

ONTARIO ENERGY BOARD

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| FILE NO.: | EB‑2014-0096 |  |
| VOLUME:  DATE: | Technical Conference  January 20, 2015 |  |

**EB-2014-0096**

THE 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.

Hearing held at 2300 Yonge Street,

25th Floor, Toronto, Ontario,

on Tuesday, January 20th, 2015,

commencing at 9:27 a.m.

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TECHNICAL CONFERENCE

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MAUREEN HELT Board Counsel

RICHARD BATTISTA Board Staff

DONNA KWAN

SCOTT STOLL Niagara Peninsula Energy Inc. (NPEI)

RANDY AIKEN Energy Probe Research Foundation

JAY SHEPHERD School Energy Coalition (SEC)

MARK GARNER Vulnerable Energy Consumers' Coalition (VECC)

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Tuesday, January 20, 2015

### --- On commencing at 9:27 a.m.

MS. HELT: Good morning, everyone. My name is Maureen Helt, and I am counsel with the Board, and I have Richard Battista with me, who is the case manager on this file.

Today we have the technical conference for Niagara Peninsula Energy Inc.'s 2015 cost-of-service rate application EB-2014-0096.

This technical conference was scheduled for today and tomorrow by way of Procedural Order No. 1, which was issued by the Board on November 18th, 2014. I've explained to the witnesses how to use the microphones. Again, just to reiterate, please ensure that the green button on the console in front of you is lit up when you are giving your answers. The reason for that is so that the court reporter can hear everything that you're saying.

Today's technical conference is being transcribed, which means that there will be a transcript available after today's proceedings for your review, and that will be available on WebDrawer. It's also being broadcast live. You will note behind me there is a sign which indicates we are on-air, and this allows other members of the public to listen in to today's technical conference.

If you have any questions throughout the proceeding, please feel free to let me know. The usual process is that we will have appearances and introductions first, to be followed by questions by the intervenors and Board Staff.

The intervenors and Staff have spoken about the order of questions this morning, and I understand that Mr. Randy Aiken from Energy Probe will ask his questions first, to be followed by Mark Garner from the Vulnerable Energy Coalition, to be followed by Board Staff, and then to be followed by Mr. Jay Shepherd from the School Energy Coalition.

It's not unusual when one person is asking their questions for another party to follow up with in this case his own question. So don't be surprised if that is the case.

So I think to get started I just would like to introduce our court reporter Nancy. She has a student with her, Lydia, who will be shadowing her for the day, and if Nancy can't hear any of your answers she will be sure to let you know to turn your microphone on.

So at this point I think it would be helpful if we just go through the room and have appearances. As I've indicated, I am Maureen Helt, and with me I have Richard Battista, who is case manager on this file.

# Appearances:

MR. STOLL: Good morning. Scott Stoll, for the applicant, Niagara Peninsula Energy Inc. And at this time I would ask each of the witnesses to introduce themselves. If we can start with Mr. Carver. So just give your name and your position and a quick reference to the evidence that you would speak to so the guys know to direct any questions.

MR. CARVER: I am Kevin Carver, director of engineering. And I would speak to questions related to the distribution system plant.

MR. SIELICKI: Tom Sielicki, VP of engineering, and same thing. I would be answering questions directly towards the distribution system plant.

MS. WILSON: Suzanne Wilson, VP of finance. You can ask me anything.

MR. BAYTHIN: Paul Baythin, regulatory affairs and accounting manager. I'll be answering questions on the load forecasting and generally supporting Ms. Wilson on other evidence.

MS. BATTISTA: Margaret Battista, vice-president, customer services and IT, and I'll be answering any questions directly related to the customer engagement.

MR. SEBERT: And I'm Dan Sebert. I am the vice-president of operations, and I can answer questions regards to fleet construction operations type of issues. Thank you.

MR. SHEPHERD: My name is Jay Shepherd, and I'm counsel for the School Energy Coalition.

MR. GARNER: My name is Mark Garner, and I'm a consultant with VECC.

MR. AIKEN: My name is Randy Aiken, consultant with the Energy Probe Research Foundation.

MS. HELT: Thank you, everyone. I forgot to introduce another member of Board Staff team, Donna Kwan, who's sitting behind me. I didn't see her sneak in, so my apologies, Donna.

So then unless there are other preliminary matters to go through, Scott.

MR. STOLL: No, I don't believe so. I think we're going to do the issues list at the end of the day after we're done if there's time, so other than that I think it's Randy's.

MS. HELT: Okay. Mr. Aiken, if you're -- oh, Mr. Shepherd? Oh, all right. Mr. Aiken, if you're ready to proceed.

# NIAGARA PENINSULA ENERGY INC. - PANEL 1

**Kevin Carver**

**Tom Sielicki**

**Suzanne Wilson**

**Paul Baythin**

**Margaret Battista**

**Dan Sebert**

# Questions by Mr. Aiken:

MR. AIKEN: Yes, thank you. I'm going to be following fairly closely the questions I sent to you last week, and I'll be reading them in so that the record is complete for the transcript. So I'm starting with 2-Energy Probe-No. 41, and it's in reference to 2-Energy Probe-14 and 15-SEC-5.

The first part of the question is, please confirm that updated capital expenditures for 2014 and '15 have not been reflected in the updated revenue-requirement work form.

MS. WILSON: Thank you. NPEI confirms that.

MR. AIKEN: Then as a preamble to part (b), am I correct that my -- or, sorry, that your capital expenditures are actually about $130,000 higher in 2014 than you had forecast originally and 490,000 higher for 2015?

MS. WILSON: That's correct.

MR. AIKEN: So then part (b) is, what is the impact on the revenue deficiency if the rate base were updated to reflect the 2014 and '15 capital expenditures closed to rate base as shown in the interrogatory response?

MS. WILSON: While I was updating all of the models to put the 490,577 carry-forward into the revenue-requirement model, I also put in the disposals, which were 313,000, which came from another interrogatory on the vehicles. So I put both of those pieces in.

While I was updating that and doing the PILs model, I noticed there's an error in the interrogatory submission of the PILs model. On schedule O8, the CCA for test year, we had filed with the interrogatory total additions of $12,013,068.

What we did was we obtained a new unlocked model from the Board Staff to update for the small business deduction, and when I went to go and update for that new model I missed the capital contributions for 2015 of $827,800.

So there is an issue with the PILs model. Just that correction alone increases the PILs and the revenue deficiency by $11,939. So that's part (a) of my response.

The second part is when we put in the 490,577 carry-forward, as well as the 313,000 for the disposals on the fleet for 2015 and updating the 2014 to have a net addition of 14,000,286, the impact on the revenue requirement and the revenue deficiency results in a deficiency of 955,375, which is up from the 648,501.

MR. AIKEN: Okay. Would you agree to undertake to file an updated revenue-requirement work form and the tracking sheet?

MS. WILSON: Yes.

MR. AIKEN: As a result of all the changes that come about from today?

MS. WILSON: Yes, we would like to file a new PILs model too.

MR. AIKEN: Yeah.

MS. WILSON: Yes.

MS. HELT: That will be JT1.1.

UNDERTAKING NO. JT1.1: TO FILE AN UPDATED REVENUE-REQUIREMENT WORK FORM AND THE TRACKING SHEET AND AN UPDATED PILS MODEL.

MR. AIKEN: part (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? And I'll pause there.

MS. WILSON: Currently we have October done. The same resources who were working on the interrogatories do the accounting as well, so we haven't finished November or December.

MR. AIKEN: Okay. So there's no change?

MS. WILSON: No.

MR. AIKEN: Okay. Then I've got another question that falls under this area, and it's refers to the response to 2-Energy Probe-14. And my question is: On the table that you've provided there that shows the figures for 2010 through '15, along with the '14 projected, my understanding is the historical numbers up through 2013 show the gross historical additions, whereas 2014 is gross less disposals; is that correct?

MS. WILSON: Just to be clear, you're looking at appendix 2-AA; is that correct?

MR. AIKEN: Yes.

MS. WILSON: No. The 2014 "total projected" column includes the 661,000 of projected disposals. That is the net number.

MR. AIKEN: That's my point, because the historical numbers do not show that.

MS. WILSON: They're netted out.

MR. AIKEN: No, they're not. If you look at 2013, the total bottom line is 12 million, 649. If you go to your continuity schedules in your original filing, that is your gross additions without the $1.2 million reduction for disposals.

MS. WILSON: That's correct.

MR. AIKEN: So would you undertake to refile this table, showing the 2014 consistent with the historical numbers and only show the gross additions?

MS. WILSON: Sure. Absolutely.

MS. HELT: That will be Undertaking JT1.2.

UNDERTAKING NO. JT1.2: TO REFILE THE TABLE IN APPENDIX 2-AA FROM THE RESPONSE TO 2-Energy Probe-14, SHOWING THE 2014 CONSISTENT WITH THE HISTORICAL NUMBERS AND ONLY SHOWING THE GROSS ADDITIONS.

MS. HELT: And, Mr. Aiken, can you just name the table? I believe you said it was appendix 2-AA?

MR. AIKEN: Yes, it's appendix 2-AA in the response to 2-Energy Probe-14.

MS. HELT: Thank you.

MR. AIKEN: Second question,-Energy Probe-42, is a reference to 2-Staff-7:

"Can you 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 2-Energy Probe-41 part (c) above?"

Am I correct that there would be no update because you don't have any more recent information?

MS. WILSON: Appendix 2-AB, is that the correct appendix we're referring to?

MR. AIKEN: Let me check.

MS. WILSON: By category, system access, system renewal, system service, general plant?

And I have 2010, '11, '12 and '13 historical, the original budget of 2014, and then the test year of '15 through '19?

MR. AIKEN: Sorry, you'll have to go through those numbers again.

MS. WILSON: Were we looking at appendix 2-AB?

MR. AIKEN: No. I don't think so. I'm looking at the response to -- you've labelled No. 36 as 2-Staff-7.

MS. WILSON: Yes.

MR. AIKEN: part (b) is not labelled appendix anything. It's just got the five years of the plan, the actual, the variance, and the percent variance for each of 2010 through the bridge year.

And what I'm looking for is for you to update this to reflect your current projected forecast for 2014.

MS. WILSON: I have a schedule 2-AB that I've prepared with the forecasted 2014 coming in at -- excluding the smart meters. So I have done that for you.

Would you like to take it as an undertaking and I'll file it?

MR. AIKEN: Yes. Okay.

MS. HELT: Would you like that as an exhibit, Mr. Aiken, then?

MR. AIKEN: Yes, please.

MS. HELT: We will mark that as KT1.1.

EXHIBIT NO. KT1.1: UPDATE OF TABLE FROM 36, 2 STAFF 7, SHOWING UPDATED CURRENT PROJECTED FORECAST FOR 2014.

MS. HELT: And it is an update of the table found at the reference 36, 2-Staff-7. And it's the update for current projected forecast for 2014?

MS. WILSON: That's correct.

MS. HELT: Thank you.

MR. AIKEN: Moving on to 2-Energy Probe-43, which is in reference to 2-Staff-19, and the question is:

"Please explain how the significant customer-driven system expansions noted in part (c) of the response had been reflected in the customer kilowatt-hour and kilowatt forecast for 2014 and '15. Please explain any changes to the forecast to account for the significant growth in 2014."

MR. BAYTHIN: We haven't made any specific changes to account for this growth. The predictive weather normalization model accounts for year-over-year growth in both kilowatt-hours and kilowatts.

So the significant projects listed in the reference were accounted for in the predictive model, and they're not anomalies, based on previous trends.

MR. AIKEN: But if your capital forecast is now higher than when you did your original forecast, you're saying that you've got more customers coming on because you're spending more capital to connect more customers, but you're not getting any more revenues for volumetric or customer charges; is that correct?

MR. BAYTHIN: That's correct, yes.

MR. AIKEN: Next question, 2-Energy Probe-44, refers to 2-Staff-20 and 15-SEC-5. And I think you, Suzanne, you mentioned this before; the original forecast of vehicle capital expenditures in 2014 was 672,000, but the projected 2014 figure is now 215,000. So part (a):

"Please explain why this figure is significantly lower than forecast for 2014."

And (b):

"Is there any impact on the 2015 capital expenditures?"

MS. WILSON: It's different due to the 441,130 of vehicle disposals that were added to the spreadsheet netting itself out to the 215,000.

And for part (b), the disposals are estimated for the replacement of the vehicles at 313,581, which is shown on the updated 2-BA, continuity 2015, in the filing with the interrogatories, the appendices.

MR. AIKEN: 2-Energy Probe-45, reference is 2-Staff-24. It would be helpful if I pulled this up.

MR. GARNER: Randy, I don't know if you have it, but when you're referencing these, if you have the number that NPEI used, it just makes it easier for me to find them in the reference. They're 1 through whatever. Thanks.

MR. AIKEN: The reference is No. 53, which is 2-Staff-24. Part (a) of the question is:

"Does NPEI have any plans to bill the private vendors noted in the response to part (b) on an individual basis? And if yes, has additional costs of meters, et cetera been included in the cost of roughly $820,000, or has it been included in other categories of capital expenditures?"

MR. SIELICKI: Yes, it has been anticipated that we will bill the private vendors in existing customer classes. At this time, the additional cost of meters have not been included in the cost estimate, and it has not been accounted for in other categories of the capital expenditures.

We are in the initial phases of negotiations with the NPC, and it is premature to quantify these expenditures at this time.

MR. AIKEN: Is that your answer to part (b), then, as well? Part (b) says:

"Please identify and quantify the additional capital expenditures that may result from the purchase of the NPC assets."

MR. SIELICKI: With respect to appendix N, page 7 of the rate application, project reference SA-63 is a capital expenditure that expands on the acquisition of the NPC assets and a right-of-way into the Clifton Hill area.

