July 20, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2012-0112
Canadian Niagara Power Inc. – 2013 Cost of Service Application
Energy Probe – Interrogatories to Canadian Niagara Power Inc.

Pursuant to Procedural Order No. 1, issued by the Board on June 21, 2012, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) to the Applicant in the EB-2012-0112 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Douglas Bradbury, Canadian Niagara Power (By email)
Scott Hawkes, Canadian Niagara Power (By email)
Andrew Taylor, Energy Law (By email)
Randy Aiken, Consultant to Energy Probe (By email)
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EB-2012-0112

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Canadian Niagara Power Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2013.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

July 20, 2012

CANADIAN NIAGARA POWER INC.
2013 RATES REBASING CASE
EB-2012-0112

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

2. Rate Base

2.1 Is the proposed CNPI – Fort Erie/Gananoque rate base for the test year appropriate?

Interrogatory #1

Ref: Exhibit 2, Tab 1, Schedule 3

Please explain the gross write up and accumulated depreciation write up shown in this schedule. What do these write ups relate to?

Interrogatory #2

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

a) **Please provide a version of the continuity schedule for 2013 that has smart meters (and related assets) included in the opening 2013 balance and has stranded meters removed from the opening 2013 balance. Please also ensure that the appropriate adjustments are made to the opening balances for accumulated depreciation.**

b) **Please show the calculation of the smart meter related accumulated depreciation expenses shown in the table.**

Interrogatory #3

Ref: Exhibit 2, Tab 1, Schedule 1, page 1
Exhibit 2, Tab 3, Schedule 1, pages 14 and 27

The first reference states at line 16 that the Fort Erie system has "fifteen step down ratio banks". The second reference on page 14 presents a table listing 16 ratio banks for Fort Erie and page 27 of that exhibit shows a summary table listing 11 ratio banks for Fort Erie. Please advise which of these is correct.

Interrogatory #4

Ref: Exhibit 1, Tab 2, Schedule 1, page 13
Exhibit 2, Tab 1, Schedule 2, page 5
Exhibit 2, Tab 3, Schedule 1, pages 23 and 27

The first reference states at line 5 that the Port Colborne distribution system has 13 ratio banks while the second reference states at line 3 that the system has 12 ratio banks. The third reference at page 23 shows a table listing 14 ratio banks for Port Colborne and at page 27 a table listing 8 ratio banks for Port Colborne. Please advise which of these is correct.

Interrogatory #5

Ref: EB-2008-0223 Energy Probe IR-FE #3

In CNPI's previous cost of service application in 2008, it was asked about the prevalence of ratio banks on its systems and its plans to reduce those numbers. Please describe the actions taken since 2008 to achieve the objective of limiting the number of ratio banks on CNPI distribution systems.

Interrogatory #6

Ref: Exhibit 2, Tab 1, Schedule 1, page 2

Line 30 on page 2 of the exhibit references efforts to convert loads supplied by ratio banks to the 8.3 kV system. Please describe the progress made to date and future plans to achieve this objective.

Interrogatory #7

Ref: Exhibit 2, Tab 1, Schedule 1, page 3
Exhibit 2, Tab 2, Schedule 5, page 12

Lines 15-20 of the first reference discuss the limitations of the Stevensville area distribution system and state that CNPI plans to upgrade the system to provide more "contingency and operating flexibility". The second reference discusses these plans which appear to be the installation of a third ratio bank. Please explain what other options were considered and why another ratio bank was selected as the preferred option for the Stevensville area.

Interrogatory #8

Ref: Exhibit 2, Tab 2, Schedule 5, page 3

Lines 10 – 15 discuss a 2009 project to relocate back lot overhead to front lot underground in the Point Abino subdivision. Reference is made to a contribution in aid of construction (CIAC) of $178,000.

a) **How was the amount of contribution arrived at?**

b) **What is CNPI's policy for CIAC when lines are rebuilt/relocated?**

c) **Is the ROW mentioned in line 14 a public right of way or is the Point Abino subdivision private (i.e. Is this a condominium subdivision?)**

d) **If the answer to 3 is that Point Abino is a condominium subdivision, would CNPI's policy for CIAC differ for lines being relocated to public road allowance?**

Interrogatory #9

Ref: Exhibit 2, Tab 2, Schedule 5, page 4

Lines 5-9 of the exhibit discuss the 2011 Niagara Parkway rear lot rebuild.

a) **Was the line rebuilt as overhead?**

b) **If so, was it relocated to CNPI owned right of way or to the public road allowance of Niagara Parkway?**

c) **Was a CIAC involved? If so, please provide details.**

Interrogatory #10

Ref: Exhibit 2, Tab 2, Schedule 5, page 5

Line 25 references "aerial cable" and its replacement with "open conductor".

