

**Board Staff Interrogatories
Canadian Niagara Power Inc. ("CNPI Tx")
2015-2016 Cost of Service Revenue Requirement
EB-2014-0204**

1-Staff-1

Ref: E1-T1-S11 and E1-T4-S1 2013 Audited Financial Statements and E2-T1-S4

In the application, CNPI Tx indicated that it is proposing to change the estimated useful lives of its assets consistent with the guidelines in the Kinectrics Report and that no changes are required for its accounting policy for overhead costs associated with capital work. From Note 1B of the 2013 consolidated (transmission and distribution) audited financial statements, it appears that the change in useful lives and the assessment for no changes in capitalization policy was effective January 1, 2013.

- a) Please confirm that January 1, 2013 was the effective date for the change in useful lives for regulatory purposes. If not January 1, 2013, please indicate the date of change.
- b) If the effective date for the change in useful lives was not January 1, 2013, please explain why CNPI Tx did not change its useful lives consistent with CNPI's consolidated audited financial statements or the Board's letter, dated July 17, 2012 on regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013
- c) If the effective date for the change in useful lives was January 1, 2013, the ending net book values of PP&E using the old useful lives would be different than that using revised useful lives. Please explain why the opening net book values in 2015 (i.e. the ending net book values of 2014) shown in the Fixed Asset continuity schedule without changes to useful lives in E1-T1-S11 Appendix 2-BA1 are the same as that shown in the Fixed Asset continuity schedule with the changes to useful lives in E2-T1-S4 p.6. Please revise the Fixed Asset continuity schedules as necessary.
- d) From Note 15 of the 2013 consolidated audited financial statements, the 2013 net book value of capital assets for CNPI Tx is \$13,972,000. From the Fixed Asset continuity schedule in E2-T1-S4 p.4, the 2013 ending net book value of PP&E is \$18,726,156.
 - i. If the effective date for the change in useful lives was not January 1, 2013, please explain why the PP&E amount in the audited financial statement is not used as the basis of the PP&E amount in rate base in the current application. Please explain how the PP&E amount in the rate application is determined.

- ii. If the effective date for the change in useful lives was January 1, 2013, please explain and reconcile the difference in 2013 ending net book value between the audited financial statements and the current rate application.

1-Staff-2

Ref: E1-T1-S11 and E2-T1-S4 p.6-7

CNPI Tx showed a comparison of the change in useful lives in E1-T1-S11 Appendix 2-EE. Appendix 2-EE is for Account 1576 (accounting changes under GAAP).

- a) Is CNPI Tx proposing Account 1576 for disposition?
- b) If CNPI Tx is proposing Account 1576 for disposition:
 - i. Why is CNPI Tx calculating the impact of change in useful lives for 2015 and 2016 and not as at 2014?
 - ii. Why is CWIP included in the calculation when CWIP is not a part of rate base?
 - iii. Please complete the rest of the Appendix, including the return on the account and disposition period.
- c) If CNPI Tx is not proposing Account 1576 for disposition,
 - i. Please explain why not when other transmitters such as Great Lakes Power Transmission LP have recorded and disposed of amounts in a similar account, Account 1575 (EB-2014-0238 proceeding).
 - ii. Please quantify what the amount recorded in Account 1576 would be ending December 31, 2014, including the return.

1-Staff-3

Ref: E1-T2-S9

CNPI Tx indicated that it is not aware of any events that would have resulted in the accumulation of costs in any deferral and variance regulatory accounts. Has CNPI Tx considered whether Account 1592 PILs and Tax Variances for 2006 and Subsequent Years, Sub-account HST / OVAT Input Tax Credits (ITCs) would be applicable?

- a) Please explain why the account is or is not applicable.
- b) Please quantify the amount that would be recorded in the sub-account, if applicable.

1-Staff-4

Ref: E1-T4-S2

CNPI Tx stated that it has not filed regulatory financial statements and therefore, there are no reconciliations to the audited financial statements.

- a) Please confirm that the audited financial statements are the basis for the regulatory financial information presented in CNPI Tx's current application.
- b) If the response to part a) above is no, explain how the regulatory financial information presented in CNPI Tx's current application is derived.
- c) If the amounts used for regulatory purposes in this rate application are different than amounts from the audited financial statements, please provide a reconciliation between the two. Please explain what the reconciling items are.

2-Staff-5

Ref: E2-T1-S1 p.1

CNPI Tx states that it opted not to include an allowance for working capital in its derivation of rate base and that it did not undertake a working capital study for the purpose of calculating the 2015-2016 Test Years' working capital. CNPI Tx notes that it receives all of its revenue directly from the IESO following settlement of the electricity market; approximately sixteen days following period end. In table 2.1.1.1 CNPI Tx provided identified the Working Capital Allowance component of rate base for the noted years.