This project incorporates an intertie to the existing NPC distribution system, to the benefit of both NPC and existing NPE customers.

The anticipated capital expenditure is 272,874 in this category of system access.

MR. AIKEN: Has that been included in the 2015 capital expenditures, or is that beyond 2015?

MR. SIELICKI: That's beyond 2015. That would actually be in 2016.

MR. AIKEN: Part (c):

"How has the forecast of customers, kilowatt-hours and kilowatts 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?"

MR. SIELICKI: Referring to NPE's response given in IR 95-3, Energy Probe 21(a), there will not be a change to the kilowatt-hours and kilowatts after NPE acquires the NPC assets. The change to customer counts by class is yet to be determined.

MR. SHEPHERD: Can I follow up with that, Randy?

MR. AIKEN: Sure.

MR. SHEPHERD: So how did you do your forecast if you don't know your customer counts for these particular customers? You have some of your revenues based on customer counts.

MR. SIELICKI: When the distribution system was originally built it was specifically to supply the Niagara Parks Commission, so there were three primary metering units that were installed that would meter the energy, which was kilowatts and kilowatt-hours that was used.

So those are monitored through those primary metering units, but if this asset transfer were to take place, then the metering would go to the low voltage side of the transformers, and they would bill -- they would be billing individual customers that now are on the system, because when the Parks Commission originally had the system, they were the only vendor. Now they've allowed different vendors to sell within the Parks Commission.

So at this time the Parks Commission itself has no idea how much energy their customers are using, and they try to work that into their rental agreements.

So by doing this we would have those meters installed on those individual customers to give them an idea of what their actual usage are and what their categories would be based on the size of the facility that they're operating under.

MR. SHEPHERD: Okay. I understand all that. I guess my question is, how do you a forecast if you don't know how many customers you're going to have? You are going to have more customers, aren't you?

MR. BAYTHIN: We haven't made any adjustment to the customer count forecast for that. Our customer count forecast is based on I guess the standard methodology of geometric mean applied to historical accounts.

MR. SHEPHERD: So you're actually going to have more customers. And it could be quite a number, right? There's quite a number of vendors there.

MR. SIELICKI: Yeah. The number of customers could go up, yes.

MR. SHEPHERD: Yes, so that's going to increase your revenue. I'm not sure I understand.

MR. STOLL: Well, there would be certain increases in some area, but basically NPC is a current -- like, they currently have the three meters, right, so if we pull those out there's going to be a reduction from those, going to be a change there, so -- and the load --

MR. SHEPHERD: More smaller customers.

MR. STOLL: There's more smaller customers, but the -- so the load won't change because the customers -- but the number of meters will change.

MR. SHEPHERD: Actually, the load will exchange substantially, because you'll be billing some people on a kilowatt-hour basis rather than a per-kilowatt basis.

MR. STOLL: The throughput, like, the actual energy consumption is not going to change. We don't --

MR. SHEPHERD: No, I'm asking about dollars here.

MR. STOLL: No, no.

MR. SHEPHERD: Dollars are going to go up. If you take one big customer and you replace that customer with the same amount of load but a whole bunch of small customers taking that load, your revenue goes up. I don't understand why that's not in your forecast.

MR. BAYTHIN: We don't have that information available to include. We don't know what those numbers are yet.

MR. SHEPHERD: But it could be a lot, right? It could be a material number.

MR. SIELICKI: Potentially, yes.

MR. AIKEN: So under your current billing do you bill Niagara Parks Commission with three invoices, one for each of their stations or meters?

MR. SIELICKI: For the primary metering units; that's correct.

MR. AIKEN: And under what rate class do those three invoices get calculated? GS greater than 50 or GS less than 50 or both?

MS. WILSON: Greater than 50.

MR. AIKEN: Greater than 50.

MS. WILSON: GS greater than 50.

MR. AIKEN: So even if your volumetric numbers don't change, as Jay mentioned, you're going to have more customers, so you're going to have -- your fixed revenues are going to be higher, but there's also going to be a change in your volumetric revenue, because some of them may be GS less than 50 customers compared to -- so they're going to be under different rate classes than they are currently now. The volumes could stay the same, but the rates applicable to those volumes --

MR. SIELICKI: But at this time --

MR. AIKEN: -- are likely to change.

MR. SIELICKI: -- we don't have to worry about their assets, because they own the transformers. So going forward if we were to own those assets then per our normal customers the way it is now we would use those -- that revenue towards replacing assets.

MR. SHEPHERD: Well, so, yeah. So let me follow up on that, then. So the question I guess comes to my mind is you have some of the assets in your revenue requirement right now, right? You're forecasting the cost of some of the assets, right, as part of your revenue?

MR. SIELICKI: We've taken what we feel is a net book value of the assets within the Parks Commission currently.

MR. SHEPHERD: So the ratepayers aren't going to bear that cost of those incremental assets, but you're not including in your revenue requirement the incremental revenue associated with those assets. I don't understand. That seems like a mismatch.

MR. STOLL: Yeah, but part of this is we're not sure -- like, Niagara Parks Commission could say, We're not changing the meter, or they could say, We're metering everybody. They haven't told us that yet. So part of it --

MR. SHEPHERD: I can understand that. I'm not asking about that. I'm trying to understand why you would include some and not others. Why wouldn't you include the whole package, a complete forecast of the revenues and costs associated with this or not? But not part.

MR. STOLL: I think the intention is to provide the information where they had the information, and where there's some speculation about the number of customers and stuff, it's pretty wide open and not in their control that they didn't put that information in, so --

MR. SHEPHERD: Well, you're negotiating a deal. It's within your control. You don't need to do the deal.

MR. STOLL: Well, we haven't done the deal yet, but in any deal there's some give and take, right, as you know. As far as how they want to be metered, that's a point that's going to be out there. So the number of meters and the ultimate impact is going to be part of the discussion, so --

MR. SHEPHERD: So I'm going to ask if you can undertake to provide a full package of all the information you currently have available on how this would impact revenue requirement, all the information you have on how many customers it might be in their rate classes and their potential loads, all the information you have on the costs that will happen either this year or in future years associated with this. I know you have scattered around the application bits and pieces here. Can you put it all in one place and we can see how close we get to a business case? Because what the ratepayers are concerned with is that you're going to take this over and the result is going to be we're going to have a net cost rather than a net benefit, or zero.

MR. GARNER: Before we go to that, just to interject, we have asked that question about the business case and -- in our written comments. We've asked why -- or where the business case is, but before you do the undertaking and we get to that thing, I was confused by something that your counsel said and not you. But I'm a little confused now. I thought in your application you have included the acquisition of assets related to NPC.

MR. STOLL: There is inclusion for the -- as I believe Mr. Sielicki said, for the net book value --

MR. GARNER: Right.

MR. STOLL: -- of the --

MR. GARNER: Okay.

MR. STOLL: -- existing assets that they feel would be usable going forward as part of the distribution system.

MR. GARNER: Okay. And not to be glib about it, but Mr. Stoll, I prefer your client --

MR. STOLL: Okay.

MR. GARNER: -- respond, but now that the assets are in, what I got confused by what Mr. Stoll was saying was, then there was a question about the metering, and I guess the assumption in the application, I don't understand. If you're assuming you're taking over the assets, then it's within your bounds to assume what you're going to be metering them for. I mean, you don't buy the assets and then tell the person you bought them from, It's up to you what to do with the metering. You say, They're my assets now and I'll do what I want with the metering, right? That's why I'm getting a little confused by that part of his response.

MR. SIELICKI: We would assume the high-voltage system, which would include primary cable, primary transformers, and switch gear. We would negotiate with the Parks Commission that before any of those asset transfers were to take place they would still own the low-voltage distribution system, which would include installing the metering for those customers.

MR. GARNER: Okay. Yeah, sorry, I'm now a little confused, because I thought this was an acquisition and then you were going to run it as a distribution system component holus bolus, so to speak. And you're saying it's not holus bolus, it's in part?

MR. SIELICKI: It's just the high-voltage system. It's no different than any other distribution on our system to commercial customers. We install primary cable. We own transformers up to a certain level, and then the customer's responsible for secondary --

MR. GARNER: Right. So the -- sorry to interrupt, but the discussion we just listened to, I had in my head this image that you were suggesting and everyone was suggesting that you were going to be doing low-voltage metering to vendors within the park. They would become your customers, not NPC's customers. Am I incorrect?

MR. SIELICKI: They would still own the low-voltage distribution, but that would include the metering component.

MR. GARNER: Who charges these vendors, then? Are you charging them rates, or is NPC charging them rates after this whole agreement is completed?

MR. SIELICKI: We would bill the customers based on the meter readings on the low-voltage side. Just like a regular commercial customer like a plaza, if they have multiple meters on the site; they own the low-voltage distribution system and the metering is a component of that.

MR. GARNER: I see. So it's analogous to, like, a strip mall of metering; is that what you're sort of saying?

MR. SIELICKI: That would be an analogy to use.

MR. GARNER: Right. Okay.

MR. SHEPHERD: Can I just clarify? We're used to the terms "high-voltage" and "low-voltage" having a particular meaning. When you say "high-voltage" you mean above 27.6?

MR. SIELICKI: The high-voltage system through the Parks Commission is 213.8 currently.

MR. SHEPHERD: So it's a distribution voltage? It's not what you would normally think of as a high-voltage system? It's a distribution voltage?

MR. SIELICKI: In our business, the distribution voltage is the high-voltage side and the low-voltages is the other side of the transformer.

MR. SHEPHERD: So then you have the -- whatever. I can't remember the name they're called. The links of wire that go from your system to each individual customer are owned by the customer?

MR. SIELICKI: The low-voltage distribution.

MR. SHEPHERD: Okay. So how is this different from your normal system? Outside of the parks, you own everything up to the wire that goes directly to the customer, right? Actually, you own everything up to their meter, right?

MR. SIELICKI: That's not always the case. In a commercial application like a strip mall it's considered a primary service, which includes the high-voltage cable and the transformer. The customers is responsible for installing the low-voltage per ESA regulations, along with metering requirements for the LDC.

MR. SHEPHERD: Actually, in a strip mall the mall owner, who is not the customer in this context, owns the wiring throughout the mall, and -- but your customers are the individual tenants, right?

MR. SIELICKI: That's how it's metered. Correct.

MR. SHEPHERD: So those customers don't own the low-voltage system. Somebody else, the landlord -- and so in this case, NPC is a landlord and they're owning wires in their area?

MR. SIELICKI: That's correct.

MR. SHEPHERD: You're not paying them for those?

MR. SIELICKI: No.

MR. SHEPHERD: They're getting that in their rent, basically? They're covering that cost in their rent?

MR. SIELICKI: That's their asset currently, and would remain their asset.

MR. SHEPHERD: You're saying the meters, the customer meters would also be owned by NPC?

MR. SIELICKI: They install the facilities for the meter. We install the meter. We own the meter.

MR. SHEPHERD: I understand.

MR. GARNER: Thank you.

So now if I can continue --

MR. SHEPHERD: Sorry, I still want my --

MR. GARNER: No, I know. And that's why I'm saying I don't want to lose where we were at when we started this.

We were talking about the business case -- going back to that issue -- and Mr. Shepherd was getting to that point and I don't want to stop him from getting to that point.

But we did ask a number of specific questions about a business case, and rather than repeat them all, we can deal with this in one place in the transcript. They go through (a) to (e).

And the gist of all those questions, though, was how were you comfortable purchasing and investing in these assets without understanding whether there is a net benefit or a net cost to yourself? And by implication, your ratepayers?

MR. SIELICKI: The net benefit to NPE customers would be additional ties to our system that currently we are not able to use because of the primary metering that's on the facility and the ownership issues. That issue would be resolved if we owned those distribution assets through the park.

MR. SHEPHERD: Let me follow up on that. I understand that you'll get more revenue if you have more customers. I get that. But you also have more costs, right?

MR. SIELICKI: There is a cost associated with acquiring those assets, but we were approached by the customer because the customer, as time has gone by, they don't have the staff or the facilities to maintain that system.

MR. SHEPHERD: Actually, isn't the problem that these assets are coming to the end of their life and they don't want to spend the money to replace them, and so they want you to do it?

MR. SIELICKI: They have been making investments in the system recently. And that was the net book value that we came up with. They did a substantial upgrade of some underground cable through the system.

MR. SHEPHERD: But $818,000 means their assets in that system are almost fully depreciated, right?

MR. SIELICKI: The transformers and switchgear would probably be approaching 20 to 25 years, but currently Niagara Peninsula Energy does have programs where we do rehabilitate equipment like that. And so it would be no different than what we're currently doing.

MR. SHEPHERD: I guess I'm confused, because I thought your evidence said that NPC is concerned that their equipment is approaching end-of-life and they're not in a position to replace it and they want you to do it; isn't that right?

MR. SIELICKI: How would I word that?

MR. SHEPHERD: Is it generally correct? I mean, I --

MR. SIELICKI: The system is still functional. They are doing a current asset evaluation, so that they have a high-voltage contractor that's going in and doing some testing on the equipment. Like, to speak of -- from this point right now, we can't actually say how bad the equipment is, but we're going to be getting those reports. And once those reports are in our hand then we can make a better determination in the negotiation of how we want to proceed.

So at this time it's a little premature to say whether the equipment is end-of-life or not. But we will have solid evidence in our hands from the reports from the high-voltage contractor to make that determination, and that would be included in the -- going forward, the negotiations with the Niagara Parks Commission.

MR. SHEPHERD: The sort of information we're asking for right now, the sort of business case-type information, before you sign a deal with the NPC you're going to have all that, right? You're going to know how many customers it is and how much you think you're going to bill them and what your replacement schedule is for the assets –- all that sort of stuff -- before you sign the deal, you're going to know that, right?

MR. SIELICKI: Right.

