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January 15, 2015

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 – Technical Conference Questions

Pursuant to Procedural Order No. 1, issued on November 18, 2014, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) 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)
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Interested Parties (By email)

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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.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

January 16, 2015

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

EXHIBIT 2 – RATE BASE

2-Energy Probe-41TC

**Ref: 70 2-Energy Probe-14 &
15-SEC-5**

- a) Please confirm that updated capital expenditures for 2014 and 2015 have NOT been reflected in the updated RRWF.**
- b) What is the impact on the revenue deficiency if the rate base were updated to reflect the 2014 and 2015 capital expenditures closed to rate base as shown in this interrogatory response?**
- c) Is NPEI able to update the 2014 figures to reflect more months of actuals for 2014 at this time, along with any corresponding changes to 2015? If yes, please update the table to reflect these changes.**

2-Energy Probe-42TC

Ref: 36 2-Staff-7

Please update the response to part (b) of 2-Staff-7 to reflect the most recent estimate of capital expenditures in 2014 (consistent with the response to 1-Energy Probe-41TC part (c) above, or with 15-SEC-5).

2-Energy Probe-43TC

Ref: 48 2-Staff-19

Please explain how the significant customer driven system expansions noted in part (c) of the response have been reflected the customer, kWh and kW forecasts for 2014 and 2015. Please explain any changes to the forecast to account for this significant growth in 2014.

2-Energy Probe-44TC

**Ref: 49 2-Staff-20 &
15-SEC-5**

The original forecast of vehicle capital expenditures in 2014 was \$672,000, but the projected 2014 figure is now \$215,000.

- a) Please explain why this figure is significantly lower than forecast for 2014.**
- b) Is there any impact on the 2015 capital expenditures?**

2-Energy Probe-45TC

Ref: 53 2-Staff-24

- a) Does NPEI have any plans to bill the private vendors noted in the response to part (b) on an individual basis? If yes, has the additional costs of meters, etc. been included in the cost of roughly \$820,000, or has it been included in other categories of capital expenditures?**
- b) Please identify and quantify the additional capital expenditures that may result from the purchase of the NPC assets.**
- c) How has the forecast of customers, kWh's and kW's related to the purchase of the NPC assets and the potential for individual metering for private vendors served by those assets been reflected in the revenue forecast for 2015?**
- d) How has the distribution system plan accounted for the addition of these assets that appear to require major investments over the coming years?**

2-Energy Probe-46TC

**Ref: 60 2-Energy Probe-4 &
15-SEC-5**

- a) Please explain the increase in the additions to gross assets in 2014 shown in the interrogatory response to 2-Energy Probe-4 as compared to the original evidence.**
- b) Please explain why the additions to gross assets in 2014 have gone up in the interrogatory response to 2-Energy Probe-4 whereas there is a decrease shown in the response to 15-SEC-5.**

- c) **Please update the 2015 continuity schedule provided in the response to the Energy Probe interrogatory to reflect the increase in test year capital additions of about \$490,000 reflected in the response to the SEC interrogatory.**

2-Energy Prove-47TC

Ref: 62 2-Energy Probe-6

The response shown, shows that in 2011 the amount removed from cost was 236,260. However, in Exhibit 2, Tab 1, Schedule 1, the amount shown removed in the 2011 continuity schedule is \$92,783. Please reconcile.

2-Energy Probe-48TC

Ref: 64 2-Energy Probe-8

- a) **Please explain fully why NPEI cannot calculate the revenue requirement associated with the purchase of the NPC assets.**
- b) **Based on the capital expenditure of \$818,000, what is the cost of short term and long-term debt and the return on equity associated with the addition of this amount to rate base?**
- c) **Based on the incremental return on equity from part (b) above, what is the impact on PILs?**
- d) **What additional OM&A costs has NPEI included in the 2015 revenue forecast associated with these assets? These additional costs are referred to in part (c) of the response.**
- e) **What additional capital expenditures have been included in 2015 associated with the replacement or upgrade of the assets to be purchased or the addition of meters to private vendors?**
- f) **Part (c) of the response indicates that there will be increased service and volumetric charges. Please show the revenues generated under current rates with the existing ownership (including volumes and customers) along with the revenues (and volumes) under the ownership of NPEI with the addition of customers to the GS< 0 and GS >50 classes, as noted in part (f) of the response. Please also indicate how this increase in revenues has been reflected in the revenue forecast in Exhibit 3.**

2-Energy Probe-49TC

Ref: 65 2-Energy Probe-9

- a) **Please explain the significant increase in line relocations shown between the original 2014 budget and the projected 2014 figure.**
- b) **Please explain why there is not a corresponding increase in the capital contributions associated with this increase.**

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-50TC

Ref: 90 3-Energy Probe-16

Please provide the actual number of customers by rate class for each month of 2013 and for each month of 2014 for which NPEI now has actual data.