Table 2.1.1.1 Rate Base Overview

Description	2001 Approved	2011 Actual	2012 Actual	2013 Actual	2014 Bridge	2015 Test	2016 Test
Gross Fixed Assets	28,446,047	29,416,952	30,130,284	33,225,780	36,422,933	42,362,700	43,203,300
Accumulated Depreciation	(6,331,667)	(14,585,456)	(15,378,206)	(16,079,456)	(17,382,887)	(18,203,880)	(19,089,089)
Net Book Value	22,114,380	14,831,496	14,752,078	17,146,324	19,040,046	24,158,820	24,114,211
Average Net book Value	22,114,380	15,040,788	14,791,787	15,949,201	18,093,185	21,599,433	24,136,516
Working Capital Requirement	1,100,790	1,592,177	1,724,679	1,545,662	1,805,115	-	-
Working Capital Allowance	165,119	238,827	258,702	231,849	270,767	-	-
Rate Base	22,279,498	15,279,614	15,050,489	16,181,050	18,363,953	21,599,433	24,136,516

- a) Please describe the methodology CNPI Tx used to develop the Working Capital Requirement and Working Capital Allowance amounts shown in table 2.1.1.1
- b) On a best efforts basis please provide a high level, working capital/allowance calculation consistent with the methodology described in a)
- c) Why did CNPI Tx decide to forgo the revenue requirement amount related to b)?

2-Staff-6Ref: E2-T1-S1 and E11-T1-S1

The terms “IPL Rebuild Project” and “IPL Removal and Replacement Project” are used in the evidence (for purposes of these IRs, IPL Rebuild Project will be used unless the reference is a direct quote).

- a) Please confirm that these are short form terms for Alternative #4, “Removal of the IPL(International Power Line), and Replacement with a New Facility” and that they are interchangeable? If not, please describe how they are differ and edit the IR response where necessary?
- b)

2-Staff-7Ref: E2-T1-S1

Please complete the table below.

Gross Fixed Assets				
	Amount	Year on Year Change		Annual Depreciation
		\$	%	
2001 Approved	\$ 28,446,047	na		
2001 Actual	\$ 29,416,952	\$ 970,905	3.4%	
2002 Actual				
2003 Actual				
2004 Actual				
2005 Actual				
2006 Actual				
2007 Actual				
2008 Actual				
2008 Actual				
2009 Actual				
2010 Actual				
2011 Actual				
2012 Actual	\$ 30,130,284			
2013 Actual	\$ 33,225,780	-\$3,095,496		
2014 Bridge	\$ 36,422,933			
2015 Test	\$ 42,362,700			
2016 Test	\$ 43,203,300			

2-Staff-8

Ref: E2-T2-S1 p.5

CNPI Tx is proposing to spend \$460,000 in capital expenditures in 2016 for the relocation of portions of line 2 near Bowen Road. CNPI Tx notes that Regional and stakeholder consultations have identified the need for this expenditure to make room for a new proposed highway and infrastructure improvements triggered by the development of the Canadian Motor Speedway in Fort Erie. This capital project is expected to commence in May of 2015 and completed by summer 2016 to accommodate the customer's schedule.

- a) What is the nature of the infrastructure improvements triggered by the development of the Canadian Motor Speedway in Fort Erie?
- b) What is the status of the proposed new highway? Have the municipality and/or province let the construction contract yet?
- c) What portion of the \$460,000 is directly related to the Canadian Motor Speedway development?
- d) Is CNPI Tx's sole customer, CNPI Dx, affected by the project?
- e) Is a capital contribution expected from the Canadian Motor Speedway? If not, why not? If yes, is the \$460,000 net of the capital contribution?
- f) If the \$460,000 is the project cost net of the capital contribution, what aspect of the project justifies recovery of costs from any electricity customers?

2-Staff-9

Ref: E2-T1-S4 and E2-T3-S1 p.1

In the Fixed Asset continuity schedules, there is an "Allocations" column:

- a) Please confirm whether these allocations involve CNPI Distribution. If not, please explain the nature of these allocations.
- b) Please explain how these allocations are determined year over year.

2-Staff-10

Ref: E2-T1-S1 p.8

CNPI Tx indicates that HONI is the lead transmitter for the Niagara Region's Regional Planning process and that because of provincial priorities the planning process has not started yet.

Absent a Regional Infrastructure plan (wires solution) on what basis should CNPI Tx's proposed capital expenditures projects (system renewal) be assessed?

2-Staff-11

Ref:E2-T1-S1 p.2-3

CNPI Tx states that in the event of failure (Line A36N & A37N between Murray TS and Stn 11), CNPI Tx's restoration plan requires CNPI Tx to switch from the HONI supply to the National Grid transmission system in New York.

- a) Please confirm whether this is a single or double circuit line.
- b) Is it correct that the International Power Line has been in a state of "forced outage" since March 2013?
- c) Does this mean that CNPI Tx's restoration plan at presently is, in effect, unimplementable?
- d) Please describe the necessity and sufficiency of the restoration plan with reference to Ontario resource and transmission assessment criteria

2-Staff-12

Ref:E2-T2-S2 p3 and E12-T1-S1p.7

CNPI Tx indicates that \$2,900,011 was invested and capitalized in 2013 for a significant expansion at Station 18 from single element (one power transformer) to dual element (two power transformers) configuration. The investment was to address the situation where CNPI Tx was not fully compliant with the reliability and security of supply standard of being reasonably able to restore power to any Customer Delivery Point within 8 hours of a forced outage.