MR. SHEPHERD: So then I don't understand why you're including anything in the application. Why are you including guesses rather than the real thing? If you're going to know it later, then you shouldn't be including it now. You don't know that $818,000 is right, do you?

MR. SIELICKI: We don't know if it's right because we haven't gotten into negotiations yet, but that would be a starting point for us to negotiate from. Because, based on information that we have in hand right now with those cable replacements, that's what we feel the value of the system is.

MR. SHEPHERD: So can I come back to my undertaking, then? My undertaking is --

MR. AIKEN: Sorry, Jay, can I jump in here?

MR. SHEPHERD: They're not going to let me ask them. They've decided it's a plot. Go ahead, Randy.

MR. AIKEN: It is a plot. If we go back to some of my questions, I think we'll get into some of the detail that Jay is looking for, and it might be easier to structure the undertaking.

I want to finish off with my Question No. 45, part (d) before I jump into the details that Jay has been talking about. And part (d) says:

"How has the distribution system plan accounted for the addition of these assets..."

And we're talking about NPC here:

"... that appear to require major investments over the coming years?"

And my understanding from what I've been hearing is that it hasn't. You will effectively need to update your distribution system plan once you know the condition of the assets you're considering purchasing.

MR. SIELICKI: We anticipate that the capital expenditures related to repairs and betterments necessary with the Niagara Parks Commission distribution system will reside within existing established programs detailed in Niagara Peninsula Energy's DSP.

Units will be prioritized in conjunction with the entire asset population of Niagara Peninsula Energy's distribution system.

MR. AIKEN: So your DSP does account for whatever may happen there?

MR. SIELICKI: As mentioned earlier, we currently have programs where we evaluate the condition of equipment like switchgear for replacement on the system. That's an ongoing program; it has been for many years and it will continue for many years.

MR. AIKEN: I guess my question is more focussed on the dollar value that is in your DSP. Do those dollar values for the next five years include amounts for this asset and the replacement of the parts of the asset that are at the end-of-life? Or are those numbers going to be dollars over and above what's in your current DSP, dollar numbers?

MR. SIELICKI: We haven't changed those numbers. That's a number going forward to work on units as required based on condition.

MR. AIKEN: Okay. Then I --

MR. SHEPHERD: Can I follow up on that, then, Randy?

MR. AIKEN: Sure.

MR. SHEPHERD: Take switchgear, for example. If there's some NPC switchgear that has to be replaced or reconstructed or whatever, what you're saying is you're going to spend the same amount on switchgear each year as your DSP says, but you might be spending on some NPC assets, former NPC assets, and not on a subdivision in the western part of the city, because that switch gear will not be as high priority as the one on NPC at that time, right?

MR. SIELICKI: That assumption would be correct.

MR. SHEPHERD: Okay. Thanks.

MR. AIKEN: Okay. If you skip ahead to 2-Energy Probe-48, this is maybe the undertaking that I think that Jay has been trying to get in for the last half hour, and the reference here is to number 64, 2-Energy Probe-8. And I'll just go down each of the questions here, and maybe you can just indicate whether you think that you can undertake to respond to these through an undertaking.

part (a) is:

"Please explain fully why NPEI cannot calculate the revenue requirement associated with the purchase of the NP assets."

I think that's something you would need to do through an undertaking and describe it. part (b) --

MR. SIELICKI: I can give you a part answer of what we have there. Since negotiations with the Niagara Parks Commission are not complete, NPEI has derived the required capital expenditure to purchase plant based on our understanding of the net book value of the assets. Since this is only a high-level estimate, it is premature for us to determine the specific revenue requirement.

MR. AIKEN: Okay. And then part (b): "Based on capital expenditures of 818,000" -- I should say I'm getting into the components of the revenue requirement now, and to find out why you can't give us the total number.

"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 addition of this amount to rate base?"

MR. SIELICKI: The cost of short-term debt, long-term debt, and return on equity associated with the addition of these assets to the rate base would be the same as outlined on Appendix 208, capital structure and cost of capital that has been applied to all NPEI rate base.

MR. AIKEN: Yeah, and what's the dollar value? You can do that by undertaking, right?

MS. WILSON: That's correct.

MR. AIKEN: Okay. And then part (c) --

MS. HELT: Sorry, Randy, if I can --

MR. AIKEN: I'm going to come back to the undertaking in a few minutes, Maureen.

MS. HELT: Okay.

MR. AIKEN: part (c), based on the incremental return on equity from part (b) and I should have mentioned the capital cost allowance, what's the impact on PILs?

MS. WILSON: Incremental return on equity would be 6.12 percent times 818,000, which equals $50,061. The impact on PILs is immaterial, due to CCA being greater than depreciation.

MR. AIKEN: So there would be a reduction in PILs.

MS. WILSON: CCA is greater, yes. That's correct.

MR. AIKEN: And you could quantify that as part of the undertaking?

MS. WILSON: I could run it through the PILs --

MR. AIKEN: Okay. part (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.

MR. SIELICKI: We don't anticipate any change to operating costs, as we are already a first responder for events associated with the Niagara Parks Commission system -- distribution system. Niagara Parks Commission is currently treated no differently than any of NPEI's other high-voltage customers. However, after-hour premium charges are billed to the customer for service. This is no different than any other process that we follow for NPEI customers.

MR. SHEPHERD: Can I follow up on that one?

MR. AIKEN: Sure.

MR. SHEPHERD: So you -- so right now, although the customers -- the vendors in the NPC areas are NPC customers right now, you provide service and I guess, like, outage relief and stuff like that as if they were your customers. Is that fair?

MR. SIELICKI: That's correct.

MR. SHEPHERD: And do you do that with, like, a shopping mall, for example, is the same thing?

MR. SIELICKI: If there was an outage at a shopping mall we respond to determine whether the problem is on the high-voltage side or the low-voltage side on the service.

MR. SHEPHERD: And if it's on the low-voltage side the shopping mall has to pay for it.

MR. SIELICKI: Right.

MR. SHEPHERD: And is that the same with NPC? If it's on the low-voltage side NPC has to pay for it?

MR. SIELICKI: Going forward that would be the model.

MR. SHEPHERD: No, no, I'm talking about now.

MR. SIELICKI: Right now Niagara Parks Commission would be responsible for any costs associated with the entire system, because it's primary metered at three inputs, so any equipment failures are the responsibility of the Niagara Parks Commission at this time.

MR. SHEPHERD: So although you're first responders, they actually pay you for that?

MR. SIELICKI: We will respond to isolate any equipment that might be damaged. It's up to them to acquire resources to go in there and replace or repair.

MR. SHEPHERD: No, but that doesn't answer my question, sorry. If there's a problem on their system, you go in to isolate the -- to make it safe, right?

MR. SIELICKI: Right.

MR. SHEPHERD: To do a big save. And do you then send them a bill for that?

MR. SIELICKI: If it's during normal working hours we wouldn't. If it's after normal working hours they would pay premium costs for labour and labour-saving devices --

MR. SHEPHERD: They don't pay the full cost, but they pay the extra cost associated with it being after hours.

MR. SIELICKI: That's correct.

MR. SHEPHERD: So that's not true of your other customers, right? You don't do that with your other customers.

MR. SIELICKI: We do. It's the same with any other customer if it's considered a primary service to the facility.

MR. SHEPHERD: Thanks.

MR. AIKEN: Then part (e). I think we may have covered this, but I'll read it again.

"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?"

MR. SIELICKI: As stated above in 2-Energy Probe-45TC, part (a), at this time the additional cost of meters has not been included in the 2015 estimates of capital expenditures. We are in the initial phases of negotiation, and it is premature to quantify these expenditures at this time.

As stated above in 2-Energy Probe-45TC, part (d), we anticipate that the capital expenditures related to repairs and betterments necessary with the Niagara Parks Commission distribution system will reside within existing established programs detailed in Niagara Peninsula Energy's distribution system plan. Units will be prioritized in conjunction with the entire asset population of NPEI's distribution system.

MR. AIKEN: Then if we go to part (f) -- and I'm going to join this question with a question I have under Exhibit 3 in a minute. But part (f) says part (c) of the response indicates that there will be increased service in volumetric charges. Please show the revenues generated under current rates with the existing ownership, including volume and customers, along with the revenues and volumes under the ownership of NPEI, with the addition of customers for the GS less than 50 and GS greater than 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.

And before you answer, if I can take you to 3-Energy Probe-53, which refers to number 95, 3-Energy Probe-21, and the question there was, please explain what NPEI means by the statement that it bills distribution cost to the following types of accounts on behalf of the Niagara Parks Commission.

And if you look at that response, if I can find it here, if you look at that response it shows that you have a number of active accounts, one residential, 11 GS less than 50, and 12 GS greater than 50, and one on meter scattered load account.

So I guess my question is, based on the discussion we had, are these customers you're billing now?

MS. BATTISTA: That's correct. So --

MR. AIKEN: Even though they're not connected to your system they're connected to NPC's high-voltage system?

MS. BATTISTA: They are connected on to one of our meters, so they are billed as individual accounts because of the different -- depending on which primary they're connected to and which secondary they are.

There's three primary accounts there that are GS greater than 50 where the additional vendors are actually connected to. The remaining of those accounts are actually connected to our system.

MR. AIKEN: So for one of these primary metering points you have these customers?

MR. SIELICKI: No.

MS. BATTISTA: No.

MR. SIELICKI: That -- part of that is a standalone system. It's a little complicated. The Niagara Parks Commission has an administration office where they own part of the distribution system, so there's a couple of transformers that they build that they rent out a small part, but that's pretty insignificant. The majority of the customers that we would be talking about going forward are the customers that are currently serviced by the three primary metering units. These other small accounts that exist right now might not even play into the negotiations.

MR. AIKEN: Okay. So the potential customers we've been talking about would be in addition to these?

MR. SIELICKI: Right.

MR. AIKEN: Okay. Jay, do you know what your undertaking is now?

[Laughter]

MR. SHEPHERD: No, my undertaking is still the same. What I would like to you do is provide us with a single package of all the information you have available to assess whether the acquisition will cost the ratepayers or benefit the ratepayers, so all information that would affect revenue requirement going forward. Just put it all in one place, give us whatever numbers you have. If it's all in the application, fine. Just say: Here's the number; there's where it is in the application.

Because we want to be able to see if we can replicate the business case. You've said you can't. That's fine. We're asking you to give us everything you have.

And obviously we're asking you, if you don't have something, to see it if you can figure it out, so that when it comes to a hearing we can say: Look, here's how much revenue you're going to get.

And we want you to know that. We're going to ask you how much revenue, and the Board is going to want to know it, I'm pretty sure.

So we're asking you to give us as much as you can.

MR. BATTISTA: I like that, that -- a revenue requirement work form before and after, in a way, so that there's a snapshot of what your revenue requirement is without the Niagara Parks proposal. And then run your numbers for 2015 for all aspects, OM&A, revenue, your rate base increase with the Niagara Parks proposal in it. And that would tease out the --

MR. SHEPHERD: That's true. I agree with you, Richard, but I think that I don't just want the results –-

MR. BATTISTA: That's an addendum. It would be helpful to have that, as well as what Jay is speaking to.

MR. SHEPHERD: Okay.

MR. SIELICKI: I mean, we could try to do that, but our current understanding is the net book value of assets has been determined. Without knowing an exact customer count or customer count going forward from the Niagara Parks Commission, it's going to be hard to try to quantify that.

MR. SHEPHERD: No, I understand that. I guess what I'm asking for is if you have estimates of the numbers of customers, give us the estimates. If you can call them and ask them for some numbers, call them.

We're asking to you give us whatever you can give us.

MR. STOLL: If there's an assumption that needs to be made, Jay, we would give you the assumption we've made in our evidence?

MR. SHEPHERD: Yes.

MR. STOLL: And then you're free to look at the quality of the assumption in making your -- furthering the discussion?

MR. SHEPHERD: The undertaking is actually more for your benefit than for ours, in the sense that we're obviously -- I mean, you can see from all the questions we're going to challenge whether this is the existing ratepayers subsidizing NPC.

So we're inviting to you give us information to show us that's not true. And if your answer is not very much information, then in an oral hearing we're going to say to the Board: Well, we gave them a chance and they decided that they didn't have enough information to inform us.

MR. STOLL: Okay. Do you have a brief description of the undertaking just so we have it on the record? I think we can give you -- we'll give you what we can in response, with -- putting a box around the NPC total story.

MR. SHEPHERD: Please provide us with all information that you can provide us on the revenue requirement implications of the NPC acquisition, and with Richard's add-on that that should include but not limited to -- should include the revenue requirement work form with and without the acquisition.

Okay? Thank you.

MR. AIKEN: Can I amend that to not just the revenue requirement but also the revenue forecast?

MR. SHEPHERD: No, I thought what Richard was asking for was the revenue requirement work form, so it would be all components of it.

MR. BATTISTA: The revenue requirement work form has a revenue component to it in terms of volumes, so with it would be -- assuming that there are additional volumes, would be recognized as an increase in the revenues at existing rates. If there's no volume, then there would be an increase in the deficiency that isn't being offset by the increased volumes. You know, that sort of thing.

MR. AIKEN: I just want to be clear that in the end we're going to have three revenue requirement work forms.

One from the undertaking earlier today that is your current application updated for the PILs error, the change in the capital expenditures.

Then we're going to have two based on Richard's idea that it would be your proposal plus probably revenues, additional revenues, and then your proposal minus NPC; is that right?

MS. WILSON: The minus of the NPC would only be the removal of the 818,000 from rate base.

MR. AIKEN: That's right.

MS. WILSON: Right, because we're still going to collect the revenue we're collecting now from the chart on page 134 of the interrogatories. That revenue will still exist.

MR. AIKEN: All right.

MS. HELT: All right. Finally, we are then going to assign this undertaking a number, and that will be JT1.3.