3-Energy Probe-51TC

Ref: 91 3-Energy Probe-17

Please confirm that in addition to the changes related to the CDM figures, that the current load forecast reflects the corrected regression equation as estimated in the question, adjusting for any changes from the different CDM values used for 2013.

3-Energy Probe-52TC

Ref: 92 3-Energy Probe-18

What is the basis of NPEI's conclusion that none of the three estimated equations was statistically significant at the 90% confidence level? Please point out the regression statistics found in the response that support this conclusion.

3-Energy Probe-53TC

Ref: 95 3-Energy Probe-21

Please explain what NPEI means by the statement that it bills distribution costs to the following types of accounts on behalf of the Niagara Parks Commission.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-54TC

**Ref: 116 4-Energy Probe-23, part b &
Exhibit 4, Tab 2, Schedule 1, Table 4-3**

- a) Does the 2013 October Actuals column include an allocation of the 2013 smart meter costs of \$311,339 shown in Table 4-3?**
- b) The 2013 Actuals with 12 months smart meter costs (\$14,213,954) is only \$61,645 higher than the 2013 Actuals column, while Table 4-3 shows the 2013 smart meter costs are \$311,339. Please reconcile.**

4-Energy Probe-55TC

**Ref: 118 4-Energy Probe-25 &
Appendix 2-JB &
109 4-Staff-37 &
142-SEC-30**

- a) Please explain where in Appendix 2-JB the reduction in costs related to the billing clerk that retired in 2013 and was not replaced, as noted in the response to part (a) of 4-Energy Probe-25, is shown.**
- b) The response to part (a) of 4-Energy Probe-25 indicates that the increase of \$804,185 shown in the question is verified except for the savings from the billing clerk retirement, which is shown in part (b) of the response as \$104,280. This would bring the total costs down to \$699,905. However, the response to part (b) shows the full impact of water as an increase of \$906,527. Please reconcile.**
- c) Please reconcile the full impact of water of \$906,527 shown in part (b) of 4-Energy Probe-25 with the figure of \$652,304 shown in the response to part (g) of 4-Staff-36.**
- d) Please provide one table, similar to that in SEC-30, that shows the total full impact of water on OM&A expenses in each of 2014 and 2015 that is consistent with the other interrogatory responses, or their updates requested in this interrogatory.**

4-Energy Probe-56TC

Ref: 119 4-Energy Probe-26 & Appendix 2-JB

- a) Please reconcile the \$65,000 annual cost to outsource the mail machine with the figure of \$102,000 shown in 2015 in Appendix 2-JB.**
- b) The annual cost of \$65,000 replaces about \$9,000 in maintenance and consumable expenses and a \$82,000 capital cost for the equipment. This represents a significant increase in costs after factoring in depreciation and return on capital for the equipment. Part (b) of the interrogatory response indicates that resources are now available for billing call centre coverage and other billing related tasks. Please quantify (both FTE and dollars) of this reallocation of resources away from mailing.**

4-Energy Probe-57TC

Ref: 125 4-Energy Probe-32

- a) Please confirm that NPEI calculated the depreciation expense for 2014 and 2015 using the half year rule or the in-serve month for all additions for regulatory purposes?**
- b) Please confirm that for accounting purposes, NPEI will continue its practice in 2011 through 2013 of calculating depreciation for some assets based on the in-service month.**
- c) Was the depreciation expense calculated in NPEI's previous cost of service application (EB-2010-0138) based on the half year rule for all assets? If not please explain.**

4-Energy Probe-58TC

Ref: 135 4-VECC-34

- a) Please confirm that there is no change in the 2015 OM&A as a result of 2015 OM&A shown in MIFRS and 2014 shown in CGAAP. If this cannot be confirmed, please show the change in 2015.**

- b) Please confirm that there was no impact on 2013 OM&A as result of the change in accounting effective January 1, 2013, that was mandated by the OEB because NPEI had made these changes effective January 1, 2011. If this cannot be confirmed, please indicate the increase in OM&A costs in 2013 as a result of the change in capitalization.

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-59TC

Ref: 152 7-Energy Probe-38 &
153 7-Energy Probe-39

- a) Please confirm that all of the tables shown in the responses to these two interrogatories have been updated to reflect the updated service revenue requirement.
- c) Please confirm that all of the tables shown in the responses to these two interrogatories have been updated to reflect the cost allocation changes noted in item #8 in 1-Staff-1.
- d) If one or both of the above is not confirmed, please update the responses to the two interrogatories.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-60TC

Ref: 163 8-VECC-48

- a) Please update the RTSR rates for 2015 to reflect the RB-2014-0357 Rate Order dated January 08, 2015.
- b) What is the impact on the cost of power for 2015 of this update?