- a) On what basis did CNPI Tx decide to double element Station 18 rather than Station 17
- b) All else being equal, did this investment improve CNPI Tx's ability to meet the 8 hour standard?
- c) To what extent is the justification of the IPL Rebuild Project affected by this investment?

11-Staff-13¹

Ref:E11-T1-S1 p.20

CNPI Tx states that the IPL is used exclusively for the export of emergency power from the National Grid to CNPI Tx when CNPI Tx loses its normal supply from the IESO.

¹ The Exhibit 11 interrogatories are grouped with those Exhibit 2 interrogatories that also pertain to the IPL Rebuild project.

Is this the primary reason justifying the IPL Rebuild Project?

11-Staff-14

Ref:E11-T1-S1

The Board found in its EB-2009-0283 Leave to Construct decision (p.12) that:

....that based on the evidence, the Project cannot be justified on the basis of the need to improve the reliability of supply to the Fort Erie load. Therefore, the Board considers the Project to be in the “Discretionary” need category, based on Section 5.2.2 of the Ontario Energy Board’s “Filing Requirements for Transmission and Distribution Applications”. As a “Discretionary” project, the Board assumes that the Project must be justified on economic grounds and that “doing nothing” is a viable option.

- a) What has changed since the EB-2009-0283 decision which would support the Board making a finding in the instant application that “reliability of supply” is an acceptable justification for the proposed IPL Rebuild Project?
- b) Did CNPI Tx consider including Economic Benefits as a justification for the IPL Rebuild Project?

11-Staff-15

Ref:E11-T1-S1

CNPI Tx at p.4 notes that one unique entity within the Fort Erie service area that is impacted by outages to CNPI Tx's transmission system is the Buffalo and Fort Erie Bridge Authority and related immigration, border security, policing, and transportation agencies, which are responsible for operating and maintaining the Peace Bridge that connects Buffalo, New York to Fort Erie, Ontario.

- a) Is the Buffalo and Fort Erie Bridge Authority a direct customer of CNPI Tx?
 - i. If not, please indicate how this matter has been addressed by the distributor who serves the Buffalo and Fort Erie Bridge Authority and/or Canadian Border Services.
- b) Has CNPI Tx assessed whether improved back-up generation at the border site is an economic alternative way of dealing with the adverse effects of an outage.

11-Staff-16

Ref: E11-T1-S1 p.36

CNPI Tx notes that the line replacement route for the IPL Replacement Project is 1,178 meters long.

What is the minimum length of a transmission line project whereby a leave to construct application is not required?

2-Staff-17

Ref: E2-T1-S1 and E2-T2-S2 p.5 and E11-T1-S1 p.11

At E11-T1-S1 p.11 CNPI Tx indicates that it is planning to spend \$1,790,000 in 2014 and \$5,108,611 in 2015 for the IPL Rebuild Project for a total of \$6,898,611. The cost components are:

Removal of existing facility:	\$1,790,000
Construction of the new facility:	\$4,378,200
Other costs:	\$ 400,000
Contingency:	<u>\$ 330,411</u>
Total:	\$6,898,611

At E2-T2-S2 p.5 In 16-17 CNPI Tx indicates that the materials for the IPL Rebuild Project will be purchased as soon as the Board approves the project.

- a) How much of the total budget is for materials?
- b) What is the latest date for Board approval to ensure that the project is completed by October 2015?
- c) When did CNPI Tx start to incur and record costs for the IPL Rebuild Project and did it have an estimate of what the completed Project would approximately cost?
- d) What are the total costs incurred to date on the IPL Rebuild project?
- e) What portion of the \$6,898,611 in costs is attributable to work done and materials associated with plant located in the United States?
- f) Regarding the recovery of costs incurred for plant located in the US, the Board noted in its EB-2009-0283 Leave to Construct decision (p.8) that:

With regard to the cost responsibility and approvals in that regard, the Board notes that the issue of recoverability of costs incurred in the United States is a unique issue. It raises ratemaking considerations beyond those typically addressed in a Leave to Construct proceeding. In addition, the recovery of the costs associated with works in the United States may raise jurisdictional issues. The ratemaking issues related to the costs of the

International Line and works in the United States have not been fully exposed in this proceeding in any event. The Board concludes that given the scope and nature of these issues they may be better addressed in a rates proceeding.

Given the Board's findings on the application, it is not necessary to address these issues further at this time.

What evidence has CNPI Tx provided in the instant application regarding the potential jurisdictional issue noted above?