UNDERTAKING NO. JT1.3: TO PROVIDE A FULL PACKAGE ON HOW NPC PROPOSAL WILL IMPACT REVENUE REQUIREMENTS; IN ADDITION PROVIDE 2014–2015 REVENUE REQUIREMENT WORK FORM

MS. HELT: And I think it's been sufficiently articulated that we can carry on, Mr. Aiken, with your questions.

MR. AIKEN: 2-Energy Probe-No. 46 refers to 60, 2-Energy Probe-4 and 15-SEC-5. Part (a) is:

"Please explain the increase in the additions to gross assets in 2014 shown in the interrogatory response to 2-Energy Probe-14 as compared to the original evidence."

And what I'm looking for here is not a line-by-line, but in what area has your capital expenditures gone up by the roughly 7- or $800,000 from your original forecast?

MR. SIELICKI: The 2014 original capital budget included smart meters as 14,788,440, as per appendix 2-AA. This budget amount does not include vehicle disposals.

The projected 2014 is 14,286,345, which is net of 633,627 of disposals.

So we have 14,919,972 minus 633,627, which is equal to 14,386,345.

Comparing just gross additions of 14,788,440 to 14,919,972 is an increase of 131,533. This increase is mainly due to the premature failure of a power transformer at the Jordan VS, and the works to accommodate the transformer replacement and install.

MR. AIKEN: Part (b) you've already answered.

Part (c):

"Please update the 2015 continuity schedule provided to 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."

In other words, can you provide 2014 and 2015 continuity schedules that reflect the change in your projected capital expenditures in both those years?

MS. WILSON: Yes. We have updated and filed the updated 2014 to be the 14 million 286, with the disposals.

I can refile the 2-BA continuity schedule. Currently, that only has the 313,000 of vehicle replacements. The majority of the 490,000, all of it, is actually going to be put in Account 1840 as it relates to the Rolling Acres project. And the additional depreciation, because that's over 50 years, will show up on the accumulated side of 4,906.

MR. AIKEN: And that updated continuity schedule for 2015 would be consistent with the updated RRWF you'll file?

MS. WILSON: That's correct. They will all match.

MR. AIKEN: Would you undertake to do that?

MS. WILSON: Yes.

MS. HELT: That will be Undertaking JT1.4.

UNDERTAKING NO. JT1.4: TO PROVIDE AN UPDATED CONTINUITY SCHEDULE FOR 2015.

MR. BATTISTA: Just a point of clarification, Suzanne. You mentioned you had filed an updated continuity schedule?

MS. WILSON: It's in appendix -- the appendix -2 filings. It's under the yellow highlighted tabs.

MR. BATTISTA: So it's in evidence somewhere?

MS. WILSON: In interrogatories.

MR. BATTISTA: That's fine. Thanks.

MR. AIKEN: My next question is 2-Energy Probe-47. It refers to No. 62, 2-Energy Probe-6.

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

MR. BAYTHIN: So we can confirm that the response to the interrogatory, the $236,260 cost, is the correct amount that relates to stranded meters. In the continuity schedule, the 92,783, that includes some other transactions. I believe it also includes change in level of capitalized meter inventory. So it's a net figure. But the amount -- the 236,260 is the gross removal of costs for stranded meters.

MR. AIKEN: Okay. So if the continuity schedules show disposals of 92,000, you're saying that there is a disposal of 236,000 for stranded meters, but an addition...

MR. BAYTHIN: It's presented incorrectly. There is something else in with that 92,000. That should probably be shown in the additions column that's reducing it.

MR. AIKEN: Oh, okay, okay. I've thrown in another question that's not on the list here, and this refers to number 63, 2-Energy Probe-7. And the response there, the second sentence says in part (a), NPEI does not record capital additions as CWIP at year end. Does this mean that you never have any capital expenditures that -- where the project is not completed year end?

MR. SIELICKI: That does occur from time to time where it's carried forward, depending on how much demand work that we end up getting through the year which could be unplanned on our part, such as road relocations.

MR. AIKEN: But I guess my question is, if at year end you have a project that's not complete, where do you book the capital expenditures that you spent up to that time? If there's no CWIP entry and the project is not complete so it can't go into rate base, where does it show up? Or does it show up? Or do you assume that everything you spend is part of a complete project, even if the project isn't completed at year end?

MS. WILSON: That's correct. Most of the way they do the budget and they do the operation and they build the line or whatever they're building in engineering and operations, they do it to put it into service, and then they will start a new phase of the same project in the following year.

So we have the Crawford Street rebuild. They will do this phase. It's in service. Then they will start the next phase. If it's a new project number, it goes to --

MR. AIKEN: Okay. So everything that you spend by year end is in service at year end?

MR. SIELICKI: Right.

MR. AIKEN: Okay. We've covered some of the next few questions, so I'm going to go to 2-Energy Probe-49, which refers to number 65, 2-Energy Probe-9, and on the second page of that response, so part (b), my question is:

"Please explain the increase in the line relocation shown between the original 2014 budget and the proposed 2014 figure."

The second part is:

"Please explain why there's not a corresponding increase in the capital contributions associated with that increase."

MR. SIELICKI: There has been a funding model change from the OLGC to the City of Niagara Falls which has enabled the City to fast-track road improvement projects. The city received a copy of the municipality contribution agreement from the OLG on July 17th of 2013. The estimated new fee will be between 18- and $20 million per year.

The new funding formula is based on OLG slot and table game revenue, whereas the old payment was a flat fee of $3 million per year regardless of how the casinos performed. A new community recognition program is included in the new agreement, which will allow host municipalities, OLG, and the province to publicly display and communicate how hosting fees are being used at the local level.

How the money is spent will be at the full discretion of the council. However, OLG will have input to ensure the money is benefiting the community as a whole.

And part (b) of that is current legislation dictates that cost recovery for line relocation works is based on a 50 percent labour and labour-saving devices split only. The increased expenditure also includes cost for materials and outside purchases which do not qualify from this recovery model.

MR. GARNER: Can I ask something, Randy, because we actually had a question about the OLG funding. I'm not sure I understand what you've said. I understand -- if I understand what you're saying is the OLG arrangement with the casinos has changed subs -- and because of that the amount of projects you're able to do will go up, right?

MR. SIELICKI: Well, it's not the amount of projects that Niagara Peninsula Energy plans, it's actually the City of Niagara Falls. So they had been kind of in a stall mode with some road improvement projects that they've had on the books --

MR. GARNER: Right.

MR. SIELICKI: -- for a while. So with this funding increase, they've fast-tracked some of these projects because they have increased funding to be able to facilitate their projects.

MR. GARNER: Right.

MR. SIELICKI: And we get drawn into it because of relocation works that we have to do that follow current legislation which dictates how we recover from the project.

MR. GARNER: I understand. So thank you for that correction. It's not direct. It's indirect. It causes you to have a larger capital budget. And as a consequence to that, most of that is, as you say, in respect to municipal road relocations, of which you get a contribution, correct? So isn't the question is if one is going up -- i.e., the road locations -- why isn't the contributions going up also at the same time, so that's --

MR. SIELICKI: We don't recover for material. So those material costs are fully borne by Niagara Peninsula Energy, and equipment such as transformers and cable. So that's never been part of the model of the legislation for cost recovery.

MR. GARNER: Okay. But I still -- I'm still lost. Let me just use a simple example. If you were doing a million dollars' worth of reload -- load -- I'm sorry, road relocation and the next year you do $2 million worth of road relocation, isn't it -- doesn't it logically follow that the contributions you're going to be getting are going up because you used to get, let's say 10 percent -- I'm just throwing those figures out of the air -- get 10 percent contribution for a million is 100,000. If you're doing 2 million you get 200,000. You see where I'm going? And if -- what I don't understand is if you're having the analogous situation here where you're doing more relocations, your contributions move upwards, don't they?

MR. SIELICKI: It could also defer work that Niagara Peninsula Energy had within its capital program to accomplish.

MR. GARNER: But that's not what you're showing. You're showing an overall net increase in capital due to an increase -- an anticipated increase in road relocation work, but you're not, as I understand it, showing a consequential increase in capital contributions that go with that work, and that's where I'm getting lost. Can you help me?

MR. SIELICKI: It's not really a capital contribution. It's a split on the labour and trucks required.

MR. AIKEN: Is this really a situation where the numbers you're showing as a line relocation cost are true relocation costs plus equipment rental or equipment changes that you're making so -- that you may not have made if you didn't relocate it? In other words --

MR. SIELICKI: That would be correct --

MR. AIKEN: -- you're flipping the side of the road, so you might as well put in the new transformer rather than leave the one that has, you know, got five years left on its life.

MR. SIELICKI: That would be correct.

MR. AIKEN: So that's why the materials cost goes up. It shows up in this line, but you don't get a contribution on the material?

MR. SIELICKI: Right.

MR. AIKEN: Okay.

MR. GARNER: Except ultimately kilometre for kilometre you're still doing more kilometres of road relocation.

MR. SIELICKI: It could be on assets that haven't reached end of life because of being driven by the city.

MR. GARNER: Okay. I won't belabour it, thanks.

MR. SHEPHERD: Has your average percentage of contributions relative to road relocation projects changed? Has the percentage you're getting from the city gone down?

MR. SIELICKI: We would have to look into that.

MS. WILSON: I don't have the detail to break out historically -- with me -- the labour-saving devices and the material and outside purchases from those projects. I only have '14, 2014.

MR. SHEPHERD: What I'm looking for is -- I thought there was actually a table in here that said this, that shows the amount of spent on road relocations and the amount received from the city each year. I thought there was actually a table that showed that.

MR. STOLL: Jay --

MR. AIKEN: The response to 2-Energy Probe-9, part (b).

MR. STOLL: That's where I was going, Randy.

MS. WILSON: On page 97 of the interrogatory responses.

MR. SHEPHERD: Yeah, that's right. So you're anticipating that your percentage of contributions from the city is going to stay roughly constant, right? Roughly 40 percent of your total cost?

MS. WILSON: Well, this includes not just the city in these numbers. There's a region in there and the other ones too, yes. These are what the actuals are, but it's not just the city of Niagara Falls.

MR. SHEPHERD: All right. Thanks.

MR. AIKEN: Going on to Exhibit 3 questions, the first one is 3-Energy Probe-50. The reference is No. 90, 3-Energy Probe-16.

And I was just having some problems reconciling the average of the numbers you've given us for October '13 and October 2014.

Could you provide the actual number of customers by rate class for each month of 2013 and for each month of 2014 for which you now have actual data?

MR. BAYTHIN: Yes. We have prepared a table that we can file for you. We don't have November and December of '14 in there yet.

MR. AIKEN: That's fine.

MR. BAYTHIN: But all of '13 and up to October '14, we can file that.

MR. AIKEN: Okay.

MS. HELT: Do you have that with you now?

MR. BAYTHIN: Yes.

MS. HELT: We can mark that as an exhibit. That will be KT1.2, which is in response to 3-Energy Probe-50 technical conference question. And it's a table showing the actual number of customers by rate class for each month of 2013 and each month of 2014 for which NPEI now has actual data.

EXHIBIT NO. KT1.2: RESPONSE TO 3-Energy Probe-50TC: TABLE SHOWING ACTUAL NUMBER OF CUSTOMERS BY RATE CLASS FOR EACH MONTH OF 2013 AND 2014 FOR WHICH NPEI NOW HAS ACTUAL DATA.

MR. BAYTHIN: Yes.

MR. AIKEN: Then, 3-Energy Probe-51 refers to No. 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."

MR. BAYTHIN: That's correct. We did adjust for the correction.

MR. AIKEN: 3-Energy Probe-52 refers to 92, 3-Energy Probe-18:

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

MR. BAYTHIN: Our response to that interrogatory was based on the coefficients of determination, the R-squared value in each of the regression analyses, none of which are greater than 0.9.

MR. AIKEN: Sorry, say that again? It was based on the...

MR. BAYTHIN: The coefficients of determination that -- the R-squared value of the Excel regression output.

MR. AIKEN: Okay. Number 53 we've dealt with.

I'm now into Exhibit 4, operating costs. 4 Energy 54 refers to No. 116, 4-Energy Probe-23, part (b), and Exhibit 4, tab 2, schedule 1, table 4-3.

My first question, on the table providing response to part (b):

"Does the 2013 October actuals column include an allocation of 2013 smart meter costs of 311,339 that's shown in table 4-3?"

MS. WILSON: Yes. The 2013 October "actuals" column includes ten months of smart meter labour costs in the amount of 134,571, and 10 months of meter reading costs in the amount of 143,859.

MR. AIKEN: Part (b):

"The 2013 actuals with 12 months' smart meter costs, which is 14,213,954, is only $61,645 higher than the 2013 actuals column, while table 4-3 shows 2013 smart meter costs are 311,339. Please reconcile."

MS. WILSON: We have updated appendix 2-JA that we originally filed with the interrogatory response. It was incorrect; the formula was wrong.

The table below in our evidence here shows the corrected billing and collecting expense, including smart meter costs, which do come up with a difference now of 311,249. We can either file this as an exhibit or we can refile appendix 2-JA, if you like, with an undertaking.

MR. AIKEN: Either one is fine with me.

MS. HELT: For the purpose of the record, why don't we say you will file an updated appendix 2-JA? And that will be Undertaking JT1.5.

UNDERTAKING NO. JT1.5: TO FILE AN UPDATED APPENDIX 2-JA.

MS. WILSON: Okay.

MR. AIKEN: Maureen, when did you want to take a break?

MS. HELT: How much longer do you have, Randy? You have another half an hour or so, 45 minutes?

MR. AIKEN: Probably another half hour.

MS. HELT: We could take a break now or we could continue. It's really up to the court reporter.

We'll take a break now until five past 11:00. Thank you.

### --- Recess taken at 10:45 a.m.

### --- On resuming at 11:06 a.m.

MS. HELT: Welcome back, everybody. Mr. Battista has copies of Exhibit KT1.1 if anybody needs it. He will pass that around right now. Otherwise we are set to resume with Mr. Aiken's questions.

