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July 20, 2012

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2011-00112 Canadian Niagara Power Inc. (CNPI)
Application for 2013 Distribution Rates- Interrogatory Set 1

Please find enclosed the initial interrogatories of VECC in the above-noted proceeding.

As we have been unable to complete our review of the application we would ask the Board's indulgence and to accept the remainder of the interrogatories by no later than Monday July 23. VECC has discussed the matter with the Applicant who has agreed to accept the interrogatories at this later date. We apologize for this delay.

Yours truly,

Original signed.

Michael Janigan
Counsel for VECC

Encl.
cc. Canadian Niagara Power
Attn: Doug Bradbury
doug.bradbury@cnpower.com

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1 (first set)
TO:	Canadian Niagara Power Inc.
DATE:	July 20, 2012
CASE NO:	EB-2011-0112
APPLICATION NAME	2013 Cost of Service Electricity Distribution Rate Application

1. General

To be filed

2. Rate Base

To be filed

3. Load Forecast and Operating Revenue

3.1 Is the proposed load forecast methodology including weather normalization appropriate?

1. Reference: Exhibit 3, Tab 2, Schedule 2, page 2
Exhibit 3, Tab 2, Schedule 2, Appendix A, page 5
 - a) Please provide a schedule that sets out for Port Colborne's GS>50 class for the years 2007-2011 the number of customers, total kWhs and average use per customer – where Jungbunzlauer is excluded from all three items.
2. Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A, pages 2 and 4
 - a) The Elenchus Report suggests (both pages 2 & 4) that if a wholesale kWh method was used then the decline in wholesale purchases would necessarily be reflected in the usage for all customer classes. Please explain why this would be the case and why the allocation of the total purchases power to customer classes could not be done in a manner that attributes an appropriate portion of the reduction to the GS>50 class.
 - b) Please provide the results of the regression analyses performed using (total) purchased wholesale load (i.e., the equations and the

associated statistics) for each of FE, PC and EOP. Also using these equations, please provide a projection of total wholesale purchases (prior to any adjustments for CDM) for 2012 and 2013 for each service area.

- c) Please provide the results of the regression analysis performed using “net wholesale load” for EOP, FE and PC (i.e., with the GS>50 class kWh removed), in terms of the estimated equations and the equations’ statistics.
- d) Were each of the following variables tested for inclusion in the regression models developed per part (c):
 - Heating and Cooling Degree Days
 - Number of Peak Hours in Month
 - Customer Count/Population Variables
 - Economic Variables such as GDP or Unemployment Rates?

If yes, please summarize the results in those cases where the variable does not appear in the final equation per part (c). If no, please provide analysis that tests these independent variables.

3. Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A, page 8

- a) Please provide a schedule that sets out the actual HDD and CDD values for each of the three service areas for the years 2007-2011 inclusive along with the average of the five years for each service area.
- b) Based on the values provided in part (a), please comment on whether the lower annual average use values observed for the EOP customer classes in 2009-2011 is due to weather variations.

4. Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A, pages 12-13

- a) Please provide a schedule that for each of the non-weather sensitive classes in each of the three service areas sets out the actual kWhs using the most recent 12 months of data available and the average number of customers for each rate class over the same period. (Note: For FE, please exclude the usage and customer count for OLG Slots. Similarly, for PC, please exclude the usage and customer count associated with JBL.)

5. Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A, page 13

- a) Please explain how the 2012 and 2013 kW values for the GS>50 class in the FE and PC service areas were determined.

3.2 Are the proposed customer/connections and load forecasts (both kWh and kW) for the test year appropriate?

6. Reference: Exhibit 3, Tab 1, Schedule 1, page 1
Exhibit 3, Tab 2, Schedule 1, page 1

- a) Please clarify if the distribution revenues reported in each of the tables are net of (i.e., reduced by) the transformer ownership discount.

7. Reference: Exhibit 3, Tab 2, Schedule 1, page 10
Exhibit 3, Tab 2, Schedule 2, page 2

- a) Please confirm that Jungbunzlauer still plans to become a transmission customer in the fourth quarter of 2012.

8. Reference: Exhibit 3, Tab 2, Schedule 2, Appendix A, page 11
Exhibit 3, Tab 2, Schedule 2, page 2

- a) Please provide the actual customer count by customer class for each of the three service areas for the most recent month the data is available.