a) **Please explain the differences between these two types of conductor.**

b) **Why was the aerial cable not just replaced with new aerial cable?**

c) **Please explain the need for "*multiple* open conductor circuits" if the project need was just to replace deteriorated plant.**

Interrogatory #11

Ref: Exhibit 2, Tab 2, Schedule 5, page 7

Lines 23-24 describe two new underground services in 2011 to a pumping station and an historic park.

a) **Did this project involve a CIAC?**

b) **If yes, please provide details.**

c) **If no, please explain CNPI's policy for CIACs when underground rather than overhead services are provided.**

Interrogatory #12

Ref: Exhibit 2, Tab 2, Schedule 5, page 10

Lines 7-16 describe the Ridge Road North Beautification project and notes that the Town of Fort Erie provided a CIAC to cover the entire cost of the project. Line 16, though, notes that $97,000 was allocated to the Voltage Conversion classification.

a) **Was the $97,000 included in the CIAC or was this part of the project funded by CNPI?**

b) **If the $97,000 was funded by CNPI please explain the policy for apportioning costs between the town and the utility.**

c) **If the $97,000 was funded by the CIAC please explain the significance of allocating it to the voltage conversion classification (i.e. Since CIACs are not included in rate base, why is it necessary to allocate the cost anywhere?)**

Interrogatory #13

Ref: Exhibit 2, Tab 2, Schedule 5, page 11

This page of the exhibit describes the Garrison Road streetscaping project in 2008-2009 and notes that a CIAC of $232,000 was received from the Town of Fort Erie. The table at line 9 shows 2009 expenditure of $522,000.

a) Please elaborate on how the amount of CIAC was arrived at.

b) What parts of the project were covered by the CIAC and what parts were financed by CNPI?

c) Are the underground "electrical service wires" referred to in lines 14-15 secondary conductors or was the primary also buried?

Interrogatory #14

Ref: Exhibit 2, Tab 2, Schedule 5, page 16

Lines 13-19 refer to major underground projects to replace "aged, deteriorated underground plant".

a) Was this underground plant originally paid for by CIAC?

b) If yes, does CNPI require customers served by the new underground to provide a CIAC for the difference in cost between overhead and underground service?

c) Please comment on why new underground service is treated differently in terms of CIAC than replacement underground service.

Interrogatory #15

Ref: Exhibit 2, Tab 2, Schedule 5, page 17

This page discusses the 2011 St. Georges Court rebuild and mentions a CIAC of $82,000 from the Town and a cable company.

a) **Please break out the respective shares of the CIAC from the Town and the cable company.**

b) **What was the Town's contribution for?**

c) **What was the cable company's contribution for?**

Interrogatory #16

Ref: Exhibit 2, Tab 2, Schedule 5, page 17

This page also discusses the 2012 Dodd's Court rebuild and mentions $93,000 CIAC from the Town of Fort Erie and a cable company.

a) **Please break out the respective shares of the CIAC from the Town and the cable company.**

b) **What was the Town's contribution for?**

c) **What was the cable company's contribution for?**

Interrogatory #17

Ref: Exhibit 2, Tab 2, Schedule 5, page 26

This part of the exhibit discusses the Distribution Analysis Tools Project. Please describe the benefits CNPI has derived or will derive from the project including any cost and labour savings compared to previous methods of performing the analysis work.

Interrogatory #18

Ref: Exhibit 2, Tab 2, Schedule 5, page 29

This part of the exhibit discusses transport equipment.

a) **Please provide a listing of transport and work vehicles in the CNPI fleet.**

b) **Please describe the policy for replacing vehicles.**

c) **How are surplus vehicles disposed of?**

d) **What facilities and staff does CNPI have to service and maintain its fleet?**

Interrogatory #19

Ref: Exhibit 2, Tab 2, Schedule 5, pages 38 – 39

Lines 20-24 on page 38 describe the backlot line upgrade project.

a) **Will the replacement be overhead or underground? If the former, please explain CNPI's policy for replacing overhead plant with underground.**

b) **Please explain why the existing plant cannot be rebuilt in the same location.**

c) **What would the cost savings be of rebuilding the line in its existing location over moving it to road allowance?**

d) **How much more backlot relocation work is planned over and above the 30 poles mentioned in this section?**

Interrogatory #20

Ref: Exhibit 2, Tab 2, Schedule 5, page 41

Lines 7-8 on this page of the exhibit describe the 2012 replacement of a deteriorated bucket truck with a material handler.