2-Staff-18

Ref: E2-T2-S2 Capital Projects Table & E11-T1-S1 p.11

The Capital Projects Table shows IPL Removal and Replacement cost as follows:

2012 \$352,864

2013 \$1,790,000

2013 \$5,108,611

These three amounts total \$7,251,475

At E11-T1-S1 p.11 the estimate costs for the IPL project are shown as follows:

Removal of existing facility: \$1,790,000

Construction of the new facility: \$4,378,200

Other costs: \$ 400,000

Contingency: \$ 330,411

Total: \$6,898,611

- a) Please explain the discrepancy between the 2 totals.
- b) Which total is reflected in the revenue requirement proposed for 2015 and 2016?
- c) Have any IPL project costs i.e capital expenditures, OM&A, OM&A capitalized, depreciation, carrying costs, have been expensed in 2012 or 2013 or 2014?
 - i. If so, have they been excluded from the revenue requirement calculation for 2015 and 2016? If so, please specify.

2-Staff-19

Ref:E2-T2-S2 p1 Capital Projects Table

The capital expenditures proposed for Station 18 for are \$235,000 for 2014, \$485,903 for 2015 and \$90,000 for 2016.

- a) Are any of these costs included the estimates provided for the IPL Rebuild Project? If so, please specify the amount.

2-Staff-20

Ref: E2-T1-S1

- a) Please confirm whether the proposed IPL Rebuild Project increases, as compared to 2013 actual, the average net book value component of rate base by more than 40%.
 - i. If not, please specify the percentage increase.
- b) Please explain why CNPI Tx waited until November 2014 to file a cost of service application to seek cost recovery for a project that started in 2012 and which, if approved, will significantly increase 2015 and 2016 rate base?
- c) Please re-calculate CNPI Tx's revenue requirement for 2015 and 2016 excluding all the costs associated with the IPL Rebuild Project.

2-Staff-21

Ref:E2-T1-S1 and E11-T1-S1 Appendix C & Appendix E

At p. 8 (11) CNPI Tx notes that the OPA supports the IPL Rebuild Project and is of the view that "maintaining an international transmission corridor has strategic value in the future should further interconnection capability be required."

- a) Has the OPA indicated to CNPI Tx when in the future the interconnection capability will be required?
- b) Is it correct that the interconnection capability for this line is not included in the OPA's Long Term Energy Plan or Integrated Power System Plan (Bulk System Planning)?
- c) At p. 21 (E11) CNPI Tx indicates that the IPL is asynchronous (non-synchronous). Will the proposed rebuilt IPL be non-synchronous?
 - i. If non-synchronous, how useful will the transmission line intertie be for importing and exporting activities i.e. increasing the transfer capacity of the IESO and NYISO controlled grids?
 - ii. If non-synchronous, are the loads that IPL can serve through imported power only those loads that are connected to CNPI's transmission system?
 - iii. If non-synchronous, must the CNPI Tx transmission system be isolated from all supply or generation sources in Canada before CNPI load is connected to the National (US) grid?

- d) What is the nature of the land agreements associated with the Ontario section of the transmission corridor? What would happen to the corridor lands and associated easements/rights if the transmission line is dismantled and not rebuilt?

2-Staff-22

Ref: E2-T1-S2

Attached to Board staff IRs as Appendix A is a document called the *Ontario Resource and Transmission Assessment Criteria-issue 5.0* (ORTAC) which is published by the IESO.

- a) Please elaborate if, and illustrate how, if applicable, this document informed CNPI Tx's Transmission Asset Plan and proposed capital expenditures for the 2015 and 2016 test years.

2-Staff-23

Ref: E2-T5-S2

At page 3 table 1 CNPI Tx presents its proposed delivery point performance targets for 2015 and 2016. On page 4, it notes CNPI is adopting performance standards in HONI's CDPPS document.

Table1: Delivery Point Performance Targets based on Load Size

Performance Measure	Delivery Point Performance Target (Based on a Delivery Point's Total Average Station Load)			
	0 to 15MW		15 to 40 MW	
	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance
DP Frequency of Interruptions (Outages/year)	4.1	9	1.1	3.5
DP Interruption Duration (minutes/year)	89	360	22	140

- d) Please confirm that the document titled "Customer Delivery Point Performance Standards" attached as Appendix B to these IRs is the referenced HONI CDPPS document. Please confirm that the Board file number for this document is RP-1999-0057/EB-2002-0424.
- e) Should the range presented as "15-40MW" in table 1 above be expressed as ">15-40MW" in that the other range is "0 to15MW".
- f) Please indicate which performance measures (i.e for 0 to 15MW or for 15-40MW) will apply for each of CNPI Tx's two customer delivery points

- g) Page 5 discusses the use of a five year average from 2009 to 2013. Please prepare a table which compares CNPI Tx's actual performance in each of 2009, 2010, 2011, 2012 and 2013 as well as the noted five year average against the targets shown in table 1 above.
- h) HONI's CDPPS document that was approved by the Board discusses "cost responsibility" and "process timelines" where there is a need for remedial action to address performance outliers. Please explain why CNPI Tx's document does not address those two matters.
- i) As explained in HONI's Board approved CDPPS document, the purpose of these standards is to maintain the "historical" level of performance at each delivery point. Why does CNPI intend to restore a delivery point to only the "minimum" standard as explained on page 5?
- j) The IESO ORTAC document at p. 30 requires the following regarding Load Restoration Criteria:

7.2 Load Restoration Criteria

The IESO has established load restoration criteria for high voltage supply to a *transmission customer*. The load restoration criteria below are established so that satisfying the restoration times below will lead to an acceptable set of *facilities* consistent with the amount of load affected.