3.3 Is the impact of CDM appropriately reflected in the load forecast?

9. Reference: Exhibit 3, Tab 2, Schedule 2
Guidelines for Electricity Distributor Conservation and
Demand Management (EB-2012-0003), page 13

- a) What are CNPI's CDM targets for EOP/FE and PC as set by the Board for 2011-2014?
- b) Has CNPI included the impact of CDM programs (up to and including 2012 programs) in its Load Forecast?
- c) If yes, please explain what program impacts (i.e., what years' program savings) have been reflected in the Load Forecast.
- d) If the impacts of the 2011 and 2012 CDM programs are not reflected in the load forecast, please address the issues required as per the first full paragraph on page 13 of the Board's Guidelines.
- e) Please provide a copy of the OPA's report on CNPI's 2011 CDM program savings for each of the three service areas.

3.4 Is the test year forecast of other revenue appropriate?

10. Reference: Exhibit 3, Tab 3, Schedule 3, page 1
Exhibit 3, Tab 4, Schedule 1, page 1

- a) How many micro-Fit customers does CNPI have in each of its service areas as of December 31, 2011?
- b) How many micro-Fit customers does CNPI expect to have in 2013 (annual average)?
- c) Where is the revenue from micro-Fit service charges reflected in the Other Distribution Revenue Offset tables?
- d) How much revenue is CNPI forecasting to receive from micro-Fit customers in 2013?

11. Reference: Exhibit 3, Tab 3, Schedule 3, pages 1-2

- a) Please explain the increase in EOP/FE Other Electric Revenues in 2011 (\$14,725) and why the increase is not expected to continue in 2012 and 2013.
- b) Please explain the EOP/FE Miscellaneous Service Revenues declined in 2011 and why, after forecasting an increase in 2012, they are forecast to decline again in 2013.

12. Reference: Exhibit 3, Tab 3, Schedule 2, pages 1-2

- a) How is the return on invested capital that is included in the IT Services Fees determined?
- b) The last paragraph on page 2 makes reference to increases in revenues for Account #4325 in 2012 and 2013. However, Appendix 2-C shows revenues for this account declining significantly in 2012 and 2013 relative to previous years. Please reconcile.

13. Reference: Exhibit 3, Tab 4, Schedule 2, pages 1-2

- a) Please explain why PC Miscellaneous Revenues declined in 2011 and why, after forecasting an increase in 2012, they are forecast to decline again for 2013.

4. Operating Costs

To be filed

5. Capital Structure and Cost of Capital

To be filed

6. Smart Meters

6.1 Are the proposed quanta and nature of smart meter costs, including the allocation and recovery methodologies appropriate?

14.Reference: Exhibit 7, Tab 1, Schedule 2, page 1

- a) Please provide a schedule that compares the weighting factors by customer class for Services, Meter Reading, and Billing & Collecting used in the 2013 Cost Allocation with those used in the previous cost allocation.

Further interrogatories to be filed

7. Cost Allocation

7.1 Is the proposed CNPI – Fort Erie/Gananoque cost allocation appropriate?

15.Reference: Exhibit 7, Tab 1, Schedule 2, page 1

- a) Please provide a schedule that compares the weighting factors by customer class for Services, Meter Reading, and Billing & Collecting used in the 2013 Cost Allocation with those used in the previous cost allocation.
- b) Have the meter capital costs used in Sheet I7.1 been updated to reflect the cost of smart meters by customer class as shown Exhibit 10, Tab 1, Schedules 3 & 5? If yes, please show how the costs used in Sheet I7.1 reconcile with those reported in Exhibit 10. If not, please update Sheet I7.1 and re-run the Cost Allocation for FE/EOP.

16.Reference: Exhibit 7, Elenchus Cost Allocation Study, page 10

- a) Please explain why use of the 2006 CA ratios to determine the value for Primary, Line Transformer and Secondary NCP values is appropriate when FE is losing a major customer and there has been a transfer of EOP GS>50 customers to the GS<50 class since then (see Elenchus Load Forecast Report, pages 10 & 13).

7.2 Is the proposed CNPI – Port Colborne cost allocation appropriate?

17.Reference: Exhibit 7, Tab 2, Schedule 2, page 1

- a) Please provide a schedule that compares the weighting factors by customer class for Services, Meter Reading, and Billing & Collecting used in the 2013 Cost Allocation with those used in the previous cost allocation.
- b) Have the meter capital costs used in Sheet I7.1 been updated to reflect the cost of smart meters by customer class as shown Exhibit 10, Tab 1, Schedules 3 & 5? If yes, please show how the costs used in Sheet I7.1 reconcile with those reported in Exhibit 10. If not, please update Sheet I7.1 and re-run the Cost Allocation for PC.

18.Reference: Exhibit 7, Elenchus Cost Allocation Study, page 10

- a) Please explain why using of the 2006 CA ratios to determine the value for Primary, Line Transformer and Secondary NCP values is appropriate when PC is losing a major customer in 2012 (see Elenchus Load Forecast Report, page 13).