a) **How old is the deteriorated bucket truck?**

b) **What is the difference between the old unit and the new "material handler" unit?**

c) **What is the old unit lacking that makes it unsuitable for work on the 26.4 kV system?**

d) **Will the new material handler unit be equipped to work on the 26.4 kV system? If no, please explain why it is not necessary for the unit to work on this voltage level.**

Interrogatory #21

Ref: Exhibit 2, Tab 3, Schedule 1, Distribution Asset Management Plan

Page 14 contains a note that not all ratio bank installations are metered "so peak loading can only be approximated".

a) **Please describe how CNPI approximates the peak loading on a ratio bank.**

b) **Why does CNPI not meter each installation?**

c) **What are the risks of not knowing the actual peak loading on each ratio bank?**

2.2 Is the proposed CNPI – Port Colborne rate base for the test year appropriate?

Interrogatory #1

Ref: Exhibit 2, Tab 1, Schedule 7, page 5

a) **Please provide a version of the continuity schedule for 2013 that has smart meters (and related assets) included in the opening 2013 balance and has stranded meters removed from the opening 2013 balance. Please also ensure that the appropriate adjustments are made to the opening balances for accumulated depreciation.**

b) **Please show the calculation of the smart meter related accumulated depreciation expenses shown in the table.**

Interrogatory #2

Ref: Exhibit 2, Tab 2, Schedule 11, page 13

This part of the exhibit describes the replacement of switchgear and relaying equipment at Barrick DS.

a) **Is the forecasted expenditure in 2012-2013 the entire cost of the project or are additional expenditures planned after 2013 for switchgear and relay changes? If the latter, please provide the total estimated cost of the project.**

b) **When does CNPI expect the balance of the station will require rebuilding?**

c) **Will the station be rebuilt in its existing location or will it be replaced by another station at a different location?**

d) **When the station is rebuilt either in its present location or at a new one, how much of the switchgear and relaying being done now will be suitable for reuse?**

Interrogatory #3

Ref: Exhibit 2, Tab 2, Schedule 11, page 15

This page of the exhibit describes the 43M11 refurbishment project.

a) **How old is the line?**

b) **What components are in deteriorating condition as mentioned at line 25?**

c) **How much extra will it cost to relocate the off road sections as opposed to rebuilding them in the existing location?**

Interrogatory #4

Ref: Exhibit 2, Tab 2, Schedule 11, pages 15-16

These pages describe the PCB mitigation project showing expenditures of $200 k in 2012 and $150 k in 2013.

a) **What is the estimated ultimate cost of this program at completion?**

b) **Please describe what activities are undertaken in the program.**

c) **How many bushings potentially have PCB levels greater than 500 ppm?**

d) **Does the budget include the cost of replacing some bushings or is it just for testing costs?**

e) **If the latter, please explain why this program is so expensive when only a few bushings at Barrick DS and Sherkston DS will be tested according to lines 14-16 on page 16.**

<u>2.3 Is the CNPI – Fort Erie/Gananoque working capital allowance for the test year appropriate?</u>

Interrogatory #1

Ref: Exhibit 2, Tab 1, Schedule 9

Please provide the split between RPP and non-RPP volumes by rate class based on actual 2011 data.

Interrogatory #2

Ref: Exhibit 2, Tab 1, Schedule 13, page 3

a) **Please update the cost of power to reflect the most recent Navigant Report Regulated Price Plan and to reflect the split between RPP and non-RPP volumes based on applying the response to the previous interrogatory to the 2013 volume forecast. Please specify the rate used for the RPP and non-RPP volumes.**

b) **Please specify the loss factor used in the calculation of the cost of energy.**

<u>2.4 Is the CNPI – Port Colborne working capital allowance for the test year appropriate?</u>

Interrogatory #1

Ref: Exhibit 2, Tab 1, Schedule 9

Please provide the split between RPP and non-RPP volumes by rate class based on actual 2011 data.

Interrogatory #2

Ref: Exhibit 2, Tab 1, Schedule 13, page 4

a) **Please update the cost of power to reflect the most recent Navigant Report Regulated Price Plan and to reflect the split between RPP and non-RPP volumes based on applying the response to the previous interrogatory to the 2013 volume forecast. Please specify the rate used for the RPP and non-RPP volumes.**

b) **Please specify the loss factor used in the calculation of the cost of energy.**

2.5 Is the CNPI – Fort Erie/Gananoque capital expenditure forecast for the test year appropriate?

Interrogatory #1

Ref: Exhibit 2, Tab 2, Schedule 4

a) **Please confirm that the data shown for 2011 are actuals. If this cannot be confirmed, please provide a table for 2011 that reflects actual 2011 capital projects.**

b) **Please confirm that the capital project expenditures for 2012 are still expected to be completed in 2012. If this cannot be confirmed, please provided a revised forecast for 2012, and if applicable, for 2013.**

Interrogatory #2

Ref: Exhibit 2, Tab 2, Schedule 7

Please break out the CIAC shown in the table on page 1 for each year to show the contributions related due to the line relocations for the purpose of downtown beautification projects noted on lines 13-17.