Just before you start, Randy, I think we'll plan to go until about 12:30, depending on who is asking questions then, and whoever is, if we take our lunch break at around that time, that would be helpful.

So I turn it over to you, Randy.

MR. AIKEN: Thank you. I think I'm on 4-Energy Probe-number 55, and the references listed there, there are four of them, is number 118, 4-Energy Probe-25, Appendix 2-JB, No. 109, 4-Staff-37, and No. 142, SEC 30.

part (a) of the question is, please explain where in Appendix 2-JB the reduction in cost related to the billing clerk that retired in 2013 and was not replaced is noted in response to part (a) of the Energy Probe interrogatory is shown.

MS. WILSON: Okay. I have an exhibit that I've handed to everyone. In this -- it was page 166 of the interrogatory responses. I tried to accomplish a lot of the interrogatories with one page to put the whole thing together.

So the first question for the billing clerk that retired in 2013 not replaced, that 104,280, she was actually on a medical leave for ten months. When you're on a medical leave their wages are going and hitting sick time, which is part of the overhead burden, so that's why you don't see it on Appendix 2-JB. But she is a cash savings, if you can say, so I've added her as a cash savings. She still is an FTE, but she didn't hit the OM&A expenses. That's why 2-JB is for OM&A expenses. You don't see the reduction.

MR. AIKEN: Okay. And then part (b) of the question, 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 cost down to 699,905. However, the response to part (b) shows that the full impact of water is an increase of 906,527, and can you please reconcile.

MS. WILSON: Yes, the exhibit that I just gave to everyone, it shows now in column 13 that if you put the cash savings of her, the 104,280, in that column, it would be 699,905 for the savings.

MR. AIKEN: Sorry, which is column 13?

MS. WILSON: Actuals 2013, it has it in the highlighted blue, the 699,905.

MR. AIKEN: So the 804,195 already takes into account that $104,000 reduction?

MS. WILSON: The 804 is the 337 plus the 596 minus the 129. Then to take the additional 104 off you would get the 699. The 804 is cash savings, not OM&A, because she was never recorded in 2013 in OM&A expenses.

MR. AIKEN: Okay. So if you move to part (c) of my question, reconcile -- please reconcile the full impact of water of 906,527, shown in part (b) of 4-Energy Probe-25, and the figure of 652,304 is shown in the response to part (g) of 4-Staff-36.

MS. WILSON: You would take the 699,905 minus the 47,601, which are the two highlighted expenditures of postage for water and water-only bill, postage for water-only bills and envelopes for the water-only bills, and the 699,905 minus the 47,601 equals the 652,304.

MR. AIKEN: Okay. So then if you go to 142 -- I think it's 142 SEC 30 --

MS. WILSON: Yeah, for the SEC question I tried to put that whole impact of water, which is the loss of the other revenue, which is basically Chapter 3 or Exhibit 3 of the filing, and Chapter 4 -- we lost the revenue, and when it happens on the water billing, in Exhibit 4 you're just looking at OM&A expenses, and we allocate those costs, and we move them up to 43.80, which is shown in Exhibit 3. It's complicated. So to put the whole thing together, it's really the loss of the water completely before the HST. So we lose the water collection revenue expenses or the water revenue, the late payment charges, the water occupancy, the water administration revenue.

I excluded the impact of the water revenue for the fixed asset machine, because it's depreciation, and I'm just trying to focus on other revenue and OM&A. So that's the 496. We lose that. And we gain back the savings from the water-only bills for postage and envelopes, which is the 47,601. We still are carrying the cost of the water supervision of 120 and the water labour and benefits of 475. Those were the costs in 2013. We did save 129,000 from the reduction of the contracted cashier, the temporary services cashier, and the temporary service receptionist at ten hours. That's the 129,000. And then there's the billing clerk, who is cash savings, not OM&A savings, when you're comparing 15 to 13. You would have seen that as a savings if you are comparing 15 to 12, because she was working in 12, to get the 906,000.

MR. SHEPHERD: Okay. Can I just follow up on this?

MS. WILSON: Sure.

MR. SHEPHERD: Because SEC 30, my marginal note here is I don't understand your response. And so could you just -- let me -- can I take this a bit step-by-step?

MS. WILSON: Sure.

MR. SHEPHERD: School Energy Coalition 30 first starts by saying "confirm that these are the additional numbers", the 933, and you're saying the correct number is actually 906; is that right? I ask -- confirm that 933 is right and you didn't answer that, so I'm asking you to answer it.

You can undertake to provide this.

MS. WILSON: The correct number is the 906.

MR. SHEPHERD: So your cost driver table has an additional 27,000 in it. Why?

MS. WILSON: I'd have to research that, actually.

MR. SHEPHERD: Okay. And then the second -- but the real thrust of the question is, your revenues from water are about $485,000 a year, right, or so?

MS. WILSON: Excluding the 18,000?

MR. SHEPHERD: Well, I took it from your Exhibit 331, which was 485,405. Doesn't matter whether it's 485 or 500. It's in that range, right?

MS. WILSON: Yes.

MR. SHEPHERD: So I don't understand how you can have $900,000 of costs associated with this service. Under the affiliates relationship code you are required to recover all of it, so you should have been billing the city 900,000.

MS. WILSON: And we did.

MR. SHEPHERD: Well, then --

MS. WILSON: It's 906,000 that we actually billed to the city over and above the direct meter reading cost.

MR. SHEPHERD: All right. So then I don't understand why the revenues were treated as 485. I'm confused.

MS. WILSON: In Chapter 3 we're just looking at the impact of the loss of the revenue from the water. In Chapter 4 we're looking at what is the cost and impact on OM&A from the loss of water. You put the two chapters together and you get 906, which is what I'm trying to show on this exhibit in the far column, that we're losing the water and we're still carrying the cost of the FTEs.

MR. SHEPHERD: I understand that. The thing I didn't understand is if the amount the city paid you was $485,000 --

MS. WILSON: No, it's 9 -- it was over a million.

MR. SHEPHERD: Do we have that somewhere?

MS. WILSON: No, I've never filed the actual water spreadsheet that -- and it goes to the services company. But yes, I have the costs by month of the water revenue and the expenses by month for every year, because that's what we file and we take it from --

MR. SHEPHERD: That goes to the services company. I'm interested in what the utility gets. So the utility got $485,000, right?

MS. WILSON: No. They paid me back for all of the wages as well.

MR. SHEPHERD: Okay. So do you have somewhere how much the utility was getting from the water billing from the city, and where it shows up in your budget, in your past actuals, so that we can then calculate going forward where those things would be missing?

MS. WILSON: Yes. This is what this sheet is trying to do in a very detailed level, especially with the breakdown of the $4.20 per water-only bill. But yes.

MR. SHEPHERD: What I see here is revenues that are not a million dollars. There's no million dollars here anywhere, actually.

MS. WILSON: Well, it's 906,000.

MR. SHEPHERD: You just said it was over a million.

MS. WILSON: Excluding the direct meter reading costs for water, which the third-party vendor billed us, and we recovered that from the city 100 percent.

MR. SHEPHERD: I understand. So somewhere you have a summary of everything that the city paid?

MS. WILSON: Yes.

MR. SHEPHERD: Or is still paying, I guess. No, it was paying until they changed. And so a summary of all those amounts, including how much of those amounts went to the utility as opposed to the services company?

MS. WILSON: That's correct.

MR. SHEPHERD: And then a summary of all the costs?

MS. WILSON: They're all on the same page.

MR. SHEPHERD: Okay. And you have that?

MS. WILSON: Yes.

MR. SHEPHERD: You can provide it?

MS. WILSON: Yes.

MR. SHEPHERD: Thank you.

MS. WILSON: Did you just went 2013 or '11, '12 and '13?

MR. SHEPHERD: It actually doesn't matter whether you were complying with the Affiliates Relationship Code. What this talks to is whether the estimate you have of the impact is too much or not. If you were only recovering 500,000 and you're saying the impact is a million, then we can legitimately say: No, it can't be worth more than 500,000.

MS. WILSON: Yes. In 2013 we recovered $475,829 for water labour and benefit. We also recovered 120,172 of water supervision. We also kept the water occupancy change charge revenue; we never forwarded that to the city. We kept the late payment charges from the water and we kept the water collection revenues. We kept all that. We did not forward that money to them.

But now that money is gone.

MR. SHEPHERD: So you can give us a total of all the ins and all the outs for water?

MS. WILSON: Yes.

MR. SHEPHERD: If you can do that, that would be good.

MS. HELT: If I can interject here, perhaps it would be helpful if we mark the table we've been referring to. That is the water billing system table in response to 4-Energy Probe-55, a technical conference question as KT1.3. And then we will note as an undertaking the -- that you are to provide how much the utility was receiving from the city for the water billing.

EXHIBIT NO. KT1.3: water billing system table in response to 4-Energy Probe-55, a technical conference question

And, Jay, can you just further articulate on the specific details of that undertaking?

MR. SHEPHERD: You have an existing spreadsheet which, as I understand it, shows all the amounts you get for water billing and all the amounts that it costs you, so that you can see each -- it's monthly, right?

MS. WILSON: Yes.

MR. SHEPHERD: You can see each month that you're net positive?

MS. WILSON: That's correct.

MR. SHEPHERD: So that's -- we're asking for that spreadsheet.

MS. WILSON: Yes.

MS. HELT: That will be Undertaking JT1.6.

UNDERTAKING NO. JT1.6: TO PROVIDE THE AMOUNT THE UTILITY RECEIVED FROM THE CITY FOR WATER BILLING AND WATER COSTS INCURRED BY THE UTILITY.

MR. GARNER: Before we leave this topic, if, Randy, you don't mind, because I'm still -- I'm going at it a slightly different way, I think, and all these figures have left me slightly confused.

The figure I'm -- I want to understand completely is in 2015 for your test year, what's the figure you were saying is the remaining cost -- I don't care about any revenues -- the remaining cost, not net of revenues, of the water billing services that you used to do that remains inside the utility in the test year? What's that number, if you can...

MS. WILSON: That number would be the 120,172, plus the 475,829, minus the 129,000.

MR. GARNER: And that final figure is what figure?

MR. STOLL: They're just going do the math on the computer.

MR. GARNER: They're doing better than me, so...

MS. WILSON: That sum would be 467,001, minus the 47,601 of savings.

MR. GARNER: Those savings are related to?

MS. WILSON: The water-only bills.

MR. GARNER: Thank you. So it's –

MS. WILSON: The 4 --

MR. GARNER: I'm sorry.

MS. WILSON: The total is 419,400, is left in the 2015 OM&A.

MR. GARNER: Thank you. Now, that 419,400, those costs, am I correct, relate to FTEs in utility?

MS. WILSON: That's 100 percent correct, excluding the 47,601 savings of the supplies.

MR. GARNER: We're talking 419,400 right now, so that's just FTEs?

MS. WILSON: I took the 47,601 off.

MR. GARNER: Now, what I don't understand or I didn't understand -- and I have an IR, I think, in here, so we might as well deal with it now. I don't understand -- the 419 represents how many FTEs? Do you know?

MS. WILSON: The FTEs are shown at the bottom of the spreadsheet. And I have three remaining, one billing supervisor and two billing clerks.

MR. GARNER: Okay. Our question was: What role do these three FTEs have post-2014 in the utility?

MS. WILSON: We have moved through a rotational basis one of the –- sorry. Permanently, we have moved one billing clerk into customer service, and we have taken two customer service, one to fill a position of reception on a daily basis, and one to fill a position of cashier on a daily basis.

MR. GARNER: Does that take care of all three of them? Have we now covered all three FTEs?

Because it sounds like that's two people who have moved and there's three people who you have to deal with.

MS. WILSON: I still have the supervisor.

MR. GARNER: Right. What does the supervisor now do in this new post-water billing environment?

MS. BATTISTA: The billing supervisor, there's two billing supervisors in place. So what we've done is, because we have two separate locations, one is located in one location. The other is -- so she's dealing with daily work within billing itself. They've split the tasks that the one supervisor was doing, and they've taken on some additional project work, as well as training.

MR. GARNER: And this is a difficult question, I know, but it's the nature of what we do and the cost, is: Why wouldn't the utility simply have made redundant three positions that are related to an activity that no longer -- it no longer does?

MS. BATTISTA: Based on new projects coming on board, as well as with the smart meters, it allowed us some leveraging to do some re-engineering of processes, adding in efficiencies and looking at customer engagement itself. So it was actually an opportunity to reallocate those staff to those new tasks or new approach of how we were doing new scripts within the customer service and billing areas, as well as within the MDMR and smart meter functions.

MR. GARNER: Okay. Are you telling us that you have incremental roles for these people related to smart meters and MDMR?

MS. BATTISTA: They are not incremental roles, but they were roles before where we were either -- falling behind in processes as a result of the strain of water on those same resources. So now it allows us to add efficiencies within those areas to maintain the billing schedule as well as the production work.

MR. GARNER: Right. And as I understand it -- and you can correct me if I'm wrong -- the MDMR Smart Metering activities that are incremental to the utility are by and large either engineering-based related to metering or IT-based related to the new billing functionalities that go with smart meters. Would that be correct?

MS. BATTISTA: Those are shared tasks, actually. The way that we've engineered those processes, we've automated a lot between our operational data storage and the customer information system, so within the billing representatives position itself prior to smart meters, where you'd look into pre-edits and verification processes, we're now introducing the review of customer history, looking at their usage and then leveraging that as to more key messages directly to those customers. They're now looking at trends and facilitating educating the customer and how they're using their usage, where previously we wouldn't have the opportunity or the time to talk to customers on that length of time.

MR. GARNER: Okay. Thank you. That helped clarify it quite a bit. Thanks.