19.Reference: Exhibit 7, Elenchus Cost Allocation Study, pages 9 - 11
Exhibit 8, Tab 3, Schedule 5, page 1
(Note: This question also relates to Issue 9.2)

- a) Are the demand allocators for GS>50 class in PC and the combined service area models based on the customer with embedded generation not operating its generation at the time the CP or NCP values occur?
- b) If not, please recalculate the CP and NCP values for the GS>50 class based on this assumption and re-run the relevant cost allocation models.

7.3 Are the proposed revenue-to-cost ratios for each of CNPI-Fort Erie/Gananoque rate classes appropriate?

20.Reference: Exhibit 7, Tab 1, Schedule 2, page 5

- a) Please explain why the ratio for Residential is increased from 87.39% to 89.12% while the ratio for Sentinel Lighting (82.20%) is unchanged.
- b) The ratio for Street Lighting is reduced from 102.08% to 101.14% when the initial value is well within the Board's policy range. Exhibit 8,

Tab 2, Schedule 1, page 3 suggests that the reduction is due to the rate stress that has been expressed by local municipalities.

- Is the rate stress faced by municipalities greater than that faced by consumers in other customer classes (as evidenced by the letters of comment submitted to the Board relative to this proceeding)?
 - Why do municipalities warrant this “special treatment”?
- c) Please provide resulting revenue to cost ratios for Residential and Sentinel Lighting based on the following adjustments:
- Leave GS<50 and Street Lighting unchanged from Status Quo
 - Adjust GS>50 and USL as proposed
 - Offset the revenue shortfall by first increasing Sentinel Lighting ratio until it reaches 87.39% and then increase both it and the Residential ratios in tandem.
- d) What adjustments does CNPI propose to make for 2014 in order to offset the revenue shortfall from the proposed reduction in the ratios for GS>50 and USL?

7.4 Are the proposed revenue-to-cost ratios for each of CNPI-Port Colborne rate classes appropriate?

21. Reference: Exhibit 7, Tab 2, Schedule 2, page 5

- a) Please explain why the ratio for GS<50 is increased from 98.38% to 98.99% while the ratios for Street Lighting (83.25%) and Sentinel Lighting (95.44%) are unchanged.
- b) Please provide resulting cost ratios for GS<50, Street Lighting and Sentinel Lighting based on the following adjustments:
- Leave Residential and GS>50 unchanged from Status Quo
 - Adjust USL as proposed
 - As required, offset the revenue shortfall by first increasing the Street Lighting ratio to 95.44%, then increase this ratio and the ratio for Sentinel Lighting in tandem to 98.99% and then, if necessary, increase these two ratios and the GS<50 ratio in tandem.
- c) What adjustments does CNPI propose to make for 2014 in order to offset the revenue shortfall from the proposed reduction in the ratio for USL?

8. Rate Design

8.1 Are the fixed to variable splits for each class appropriate?

22. Reference: Exhibit 8, Tab 2, Schedule 1, page 6

- a) Please confirm that the \$12.78 Customer Unit cost for EOP/FE's USL class is based on number of connections and not customers.
- b) Based on the forecast number of USL customers versus connections for 2013 please convert the \$12.78 to an equivalent per customer value.

23. Reference: Exhibit 8, Tab 3, Schedule 1, pages 5 - 7

- a) Given that the application of the current fixed-variable split yields a monthly service charge of \$36.53 for the GS<50 class why is CNPI proposing to maintain the value at 2012 levels as opposed to increasing it to the upper end (\$34.59) of the Board's policy range?
- b) Please confirm that the \$10.30 Customer Unit cost for PC's USL class is based on number of connections and not customers.
- c) Based on the forecast number of USL customers versus connections for 2013 please convert the \$10.30 to an equivalent per customer value.

24. Reference: Exhibit 8, Tab 2, Schedule 1, page 5
Exhibit 8, Tab 3, Schedule 1, page 5

- a) Please explain why the transformer ownership add-back is applied to both the fixed and variable components of the GS>50 rate design
- b) Please recalculate the fixed and variable rates for the EOP/FE and PC GS>50 classes where all of the transformer ownership allowance is applied to the variable portion of the rate.

8.2 Are the proposed retail transmission service rates appropriate?

25. Reference: Exhibit 8, Tab 2, Schedule 3, pages 1 – 2
Exhibit 8, Tab 3, Schedule 3, page 1

- a) Given CNPI's stated intent to fully harmonize its distribution rates, please explain why it is continuing to proposed specific RTSRs for each of its three service territories.

