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January 16, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0096 Niagara Peninsula Energy Inc. (NPEI)
Technical Conference - January 20, 2014

In order to assist the Applicant VECC has enclosed a number of the questions it intends to ask NPEI at the Technical Conference on January 20. We continue to review the responses and will have further questions which are better asked at the time of the Conference.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: Interested Parties

NIAGARA PENINSULA ENERGY INC.

2015 DISTRIBUTION RATE APPLICATION

VECC'S TECHNICAL CONFERENCE QUESTIONS

NB: Numbering continues at last interrogatory submitted by VECC.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 51

Reference: 2 – Staff 24 b) & c) /2 – Energy Probe 8 b)
2 – VECC 10 /2 – SEC 26

a) The responses indicate that NPEI has not developed business case for the purchase of the NPC's assets. Does NPEI plan on doing so prior to committing itself to the purchase? If not, why not?
b) If yes, please outline in general terms (i.e. qualitative where necessary due to current lack of details) what costs and revenues will be reflected in the business case analysis determination of the net benefit of the purchase.
c) If yes, will the purchase only proceed, if the business case indicates a net benefit to NPEI? If not, why not?
d) Given that there is no business case supporting the purchase, how and why is it appropriate for the Board to approve the inclusion of the associated capital spending in rate base for 2015 rates?
e) While the purchase does not involve the immediate construction of new facilities, it does represent an expansion of the NPEI (owned) system and (based on the response to Staff 24 c)) commit NPEI to the construction of new facilities in the near future to replace existing assets approaching the end of their life cycles. Given this context, please comment on why the purchase shouldn't be considered a "system expansion" as described in section 3.2 of the Distribution System Code and subject to the same economic evaluation analysis.

2.0 – VECC - 52

Reference: SEC#5 [EX. 1/2/7]

a) Please explain notwithstanding the list of project shown in response to the interrogatory that will not be in-service in 2014 NPEI is showing an increase in capital additions for 2014 from its original project of $14,788,439 to $14,919,972.
b) Specifically address account 1908 building and fixtures which has increase from $1.5 million to $1.64 million and accounts 182 which also show a significant increase from the original forecast.

2.0 – VECC - 53

Reference: [37] 2-Staff-8

a) With respect to the failed attempt to acquire Hydro One assets serving NPEI customers (described in part a) of the answer), has NPEI quantified the costs to its customers of the sub-optimal plant arrangement? Has NPEI quantified the benefit of rationalizing the NPEI and existing Hydro One plant?
b) Does NPEI understand the reasons Hydro One abandoned talks on the issue of asset transfers?

2.0 – VECC - 54

Reference: [52] 2-Staff-23

a) How has the new OLG funding arrangement impacted NPEI's capital contribution forecast for 2015?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 55

Reference: 3-Staff-32 d)

a) It is noted that the meetings held with City of Niagara Falls staff regarding street lighting plans took place after the 2015 Rate Application was filed. Did City of Niagara Falls staff indicated any plans to implement new technologies in 2015 that would impact either the usage per device or the load profile for street lighting?
b) If so what are the technologies and what would be the impacts for 2015?
c) If the City's plans will impact street lighting usage in 2015, have these impacts been incorporated in the updated load forecast and cost allocation filed with the interrogatory responses?
    i. If yes, specifically what changes were made?
    ii. If no, please outline what adjustments are required and provide a revised load forecast and cost allocation.

3.0 –VECC - 56

Reference: 3-Staff 33 c)
3-VEC -22 b)

a) Please reconcile NPEI's updated LRAMVA total kWh for 2015 of 15,433,325 kWh (per VECC 22 b)) with the value shown in the updated

Appendix 2-I of 12,406,667 kwh (per Staff 33 c)).

b) Based on the foregoing responses please revise Appendix 2-I provided in response to Staff 33 c).

3.0 –VECC - 57

Reference: 3-VECC-16
3-VECC-17
3-VECC-18

a) Please confirm that the same regression equations and data for the period 2002-2013 was used in all three responses and that this equation is the one set out in Revised Load Forecast Model (Purchased Power Model Tab) filed with the interrogatory responses. If not, please explain.
b) Please explain why the predicted values set out in the revised Table 3.11 provided in both VECC #16 and VECC #17 don't match the predicted values set out in the Revised Load Forecast Model (Purchased Power Model Tab – Cells O253-O264).
c) Please confirm that NPEI is now proposing to adopt the load forecast set out in VECC-18 for purposes of its Application. If not, please indicate what forecast it is now proposing to use.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC - 58

Reference: 1-Energy Probe-2

a) Appendix 2-M attached to this response does not match the Excel Spreadsheet Schedule 2-M included with the response. Specifically the legal and consultants costs for 2015 are not the same (45,000 vs 56,250 and 23,050 vs 28,813). Please reconcile.

4.0 -VECC -59
Reference: 4.0-VECC-31

a) Please confirm that the table shown in part a) of the response is showing that NPEI has only made redundant one of the six positions that were responsible for water billing services.
b) A number of figures are shown for the residual costs in 2015 that re due to the loss of the water billing function. For example, at [142] Sec -30 a figure of $273,595 is used; at [118] 4-Energy Probe-25 $804,185 is referenced; in the body of evidence it suggests $346k for 2014 and $130k for 2015 are the unavoidable water billing related costs. Please clarify what the 2015 forecast is for costs related to unavoidable residual water billing costs. Please differentiate between labour and other costs. For labour costs please explain why the position was not made redundant when the water billing contract was lost. Please explain what incremental role/responsibilities employees who's position was made redundant, but continue to be employed have at NPEI in 2015.

7.0 COST ALLOCATION

7.0 – VECC – 60
Reference: 7-VECC-41

a) Does NPEI incur any costs when connecting Street Lighting, Sentinel or USL customers to its system?
b) If not, why not?
c) If yes, where are these costs recorded if not in Account 1855?

7.0 – VECC – 61
Reference: 7-VECC-42

a) Why does NPEI find it necessary to duplicate, in its own systems, activities that are undertaken by the IESO and for which its customers are already being charged?

7.0 –VECC - 62

Reference: 7-VECC-46 / 2-Energy Probe-8

a) Please confirm that NPEI has included $818,905 of capital spending related to the acquisition of the Niagara Parks Commission assets in its proposed 2015 revenue requirement.
b) What is the impact of including this capital expenditure on each of the following in NPEIs currently proposed revenue requirement for 2015:
   - Rate Base (related to these assets)
   - Depreciation
   - Interest Costs
   - Return on Equity.
c) Has NPEI included in its proposed 2015 revenue requirement any OM&A expenditures associated with the NPC assets it plans on acquiring? If so, what is the dollar value?
d) For purposes of the Cost Allocation model filed by NPEI, in what USOA accounts was the proposed capital spending on the NPC assets recorded (i.e. how much by account)?
e) Using the foregoing information, please complete VECC 46 as originally posed.

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