2.6 Is the CNPI – Port Colborne capital expenditure forecast for the test year appropriate?

Interrogatory #1

Ref: Exhibit 2, Tab 2, Schedule 10

a) **Please confirm that the data shown for 2011 are actuals. If this cannot be confirmed, please provide a table for 2011 that reflects actual 2011 capital projects.**

b) **Please confirm that the capital project expenditures for 2012 are still expected to be completed in 2012. If this cannot be confirmed, please provided a revised forecast for 2012, and if applicable, for 2013.**

Interrogatory #2

Ref: Exhibit 2, Tab 2, Schedule 12

Please break out the CIAC shown in the table on page 1 for each of 2010 and 2011 to show the contributions related due to the line relocations for the purpose of downtown beautification projects noted on lines 15-19.

3. Load Forecast and Operating Revenue

3.1 Is the load forecast methodology including weather normalization appropriate?

Interrogatory #1

Ref: Exhibit 3, Tab 2, Schedule 1, page 7

a) **Did the Ontario Gaming and Lottery Corporation close its facility in Fort Erie on April 30, 2012? If not, please provide the current status of this customer and any revised closure date that has been announced.**

b) **Please provide any information related to potential new customers in the GS 50 to 4,999 kW class in any of the service areas that have been announced, and are not included in the forecast.**

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

Interrogatory #1

Ref: Exhibit 3, Tab 2, Schedule 2, Appendix A

Please explain how the kW forecasts for the GS > 50 kW classes shown in Table 9 have been calculated for 2012 and 2013. Please show any calculations used.

Interrogatory #2

Ref: Exhibit 3, Tab 2, Schedule 2, Appendix A

a) **Please provide a live Excel spreadsheet that contains all of the data used in the determination that the standard regression model approach is not possible or preferable.**

b) Please provide monthly data for 2007 through 2010 in a live Excel spreadsheet for each of the distribution regions that includes the residential and GS<50 volumes and customers, along with the actual heating and cooling degree days.

c) Please provide a live Excel spreadsheet with the actual monthly heating and cooling degree days for the 2002 through 2011 period for each distribution region.

<u>3.3 Is the impact of CDM appropriately reflected in the load forecast?</u>

Interrogatory #1

Ref: Exhibit 3, Tab 2, Schedule 2, Appendix A

a) How has the impact of CDM been reflected in the load forecast?

b) If there has not been any explicit adjustment for CDM in the 2013 forecast, does CNPI believe that the average use methodology adequately reflects CDM over the forecast period? Please elaborate.

c) How does CNPI propose to deal with any LRAM request if there is not an explicit forecast of CDM built into the volumes?

<u>3.4 Is the test year forecast of other revenues appropriate?</u>

Interrogatory #1

Ref: Exhibit 3, Tab 3, Schedule 1

a) Please explain the spike in Account 4220 Other Electric Revenues in 2011.

b) Please explain the increase in 2012 and the decrease in 2013 forecast for Account 4235 Miscellaneous Service Revenues.

c) Please confirm that the figures shown in Account 4360 Loss on Disposition of Utility and Other Property in 2009 through 2011 were gains and not losses.

d) Please provide a table in the same level of detail as that shown on page 1 that shows the most recent year-to-date figures for 2012 that are currently available, along with the revenues for the corresponding period in 2011.

Interrogatory #2

Ref: Exhibit 3, Tab 4, Schedule 1

a) **Please explain the increase in 2012 and the decrease in 2013 forecast for Account 4235 Miscellaneous Service Revenues.**

b) **Please explain why there are no revenues and costs forecast for 2012 and 2013 in accounts 4325 and 4330.**

c) **Please provide a table in the same level of detail as that shown on page 1 that shows the most recent year-to-date figures for 2012 that are currently available, along with the revenues for the corresponding period in 2011.**

4. Operating Costs

4.1 Is the proposed CNPI – Fort Erie/Gananoque forecast for total OM&A for the test year appropriate?

Interrogatory #1

Ref: Exhibit 4, Tab 1, Schedule 1

Please provide a table in the same level of detail as that shown on page 1 for the actual year to date costs for the most recent period available for 2012. Please provide the corresponding costs for the same period in 2011.