MR. AIKEN: Just on Exhibit KT1.3 at the bottom, where the three FTEs are shown, are each of these three individuals eligible to retire in the test year?

MS. WILSON: Two of the supervisors have more than 35 years, so, yes, they're eligible to retire. One I think is 38 years. The other FTE is in the next three years.

MR. AIKEN: Okay. Then 4-Energy Probe-56 refers to number 119, 4-Energy Probe-26 and Appendix 2-JB. part (a) of the question is, please reconcile the $65,000 annual cost to outsource a mail machine with a figure of 102,000 shown in 2015 in Appendix 2-JB.

MS. BATTISTA: The original application included a budgetary estimate from one vendor for the outsourcing at 102,000 per year. Since that original rate application, based on enquiry to other vendors, we had an updated estimate from a different vendor received at 65,000 annual cost to outsource the mail machine.

And then as part of when we actually proceed with that process, we will actually complete the further purchasing policy, the RFP, and get more details on what's encompassed within that cost.

MR. AIKEN: Okay. And then part (b), the annual cost of $65,000 to me replaces about $9,000 in maintenance and consumable expenses, and $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.

So please quantify both FTE and dollars of this reallocation of resources away from mailing. In other words, I'm looking essentially for the business case of contracting this out rather than replacing the equipment.

MS. BATTISTA: Included within that 65,000, and in terms of time of an FTE within the mail room itself, an FTE, we typically use one FTE per day at a third of their day within the mail room. So that's time away from other activities within billing, whether that be actual core billing schedule, billing call centre time, adjustments or any informational requests coming from the customer.

So from a cost/benefit side of things with the 65,000, other opportunities, whether it be reallocation of those staff to those new -- not new, but enhanced customer engagement services being available to the customer, as well as with the outsourcing vendor, some of the items that were proposed to us where the ability to redesign the customer bill, making it more customer-friendly, allowing us to use customized messages to gear to the customer, looking at preferences and tailoring it to CDM programs, as well as allowing us to put directed messages to the type of customer, so things that we're not -- that we cannot do today just by running through -- the paper through the machine.

So it allows other opportunities that are -- that we don't typically have today. Those opportunities were things that we actually were hearing based on the feedback we received within our customer satisfaction survey as well, that they were looking for methods for us to direct messaging to them and how we get to the customer.

MR. AIKEN: So what's the dollar value associated with the one-third FTE per day, roughly?

MS. BATTISTA: One-third of 106 -- of 106. 104,820, wasn't it 34? Approximately 34,000.

MR. AIKEN: Okay. 4-Energy Probe-57 refers to number 125, 4-Energy Probe-32. part (a):

"Please confirm that NPEI calculated the depreciated expense for 2014 and '15 using the half-year rule or the in-service month for all additions for regulatory purposes."

MS. WILSON: NPEI confirms that.

MR. AIKEN: But it says one or the other. Which one did you use? A combination of both?

MS. WILSON: Yes. We used the half-year rule for the pooled assets, and for the other assets included in our worth-it program we used the in-service date.

MR. AIKEN: And that's the same way you've done your 2011 through '13 actuals?

MS. WILSON: That's correct.

MR. AIKEN: Okay. And part (b) is, just confirm that you're going to continue that mix of methodologies going forward.

MS. WILSON: Correct.

MR. AIKEN: And part (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?"

MS. WILSON: No. We used the half-year rule for the pooled assets and worth-it -- the in-service date for the worth-it assets.

MR. AIKEN: Can you please provide a reference to that cost-of-service filing that shows that?

MS. WILSON: We can look in the original filing for the 11 rate application, probably, I think, in Appendix 2M. Back -- was that --

MR. AIKEN: The reason I ask is because in your evidence from that case it says you use the half-year rule for depreciation. It doesn't say anything about you using in-service month for regulatory purposes.

MS. WILSON: I'm sure in the evidence we showed and mentioned worth-it, because we had to do a lot of updating on that for the interrogatories.

MR. AIKEN: Then if you could --

MS. WILSON: But the assets --

MR. AIKEN: -- undertake to provide that, that would be satisfactory.

MS. WILSON: Absolutely.

MS. HELT: So Undertaking JT1.7 will be to provide a reference as to where in the evidence in application -- is it in the previous application, the previous cost-of-service application, EB-2010-0138, the depreciation expense calculation based on the half-year rule is shown.

UNDERTAKING NO. JT1.7: TO PROVIDE A REFERENCE AS TO WHERE IN THE EVIDENCE IN THE PREVIOUS COST-OF-SERVICE APPLICATION, EB-2010-0138, THE DEPRECIATION EXPENSE CALCULATION BASED ON THE HALF-YEAR RULE IS SHOWN.

MR. AIKEN: And 4-Energy Probe-58, reference is to number 135, 4-VECC-34. part (a) of the question is:

"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, and if this cannot be confirmed please show the change for 2015."

MS. WILSON: NPEI confirms that there is no change in the 2015 OM&A as a result of the 2015 OM&A shown in IFRS and 2014 shown in CGAAP.

MR. AIKEN: And then part (b):

"Please confirm that there was no impact on 2013 OM&A as a result of the change in accounting effective January 1st, 2013 that was mandated by the OEB because NPEI had made these changes effective January 1st, 2011."

I'll stop there.

MS. WILSON: That's correct.

MR. AIKEN: Okay. And my next question is in Exhibit 7, cost allocation, 7-Energy Probe-59, and it refers to numbers 152 and 153, which are 7-Energy Probe-38 and 39.

Instead of this question, will you undertake to file the updated cost allocation and rate design impacts based on whatever happens out of today?

MS. WILSON: Absolutely.

MR. AIKEN: Okay.

MS. HELT: So that will be Undertaking JT1.8.

UNDERTAKING NO. JT1.8: TO FILE UPDATED COST ALLOCATION AND RATE DESIGN IMPACTS BASED ON THE TECHNICAL CONFERENCE.

MR. AIKEN: And then my final question is on rate design. It's 8-Energy Probe-60, which refers to 163, 8-Energy Probe-48 -- sorry, 8-VECC-48. And part (a) is:

"Please update the RTSR rates for 2015 to reflect the..."

That should say:

"... EB-2014-0357 rate order dated January 8th, 2015."

And then part (b):

"What's the impact on the cost of power for 2015?"

MR. BAYTHIN: We have updated our RTSR model to recently approved transmission rates, and the impact on the cost of power is the 2015 cost of power changes from 144,205,774 to 144,149,669, which is a decrease of 56,105.

Would you like us to file the updated model?

MR. AIKEN: Yes, please.

MS. HELT: That will be Undertaking JT1.9, to provide an updated RTSR model.

UNDERTAKING NO. JT1.9: TO PROVIDE AN UPDATED RTSR MODEL.

MR. AIKEN: And those are my questions. Thanks.

MS. HELT: Thank you very much, Mr. Aiken.

I just want to -- just going through my own records here, I've noted Undertaking -- or, I'm sorry, Exhibit KT1.2 was to provide a table showing actual customers by rate class for each month of 2013, '14 and '15.

Was that an actual document that was provided today? Or is that something that is going to be provided?

MR. BAYTHIN: It will be provided. I have it in Excel, if we could find some way to print it at some point today, then I can...

MS. HELT: All right. I just wanted to make sure it's an actual exhibit as opposed to an undertaking.

MR. BAYTHIN: Yes, it is.

MS. HELT: So I will get that from you, then, at the lunch break. Thank you.

Thank you very much, Mr. Aiken.

Mr. Garner?

# Questions by Mr. Garner:

MR. GARNER: Thank you.

We have provided a number of the questions in advance, and a number of them on cost allocation and rate design and revenues are for my colleague Mr. Harper, who is not here today. So I'll read those but I won't be able to add much to them.

I'll start at the beginning of our questions, and we've gone over this earlier this morning but I think it's worth asking the questions that we put forward related to the acquisition of the NPC assets. And some of this may be answered in the undertaking you did earlier.

But the first question we had -- and I'll paraphrase some of these as I go on -- was: Had NPC developed a business case for the purchase of the NPC assets, and is it going to develop that business case prior to its purchase?

MR. SIELICKI: Based on the undertaking that we were given, we will develop that model based on what we can gain information-wise that we'll require for that.

MR. GARNER: Okay. Thank you.

And I think (b) is -- and you can correct me. I think (b) will be largely captured in your undertaking. That asks for some of the qualitative aspects of the purchase.

MR. SIELICKI: That's correct.

MR. GARNER: I'll go to (c), then. The (c) part of that question asks: Once you do the business case, will you proceed if it's -- if it shows that there isn't a net positive benefit to the utility?

MR. SIELICKI: There are several benefits to the utility, which were we're interested in pursuing just because that cable, as mentioned prior, we do intend to have a tie to the Clifton Hill area.

So to make things simple, if we acquired those assets we would have immediate use of that plant to provide an additional feed into that area. So it increases our capabilities during times of contingencies.

So we're going to try to quantify the benefits to NPEI by showing that using those assets immediately rather than having to plan and develop a new route for that feeder intertie, that there will be benefits from the system.

MR. GARNER: Okay. So can I say this back to you and ask you if this is what I'm hearing correctly? It may be -- you don't know what the actual NPV of the project is based on acquisition of assets' revenue streams, but you're sufficiently confident that, irrespective of that calculation, there is a broader benefit to acquiring these utility assets because of some future expansions the utility is doing, and you haven't quantified those benefits but they're large enough, you think, to --

MR. SIELICKI: That would be correct.

MR. GARNER: I see. Yeah, I think the last question that was asked here is why the project, you don't believe, fits under the Board's Distribution System Code and the economic evaluation that's required within that code. Can you comment on that, please?

MR. SIELICKI: As mentioned earlier, those assets, if they do require replacement, they will be prioritized based on the asset condition that we're going to receive from the Parks Commission prior to acquiring those assets.

As mentioned earlier, the assets are currently functional and are usable, but in such a way that it doesn't benefit other NPEI customers currently. But if those changes were to take place and those primary metering units were removed, we could incorporate that into the system immediately without doing any construction or facilities upgrades immediately.

MR. GARNER: I guess where the question goes to, though, is that -- and I don't have it in front of me, but the Board's Distribution System Code requires an evaluation for expansions of certain types. And the question says: Isn't this basically one of those cases, and if it is, why don't you have the economic evaluation that's required by the Distribution System Code?

MR. SIELICKI: Because currently we are in negotiations with the Niagara Parks Commission, but they are doing their homework prior to those assets being transferred or negotiations taking place. So, as mentioned, they are having the equipment evaluated and tested. And the negotiation will begin at that time, in order to develop a hard business case.

MR. GARNER: I don't think I would like an undertaking for this, but what I would ask before we get to the settlement conference, perhaps with your counsel you discuss -- the issue that we may bring up there was whether you're required under the Distribution System Code to create an economic analysis.

MR. STOLL: And I think this will probably clear out in some of the discussion. They're probably -- there's the distinctions in the code between enhancement and expansions, and so we'll provide what information we can to make that clear.

MR. GARNER: I think it might be useful, Mr. Stoll, because even if we come to agreements, we'll still have to satisfy the Board that we're meeting the requirements of the --

MR. STOLL: I understand what you're saying, yes.

MR. GARNER: Thank you.

I think I'll go to the next written question -- actually, maybe I'll just confirm in the next written question what I heard earlier this morning when you discussed Mr. Aiken's questions.

You haven't made any changes in the current interrogatory filing to update your rate base, et cetera, for the adjustment in capital programs but you're going do that in the subsequent -- subsequent to the settlement conference; is that correct?

MS. WILSON: I'll be able to provide actuals at the end of November in two weeks, but definitely not December. It won't be ready.

MR. GARNER: I guess what I'm assuming or asking is it appears that there will be a substantive difference between your forecast and the year-end. And will you update your filing for that for what your rate base will be at the end of 2014?

MS. WILSON: I wouldn't say there's a substantial difference. We have October actuals and we're just projecting November and December. There wasn't -- the majority of the -- a lot of the big monies, like the trucks and everything, they came in in December. So I can give you October actuals with new December projected to get a new one, but I don't think it's going to be that far off from the 14,286.

MR. GARNER: So right now you're thinking that your original forecast for year-end rate base for '14 is going to be fairly close to what the forecast was; is that what you're saying?

MS. WILSON: Yes, we believe that, and believe there is no further carry-forward other than the 495,77 from the Rolling Acres project to hit '15.

MR. GARNER: Right. Thank you for bringing that up, because I have that question somewhere in my notes here, not in the questions I gave you about Rolling Acres, and while we're discussing that, I think that came up at your response number 75, 2-VECC-9, or maybe it's -- I think that's it. I might be giving you the wrong reference. But in any --

MS. HELT: Sorry, Mr. Garner, just before we move on to that, did you in fact then want an updated filing for the rate base for 2014 or not?

MR. GARNER: I'm not asking for that. I think the applicant has indicated they are going to be providing updates as part of this process, but what I'm hearing is -- the applicant saying is that wouldn't substantively change the forecast right now, so their position will be not to change the rate base -- closing rate base for 2014. That's...

MS. WILSON: We believe we're still going to come in at 14,286.

MS. HELT: Thank you.

MR. GARNER: Thank you.

We were talking about Rolling Acres, and I was just trying to find the reference in the interrogatories, but it's not particularly important to find the reference. What I was going to ask, if someone on the panel could give us an update as to where the Rolling Acre -- how Rolling Acres is rolling along, so to speak?

MR. SIELICKI: We currently have the civil contractor. He is directional-boring within the boulevard of the street to establish the primary network. And the secondary network will follow after that, weather permitting. So they are installing duct as we speak.

MR. GARNER: Can you remind me, this project, the total cost of Rolling Acres was it 491,000? Is that...

MR. SIELICKI: I believe it was 796.

