



PUBLIC INTEREST ADVOCACY CENTRE
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July 23, 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–Interrogatories – Set 2

Please find enclosed the final set of interrogatories of VECC in the above-noted proceeding. Please note that we have numbered the interrogatories sequentially from those provided on July 20, 2012.

Yours truly,

Original signed

Michael Janigan
Counsel for VECC

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

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1 (Set 2)
TO:	Canadian Niagara Power Inc.
DATE:	July 23, 2012
CASE NO:	EB-2011-0112
APPLICATION NAME	2013 Cost of Service Electricity Distribution Rate Application

1. General

1.1 Has CNPI responded appropriately to all relevant Board directions from previous proceedings?

34. Reference: Exhibit 2, Tab 2, Schedule 1

- a) CNPI's Conditions of service (posted on the Fort Erie Website) state that they were last revised in July 2008. Have the Conditions of Service for all service territories been updated for the Board's revised low income rules that came into effect in October 2011?
- b) If yes, please indicate how and where these changes are communicated to customers.

1.2 Are CNPI's economic and business planning assumptions for 2013 appropriate?

35. Reference: Exhibit 4, Tab 1, Schedule 1, pages 1
Schedule 2, pages 1 - 5

- a) CNPI states that it uses the Bank of Canada's target inflationary for 2012 of 2%. Please provide the most current annual inflation rate for 2012.

2. Rate Base

2.1 Is the proposed CNPI rate base for the test year appropriate?

36. Reference: Exhibit 2, Tab 2, Schedule 1

- a) Was CNPI's Distribution Asset Management Program (DAMP) reviewed by an outside party?

- b) What measurable objectives have been instituted as part of the DAMP process in order to assess whether the plan has a positive impact on distribution service?
- c) How are these objectives reflected in employee compensation/incentives?

37. Reference: Exhibit 2, Tab 2, Schedule 4, pages 1-7; Exhibit 2, Tab 2, Schedule 10, pages 1-7 Board Staff IR #8

- a) Please restate the Capital Project Tables by separating out Fort Erie from EOP for the 2007-2013.

2.2 Is the CNPI proposed Working Capital Allowance appropriate?

38. Reference: Exhibit 2, Tab 2, Schedule 10, page 1

- a) Did CNPI complete a lead/lag study or undertake any comparison to the 13% value for working capital. If so please provide this analysis.

4. Operating Costs

4.1/4.2 Is the proposed CNPI forecast for OM&A for the test year appropriate?

39. Reference: Exhibit 4, Tab 2, Schedule 2, page 1, Schedule 2, page 1 / Schedule 11, page 1

- a) In respect to Port Colborne, CNPI states that the Board approved a lease payment of \$1,000,000 in 2009. Please confirm that these payments are found under account 5670 Rent.
- b) Please explain how the lease payments approved by the Board were calculated.
- c) Please provide the lease payment amounts in 2010 and 2011.

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

- a) CNPI implies that operating cost for Port Colborne has declined on an actual and constant dollar basis. Does this analysis include or exclude the lease payment for all years?

- b) If it includes the lease payment for part of the period please explain why the 2009 to 2013 costs analysis is an “apples-to-apples” comparison?
- c) Please recalculate the analysis removing the lease payment for all years and using Statistic Canada’s actual CPI inflator for the years 2009, 2010 and 2011 and the current 2012 annual inflation figure (i.e. June 2011-June 2012).

41.Reference: Exhibit 2, Tab 2, Schedule 10, page 1

- a) Please explain how the bad debt expense for 2012 for all service territories is calculated.

42.Reference: Exhibit 4, Tab 2, Schedule 2, page 1/Schedule 11, page 1/
Exhibit 4, Tab 3, Schedule 3, page 2

- a) Customer Billing and Collection costs (accounts 5315 and 5320) for Fort Erie-EOP are projected to increase by over 45% from 2009 actuals. The reasons provided for this increase are changes to staffing and postage costs. Please provide the total postage cost in 2009 and the expected postage cost in 2012.

43.Reference: Exhibit 4, Tab 2, Schedule 2, page 1 / Exhibit 4, Tab 3, Schedule 3, page 2

- a) Miscellaneous General Expenses (accounts 5665) for Fort Erie-EOP are project to increase by nearly 100% from 2009 actuals. The explanation given suggests that this account has had significant changes in labour allocations. Please explain what activities are recorded in this account.

44.Reference: Exhibit 4, Tab 2, Schedule 11, page 1

- a) Miscellaneous Customer Account Expenses (accounts 5340) is projected to increase by 30% from 2009 actuals. Please explain the reasons for this increase.

45.Reference: Exhibit 4, Tab 2, Schedule 9 & 17, page 1

- a) Please provide the calculation for the LEAP funding for both service territories.

46.Reference: Exhibit 4, Tab 4, Schedule 1, Appendix A/Appendix B page 2

CNPI explains that the variance between 2009 Board Approved and 2009 actual FTEs and total compensation are due to a change in the allocation methodology.

- a) What was the total compensation amount used by CNPI for the calculation of the 2008 cost of service rates (i.e. was figure of \$5,343,682 reported in the compensation table used in the calculation of rates)?
- b) If this was not the amount used for the calculation of rates in 2008 please provide the amount that was used for the purpose of calculating rates.
- c) Is the difference between the 2008 Board Approved figure of \$5.3 million and the 2009 figure of \$6.0 million due solely due to changes in the allocation of costs? If so, please explain where the approximately \$700,000 of compensation costs was previously allocated.

47. Reference: Exhibit 4, Tab 4, Schedule1, Appendix B, page 2

- a) Please provide the BDR Report referred to in the above reference.

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

48. Reference: Exhibit 4, Tab 4, Schedule1, Appendix A, page1 /Exhibit 4, Tab 5, Schedule 2, Appendix E, page 16

- a) Please reconcile the FTEs used at page 16 of the BDR Report (Study of Affiliate Service Cost and Cost Allocation), with the FTE's at Appendix A for 2012.

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 appropriate?

49. Reference: Exhibit 45, Tab 1, Schedule1, page 3

- a) Please explain why CNPI has not calculated all affiliated long-term debt that is callable on demand at the Board's deemed rate of 4.41%?
- b) Please identify the holder of the third-party debt and provide the excerpts and reference to the Board decisions which reviewed this in prior rate applications.

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