Interrogatory #2

Ref: Exhibit 4, Tab 2, Schedule 2

a) **Please explain what is driving the significant increase in account 5315 (customer billing) from $318,957 in 2011 to $338,481 in 2012 and to $366,923 in 2013.**

b) **Please explain what is driving the increase in account 4320 (collecting) from $213,400 in 2011 to $276,243 in 2012. Please also explain what is driving the decrease to $252,724 in 2013.**

c) **Please explain why the bad debt expense (account 5335) is forecast to decline in 2012 from the 2011 level, and then increase by $20,000 in 2013.**

d) For each of the account listed in parts (a), (b) and (c) above, please provide the most recent year to date figures available for 2012, along with the costs for the corresponding period in 2011.

e) Please explain the doubling of the expenditure in 2013 relative to 2012 for account 5425.

f) Please explain the new expenditure shown for account 5420 in 2013. Did CNPI have similar expenditures in previous years but the amounts were included in other accounts?

g) Please explain the need for the continued increase in account 5630 (outside service employed) shown in 2009 through 2013.

h) Please explain the significant increase in account 5620 (office supplies and expenses) forecast for 2012 and 2013.

i) Please provide the most recent year to date expenditures in account 5620 for 2012, along with the expenditures recorded in the corresponding period in 2011.

j) Miscellaneous general expenses (account 5665) are forecast to increase by $100,000 between 2011 and 2013. Please explain what is included in this account and what is driving the increase.

k) Maintenance of general plant (account 5675) is forecast to increase by nearly 20% or $166,000 between 2011 and 2013. Please explain what general plant is being maintained and why the increase is so significant.

Interrogatory #3

Ref: Exhibit 4, Tab 2, Schedule 7

Please show the total costs, by component, associated with the current rates proceeding.

Interrogatory #4

Ref: Exhibit 4, Tab 4, Schedule 1

a) Please provide an update to the negotiations with the union related to the renewal of the collective agreements as noted on page 7. Please include any percentage increases that have been agreed to.

b) **What percentage increases have been included for 2012 and 2013 and included in the revenue requirement in this proceeding?**

Interrogatory #5

Ref: Exhibit 4, Tab 4, Schedule 1, Appendix B

What is the impact on the revenue requirement for the 2013 test year if the average yearly base wages for the management (including executive) and non-union were reduced to 2% for 2013, the same as the union category?

Interrogatory #6

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Page 17 describes the Killaly station and notes that "fans are present, but not wired to any automatic system" on either of the transformers.

a) **How are the fans operated if not by automatic systems?**

b) **Why does CNPI not install the necessary automatic controls?**

c) **What are the risks of not having fan cooling available automatically?**

Interrogatory #7

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Page 37 of the DAMP describes the Vegetation Management plan and notes that trimming is typically done on a three year cycle. Page 59 of the DAMP states that "in its service territories CNPI maintains industry-standard systematic vegetation management programmes…". Please provide any studies or reports describing these industry-standard programs.

Interrogatory #8

Ref: Exhibit 4, Tab 1, Schedule 2

Page 4 of the exhibit discusses the 3 year trimming cycle and states at line 11 that it is "consistent with the practices of other Ontario LDCs".

a) Please provide details of the other Ontario LDCs that follow similar practices.

b) Please estimate the savings in OM&A costs if CNPI followed a 6 year trimming cycle rather than a 3 year cycle.

Interrogatory #9

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Page 37 describes pole testing done by an external contractor.

a) Please describe what the testing consists of.

b) What is the average cost of testing on a per pole basis?

c) It is mentioned that CNPI is investigating extending the testing to all poles older than 10 years. How did CNPI decide that 10 years is the appropriate age at which to start testing?

Interrogatory #10

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program Appendix B

This exhibit shows pole testing results and includes a "pole strength" column.

a) Please describe how pole strength is measured.

b) How should the strength number be understood?

c) Is there a standard used to decide when pole strength is inadequate? If yes, please provide details. If no, please explain how the strength number is used.

Interrogatory #11

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

On page 60 of the exhibit, mention is made of CNPI's plans to eventually have a single control room to monitor and control all of its own and its affiliate's service territories.

a) Please elaborate on the potential locations under consideration for the control room.

b) Cornwall Electric currently provides system control services to EOP. What financial penalties would CNPI be liable for if it discontinued using this service?

c) Would the control room also provide service to CNPI's affiliated generating stations?

Interrogatory #12

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Page 70 shows asset condition for poles tested. The chart appears to rely solely on age of poles to determine the "years to replace cohort" variable. Please elaborate on the criteria used to plan for and ultimately replace poles.

