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December 2, 2014

BY FAX & BY 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-2014-0096**  
**Niagara Peninsula Energy Inc. --- 2015 Cost of Service**  
**Energy Probe – Interrogatories to Applicant**

Pursuant to Procedural Order No. 1, issued on November 18, 2014, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Niagara Peninsula Energy Inc., in the EB-2014-0096 proceeding.

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

Yours truly,

David S. MacIntosh  
Case Manager

cc. Brian Wilkie, Niagara Peninsula Energy (By email)  
Suzanne Wilson, Niagara Peninsula Energy (By email)  
Paul Blythin, Niagara Peninsula Energy (By email)  
Randy Aiken, Aiken & Associates (By email)  
Interested Parties (By email)

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**Energy Probe Research Foundation** 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: [EnergyProbe@nextcity.com](mailto:EnergyProbe@nextcity.com) Internet: [www.EnergyProbe.org](http://www.EnergyProbe.org)

**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 Niagara  
Peninsula Energy Inc. for an order approving just and  
reasonable rates and other charges for electricity distribution to  
be effective May 1, 2015.

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

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**December 2, 2014**

**NIAGARA PENINSULA ENERGY INC.  
2015 RATES REBASING CASE  
EB-2014-0096**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS**

**1-Energy Probe-1**

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

**How many months of actual data are included in the bridge year forecasts for each of the revenue forecasts, OM&A forecasts and capital forecasts?**

**1-Energy Probe-2**

**Ref: Exhibit 1, Tab 2, Schedule 5 &  
Exhibit 1, Tab 6, Schedule 24**

- a) The regulatory costs shown appear to have been amortized over a 4 year period (i.e. \$98,313 out of \$393,250). Please explain why these costs have not been amortized over a 5 year period representing the cost of service rebasing year, followed by 4 years under IRM as required under 4th Generation IRM from the RRFE?**
- b) Please reconcile the figure of \$98,313 with the statement in Exhibit 1, Tab 6, Schedule 24 that indicates a 5 year normalization of regulatory costs.**

**1-Energy Probe-3**

**Ref: Exhibit 1, Tab 6, Schedule 19**

- a) Please confirm that there are no Board of Director costs shown in any of the historical years, bridge year or test year for NPEI related to any of the entities shown in Chart 1-1 (other than NPEI itself) in Exhibit 1, Tab 6, Schedule 19. If this cannot be confirmed, please provide the amounts included.**
- b) Please provide the costs associated with the NPEI Board of Directors for each of 2011 through 2013 on an actual basis, along with the forecasts for 2014 and 2015.**

## **EXHIBIT 2 – RATE BASE**

### **2-Energy Probe-4**

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

**Please update both bridge year continuity schedules (pages 6 and 7) to reflect the most recent year-to-date actual capital expenditures and the forecast for the remainder of the year. Please provide an updated test year continuity schedule (page 8) if the closing balance from 2014 is different from the original evidence.**

### **2-Energy Probe-5**

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

**Please confirm that NPEI does not allocate any depreciation expense to OM&A or to capital. If this cannot be confirmed, please provide the amounts allocated to each of OM&A and capital for each of 2011 through 2015.**

### **2-Energy Probe-6**

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

**Please indicate when NPEI removed stranded meters from rate base. If this occurred in 2011 through 2015, please show the amount removed from rate base in the continuity schedules.**

### **2-Energy Probe-7**

**Ref: Exhibit 2, Tab 2, Schedule 1 &  
Exhibit 2, Tab 1, Schedule 1**

- a) Are the figures shown in the table on page 1 capital additions closed to rate base in each of the years or capital expenditures, some of which may have been in CWIP at year end?**
- b) There is an actual column shown under the 2014 bridge year. Please confirm that the difference is related to smart meters. If confirmed, please explain why the smart meters are shown in the continuity schedules (Exhibit 2, Tab 1, Schedule 1) beginning with more than \$4 million in opening rate base in 2011.**

- c) **Please update the 2014 columns to reflect the most recent year-to-date actual capital additions to rate base and the most recent forecast for the remainder of the year.**