The *transmission system* must be planned such that, following design criteria contingencies on the *transmission system*, affected loads can be restored within the restoration times listed below:

- a. All load must be restored within approximately 8 hours.
- b. When the amount of load interrupted is greater than 150MW, the amount of load in excess of 150MW must be restored within approximately 4 hours.
- c. When the amount of load interrupted is greater than 250MW, the amount of load in excess of 250MW must be restored within 30 minutes.

These approximate restoration times are intended for locations that are near staffed centres. In more remote locations, restoration times should be commensurate with travel times and accessibility.

Does CNPI Tx agree that CNPI's service expectation would fall under category "a" given the size of the load it serves? Does CNPI's proposed hourly equivalent restoration performance target differ from "within 8 hours"? If so, please explain why.

2-Staff-24

Ref:E11-T1-S1 p4

- a) Please define what is entailed by the phrase "catastrophic failure at CNPI Station #11".
- b) CNPI states, "Without the IPL, the distributor would experience a power outage if live line maintenance could not be performed on the CNPI Tx 115kV line."
 - i. Can live line maintenance be performed safely on CNPI's Tx's 115kV line?

- ii. Please provide a high level description of the reasons that the IPL facilities are favoured versus live line maintenance.

11-Staff-25

Ref:E11-T1-S1

One of the IPL project alternatives (#3) that CNPI Tx considered is the “Removal of the IPL, Retirement of Line 46 from Station 18 to the National Grid Buffalo High Tower, and Reinforcement of the CNPI Tx transmission system to meet current reliability standards”. The estimated cost for this proposal is shown below:

Actions	Estimated cost
Remove the existing IPL	\$1,790,000
Improve CNPI line crew's transmission capability	\$1,100,000
Relocate 1.5 km 115 kV line	\$1,500,000
Retire the 115 kV line between Station 18 and Bertie Hill tower	\$5,903,163
Construct a dead-end structure at Station 18	\$100,000
Total	\$10,420,163

Note: Does not include CNPI contribution would have to make to the National Grid to retire the transmission line from Buffalo High Tower to Dearborn Street.

- Why is “retiring the 115 kV line between Station 18 and Bertie Hill tower” (\$5.9M) 3 times more expensive than “removing the existing IPL(\$1.1M)?
- What are the specific “access” issues on the 1.5 km of kV line, which has a 30 foot right of way, which requires its relocation at a cost of \$1.5M?
- Under alternative #3, is the removal of the 115 kV line between Station 18 and Bertie Hill tower a legal and/or regulatory or equivalent requirement?

11-Staff-26

Ref: E11-T1-S1 p.10-11 and E2-T2-T1 Appendix A

For the IPL Rebuild Project CNPI Tx is capitalizing the removal cost of \$1,790,000 as can be seen in E2-T2-T1 Appendix A in 2015.

- Please explain why CNPI Tx is proposing to capitalize this amount instead of expensing this amount.
- Please provide any accounting guidance CNPI Tx is relying on to capitalize the removal costs.

- c) CNPI Tx expects to remove the IPL by November 2014. Has CNPI Tx discussed the treatment for financial reporting purposes with its auditor? What was the result of these discussions?
- d) Please indicate if there were any gains or losses recognized and the amount of any gains or losses as a result of the disposal of the IPL asset. Please indicate where the gains or losses, if any are recorded in the rate application.

11-Staff-27

Ref: E11-T1-S1 p.2

CNPI provides the non-coincidental peak loads at Station 17 and Station 18 for July 2010.

- a) Why has CNPI provided peak load information for Station 17 and 18 only for July 2010?
- b) Please complete the tables below for 2007-2014:

Table A – Non-coincident Peak load information for Stn. 17 and Stn. 18

Year	Station 17	Station 18	Day/Month peak experienced
2007			
2008			
2009			
2010	21.4 MVA	41.1 MVA	
2011			
2012			
2013			
2014			

Table B – Coincident Peak load information for Stn. 17 and Stn. 18

Year	Station 17	Station 18	Day/Month peak experienced
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			

3-Staff-28

Ref:E3-T1-S2 p.3 & table 3.1.2.3

For forecasting purposes, CNPI Tx notes that the IESO billing determinant monthly (non-coincident) actuals have been normalized for load transfers between CNPI Tx's delivery points by replacing the demands thereby created with "averaged monthly demands".