Interrogatory #13

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Page 74 shows "Extrapolated Results for Entire Pole Population" for all of CNPI's poles. Please explain the methodology used to produce the extrapolation.

Interrogatory #14

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

Section 7.3.2 on page 79 discusses Measuring Asset Condition. The second criterium reads "historical trends in actual distribution transformer usage due". The statement appears to be incomplete (i.e. "due" to what?). Please advise how to interpret the statement.

Interrogatory #15

Ref: Exhibit 2, Tab 3, Schedule 1 Distribution Asset Management Program

On page 81 reference is made to "probabilistic techniques" to predict when distribution assets are nearing end of life. Please describe the "probabilistic techniques" used.

Interrogatory #16

Ref: Exhibit 2, Tab 6, Schedule 1 pages 6-7

These pages of the exhibit discuss reliability for the EOP system and show outage statistics in two tables. Table III on page 5 shows statistics including outages due to loss of supply. Table IV on page 6 shows statistics excluding loss of supply. The numbers for SAIFI, SAIDI and CAIDI in 2011 are identical in both tables. Please confirm that this would mean that there were no loss of supply outages in 2011 in EOP.

Interrogatory #17

Ref: Exhibit 2, Tab 6, Schedule 2 pages 3-4

This exhibit discusses reliability for the Port Colborne system and shows outage statistics in two tables. Table I on page 3 shows statistics including loss of supply and Table II on page 4 shows statistics excluding loss of supply. The numbers for 2009, 2010 and 2011 are the same. Please confirm that this means there were no loss of supply outages in these three years and comment on whether this is usual for the PC system.

Interrogatory #18

Ref: Exhibit 4, Tab 1, Schedule 1 page 1

The chart on this page shows that actual FE/EOP OM&A expenses for 2009 – 2011 were significantly lower than 2009 Board approved.

a) Please confirm that the 2009 Board approved figures were used to set rates for the 2009 – 2011 period.

b) Please comment on the apparent over collection of about $1.4 M in rates during the three years for OM&A costs and whether the Board should consider requiring CNPI to compensate customers for this over collection.

<u>4.2 Is the proposed CNPI – Port Colborne forecast for total OM&A for the test year appropriate?</u>

Interrogatory #1

Ref: Exhibit 4, Tab 1, Schedule 1

Please provide a table in the same level of detail as that shown on page 3 for the actual year to date costs for the most recent period available for 2012. Please provide the corresponding costs for the same period in 2011.

Interrogatory #2

Ref: Exhibit 4, Tab 2, Schedule 11

a) Please explain what is driving the increase in account 5335 (bad debt expense) in 2013.

b) Please explain the extremely low level of bad debt expense shown in 2010.

c) Please explain the new expenditure shown for account 5420 in 2013. Did CNPI have similar expenditures in previous years but the amounts were included in other accounts?

d) Please explain the reductions account 5670 (rent) forecast for 2012 and 2013. Please explain what is being rented in each of 2011, 2012 and 2013.

Interrogatory #3

Ref: Exhibit 4, Tab 2, Schedule 16

Please show the total costs, by component, associated with the current rates proceeding.

4.3 Are the methodologies used to allocate shared services and other costs appropriate?

Interrogatory #1

Ref: Exhibit 1, Tab 1, Schedule 12

Does FortisOntario or CNPI provide any services to Westario Power Inc., Rideau St. Lawrence Holdings Inc. or Grimsby Power? If so, please quantify and explain how the costs of providing these services are allocated.

4.4 Is CNPI – Fort Erie/Gananoque's proposed level of depreciation/amortization expense for the test year appropriate?

Interrogatory #1

Ref: Exhibit 11, Tab 1, Schedule 3, Table 3

What is the impact on the 2013 depreciation expense of each of the following?

a) increasing the proposed useful life for Other Meters, PTs & CTs from 30 years to 35 years;

b) increasing the proposed useful life for Small Vehicles from 5 years to 8 years; and,

c) increasing the proposed useful life for Trucks & Buckets from 10 years to 12 years.