### **2-Energy Probe-8**

**Ref: Exhibit 2, Tab 1, Schedule 2, page 34**

- a) **Please provide a copy of the Operating Agreement with the Niagara Parks Commission.**
- b) **Please show separately all the impacts on the 2015 revenue requirement associated with owning, operating and maintaining this system on behalf of the Niagara Parks Commission (for example, return on capital, depreciation PILs, OM&A, etc.).**
- c) **What revenue will NPEI receive from the Niagara Parks Commission related to the operating agreement?**
- d) **How has the 2-15 budgeted cost of \$818,905 been calculated? For example, is it the estimated remaining net book value of these assets? If not, what is the calculation based on?**
- e) **How has the revenue requirement associated with these assets been allocated to rate classes?**
- f) **Did NPEI consider establishing a new rate class for these assets and this customer? If not, why not?**
- g) **What is the current status of negotiations?**

### **2-Energy Probe-9**

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

- a) **Are the amounts shown under SA43 the gross or net amounts after contributions related to line relocations due to municipal road improvements?**
- b) **Please provide a table that shows for each of 2010 through 2015 the gross capital expenditures, the contributions received and the net capital expenditures associated with these relocations.**

## **2-Energy Probe-10**

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

- a) For each of the areas where NPEI has calculated the 2015 capital additions based on one-fifth of the costs for the 2015 through 2019 period, please provide a table showing the category of expenditure, the one-fifth amount calculated in the evidence and NPEI's best forecast of capital expenditures in the 2015 test year.**
- b) NPEI has forecast the purchase of a number of vehicles in 2014 through 2019 (pages 97-98), yet there are no disposals shown in the continuity schedules for the bridge and test years (Exhibit 2, Tab 1, Schedule 1).**
  - i) Are any of the vehicle purchases in 2014 or 2015 replacement vehicles?**
  - ii) If there are replacement vehicles, please confirm that the vehicles being replaced will be fully depreciated when they are replaced.**
  - iii) If this cannot be confirmed, please provide the net book value of the vehicles being replaced upon their replacement.**
- c) If there are any vehicles being replaced in 2015, please provide the expected sales/scrap value of the vehicles being replaced.**

## **2-Energy Probe-11**

**Ref: Exhibit 2, Tab 1, Schedule 3**

- a) Does NPEI bill its customers on a monthly basis? If not, please explain which classes are billed monthly and which customers are billed bi-monthly or some other frequency.**
- b) Has NPEI changed its billing frequency for any rate classes since its last cost of service rebasing application?**

## **2-Energy Probe-12**

**Ref: Exhibit 2, Tab 1, Schedule 3**

- a) Please update the cost of power to reflect the October 16, 2014 Regulated Price Plan Price Report.**
- b) What is the impact on the revenue requirement of this update?**

- c) **What is the impact, if any, on the cost of power of the EB-2014-0344 application that would result in NPEI being charged a distribution rate of \$1.77/kW as a distribution rate by Grimsby Power in place of the current Niagara West Transformation transmission rate?**

**2-Energy Probe-13**

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

**Has NPEI had an independent third party review of the DSP? If not, why not?**

**2-Energy Probe-14**

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

**Please update Appendix 2-AA to reflect the most recent year-to-date actuals currently available for 2014 along with the most current forecast for the remainder of the year.**

**EXHIBIT 3 – OPERATING REVENUE**

**3-Energy Probe-15**

**Ref: Exhibit 3, Tab 1, Schedule 1**

**How has the annual average basis of number of customers/connections shown in Table 3-4 determined? Is this average the average of monthly figures or the average of January and December, or some other average?**

**3-Energy Probe-16**

**Ref: Exhibit 3, Tab 1, Schedule 1**

**Please provide the actual number of customers in the same level of detail as shown in Table 3-5 for the most recent year-to-date figure in 2014, along with the corresponding figures for the same month in 2013.**

### 3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 1

**Energy Probe has been unable to replicate the prediction model used by NPEI to predict weather normal purchases using the spreadsheet provided. Energy Probe provides the following regression coefficients and regression statistics:**

#### SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.973181195
R Square	0.947081639
Adjusted R Square	0.9443579
Standard Error	2523927.78
Observations	144

#### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	7	1.55051E+16	2.21501E+15	347.7137788	1.71521E-83
Residual	136	8.66349E+14	6.37021E+12		
Total	143	1.63714E+16			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	-214115646.3	32074860.78	-6.675497292
Heating Degree Days	23664.55187	1562.617808	15.14417136
Cooling Degree Days	192313.0075	7649.117127	25.14185681
Ontario Real GDP Monthly %	318305.0414	131378.4904	2.422809399
Number of Days in Month	2931010.239	270679.1755	10.82835513
CDM kWh Saved in month	-5.301641153	0.728558517	-7.276891323
Spring Fall Flag	-5192919.546	577070.8679	-8.998755327
Population	1344.135769	347.6962698	3.86583316