Please describe how the "averaged monthly demand" is calculated, using the normalized amount (43.7MW) for May as an example.

3-Staff-29

Ref:E3-T1-S2 p.5

CNPI Tx indicates 92.5% as the coincident factor with system peak.

Please demonstrate how a 92.5% coincident factor is used in the calculation that generates a Network Service determinant of 522,070 kW for 2015.

4-Staff-30

Ref: E4-T4-S2 and E1-T4-S1 2013 Audited Financial Statements

In the CNPI 2013 audited financial statements, note 1B indicates that CNPI is adopting CPA Handbook Section 3462 as of January 1, 2014 which requires unamortized pension and other retirement benefits amounts as at December 2013 to be retroactively charged to retained earnings. The Board allowed CNPI to establish specific deferral and variance accounts relating to the unamortized amounts in the proceeding EB-2013-0368/EB-2013-0369.

- a) Please confirm that similar to CNPI, CNPI Tx will be required to recognize the unamortized pension and other retirement benefit amounts in retained earnings as at January 1, 2014 as well. If not, please explain why not.
- b) Please indicate whether this amount is material. If material, please explain what CNPI Tx proposes to do with the amount in this current rate application.

4-Staff-31

Ref: E4-T4-S2

CNPI Tx last rebased in 2002. For Other Post Employment Benefits ("OPEBs"):

- a) Please indicate if OPEBs were recovered as part of CNPI Tx's last rebasing application.
- b) If yes, please indicate if OPEBs were recovered on a cash or accrual accounting basis.
- c) Please complete the table below to show how much has been recovered from ratepayers from the year CNPI Tx started recovering amounts for OPEBs in comparison to the actual cash benefit payments.

OPEBs	2002 to 2012	2013	2014	2015	2016	Total
Amounts included in rates						
OM&A						
Capital expenditures						
Sub-total						
Paid benefit amounts						
Net excess amount included in rates greater than amounts actually paid						

- d) Please describe what CNPI Tx has done with the recoveries in excess of cash benefit payments, if any.

4-Staff-32

Ref: E4-T10-S3 and E2-T1-S4 p.1-7

In the depreciation schedules,

- a) Please explain the purpose of the column titled "Adjustment for capitalization date" in the Depreciation Schedules/without the accounting policy changes for the years 2011-15, and please explain how the amount was calculated.
- b) Please explain why the "Adjustment for capitalization date" only applies to the 2011 to 2015 Depreciation Schedules/ without the accounting policy changes but does not apply to the 2015 and 2016 Depreciation Schedules/with the accounting policy changes.
- c) Please explain how the depreciation expense on asset allocation is calculated.

- d) Please explain how the depreciation expense on asset allocation correlates to the gross cost of asset allocation as shown in the table below.

		2010	2011	2012	2013	2014	2015	2016
E2-T1-S4 (Appendix 2-BA)	Cost	1,156,032	1,794,262	1,837,772	1,957,904	2,415,057	2,501,882	2,602,482
	Accumulated Depreciation	-756,813	-1,246,596	-1,280,471	- ,375,797	-1,734,549	1,878,549	2,012,596
	Net Book Value	399,219	547,666	557,301	582,107	680,508	623,333	589,886
E4-T10-S4 (Appendix 2-CM to CU)	Depreciation Expense	Not provided	489,783	33,875	95,326	358,752	144,000	134,047

4-Staff-33

Ref: E4-T11-S2 and E4-T11-S3

In E4-T11-S2 and S3, the split of PILs between CNPI Distribution and CNPI Tx is shown. Please explain how the allocation of the line items in the PILs calculation between CNPI Distribution and CNPI Tx is determined, including the allocation of UCC pool for CCA purposes and the tax credit.

4-Staff-34

Ref: E4-T1-S1

Please complete the table below.

*Operating and Maintenance Expenses			
	Amount	Year on Year Change	
		\$	%
2002 Approved	\$ 1,100,790		
2002 Actual	\$ 1,996,303	\$ 895,513	81.4%
2003 Actual			
2004 Actual			
2005 Actual			
2006 Actual			
2007 Actual			
2008 Actual			
2008 Actual			
2009 Actual			
2010 Actual			
2011 Actual	\$ 1,592,177		
2012 Actual	\$ 1,724,679	\$ 132,502	8.3%
2013 Actual	\$ 1,545,662	-\$ 179,017	-10.4%
2014 Bridge	\$ 1,805,115	\$ 259,453	16.8%
2015 Test	\$ 2,012,716	\$ 207,601	11.5%
2016 Test	\$ 2,057,066	\$ 44,350	2.2%
* includes property taxes			

4-Staff-35

Ref: E4-T3-S1

CNPI Tx indicates that in 2010 CNPI Tx began a multi-year program (2010-2018) to remove a 25-cycle transmission line consisting of 185 towers. OM&A costs are expected to total \$975,000 over the period.