8.3 Are the proposed LV rates appropriate?

26. Reference: Exhibit 8, Tab 2, Schedule 4, page 1
Exhibit 8, Tab 3, Schedule 4, page 1

- a) Given CNPI's stated intent to fully harmonize its distribution rates, please explain why it is continuing to proposed specific LV rates for each of its three service territories.

27. Reference: Exhibit 8, Tab 2, Schedule 4, page 2

- a) Please provide a schedule that sets out the following for EOP:
- The embedded generation (kWh) for 2011
 - The purchased kWh for 2011
 - Total wholesale power requirements for 2011 (based on the previous two values)
 - Total forecast wholesale power requirements for 2013 (based on CNPI's Load Forecast for EOP).

28. Reference: Exhibit 8, Tab 3, Schedule 5, page 1
Exhibit 8, Tab 3, Schedule 4, page 1

- a) The first reference (lines 23-27) suggests that the customer with embedded generation does not utilize its own generation but rather purchases its power needs from PC. However, the second reference (lines 16-22) suggests that the customer is using its own generation and could require standby power in the peak period in the event of a forced outage. Please reconcile.
- b) Based on the comments in the second reference explain why it is reasonable to forecast that there will be no standby revenues for 2013.
- c) Has PC received any revenues from its standby charges over the past four years? If yes, please indicate the revenues received by year.

8.4 Are the proposed loss factors appropriate?

No Questions

8.5 Is CNPI's proposal to continue with its approved Transformer Ownership Allowance appropriate?

29. Reference: Exhibit 8, Tab 2, Schedule 2, page 1
Exhibit 8, Tab 3, Schedule 2, page 1

- a) What are the 2013 unit line transformer costs from the FE/EOP and the PC cost allocation models?
- b) With reference to these values, please comment on the appropriateness of maintaining the allowance at \$0.60 / kW for each of the service areas.

9. Rate Harmonization

9.1 Is CNPI's proposed rate harmonization appropriate?

30. Reference: Exhibit 8, Tab 1, Schedule 1, page 1
Exhibit 8, Tab 2, Schedule 8, page 2

- a) Please indicate what CNPI's plan is regarding further adjustments to the fixed and variable components of the rates for each customer class throughout the IRM period.
- b) Please confirm that the "next rate proceeding" referred to in the second reference (lines 1-2) is the 2014 IRM-based rate proceeding.

31. Reference: Exhibit 8, Tab 2, Schedule 8, page 1

- a) Please explain why the harmonization process entails moving the FE/EOP fixed/variable structure closer to that of Port Colborne as opposed to adjusting the splits for both service areas to overall splits for each class based on the combined revenues for each class from both service areas as set out in Exhibit 8, Tab 4, Schedule 1, page 3..

32. Reference: Exhibit 8, Tab 2, Schedule 8, page 1
Exhibit 8, Tab 2, Schedule 1, page 5

- a) Please explain why in the tables shown in the two references the "Fixed Component at Existing F/V Split" is different (e.g. for Residential the values are \$4,208,880 vs. \$4,406,886). Is the column in the second reference really the proposed F/V split?

9.2 Is the combined cost allocation supporting CNPI's proposed phase-in rate harmonization appropriate?

33. Reference: Exhibit 7, Tab 3, Schedule 1, pages 1 – 3
Exhibit 8, Tab 4, Schedule 1, pages 4 - 5

- a) Given CNPI's plan to harmonize rates across its entire service territory, please explain why the Cost Allocation results based on the entire service area were not used as the starting point in considering the adjustments necessary to revenue to cost ratios. (Note: This question and the following questions are also related to both Issue 7.3 and 7.4)
- b) Based on the full service territory cost allocation (per the second reference), please confirm that only the ratios for the USL and Sentinel Lighting classes are outside the Board's policy ranges for the various customer classes.
- c) Please explain how the proposed ratios in Appendix 2-O in the first reference were determined. Are they derived values based on the revenues that result for the separate revenue to cost ratio adjustments proposed for the FE/EOP and PC service areas?
- d) With respect to the second reference, please explain how the "Target Revenue to Cost Ratios" in the table (e.g. Residential – 91.00 % and GS<50 – 116.03%) were determined.
- e) With respect to the second reference, please provide resulting cost ratios for Residential and Sentinel Lighting based on the following adjustments to the full service territory revenue to cost ratios:
 - Leave GS<50, GS>50 and Street Lighting unchanged from Status Quo
 - Adjust USL as proposed
 - Offset the revenue shortfall by first increasing Sentinel Lighting ratio until it reaches 91.27% and then increase both it and the Residential ratios in tandem.

10. Deferral and Variance Accounts

To be filed

11. Accounting Standard for Private Enterprise

To be filed

12. Green Energy Plan

To be filed

END OF DOCUMENT