PUBLIC INTEREST ADVOCACY CENTRE
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January 17, 2014

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-2013-0155 Niagara-on-the-Lake Hydro Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Encl.
cc. Niagara on-the-Lake Hydro Inc.
Attn: Mr. Jim Huntingdon, President
e-mail: jhuntingdon@notlhydro.com

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Niagara- on-the-Lake Hydro Inc. (NOTL)**
DATE:	**January 17, 2014**
CASE NO:	**EB-2013-0155**
APPLICATION NAME	**2014 Cost of Service Electricity Distribution Rate Application**

1. Foundation

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1-VECC-1

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 2, Table 2.3.2

a) Please provide the actual (unaudited) capital expenditures for 2013. Explain any material variance.

1.1-VECC-2

Reference: Exhibit 1, Tab 1, Schedule 2, pg. 9 / Appendix 2A - Distribution Plan, pg. 81-84

a) Please provide details on the conversion of the Old Town to underground plant, including:
   i. Total cost of the program and annual expenditures,
   ii. Year started and year expected to be completed,
   iii. Description of plant replaced and replacement plan,
   iv. Capital contribution from the Town for underground service (if no contribution has been received please explain why not and provide the Utility's policy for changes from overhead to underground service.

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-VECC-3

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

a) The evidence indicates that the customer survey was non-random (i.e. self-selection). Please confirm this correct.
b) If so, please explain how (or if) the survey corrected for self-selection bias. If nonprobability sampling was the methodology employed please explain why NOTL believes the results can be extrapolated for the general population of NOTL customers.
c) Please comment on the effect on the confidence intervals of biased sampling.
d) Were all NOTL employees, Board of directors and their immediate family, asked not to participate in the survey?

1.2-VECC-4

Reference: Exhibit 1, Appendix 1B

b) Does NOTL carry out transactional customer surveys (e.g. after outages, a service call or a customer complaint)? If so please describe these and present the results.

1.2-VECC-5

Reference: Exhibit 1, Appendix 1B

a) The evidence states that 200 surveys were completed on paper and 350 were completed online. A number of questions relate to the availability and use of online services (access to account, access to consumption, requirement for service facilities for bill payment, etc.). Did the survey distinguish in responses in the type of respondents (i.e. those using internet and those using paper). If not, can this be done? If so please provide the results.

b) Please provide the question which explains to the customer what is meant by “quality of service.”

1.2-VECC-6

Reference: Exhibit 1, Appendix 1B / Exhibit 2, Appendix 2A/Exhibit 4, Tab 1, Schedule 2, pg.5

a) With respect to the question on notification in the case of unplanned outages the response of "*auto attendant when calling in*" is not reported (and presumably the response rate is below the lowest answer reported). However, auto attendant is a method is used by a number of utilities. Please explain what system is currently used by NOTL. If NOTL currently uses automated attendant messaging or status posting on its web site does NOTL understand why its customers responded in such low numbers to this option? Please explain.
b) Has NOTL undertaken any survey of customers immediately (or shortly) after an unplanned outage? If not, please explain why not.
c) NOTL notes in its Distribution plan that "*customers have indicated that they would be very interested in receiving status updates during an unplanned outage but very few indicated that they would make use of instantaneous load information or 'behind the meter' technologies*" (page 26). The summary of the consumer survey does not appear to discuss this issue. Please provide the basis for this conclusion or provide the consumer study reference.
d) Please explain how, after the implementation of the Teleworks program, customers who wish to find out information on outages can do so (i.e. will/does NOTL offer a "pull" as well as a "push" information solution)?

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1.2-VECC-7

Reference: Exhibit 1, Appendix 1B

a) Does NOTL carry out transactional surveys (e.g. after outages, a service call or a customer complaint)? If so please describe these and present the results.

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1.2-VECC-8

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

a) VECC is unable to find any information on NOTL's website about the LEAP program. Is such information available on the web site? What efforts are made by NOTL to communicate the availability of LEAP?

2. Performance Measures

2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1-VECC-9

Reference: Exhibit 1, Tab 1, Schedule 2, pg. 12 / Exhibit 4, Tab 2, Schedule 2, Table 4.2.2.

a) Please provide a table showing Statistics Canada published annual CPI for year of the years 2008 through 2014. If NOTL has wage increases greater than CPI (see Table 4.2.2) please comment on what steps are being taken to mitigate compensation exceeding inflation.