MR. GARNER: Oh, sorry, thank you. 796? And that project is forecast to be completed at year end 2014?

MR. SIELICKI: The first phase of that project will be at the end of '15.

MR. GARNER: I guess to be clear, in your application that you've put forward the 2014 closing rate base, it includes the completion of $796,000 worth of investment in Rolling Acres?

MS. WILSON: For 2014 the original application we had 796. We projected though 200 in -- difference of 490. So --

MR. GARNER: Right.

MS. WILSON: -- the first phase, the 490, is carrying over and will be finished in '15.

MR. GARNER: Right. And I think there was an interrogatory with -- Schools asked you where you laid out, I think, all of these differences. And I guess where I'm getting a little bit confused now is that that's a substantive amount of dollars, yet we just had a conversation that you weren't going to be changing your 2014 rate base, closing rate base, but there's a significant number of projects like that -- or that one in particular that's not going to be completed as scheduled in '14.

MS. WILSON: The 14,286 accounted for that.

MR. GARNER: I'm sorry, I don't understand what you're saying. The '14 -- I didn't understand --

MS. WILSON: Projected amount for 2014 was originally 14,788. Inside that had Rolling Acres at 796.

MR. GARNER: Right.

MS. WILSON: We've now projected 14,286, which includes the disposals for the assets. And it includes the Rolling Acres to be at 296,000. Where's the table? Rolling Acres was originally projected at 768,694, and we're projecting that that's coming in at 278,117 on Appendix 2-AA, with the carry-forward of 490,577 to go into '15. '15 gets reduced and offset.

Crawford Street rebuild was originally projected at 516,557. We're projecting that that's only going to come in at 61,190 for 2014. But we're saying Crawford will go forward in '15, and we'll be reducing Frederica, the project of Frederica in 2015. So that the only net increase to '15 comes out of Rolling Acres.

MR. GARNER: Yeah, I think I see that in -- thank you. I think I see that in response to your 15-SEC-5. You've laid out those same figures. And I guess where I'm getting lost, and I'm sure it's me, is that you have -- I see, eyeballing this, three projects that will not be completed in '14, and they roughly -- they run 455K, 490K, and 102K, roughly figure, right? So we're a million dollars off. And yet the forecast for '14's closing rate base doesn't change, but we're a million dollars' worth of projects that will not be completed in '14. And I'm trying to put those two things together. How come therefore rate base in '14 does not significantly be reduced because of that?

MR. SIELICKI: There were road relocation projects over and above what had been forecasted, so that would have taken up resources and material costs and demand.

MR. GARNER: So you're saying is that that roughly $1 million, or 1.1 million, I guess it might be closer to, but that $1 million is -- that's not going to be completed in projects has been absorbed in other projects?

MR. SIELICKI: Correct.

MS. WILSON: And Appendix 2-AA, for example, demand-based projects were originally in at 1.4 million, being projected at 2 million-147, for an increase over budget or original projected of 736.

MR. GARNER: Demand-based projects are projects that customers or other people require --

MR. SIELICKI: Customer-driven projects.

MR. GARNER: Customer-driven projects. And you are saying defer you from doing the projects on your schedule in order to meet those demands. Is that basically what we're seeing? Okay. Thank you. That helps me quite a bit.

Now, the next question I think was in that same interrogatory, and I'm sorry, this is the -- I've asked about accounts 1908 and I think it's 1820, although in this thing it says 182, and this was about increases in those two accounts. I'm just trying to find the reference.

You've seen this interrogatory before. I don't know if you were -- made hide nor hair of it. Did you understand the interrogatory? Because I'm just trying to find the reference.

MS. WILSON: The increase over the original for 1820 is the failure of Jordan DS.

MR. GARNER: Oh, that's it. Okay. Thank you.

MS. WILSON: That's 1820. 1908 is the building, our building piece.

MR. GARNER: And tell me about that. Why has that changed?

MS. WILSON: Dan hasn't spoken today.

MR. GARNER: Well, I'm glad I found the question for him. We're expecting a very good answer, given that you've had time to prepare.

MR. SEBERT: Okay. So you're making reference to again the 1.5 budget and the 1.64 million that was reported; is that correct?

MR. GARNER: Right. Thanks.

MR. SEBERT: So the difference there fundamentally was -- there's about a $50,000 component that related to the yard lighting, which was supposed to be accomplished in 2013. And that didn't happen until 2014.

MR. GARNER: I'm sorry, I missed -- what kind of lighting?

MR. SEBERT: We -- it's yard illumination.

MR. GARNER: Oh, yard. Thank you.

MR. SEBERT: So high-mass lighting for the storage yard.

MR. GARNER: Thank you. I understand.

MR. SEBERT: And the balance, and about 90,000 relates to change orders with regards to the actual physical construction of the operations area within the building.

MR. GARNER: Okay. Thank you.

My next question goes to 2-Staff-8, which you answered in number 37. And this was in regards to acquisition, I believe, of some Hydro One -- or the attempt to acquire some Hydro One territory. And I'm wondering if someone on the panel can give me a little bit of an understanding of what this is about and why it didn't come to completion.

MR. SEBERT: Okay. What we are dealing with is some legacy distribution, I guess, configuration. So we have a Hydro One-owned 27.6 – 27.6 kV line, which supplies load within our southern part of our territory, which is supplied from a transformer station which is in the northern area of our territory. So a Hydro One transformer station north end, distribution along the line that they own to load in our south end primarily, and then it carries on through, traverses our territory into a second territory, which is a Hydro One-owned Wainfleet territory and services a small amount of load there.

Overall, we're looking at probably about 95 percent of the load on that distribution circuit supplies NPEI customers in the southern area, and about 5 percent carries on through to feed the Hydro One customers in Wainfleet.

So we're traversing probably about 30 kilometres of physical line in order to supply those loads, so there's substantial energy losses there.

Back in 2003 or '4, a second transformer station was built, which was the Niagara West Transformer Station. It's physically located probably half the distance from the load centres that the existing station is that's supplying that load, so the savings alone in line losses is very substantial. Okay?

So obviously we went forward in trying to convince Hydro One to sell those assets to us, just because, number one, it's very inefficient the way it exists right now, and also we deal with issues with regards to reliability and actual response times for service on that line because it's owned by Hydro One. So we would really like to acquire those assets, because it's a tremendous savings for us from a line loss standpoint, and it also helps reliability as well.

MR. GARNER: Did you quantify to yourself, for the company, the savings that you would have if you could -- did you make your business case someplace for this?

MR. SEBERT: Yes we did. I think the numbers are probably a few years old now, but the majority of the savings based on line losses came in around, I think, $200,000 dollars per year.

MR. GARNER: Right.

MR. SEBERT: And then looking at changes in the rates based on distribution rates versus the transmission rights, there was a minor amount there as well.

MR. GARNER: Do you have an understanding of why Hydro One wouldn't negotiate?

MR. SEBERT: Hydro One basically closed the door on us based on what they would -- they stated as a -- they wouldn't sell the assets based on precedent-setting.

MR. STOLL: They've -- any other motivation of Hydro One is a Hydro One question, but basically they closed the door on it.

MR. GARNER: Okay. Thank you.

I think we dealt with the other one on the OLG arrangements earlier, so I'll go past that. These questions on the operating revenue are from my colleague Mr. Harper, so I think the best thing for me to do is simply read them into the record and then you can answer them.

The first question was:

"It's noted that the meetings held with the city of Niagara Falls staff regarding street lighting plans took place after the 2015 rate application was filed. Did city of Niagara Falls staff indicate any plans to implement new technologies in 2015 that would impact either the usage per device or the load profile for street lighting?"

MS. BATTISTA: Currently we have no further update from the city of Niagara Falls, except for the fact that the city of Niagara Falls council were going to meet on it. But we haven't heard anything on whether that meeting has taken place or what their decision has been with regard to the technologies.

MR. GARNER: Okay. And this isn't my area, but I take it from what Mr. Harper is asking -- and the next question follows is: What's the technologies we're talk going and what would be the impacts in '15 if they go forward?

MS. BATTISTA: We don't have that information.

MR. GARNER: You don't know. It's not a -- it's a light bulb replacement program?

MS. BATTISTA: I think so, but -- I think it was more along the lines of the street lights, but I'm not privy to the details of those discussions.

MR. GARNER: Okay. So I guess the (c) part of this question follows from that, is:

"Have these impacts been incorporated?"

And the answer would be, I guess, no, based on that response, right? Okay.

And you wouldn't be able to do part 2I of that question, which is asking you to outline adjustments required. You don't know what adjustment's required because you don't know what they're doing?

MS. BATTISTA: We don't know what their decisions have been. So unfortunately we can't calculate or even look at the impacts until they make their decision on what they will be doing.

MR. GARNER: I'm sorry, do you have an understanding of -- you say "their decision." It means --

MS. BATTISTA: City of Niagara Falls.

MR. GARNER: I understand that. Their decision on what? What are they deciding upon?

MS. BATTISTA: I believe they were looking at -- and this is just based on information we were able to provide to them, is the change in the lighting structure that they were using within the street light. So they had done some pilots on different types of lighting structures, more along the lines of energy efficiencies and different spots of the city.

So we took part in assisting them with that project. Basically, they put it into their test light bulbs, I would say, and then we provided the energy usage and demand to them so that they could build their own business case on what it would be.

So from our facet of it, we were really just information gathering to them, provided some assistance from the CDM side what programs were available to them. And then they took that information with a consultant that they obtained.

MR. GARNER: Right.

MS. BATTISTA: And proceeded to put that into a report that's going to be presented to the council.

MR. GARNER: The report is at the staff level, isn't a public report yet; is that --

MS. BATTISTA: It's not a public report as of yet, which is why we're not privy to the information. So we were part of the input into the report, but we're not --

MR. GARNER: You haven't seen it yet?

MS. BATTISTA: Access to the full report.

MR. GARNER: All right. Thank you. That's helpful.

I'll go to the next question -- 3-VECC-56, we've numbered it -- and Mr. Harper is asking you to:

"Reconcile the updated LRAM VA total of for 2015 of 15,433,325 with the values shown in appendix 2-I of 12.406,667 for Staff 33(c)."

MR. BAYTHIN: Appendix 2-I actually contains -- there's two parts to it. The first table at the top shows the results of CDM initiatives 2011 through 2014. And the impacts of the 2014 programs in 2015 is 3 million, The impact of 2015 programs in '15 is 12.4 million, and the sum of those two is the 15.4 million that's mentioned in the first part of the question, 4-VECC-22(b).

So it's the sum of those two figures, and both are displayed in the appendix 2-I, just in different spots.

MR. GARNER: Okay. And I will apologize for this, but then you'll have to help me with the second part of Mr. Harper's question about revising appendix 2-I depending on Staff 33(c). That sounds like there doesn't need to be a revision.

MR. BAYTHIN: That's my opinion, that there doesn't need to be.

MR. GARNER: Thank you. No. 57:

"Please confirm the same regression equations and data for the period 2002 to '13 were used in all three of these responses, and that this equation is the one set out in the revised load forecast model filed with the interrogatory response."

Can you confirm that?

MR. BAYTHIN: No, that's not confirmed. In response to VECC 16 and 17, we had not yet made the correction for the double-counting of CDM results that we made in response to 18.

MR. GARNER: I see.

MR. BAYTHIN: So the response to 18 is our final model that we're presenting. But in 16 and 17 we just showed the incremental changes based on updating the CDM values for 2013 and '15.

MR. GARNER: Does that, then, answer part (b) to the question?

MR. BAYTHIN: Yes, that's right. That's why they don't match, because the final model includes the correction for the double-counting.

MR. GARNER: And Mr. Harper is asking, then: Are you taking VECC 18 and adopting that now?

MR. BAYTHIN: Yes.

MR. GARNER: Okay. Thank you.

I'm on the operating costs, 4-VECC-58. This was regulatory costs, I believe, but I'll ask this question more broadly. You refiled appendix -- an Excel spreadsheet for chapter 2. Those numbers don't seem to match the IR responses in a number of places.

MS. WILSON: We have -- when we filed the appendix 2, we showed the original, and then we copied that, whatever tab we were updating, and we coloured it yellow. So there's two 2 Ms. One is plain-looking --

MR. GARNER: And then there's a yellow tabbed one.

MS. WILSON: Yes, and the yellow tabbed one is the updated one for everything that we updated.

MR. GARNER: I see.

MS. WILSON: So that's the 56,000 was the original one over four years, and the 45 is over five years.

MR. GARNER: I see. So I just missed the -- I clicked the wrong tab. I'm looking on --

MS. WILSON: You may have been on it and didn't know it was yellow. We're filing green for the undertakings.

MR. GARNER: Okay. When you file -- or maybe I should ask this. Could you file as an undertaking a final version, so to speak, of Chapter 2 with -- before the settlement conference so that we have whatever tables you wish us to use for all of those items?

MS. WILSON: Yes, and when --

MR. GARNER: Thank you.

MS. WILSON: -- we file that, it will have all the originals which will have no colour. It will have the yellows, which are interrogatory, and it will have our new green ones, which are undertakings, so that it's all together on one file.

MR. GARNER: So you're telling me, look for the green ones and that's --

MS. WILSON: Look for the green ones, yeah.

MR. GARNER: Thank you. I'll do my best to try and do that.

MS. HELT: Okay. So that will be Undertaking JT1.10, and it's to file a final version of all the tables in Chapter 2.

UNDERTAKING NO. JT1.10: TO FILE A FINAL VERSION OF ALL THE TABLES IN CHAPTER 2.

MS. WILSON: Which is where -- when we file -- we're refiling several of the appendices now. It's with the other appendices, that undertaking.

MR. GARNER: Right.

MS. WILSON: Okay. So it's the same, because we're getting the whole file.

MR. GARNER: Yeah, because it'll have -- it'll subsume everything in that file.

MS. WILSON: Yes.