4.5 Is CNPI – Port Colborne's proposed level of depreciation/amortization expense for the test year appropriate?

Interrogatory #1

Ref: Exhibit 11, Tab 1, Schedule 3, Table 3

What is the impact on the 2013 depreciation expense of each of the following:

a) increasing the proposed useful life for Other Meters, PTs & CTs from 30 years to 35 years;

b) increasing the proposed useful life for Small Vehicles from 5 years to 8 years; and,

c) **increasing the proposed useful life for Trucks & Buckets from 10 years to 12 years.**

<u>4.6 Is the proposed CNPI – Fort Erie/Gananoque forecast for Income Taxes for the test year appropriate?</u>

Interrogatory #1

**Ref: Exhibit 4, Tab 8, Schedule 3 &
Exhibit 2, Tab 1, Schedules 5 and 7**

a) **Please reconcile the additions to the CCA schedules for each year 2009 through 2013 with the additions to gross assets shown in Schedules 5 and 7 of Exhibit 2, Tab 1.**

b) **Please update the 2011, 2012 and 2013 CCA schedules shown in Exhibit 4, Tab 8, Schedule 3 to reflect the actual CCA additions for 2011.**

Interrogatory #2

**Ref: Exhibit 4, Tab 8, Schedule 3 &
Exhibit 4, Tab 8, Schedule 4**

a) **Please explain the CCA differences shown for 2010 between that shown in Exhibit 4, Tab 8, Schedule 3, and that shown in Schedule 8 of the 2010 tax return shown in Schedule 4 of Exhibit 4, tab 8.**

b) **Please file a copy of the 2012 tax return.**

Interrogatory #3

Ref: Exhibit 4, Tab 8, Schedule 2

a) **Please show the Ontario Apprentice and co-op tax credits available to CNPI in 2011 split between transmission and distribution.**

b) **Please provide the forecast of the Ontario apprentice and co-op tax credits available in 2013. Please show the calculation, including the number of eligible positions and the credit per position. Please show the allocation between transmission and distribution and how this allocation has been calculated.**

c) Is CNPI eligible for any federal job creation or other tax credits?

d) Please show how the calculation of the reduction in PILS related to the Ontario Small Business Deduction has been incorporated into the PILS forecast. Please confirm that the small business rate of 4.5% is applicable to first $500,000 of taxable income, with no clawback.

5. Capital Structure and Cost of Capital

5.1 Is the proposed capital structure, rate of return on equity, short-term and long-term debt rate appropriate?

Interrogatory #1

Ref: Exhibit 5, Tab 1, Schedule 1

a) Please confirm that the debt instruments in the amounts of $15 million and $5 million are from an affiliate and have a fixed interest rate for the term of the loans.

b) Please confirm that the loans noted above in part (a) are callable on demand. Please indicate if they are callable with a certain amount of notice. If so, please indicate the length of the notice.

c) Can CNPI call the above noted loans? If not, why not?

d) What is the penalty for early payment of the FortisOntario loans?

e) Has CNPI considered replacing the affiliate debt with third party debt at a lower rate? If not, why not?

7. Cost Allocation

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

Interrogatory #1

Ref: Exhibit 7, Tab 1, Schedule 2

a) Please show the 2014 revenue to cost ratios for all rate classes in 2014 based on reducing the GS >50 and USL classes to 120% in Table 4.

b) Please explain why CNPI is not proposing to increase the revenue to cost ratio for the sentinel lighting class of 82.2% as shown in Table 3 to the bottom of the Board range of 85%?

c) Why is CNPI proposing to reduce the revenue to cost ratio for the Street Lighting class when the ratio is well within the Policy Range, as shown in Table 3?

d) What is the impact on the residential revenue to cost ratio if the sentinel lighting class is increased to 85% in 2013 and the street lighting class is kept at 102.08% and the additional revenues are used to reduce the increase to the residential class?

e) Please provide the response to part (a) above with the additional assumption that the sentinel light class revenue to cost ratio is set at 85% and the street lighting class is maintained at 102.08% in 2013 and 2014.

Interrogatory #2

Ref: Exhibit 8, Tab 2, Schedule 7 & Schedule 9

Please provide revised bill impacts for Fort Erie and Gananoque based on the revenue to cost ratios that would result based on part (d) of the previous interrogatory. Please provide the separate bill impact calculations as shown in Schedules 7 and 9.

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

Interrogatory #1

Ref: Exhibit 7, Tab 2, Schedule 2

a) **Please show the 2014 revenue to cost ratios for all rate classes in 2014 based on reducing the USL class to 120% in Table 4.**

b) **Please assume that the USL revenue to cost ratio is reduced to 120% in 2013 and that the revenue to cost ratio for street lighting is increased to offset the reduction in USL revenues. What is the resulting street lighting revenue to cost ratio?**

c) **If the resulting revenue to cost ratio for street lighting requested in part (b) above is higher than then next lowest ratio (i.e. 95.44% for sentinel lighting), please increase the revenue to cost ratio such that they are the same for the street lighting and sentinel lighting classes. If required, please repeat this process for the next lowest revenue to cost ratio (i.e. 98.38% for GS<50).**

Interrogatory #2

Ref: Exhibit 8, Tab 3, Schedule 8 & Schedule 10

Please provide revised bill impacts for Port Colborne based on the revenue to cost ratios that would result based on parts (b) and (c) of the previous interrogatory. Please provide the separate bill impact calculations as shown in Schedules 7 and 9.