- When was the 25-cycle system removed from service? At that time was rate base also reduced?
- If rate base was not reduced, did CNPI Tx continue to earn through its then existing Board-approved rates a return on assets which were no longer in service?
- Was “expensing” the tower removal cost the only accounting treatment available to CNPI Tx e.g. recording the removal costs in the plant asset account?

- d) Please explain why the program does not remove the same number of towers each year, i.e. 10 annually from 2010 to 2011, then 15 annually from 2012 to 2014 and then 30 annually from 2015 to 2018?

4-Staff-36

Ref:E4-T3-S1 p.4 lines 14-16 and Table 4.3.1.1

CNPI Tx states the operating expenses increase in 2015 due to the recovery of \$122,128 for Project Fortran (disallowed synchronous tie line) and indicates that it is seeking to recovery of these costs over 10 years.

- a) Please confirm that the proposed OM&A for 2015 and 2016 each includes a provision of \$122,128 for the recovery of the Project Fortran costs?
- b) If so, please explain the appropriateness of this accounting treatment? Under which account number would the annual expense be recorded?

4-Staff-37

Ref:E4-T4-S1

CNPI Tx's most recent labour contract includes the following wage increases.

IBEW Local 636 (CNPI – Contract for Fort Erie, Port Colborne)

Effective June 1, 2012 – February 29, 2016

Wage increases:

June 1, 2012 - 2.8%

June 1, 2013 – 2.9%

June 1, 2014 – 3.0%

June 1, 2015 – 3.10%

- a) What are the average annual increases for non-unionized employees over the same time-frame?
- b) What was the rate of inflation in 2012, 2013 and what is the level of inflation forecast for 2014, 2015 and 2016?
- c) What would be the reduction to the proposed 2015 and 2016 OM&A, if annual wage (union) and salary (non-union) increases were limited to 2%?

4-Staff-38

Ref:E4-T4-S1 Appendix 2-K p.1

Appendix 2-K for 2015 shows 11.78 for “number of employees (FTEs including Part-Time) and \$370,789 in total salary and wages (excluding benefits). This equates to about \$32,000 per FTE.

- a) Does FTE stand for “full time equivalent”?
- b) If not, please provide the number of full time equivalent employees?

4-Staff-39Ref:E4-T4-S2

Please complete the table below

Pension Plans				
	Contribution %		Accounting	
	employer	employee	Cash	Accrual
FortisOntario Inc. Employees Retirement Plan (DB)				
FortisOntario Supplementary Retirement Plan (DC)				
OMERS				

4-Staff-40Ref:E4-T4-S1 p.3

- a) What is the dollar amount provision for the “short term incentive (STI) plan payout (corporate performance only) ” in CNPI Tx’s proposed 2015 and 2016 OM&A?
- b) Is corporate performance based on CNPI Tx results or FortisOntario results?

4-Staff-41Ref:E4-T5-S1 p.3 & table 2N

Table 2N for 2015 shows an allocation of about \$16,000 in costs to CNPI Tx from Fortis Inc.

- a) Is there a signed services agreement between Fortis Inc. and CNPI Tx?
- b) Are there Fortis Inc. costs that are indirectly allocated to CNPI Tx through FortisOntario? If so, what is the amount?

4-Staff-42Ref: E4-T8-S2

- a) Please confirm whether approximately \$36,000, being \$180,000/5 years, is the amount included in the OM&A proposed for 2015 and 2016 for regulatory costs related to this proceeding. Please confirm whether \$49,000 of the \$180,000 is earmarked for intervenor costs. If applicable, please provide the correct amounts.

- b) Does CNPI Tx still expect to incur regulatory costs totalling \$180,000? If so, please explain given that there is a sole intervenor who is not eligible for costs.

4-Staff-43

Ref:E4-T10-S5 appendix 2-CT

The table shows \$144,000 in 2015 for depreciation expenses which are described as “depreciation of asset allocations” and included in “Total depreciation for revenue requirement”.

- Is the \$144,000 in depreciation expense for those assets held by CNPI Tx’ affiliates associated with the provision of services (from FortisOntario or CNPI-FE or Fortis Inc) to CNPI Tx?
- If so, please describe the methodology used to calculate CNPI Tx’s share of the depreciation expense. Are any of these depreciation expenses included in the amounts shown in E4-T5-S2 p.1 appendix 2-N?
- Is any portion of these assets included in CNPI Tx’s rate base?

5-Staff-44

Ref:E5-T1-S3 appendix 2-OB

Two promissory notes (lender Fortis Ontario) are described as “third party”.

- Please confirm that this is correct or not?
- To calculate the average long term debt rate for the test years CNPI Tx uses 4 instruments with a face value (principal) totalling \$58M. The resulting weighted rate is 6.08%.