2.1-VECC-10

Reference: Exhibit 2, Tab 3, Schedule 5

a) For only outages excluding loss of supply, please provide a table in the following format (or using any similar categories tracked by the Utility).
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Description	2009 Totals	2010 Totals	2011 Totals	2012 Totals
Scheduled				
Supply Loss				
Tree Contact				
Lightning				
Def. Equip.(other than pole)				
Pole Failure				
Weather				
Animals, Vehicle				
Unknown				
Total				

3. Customer Focus

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

3.1-VECC-11

Reference: Exhibit 1, Appendix 1B

a) The survey asks a question as to the preferred trade-off between unplanned outages and rates. Was this the only question which was asked with respect to expenditure and rates?
b) The question provides 3 possible answers: (1) higher rates = less outages; (2) lower rates = more outages; (3) the status quo. However it does not ask whether the respondent believes the utility should be able achieve lower outages at the current rates, or at lower rates. Why was this option not asked of respondents? Was any question asked which would provide the customers impression as to the efficiency of the Utility?

4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the associated level of revenue requirement requested by the applicant?

4.1-VECC-12

Reference: Exhibit 2, Appendix 2A, Distribution Plan, pg. 9

a) NOTL notes that it changed infra-red scan inspections from an annual to a bi-annual schedule in order to save costs. It also notes that after a planned August 2013 inspection it would analyze the cost effectiveness of this change. Please provide that analysis.

4.1-VECC-13

Reference: Exhibit 2, Tab 3, Schedule 5

a) NOTL states it has set reliability targets based on the SAIDI et al. metrics. However, these metrics include outages (e.g. animal or vehicle damage to plant) which are beyond the control of the Utility. Other areas which are more within the control of the Utility (e.g. equipment failure) are not separately monitored. Why has NOTL not chosen reliability targets which attempt to understand the Utility's performance for matters within its control and/or how it responds to matters beyond its control (e.g. recovery time from outages).

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-VECC-14

Reference: Exhibit 4, Tab 1, Schedule 2, pg. 1

a) Please confirm that 2013 and 2014 OM&A figures shown in Table 4.1.3 are in modified CGAAP and that they reflect any changes to NOTL's depreciation schedules and capitalization policies.
b) Using Table 4.1.3 please show separately for each major OM&A category the adjustment made for changes to NOTL's capitalization, or other IFRS related, policies.

4.2-VECC-15

Reference: Exhibit 4, Tab 1, Schedule 2, Table 4.1.3

a) Please update Table 4.1.3 and 4.2.1 to show 2013 actual (unaudited) amounts.

4.2-VECC-16

Reference: Exhibit 4, Tab 1, Schedule 2, pg. 7 / Report to Board Third Generation Incentive Regulation Stretch Factor Updates for 2013 – Nov. 27 2012

a) For the years 2009 through 2013 please provide a table showing the

OM&A cost per customer and per FTE for NOTL's peer group of utilities (i.e. Small Southern Centre Wellington Hydro, Cooperative Hydro Embrun, Grimsby Power and Orangeville Hydro). Please also include Entegrus Powerlines in this comparison table.

4.2-VECC-17

Reference: Exhibit 4, Tab 1, Schedule 2, pg. 1

a) We are unable to locate the detailed (Actual and Approved) 2009 through 2014 detailed OM&A expense which shows USoA accounts 5005 through 6205.
b) Specifically, please provide the amounts for these years for Billing and Collection accounts 5305, 5310, 5315, 5320, 5325, 5330, 5335, and 5340.
c) If Table 2-JC (NOTL-2014_Chapter2 Appendices) then please revise the table to show all the USoA accounts.

4.2-VECC-18

Reference: Exhibit 4, Tab 2, Schedule 1, pg.1

a) Provide a table showing a breakdown of the cost elements of account 5315 (Customer Billing) for 2009 (actuals) vs. 2014 (forecast).
b) Please provide the same for Account 5310 (Meter Reading Expenses).
c) If not included in the requested table, please provide the manual meter reading expenses for 2009 and the forecast amounts for manual reading in 2014.

4.2-VECC-19

Reference: Exhibit 4, Tab 2

a) Please provide the fees paid to the EDA for each of the years 2009 through (forecast) 2014.
b) If NOTL purchases insurance from the MEARIE Group then please provide the annual insurance premiums, a description of the insurance coverage and whether the contract for insurance has been tendered in the last 5 years.