8. Rate Design

8.3 Are the proposed LV rates appropriate?

Interrogatory #1

Ref: Exhibit 8, Tab 3, Schedule 4

Given the unique operating scenario associated with the need for LV, and that in the absence of the need of one customer CNPI could avoid any low voltage charges, has CNPI considered allocating the associated costs on some other basis than the proportion of retail transmission connection rate revenues?

8.4 Are the proposed loss factors appropriate?

Interrogatory #1

Ref: Exhibit 8, Tab 3, Schedule 7

Does CNPI have any explanation for the relatively low distribution loss factors shown for 2007 and 2009?

9. Rate Harmonization

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

Interrogatory #1

Ref: Exhibit 7, Tab 3, Schedule 1

a) **Please explain why CNPI proposes to decrease the revenue to cost ratio for the GS < 50 class from 109.36% to 107.49% given that it is already within the Policy Range, as shown in Table 3.**

b) **Please explain why CNPI proposes to decrease the revenue to cost ratio for the GS 50-4,999 class from 119.22% to 112.97% given that it is already lower than the top of the Policy Range, as shown in Table 3.**

c) **Please explain why CNPI proposes to increase the revenue to cost ratio for the Sentinel Lighting class from 79.22% to 88.82%, when the bottom of the Policy Range is 85%, as shown in Table 3.**

d) **Please explain why CNPI proposes to decrease the revenue to cost ratio for the Street Lighting class from 95.61% to 92.33% given that it is already within the Policy Range, as shown in Table 3.**

e) **If the status quo ratios shown in Table 3 for the GS < 50, GS 50-4,999 and Street Lighting were maintained (i.e. 109.36%, 119.22% and 95.61%, respectively), and the sentinel lighting revenue to cost ratio was increased to 85%, and the USL ratio was set to 80%, what would be the resulting revenue to cost ratio for the residential class?**

f) **Please show the 2014 revenue to cost ratios for all rate classes in 2014 based on reducing the USL class to 120% in Table 4.**

Interrogatory #2

Ref: Exhibit 8, Tab 4, Schedule 1

a) **CNPI indicates that it has targeted the weighted averages of the cost to revenue ratios from the separate cost allocation studies filed in Exhibit 7. Please explain why CNPI believes these weighted averages are more appropriate targets than the ratios that result from the harmonized cost allocation study.**

b) **Please explain how the revenue to cost ratio shown as determined in the cost allocation study in the table on page 4 for the USL class of 260.87% can be higher than that of both the ratios as determined in the cost allocation studies shown in the table on page 3 of Exhibit 8, Tab 2, Schedule 1 (237.81%) and Tab 3 Schedule 1 (185.54%).**

c) **Please explain how the revenue to cost ratio shown as determined in the cost allocation study in the table on page 4 for the Sentinel Lighting class of 79.227% can be lower than that of both the ratios as determined in the cost allocation studies shown in the table on page 3 of Exhibit 8, Tab 2, Schedule 1 (82.20%) and Tab 3 Schedule 1 (95.43%).**

Interrogatory #3

Ref: Exhibit 8, Tab 4, Schedule 1

Please provide a revised analysis in the tables shown in Schedule 1, including the bill impacts assuming that the target revenue to cost ratios shown in the table on page 5 are the same as the ratios shown in the table shown on page 4 with the following exceptions:

- **i) Sentinel Lighting is increased to 80%;**
- **ii) USL is reduced to 80%; and**
- **iii) any revenue shortfall is made up by increasing the ratio for the sentinel lighting and USL classes above 80% to the residential level of 91.27% (if necessary) and then increasing all three classes in tandem (if necessary) to produce the required revenues.**

Interrogatory #4

Ref: Exhibit 8, Tab 4, Schedule 1 &
Exhibit 8, Tab 2, Schedule 7 &
Exhibit 8, Tab 3, Schedule 8

Please provide bill impacts similar to the tables provided for Fort Erie, Gananoque and Port Colborne shown on pages 9 through 11 that show the impact on the customer classes between the (a) rates that would result from this application before any adjustments made for harmonization purposes (i.e. rates used to calculate the Per Application figures shown in the tables shown in Exhibit 8, Tab 2, Schedule 7 and Exhibit 8, Tab 3, Schedule 8 and (b) the rates that would result from Interrogatory #3 above.