capital plan includes expenditures not identified in the Kinectrics asset condition assessment (ACA) report. The ACA provided evaluation on major distribution components with available attribute and performance data. Other major components without sufficient attribute and historical data were not subject to evaluation within the ACA. As identified in the ACA executive summary conclusions and recommendations, p. vi, #5, sufficient data was not available for underground cables. Distribution components such as overhead primary, secondary and service conductors fall within this grouping of un-evaluated items as well.

The replacement of aging, poor performing underground distribution plant represents a significant portion of the sustainment program. Data pertaining to the underground distribution plant, such as conductor age, is available for some, but not all plant in service. Performance history regarding cable faults has only recently been captured and related to cable segments. The lack of data consistency resulted in the inability to accurately assess underground cables with the Kinectrics model.

Although the condition of underground distribution cables was not evaluated in the ACA, operating experience and history is sufficient to accurately identify problem cable sections and determine replacement priorities. As cable attribute and performance data collection increases, the ability to accurately assess the condition of the underground cable assets will exist and will be utilized to develop a detailed replacement program.

Within the sustainment portion of the 2011 capital budget, identified in table 9.1 (asset management plan, p. 22), incorporated into item 1 and 5 are several projects targeting the replacement of underground primary cable. The value of these projects exceeds 1 million dollars.

The sustainment programs targeting line reconstruction due to pole and distribution transformer condition generally involve the replacement of the primary, secondary and service conductors at that time. While the evaluation of these components was not part of the ACA, they are components of the same age as the poles and transformers, requiring replacement at the time of reconstruction.

Items 1 and 4 of table 9.1 contain overhead primary and secondary distribution conductor components that represent a significant portion of the identified capital cost.

Overhead and underground cable replacement within the sustainment portion of the 2011 capital budget accounts for about 2 million dollars of the identified costs. Combining these costs with the ACA identified amounts results in the asset management plan budget amounts. Projecting the overhead and underground cable replacement requirements forward into future years, combined with the ACA identified future requirements, results in the sustainment capital values identified from 2011 to 2014.

4. LEAP contribution

Ref: Board staff Interrogatory # 3 & Energy Probe Interrogatory # 28

NPEI stated in its response to staff # 3 that there is no cost included for LEAP. In its response to Energy Probe, the information appears to be that an amount is included for LEAP but not for any other contribution.

Please confirm whether the requested revenue requirement includes the amount of $38,906.

Response

NPEI confirms that the revenue requirement, as originally filed, does not include any amount for LEAP.

NPEI is proposing that the revenue requirement be updated to include the LEAP amount of $38,906, as given in the response to Energy Probe #28.

5. Revenue to Cost Ratios after 2011

Ref: Exhibit 7, p. 32

The Application proposes that ratios will be adjusted to the Board's target range over the next three years.

a) For the sake of completeness, please expand on NPEI's proposal for revenue to cost ratios of the Street Light and Sentinel Light rate classes, by specifying ratios for each year until they are at the target range.
b) Please confirm that the increased proceeds are intended to decrease the ratio of the GS>50 kW class in each year.

Response

a) NPEI's proposals for the Streetlight and Sentinel revenue to cost ratios are set out in Table 7-3 of the application (Exhibit 7, page 6). Table 7-3 is reproduced below:

Table 7-3 Revenue to Cost Ratios

Class	2011 Cost Allocation Study	2011 Proposed Ratios	2012 Proposed Ratios	2013 Proposed Ratios	Board Targets Min to Max	
Residential	82.3%	85.0%	85.0%	85.0%	85.0%	115.0%
GS < 50	108.2%	108.2%	108.2%	108.2%	80.0%	120.0%
General Service 50 to 4999 kW	159.3%	148.6%	147.6%	146.6%	80.0%	180.0%
Streetlight	6.6%	47.9%	58.9%	70.0%	70.0%	120.0%
Sentinel Lights	25.7%	38.3%	54.1%	70.0%	70.0%	120.0%
Unmetered Scattered Load	100.5%	100.5%	100.5%	100.5%	80.0%	120.0%

b) NPEI confirms that the proceeds of the increases in Streetlighting and Sentinel revenue to cost ratios are intended to decrease the ratio for the GS>50 class in each year.