4.2-VECC-20

Reference: Exhibit 4, Tab 2, Schedule 2, pgs. 3-12

a) NOTL forecast approximately 1 less FTE than was approved by the Board in 2009. There are a number of personnel changes described in pages 3-12 of the noted reference. It appears from these descriptions that the NOTL will employ one less lineman in 2014 than it did in 2009. Please confirm this is correct. If not, please explain what position was eliminated since 2009.
b) What reductions in staff accompanied the elimination of streetlight maintenance services in 2012? If none, please explain.

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rate increases for customers, or is any additional rate mitigation required?

5. Public Policy Responsiveness

5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1-VECC-21

Reference: Exhibit 1, Tab 5, Schedule 15, pg. 1

a) Please confirm that the composition of the Board of Directors is in compliance with section 2.1.2 of the Affiliate Relationship Code (i.e. "A utility shall ensure that at least one-third of its Board of Directors is independent from any affiliate").

6. Financial Performance

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2 Has the applicant adequately demonstrated that the savings resulting

from its operational effectiveness initiatives are sustainable?

7. Revenue Requirement

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.1-VECC-22

Reference: Exhibit 2, Tab 3, Schedule 2, page 11

b) Please explain the $16,000 increase in Specific Service Charges revenue as between 2011 and 2012 and why similar annual increases are not expected for 2013 and 2014.

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.3 Are the proposed levels of taxes appropriate?

7.4 Is the proposed allocation of shared services and corporate costs appropriate?

7.4-VECC-23

Reference: Exhibit 1, Appendix 1C

a) The 2011 audited financial statements (pg. 8) show that balances due from the affiliate Energy Services Niagara carried an interest rate of prime plus 0.15%. In 2012 it indicates these balances do not attract any interest. Please explain the change in policy.
b) The balance for Energy Services Niagara is significantly lower than in past years. Please explain why.
c) Please provide the 2013 balances for both affiliates (i.e. including NOTL Energy Inc.
d) Why does NOTL not charge interest at the Board approved long or short term rate to these affiliates?

7.4-VECC-24

Reference: Exhibit 1, Tab 5 / Exhibit 4, Tab 2, Schedule 3, pg. 1-4

a) Since there is no cost to using the more accurate allocation findings of KPMG why are these not being applied?

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.5-VECC-25

Reference: Exhibit 5, Tab 1, Schedule 1

a) What are the terms/ penalty for pre-payment of the CIBC loans?

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.6-VECC-26

Reference: Exhibit 3, Tab 3, Schedule 2, page 11

a) Please explain the $16,000 increase in Specific Service Charges revenue as between 2011 and 2012 and why similar annual increases are not expected for 2013 and 2014.

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

7.7-VECC-27

Reference: Exhibit 1, Appendix 1F, pg. 7 (IFRS Policy/ Exhibit 4, Tab 3, Schedule 1, pg. 1

a) Table 1 (page 7) of the IFRS policy shows the proposed and new useful life for various plant components. Please modify this table to show the Kinectrics Study proposed life ranges. For assets components which vary please explain why (if not already explained in the Policy document).

b) Please estimate the revenue requirement difference if NOTL had used only the Kinectrics Study proposed values (i.e. the materiality of the difference in useful life that is being proposed by NOTL vs that in the Kinectrics study. [An estimate value is sufficient as this interrogatory is to understand the materiality of any departure from the Board sponsored study].

8. Load Forecast, Cost Allocation and Rate Design

8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.1-VECC-28

Reference: Exhibit 3, Tab 2, Schedule 1, page 8
Load Forecast Excel Model, DATA-GDP Qrtly Tab
Load Forecast Excel Model, DATA-GDP Annual Tab
2013 Ontario Budget -
http://www.fin.gov.on.ca/en/budget/fallstatement/2013/chapter2.html

a) Please explain why the annual GDP growth rates for 2012-2014 shown in cells W2 through Y2 do not match the growth rates in the 2013 Ontario Budget.

b) Please provide a version of the Load Forecast Excel Model with where all rows and columns are fully accessible and parties can view how the monthly GDP values were determined (e.g. In the GDP Annual Tab columns A and B which provide the basis for the monthly GDP values are not currently accessible).

c) Please confirm that in creating the CDM variable for purposes of the regression analysis NOTL did not apply the ½ year rule to the first year's savings attributed to CDM programs.

d) If not confirmed, please indicate where in the Load Forecast Excel Model this ½ year adjust to the first year's savings was made.

e) If confirmed, please revise the CDM variable accordingly and re-estimate the power purchase equation using this revised CDM variable. Please provide the resulting equation and the regression results similar to those shown in Table 3.2.6. Please also provide the resulting forecast for 2014.