**Please explain the difference in the regression equations.**



### **3-Energy Probe-18**

**Ref: Exhibit 3, Tab 1, Schedule 1**

- a) For each of the three columns shown in Table 3-27, please provide a regression analysis with the dependent variable being the historical kWh/kW ratio and the independent variable being the year (2003 through 2013).**
- b) For each equation that is significant at a 90% level of confidence, please show the resulting 2015 ratio forecast.**
- c) For each ratio forecast in part (b) above, please provide the 2015 forecast, as shown in Table 3-28 and show the impact on the revenue deficiency.**

### **3-Energy Probe-19**

**Ref: Exhibit 3, Tab 3, Schedule 1**

**Please provide a table in the same level of detail as found in Appendix 2-H that shows the most recent year-to-date figures for 2014 and the corresponding figures for the same year-to-date period in 2013.**

### **3-Energy Probe-20**

**Ref: Exhibit 3, Tab 3, Schedule 1**

**Please explain how the retailer revenue (accounts 4082, 4084) and the SSS admin charges (account 4086) reflect the growth in customers in the bridge and test years. For example please show how the forecast of 47,067 residential customers in 2015 (average) results in \$126,150 in SSS admin fees. Please show all calculations and assumptions used.**

### **3-Energy Probe-21**

**Ref: Exhibit 3, Tab 1, Schedule 1**

**NPEI has included assets owned by the Niagara Parks Commission in the 2015 rate base.**

- a) How did NPEI bill distribution costs to the Niagara Parks Commission before NPEI owned the assets? (eg. how many accounts, which rate classes, etc.)**

- b) **How will NPEI bill distribution costs to the Niagara Parks Commission now that NPEI owns the assets? (eg. how many accounts, which rate classes, etc.)**
- c) **How has NPEI taken this change into account in terms of the load forecast, and in particular in terms of allocating the Niagara Parks Commission among rate classes if the answers to parts (a) and (b) reflect a change.**

#### **EXHIBIT 4 – OPERATING COSTS**

##### **4-Energy Probe-22**

**Ref: Exhibit 4, Tab 1**

- a) **Please confirm that in 2010 through 2013 NPEI was assigned to the middle of the three efficiency cohort groupings.**
- b) **Please confirm that in 2014 and 2015 NPEI was assigned to Group III for stretch factors.**

##### **4-Energy Probe-23**

**Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-JA**

- a) **Please update Appendix 2-JA to reflect the most recent year-to-date actuals available for 2014 along with the current forecast for the remainder of the year.**
- b) **Please provide the most recent-year-to-date figures for 2014 in the same level of detail as shown in the table, along with the figures the corresponding period in 2013. Please remove the smart meter costs recorded in 2014 for prior years and include the actual smart meter related costs incurred in each of 2013 and 2014 in the calculation of the year-to-date figures.**

##### **4-Energy Probe-24**

**Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-JB**

**The cost driver table shows \$1,223,161 in 2014 for prior year smart meter costs. Please provide a breakdown of this amount by year when the costs were actually incurred.**

**4-Energy Probe-25**

**Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-JB**

**Based on the cost driver table, it appears that more than \$800,000 of the increase between 2013 and 2015 is related to the loss of the water billing.**

- a) Please verify the following cost increases/decreases between 2013 and 2015 and correct if necessary:**

<b>Water supervision not recovered</b>	<b>\$120,172</b>
<b>Water labour not recovered</b>	<b>\$475,829</b>
<b>Allocated water expenses</b>	<b>\$337,184</b>
<b>Billing expense reduced</b>	<b>(\$129,000)</b>
<b>Total water related</b>	<b>\$804,185</b>

- b) Please add any other impacts related to the loss of the water billing to those listed in part (a) above.**

**4-Energy Probe-26**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 3**

- a) Please provide the business case used to determine that outsourcing the mail machine activities was less costly than replacing the machine.**
- b) Please provide the estimated savings in labour and labour-related costs to outsourcing the mail machine activities.**

**4-Energy Probe-27**

**Ref: Exhibit 4, Tab 2, Schedule 1 &  
Exhibit 4, Tab 3, Schedule 1**

**Appendix 2-L shows an increase in FTE's between 2013 and 2015 of 0.9. Please reconcile this figure with the amounts shown in Table 4-5 by adding a column to the table that shows the associated FTE's with each line item.**