Year 2016 Test Year										
Row	Description	Lender	Affiliated or Third-Party	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	Note 3
2	Debt issue costs								\$ 32,028	
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0488	\$ 976,000	
4	Promissory Note	FortisOntario	Third-Party	Fixed Rate	01-Jan-15		\$ 8,000,000	0.0488	\$ 390,400	
Total							\$ 58,000,000	0.0608	\$ 3,526,028	

Year 2015 Test Year										
Row	Description	Lender	Affiliated or Third-Party	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0488	\$ 976,000	
4	Promissory Note	FortisOntario	Third-Party	Fixed Rate	01-Jan-15		\$ 8,000,000	0.0488	\$ 390,400	
Total							\$ 58,000,000	0.0608	\$ 3,526,028	

Year 2014 Bridge Year										
Row	Description	Lender	Affiliated or Third-Party	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0403	\$ 806,000	
									\$ -	
Total							\$ 50,000,000	0.0593	\$ 2,965,628	

At E5-T1-S1 p.2 CNPI Tx indicates that it has embedded unsecured third party debt (unsecured note) of \$30M with a 7.092% interest rate and a 15 year term (August 14, 2003 to August 14, 2018).

The long term debt portion of CNPI's Tx rate base for the test years is \$12.1M and \$13.5M respectively.

- a) Please describe CNPI Tx's overall financing arrangements and circumstances in 2003 which prompted the issuance of \$30M in long term debt?
- b) Please describe the methodology used to allocate debt between CNPI's business units and/or affiliates?

6-Staff-45

Ref: E6-1-S1

Please complete for the years 2010, 2011, 2012 and 2013(actuals) the template which can be found on the Board's Web site at:

<http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Reporting+and+Record+Keeping+Requirements/RRR+Documents>

[Revised template for reporting regulatory return \(ROE\) under Section RRR 2.1.5.6](#) - .xlsx (March 14, 2014)

10-Staff-46

Ref:E10-T1-S1 p. 7-13

CNPI Tx notes that Board issued its Decision on the Fortran project on March 29, 2010 in which it denied leave to construct and CNPI Tx further states "According to the Board the synchronous interconnection was not justified on the basis of the need to improve the reliability of supply to the Fort Erie load. Further, the Board concluded that the synchronous interconnection could not be justified on the basis of achieving economic benefits. Accordingly, the Board did not find that the synchronous interconnection proposed by CNPI Tx was in the "public interest", the consideration required by subsection 96(1) of the OEB Act when determining whether to grant leave to construct."

CNPI Tx states that the Board made no finding on the prudence of CNPI Tx's proposal for the synchronous interconnection, since a prudence analysis in a rate proceeding is not required for a public interest analysis in a leave to construct proceeding. Therefore, the Board's denial of CNPI Tx's Leave to Construct Application was in no way decisive on the prudence of CNPI Tx's synchronous interconnection proposal or the costs associated with that proposal.

CNPI Tx also states, at p.7, that under the circumstances that were known at the time it made decisions to proceed with the project, these preliminary costs were prudently incurred.”

- a) Is it CNPI Tx’s view that costs incurred on projects that the Board found to be neither economic nor in the public interest can be considered for recovery from ratepayers on the basis that they were prudent?
- b) If so, please list and elaborate on the circumstances and features of the Fortran proposal and associated spending which would meet a test of prudence.

10-Staff-47

Ref: E10-T1-S1 p.14

CNPI Tx has recorded \$1,221,281 of costs incurred to bring forward a Leave to Construct Application in CWIP. CNPI Tx is now requesting that these costs be recovered through amortization over a 10 year period.

- a) From an accounting perspective, please explain why the \$1.2 million can still be recorded as an asset in CWIP and be amortized over a 10 year period when the Board denied the leave to construct in EB-2009-0283. Please explain why the amount was not expensed once the Board denied the leave to construct and CNPI Tx would not be proceeding to build any assets.

10-Staff-48

Ref:E10-T1-S1 p. 13-14

Regarding the Fortran project, referencing a meeting held with senior IESO staff, CNPI Tx indicates that the IESO gave CNPI Tx a positive indication that the IESO had good reason to believe that proceeding with the preliminary work was prudent.

Further, on July 9, 2008, senior staff with the IESO hosted a meeting with CNPI Tx representatives to discuss the project. During that meeting, IESO staff gave CNPI Tx a positive indication that the IESO had good reason to believe that proceeding with the preliminary work on the project was prudent.

- a) Does CNPI have minutes from that meeting? If so please provide them?
- b) Please elaborate on the extent and nature of the “positive indication” given to CNPI as to the prudence of proceeding with the project.

- c) Does CNPI know whether the IESO's definition or understanding of "prudence" is the same as what is understood by the Board? If so, please provide some evidence as to the basis of this knowledge.

10-Staff-49

Ref:E10-T1-S1

- a) Is it correct that CNPI filed an application (EB-2010-0159) with the Board on April 9, 2010 requesting approval to establish a deferral account to record Preliminary Costs associated with transmission facilities that were subject of the leave to contract application EB-2009-0283; and that the Board did not approve the request?
- b) Please list the reasons for the Board's findings as found in the EB-2010-0159 decision and explain why they would or would not apply in the instant proceeding.