

**Niagara Peninsula Energy Inc.  
Smart Meter Cost Recovery  
EB-2013-0359**

**Board staff Interrogatories**

**Application**

**1. Ref: Application, page 36 – Smart Meter Capital Costs**

On page 10 of its application, NPEI states that it has recorded stranded meter costs in a sub-account of Account 1555. NPEI's stranded meter balance, at December 31, 2012, is \$1,617,308 which represents the net book value of stranded meters. NPEI also states that it is planning to file a cost of service application for 2015 rates, and that stranded meter costs will be addressed in that application.

- a) Please confirm that NPEI is continuing to record depreciation expenses related to stranded conventional meters. In the alternative, please explain.
- b) Please provide NPEI's estimate of the NBV of conventional meters stranded by the replacement of smart meters as of December 31, 2014.

**Smart Meter Model**

**2. Ref: Smart Meter Model, Tab 2 – Smart\_Meter\_Costs**

On tab 2 of the Smart Meter Model, row 44, 1.1.2 Installation Costs, NPEI has included \$37,457 in 2006 and \$5,665 in 2007, totalling \$43,122 for installation costs.

Board staff notes that NPEI was not authorized to begin the installation of smart meters until 2008.

- a) Please explain the nature of the costs incurred for installation by NPEI in the years 2006 and 2007.

**3. Ref: Smart Meter Model, Tab 2 – Smart\_Meter\_Costs**

NPEI documents \$25,434 as operating expenses in 2006 under 2.5.3 Program Management in cell G153.

- a) Please provide further explanation of these costs.

**4. Ref: Smart Meter Model, Tab 3 – Cost of Capital Parameters**

NPEI has used the following taxes/PILs rates input on Tab 3 Cost of Service Parameters, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012, 2013, and 2014. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Aggregate Corporate Income Tax Rate (%)</b>	36.12	36.12	33.50	33.00	30.99	28.25	25.48	26.50	25.70

- a) Please confirm that these are the tax rates underpinning NPEI's rates for each of the respective years. This should be readily available from taxes/PILs calculations or spreadsheets used in annual cost of service or Incentive Regulation Mechanism ("IRM") rate applications.
- b) In the alternative, please amend as necessary.

**5. Ref: Smart Meter Model, Tab 3 – Cost of Capital Parameters**

NPEI has input the following Cost of Capital Parameters on tab 3 of the Smart Meter Model:

Year	2006	2007	2008	2009	2010	2011	2012	2013 and beyond
<b>Deemed Short-term Debt Rate</b>						2.46%	2.46%	2.46%
<b>Long-term debt rate</b>	7.13%	7.13%	7.13%	7.13%	5.97%	5.16%	5.16%	5.16%
<b>Return on Equity (ROE)</b>	9.00%	9.00%	9.00%	9.00%	9.00%	9.58%	9.58%	9.58%
<b>Return on Preferred Shares</b>								

NPEI was formed through an amalgamation of Niagara Falls Hydro Inc. and Peninsula West Utilities Limited following the Board's approval of the MAADs application EB-2007-0749. Rates were set separately for the two predecessor utilities prior to amalgamation, and also for the two service areas up to 2010. In NPEI's 2011 Cost of Service rates application, NPEI sought permission for and was approved harmonized rates for its two service areas.

Board staff notes that the Cost of Capital parameters from 2011 onwards correspond with those approved in NPEI's 2011 Cost of Service rates application EB-2010-0138. The 9.00% ROE for 2006 to 2010 also corresponds with the ROE approved in the 2006 EDR rates applications for each of the predecessor utilities, and used until the next cost of service application.

- a) Please explain how NPEI has determined the long-term debt rate of 7.13% for 2006 to 2009, based on the long-term debt rates approved in each of the predecessor utilities 2006 EDR rates applications:
  - Niagara Falls Hydro Inc. – RP-2005-0020/EB-2005-0394;  
and
  - Peninsula West Utilities Limited – RP-2005-0020/EB-2005-0401.
- b) Please provide the support for the 5.97% long-term debt rate input for 2010.

#### **6. Ref: Smart Meter Model, Tab 8A – Interest**

On Sheet 8A, Board staff observes that NPEI has included interest for the full year of 2014, although it has proposed an effective date of February 1, 2014 for the SMDR.

The net effect is to increase the SMFA revenues and associated carrying charges used to offset the deferred revenue requirement, and hence to decrease the amount to be recovered through the SMDR.

- a) Please explain NPEI's rationale for calculating interest beyond the proposed effective date for the SMDR.

**7. Ref: Smart Meter Model, Tab 10 – Cost\_Alloc\_SMDR**

Board staff notes that NPEI has not entered the SMFA revenues directly attributable to the GS>50 kW rate class as required by the model at cell Z48 on Sheet 10A.

- a) Please enter the percentage of SMFA revenues collected from GS 50 to 4999 kW customers and to be equally apportioned to the Residential and GS < 50 kW rate classes.

**8. Smart Meter Model – Update**

If its responses to any interrogatories from Board staff or VECC have resulted in NPEI revising inputs to its smart meter model, please file the updated version of the Smart Meter Model Version 4.0 in working Microsoft Excel format.

**9. Rate Riders – Update**

Similarly, if NPEI has made revisions to its Smart Meter Model in response to the above Board staff interrogatory, please update its proposed class-specific SMDRs, and class-specific SMIRRs.