#### **4-Energy Probe-28**

**Ref: Exhibit 4, Tab 3, Schedule 1**

**Table 4-5 shows increases of wages and benefits of 3.1% in 2014 and 2.5% in 2015.**

- a) What does NPEI benchmark these increases against?**
- b) If NPEI benchmarks against other distributors, please provide a list of these distributors and their corresponding increases.**

#### **4-Energy Probe-29**

**Ref: Exhibit 4, Tab 3, Schedule 2 &  
Exhibit 4, Tab 2, Schedule 1**

- a) Please reconcile the total employee costs shown in Appendix 2-K and the figures shown in Table 4-1 for each year shown.**
- b) Please add a line to Appendix 2-K that shows the actual and forecasted amounts for 2011 through 2015 that are capitalized.**

#### **4-Energy Probe-30**

**Ref: Exhibit 4, Tab 3, Tab 4**

**Please provide an additional column on the 2013 non-affiliate purchases that shows which purchases are included in the 2013 OM&A costs.**

#### **4-Energy Probe-31**

**Ref: Exhibit 4, Tab 3, Schedule 6**

**Please provide the actual legal and consulting costs incurred to date associated with the one-time costs of this application.**

#### **4-Energy Probe-32**

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

**Please provide a table that shows for each of 2011 through 2013 the depreciation expense actually recorded (including that calculated by Worth-It) and the amount that would have been recorded if the depreciation expense for all accounts had been calculated using the half-year rule for asset additions in the year.**

#### **4-Energy Probe-33**

**Ref: Exhibit 4, Tab 5, Schedule 3**

**Does NPEI have any positions eligible for the Co-operative Education Tax Credit? If yes, please provide the number of eligible positions in 2015.**

### **EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN**

#### **5-Energy Probe-34**

**Ref: Exhibit 5, Tab 1, Schedule 1**

**Please update the relevant schedules, such as Appendix 2-OA, Appendix 2-OB to reflect the Board's November 20, 2014 letter detailing the Cost of Capital Parameter Updates for 2015 Applications.**

#### **5-Energy Probe-35**

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

- a) What is the current status of the September, 2014 RFP for \$10 million? If a rate has been determined, please update the 2015 long term debt tables in Exhibit 5, Tab 2, Schedule 1 to reflect the updated interest rate.**
- b) If an agreement has been signed, please provide the agreement and any supporting documentation.**
- c) Please explain why NPEI believes it is appropriate and consistent with Board policy to apply the Board's deemed long term debt rate to the difference between the actual and deemed long term debt?**

## **EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY**

### **6-Energy Probe-36**

**Ref: Exhibit 6, Tab 1, Schedule 1**

**Based on any corrections, changes or updates (such as the cost of capital updates and the cost of power updates), please:**

- a) Provide an updated Table 6-5; and,**
- b) Provide an updated RRWF (Attachment) that includes the appropriate and necessary entries in the Tracking Form.**

## **EXHIBIT 7 – COST ALLOCATION**

### **7-Energy Probe-37**

**Ref: Exhibit 7, Tab 1, Schedule 2**

- a) Is there any impact on the allocation of costs as a result of the purchase of assets from the Niagara Parks Commission? Please fully explain the answer.**
- b) What rate class or classes included the account(s) associated with the Niagara Parks Commission consumption prior to the assets being purchased by NPEI?**
- c) What rate class or classes include the account(s) associated with the Niagara Parks Commission consumption after the assets are purchased by NPEI?**

### **7-Energy Probe-38**

**Ref: Exhibit 7, Tab 1, Schedule 4**

- a) Table 7-11 does not appear to show the revenue-to-cost ratios that would be required for all rate classes in order to reduce the GS>50 class to 120%. Please provide a version of Table 7-11 that does so.**
- b) Please provide a version of Table 7-11 that sets all of the revenue-to-cost ratios for those classes below 100% (residential, sentinel lights, street lighting) equal to one another and allows the GS>50 class to be set at 120%.**

**7-Energy Probe-39**

**Ref: Exhibit 7, Tab 1, Schedule 4**

**Please provide versions of Tables 7-12, 7-13, 7-14 that set the revenue-to-cost ratios for the residential, sentinel and street lighting classes equal to one another in each year of the three year phase in.**

**EXHIBIT 8 - RATE DESIGN**

**8-Energy Probe-40**

**Ref: Exhibit 8, Tab 7, Schedule 1**

**Does NPEI offer customers the option of receiving their bill by e-mail rather than receiving an e-mail and then having to retrieve it from the NPEI website? If not, why not?**