8.1-VECC-29

Reference: Exhibit 3, Tab 2, Schedule 1, page 9

a) Please provide copies of the OPA's final CDM reports for NOTL for 2011 and 2012.

b) Please provide any 2013 OPA CDM reports for NOTL that are available.

8.1-VECC-30

Reference: Exhibit 3, Tab 2, Schedule 1, page 13-15

a) Please provide a table setting out, by customer class, the 2012 and 2013 year end customer counts.

8.1-VECC-31

Reference: Exhibit 3, Tab 2, Schedule 1, pages 19-20

a) Since the current regression model already includes all of the 2012 savings from 2012 CDM programs, why is it necessary to adjust the 2013 and 2014 forecasts for ½ of the 2012 program savings?

8.1-VECC-32

Reference: Exhibit 3, Tab 2, Schedule 1, pages 20-21

a) Please confirm that the LRAM adjustment will be calculated by comparing the actual reported savings in 2014 from 2011-2014 CDM programs by customer class with the values shown in Table 3.2.17.

b) Please also confirm that, unless there are future adjustments made by the OPA to the reported persistence of savings in 2014 from 2011 and 212 programs the reported savings for 2011 and 2012 will equal the savings used to establish the LRAM variance account values.

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.2-VECC-33

Reference: Exhibit 3, Tab 2, Schedule 1, page 23 /Cost Allocation Excel Model, Tab I6.2 (Customer Data)

a) Please explain why the customer counts reported in Table 3.2.22 don't match those used in the Cost Allocation model.

b) If required, please provide a revised/corrected version of the Cost Allocation Excel Model.

8.2-VECC-34

Reference: Exhibit 7, Tab 1, Schedule 1, page 3

a) Please indicate for which customer classes NOTL receives a capital contribution but owns the service assets.

b) For these classes is NOTL responsible for the maintenance and repair of service assets?

c) If yes, please confirm that the use of "zero" weighting factor means that the associated customer classes will not be allocated any O&M costs associated with service assets.

8.2-VECC-35

Reference: Exhibit 7, Tab 1, Schedule 1, page 6

a) Please provide the derivation of the smart meter costs set out in Table 7.1.5.

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.3-VECC-36

Reference: Exhibit 8, Tab 1, Schedule 1, page 2/Exhibit 6, Tab 1, Schedule 1, page 2

a) Please confirm that the revenue at current rates in Table 8.1.3 was calculated using the customer counts from the Cost Allocation model and not from Exhibit 3, Table 3.2.22.

b) Please confirm that the revenues at current rates used Exhibit 6 and the Revenue Requirement Work Form were also based on the customer count forecast per the Cost Allocation model.

c) If required, please provide a revised/corrected version of the Revenue Requirement Work Form.

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.4-VECC-37

Reference: Exhibit 8, Tab 1, Schedule 1, page 10

Preamble: At the bottom of the page NOTL notes "the continued reduction in our distribution line loss factor".

a) Given this "continued reduction" why is it appropriate to use a 5-year average loss factor as opposed to say a 3-year average?

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.5-VECC-38

Reference: Exhibit 8, Tab 1, Schedule 1, page 6

a) Please provide an updated version of the RTSR Work Form using the recently approved 2014 UTRs.

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

9. Accounting

9.1 **Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate**?

9.1-VECC-39

Reference: Exhibit 9, Tab 2, Schedule 1, pg. 19

a) Were the smart grid projects (Accounts 1534 and 1535) previously approved by the Board? If so please provide the reference decision?
b) If not, why were the projects (capital and OM&A) not included in the normal annual accounting?

9.1-VECC-40

Reference: Exhibit 9, Tab 2, Schedule 1, pgs. 19-20

a) Please provide a table breaking down the $133,025 being claimed for account 1535 into each of the three components noted on page 20 (demonstration, studies, education) and interest expense.

9.2 **Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?**

End of document