MS. HELT: So that would then be the undertaking that was given in --

MR. STOLL: So where there's duplication, maybe we can just say see JT1.10?

MS. HELT: That's fine. Thank you, Scott.

MR. GARNER: I don't think -- the next question I had was -- at least in the written ones was 59, but I think we've talked about the water billing, and I don't have any further questions in that.

I'll go to the written question 7 under cost allocation. Again, this is Mr. Harper. He is asking, have you incurred any costs when connecting streetlighting, sentinel, or USL to the system. Do you incur costs when doing that? And then I might as well read the rest it. If not, why not, and then of course, if yes, where are the costs recorded?

MR. CARVER: Okay. Thank you for the question. We don't own streetlighting systems within our distribution system, so the only time we would ever lay our hands on a streetlight asset is potentially to relocate it to a pole on a pole change, but it's a very immaterial cost.

MR. GARNER: I see. So you don't generally have costs to connect streetlighting, you're saying?

MR. CARVER: Unless we're connecting a component of the system, no, we don't incur costs to connect streetlighting.

MR. GARNER: Okay. Or they're -- and so they're immaterial, you're saying, to --

MR. CARVER: Yes.

MR. GARNER: Okay. The next question -- I don't have 7-VECC-42 up, so I'm trying to -- I don't know what Mr. Harper asked you, but the question is intriguing to me, which is why are you duplicating activities undertaken by IESO. So I'll have to pull up his question. You've seen this before. Can you first of all help me through my own colleague's question: What's the activity that you're doing that's the same as the IESO?

MS. BATTISTA: I believe what he is referring to is our operational data storage, which essentially --

MR. GARNER: Oh, yes.

MS. BATTISTA: -- has the...

MR. GARNER: You were just turned off by your colleague.

MS. BATTISTA: Sorry, let me repeat that. I believe what he was referring to was our operational data storage --

MR. GARNER: Right.

MS. BATTISTA: -- which has similar functionality to the MDMR.

MR. GARNER: Right.

MS. BATTISTA: However, from a holistic approach of it, the operational data storage also offers efficiencies in regards to storage of historical data trending, as well as information availability to our larger customers, as well as to our net metering customers, that the MDMR does not offer.

In addition to that, over the last few years we have invested in updates to both our customer information system, as well as the operational data storage on interfaces between both the operational data storage, the MDMR, and our customer information system to automate a lot of the verification estimation processes that are part of the billing functions.

So that allows us to have a streamlined approach for billing schedule -- to maintain our billing schedule, as well as provide more accurate billing.

So based on what we currently have, because we can have historical and operational data storage, rather than a straight-line estimate, for example, we're actually using like for like, and we're actually looking at a customer information.

So it allows us to have fewer estimates from that perspective and allows us the opportunity in an automated fashion to get those estimates back up to the MDMR as actuals.

MR. GARNER: Can I ask you, what's the incremental cost of this data storage system that you carry on?

MS. BATTISTA: The incremental cost per year is $69,735.

MR. GARNER: Okay. So of this -- and I'll just round the figure -- of the 70K per year, do you have any -- do you know what any other utilities do? Do other utilities carry on a similar backup of MDMR type data?

MS. BATTISTA: Similar, yes, actually, in discussions within our vendors themselves a lot of times we're actually called upon to assist and look at how we've automated and implemented rules to streamline the process, as well as to provide information to customers.

If we did not have the operational data storage into place or did not take the opportunity to re-engineer the process to automation, we would actually have to have two additional FTEs to do this work manually based on the reports provided by the MDMR versus the automation that we've put into place from the operational data storage where the existing FTEs are based -- are working based on an exception basis.

MR. GARNER: Right. Okay. Thanks.

And then you'd have to actually rely on the MDMR, which some of us wonder why it exists. But --

MS. BATTISTA: Because it's down every Sunday. [Laughter]

MR. GARNER: Okay. Thank you. That's helpful.

The last one in the written responses actually has to do with the NPC assets. I'm just looking at it now. I think you have confirmed that the assets that you're talking about are 818,905, right? I think I heard that this morning.

MR. SIELICKI: That's correct.

MR. GARNER: And we talked about -- oh, I think the rest of this we've talked about in the undertaking. I'm just looking at it, including actually doing a completely different run without this. The only part that I think -- so I think what I'm mumbling here is that A to D I think we've talked about in the undertaking, but the part (c) was the -- if you go back to VECC 46 I believe was talking about customer numbers, and we talked about that. You don't have customer numbers to go with this project. That's what you've said, right?

MR. SIELICKI: Not currently, no.

MR. GARNER: Can you give me a sense -- do you have a sense of the kind of customer numbers you're talking about? Is it under 1,000 and over 10, you know, that kind of thing? What are you talking about here?

MR. SIELICKI: Yeah, it's not going to be nowhere near 1,000, but, I mean, you could kick around a number of, say, 20 to 50, possibly.

MR. GARNER: That's sort of what I'm asking. So it's like under 100, it's definitely for sure --

MR. SIELICKI: I would say --

MR. GARNER: -- and maybe under 50 is probably more likely, right? Okay. Thanks.

That's all the questions for the scripted amount. I just -- I do have some that went to the actual that I have in my notes here, so just bear with me for one minute. Mr. Aiken covered many of these, so...

This is your numbered response to 146, 5-VECC-39. This is where we asked you about the actual and deemed returns. And I wonder if you could just walk that response through with me. There's two things that confused me when I'm looking at the returns that you've given for 2011, '12, '13, and your projected for '14. One of them has to do with this fair-market-value bump-up, and the other one has to do with the fact that you are under-leveraged in debt as a capital structure in reality, right? So what I was trying to understand -- and perhaps you can help me -- is how does that, both of those two issues, impact the numbers that I'm looking at when I look at the regulated rates of return.

We can pick 2011, for instance. You have an 8 percent number. It's done in red, right? And can you give me an understanding of how either -- how both of those factors are calculated in this sheet? The fair market value issue, let's start with that.

Does it make the number go up or down, is really what I'm asking. Does it push the number anywhere? Does it push the number up or push the number down?

MS. WILSON: Just to be clear that I'm looking at the same, I'm on page 200 of the interrogatory responses.

MR. GARNER: That's where I am too. Thank you.

MS. WILSON: Okay. So we have to add back the fair market value bump to the net income. That's part of the financial statements. So I can walk you through where I got the number, the 3,358, which is what we file on the 2.1.13 reconciliation of regulatory net income to accounting income.

MR. GARNER: Okay.

MS. WILSON: So your next question?

MR. GARNER: Well, my --

MS. WILSON: Start with regulatory income on that. And we just put that line in so that you could follow it through from the audited side, audited financial statement side to 2.1.13 filing.

MR. GARNER: Let me ask it this way, and I just want to be sure I'm reading the number right. I'll take 2011; we'll just use that as an example.

If I take out all the issues related to the fair market value bump, would that 8 percent be a different number than 8 percent? If I said there was no such thing as a fair market value bump in the financial statements?

MS. WILSON: I'd have to follow the math through the formulas on that.

MR. GARNER: I wonder if you could -- I had the same problem, and I'm actually looking at it, and I'm certainly not as competent as you are at doing it. I was really trying to figure out two things.

After I got through all of this, is if there were no fair market value bump, if I were to abstract and not have that be an input into any of the calculations on your deemed rates of return, would those numbers look any different? That's question one.

And question two was -- and this may be an easier question, is: Are the numbers I'm looking at -- 8 percent, again, for that year, we're looking at as an example -- is that number based on the actual debt capital structure of this utility, or is it based on the regulated capital structure?

MS. WILSON: I believe it's on the regulated capital structure.

MR. GARNER: I think in our question we asked for both, right? We're looking for both what's your regulated rate of return and what's your actual rate of return. One is based on a theoretical structure, and in your case your actual capital structure is quite different from the real one. So then we were looking for both numbers. Right?

MS. WILSON: Okay.

MR. GARNER: Could you answer that as part of an undertaking to review that interrogatory?

MS. WILSON: Yes.

MR. GARNER: To, A, answer the question of whether the fair market value bump adjusts those numbers, and if so, what the magnitude of that adjustment would be.

And, B, could you give us the actual rates of return based on the actual capital structure of the utility?

MS. WILSON: Yes.

MR. GARNER: Thank you.

MS. HELT: We'll note that as Undertaking JT1.11.

UNDERTAKING NO. JT1.11: TO CONFIRM WHETHER THE FAIR MARKET VALUE BUMP ADJUSTS THE NUMBERS, AND IF SO, WHAT THE MAGNITUDE OF THAT ADJUSTMENT WOULD BE, AND TO PROVIDE THE ACTUAL RATES OF RETURN BASED ON THE ACTUAL CAPITAL STRUCTURE OF THE UTILITY.

MR. GARNER: This is one where I was left just a bit confused, and it is to do with the LRAM VA. And after I got through -- sorry, my computer's just freezing on me here. After I got through -- I think it's 9-Staff-54, which is your Response 173, I was left -- I left with a note at the bottom saying: So are they asking for 249K or are they not asking for something?

Can you just help me now with where are you at with the -- after I read that response, where are we at with LRAM VA? What's the proposal of the utility?

MR. BAYTHIN: At this point we're not asking for anything. Up until this point, the final results that we had, we thought it would be so immaterial that it wouldn't be worth preparing an application. So what we're saying is we're going to wait to see when we get the 2014 final results. Then we'll look at the entire 2011 to 2014 CDM program and see what the results are, and then determine at that point if we wish to file one application to recover VA for four years.

I think the number in there is our best estimate at this time.

MR. GARNER: Up to 2013 or up to 2014?

MR. BAYTHIN: Up to '13.

MR. GARNER: So you're saying that the 200 -- that's 249000; is that the right number I'm using? I have it in margin notes, so I'm hoping it's the actual number, but that's what I'm looking at as a total in the final table for '13.

MR. BAYTHIN: Yes, up to '13. But that's based on some very rough assumptions. We haven't looked at in any detail at this point.

MR. GARNER: I see. Let me just ask the question. Why is 249,000 immaterial? What's your materiality threshold for the utility? I've forgotten the number.

MS. WILSON: It's about 147,000.

MR. GARNER: Okay.

MR. BAYTHIN: But the 2013 results, which drives a lot of that 250, we just received recently. Up until that point, we only had 2011 and 2012.

MR. GARNER: Yeah, I sort of understood that from the response. And what I understand from this, you're digesting that all right now and trying to put that together.

MR. BAYTHIN: That's right.

MR. GARNER: Okay. I just would say when we get to the settlement conference, if you've digested it, it might be worthy of a conversation, because the number seems larger than I would have thought that you would be ignoring. But I just put that out there.

MR. BAYTHIN: Okay.

MS. WILSON: We also thought it would be more efficient to file one LRAM to -- the legal fees -- sorry, no offence.

[Laughter]

MS. WILSON: To save those and go through the process if we needed any consultants, then filing up to '13 and then seeing what '14 provides for us as well. We thought it would be best to just wait till August, get the '14 verified, and do one.

MR. GARNER: Thank you. And that's a compelling argument. So the -- yeah, and I guess I'll just also leave it with Board Staff, who often have more of a strong opinion about how these things should be done.

I think those are my questions. I believe those are my questions. What I would ask, maybe, Ms. Helt, is if we're going to take a break now, I'll just review everything, and if I have any follow-ups it won't be long.

MS. HELT: That's fine. Thank you, Mr. Garner.

Why don't we take a break now until 1:30? When we come back, there will be any outstanding matters from Mr. Garner, to be followed by Board Staff. I think Board Staff will be somewhere in the range of approximately half an hour.

And then, Mr. Shepherd, can you give us an estimate of how long you think you'll be?

MR. SHEPHERD: Of course it depends on the answers, but I'm thinking maybe an hour.

MS. HELT: Great. Why don't we take a break until 1:30, then? Thank you very much.

### --- Luncheon recess taken at 12:25 p.m.

### --- On resuming at 1:27 p.m.

MS. HELT: Welcome back, everyone. I understand that Mr. Garner just has a few follow-up questions, and then once he's finished we'll proceed with Board Staff's questions.

Mr. Garner?

# Questions by Mr. Garner:

MR. GARNER: Thank you. The first one is very quick. I think you answered this. The change in your capitalization policy, A, let me just confirm, did you change your capitalization policy since your last cost-of-service application?

MS. WILSON: No.

MR. GARNER: No. So there's no adjustment to OM&A because of that. That would make sense.

MS. WILSON: Right.

MR. GARNER: Okay. The second a little bit more complicated. If you turn up or can find your response 135, 135, which is a response to 4-VECC-34. One of the things that -- while you're turning it up I'll just give you the background. One of the things that we tried to do -- my client tries to do is to understand the incremental costs the utility has incurred since its last cost of service. So one of the things we're interested in getting a very clear answer to is what incremental costs have occurred due to the smart meter -- implementation of smart metering.

So the first thing I guess I would just ask is, when you were here in front of the Board in 2011, was your smart metering program already in play or done?

MS. WILSON: No.

MR. GARNER: Okay. So what I'm trying to -- what I was trying to ascertain in your response to table A, which is Appendix JC, was to get a clear idea of what costs are in there that are the incremental costs related to smart metering. And generally those costs go to the incremental billing costs, usually there's a lot of IT costs, some labour costs, sometimes if you have labour going with the IT, net of the reduction in cost due to meter reading declining.

I'm wondering if you can help me to get a clear picture of that incremental cost that you have due to the implementation of the smart-meter program or the incremental reduction, although I've seldom seen that. Could you help me with that IR? That just shows all your billing costs, but it's got -- within that it's got bad debt, it's got some other general categories. And it's got your water activities.

Could you -- maybe put it this way. Could you give me, based on that table, could you give me what you believe is your incremental costs of operating the smart-meter program within the utility, or you can do that by way of undertaking. That would be just as good or maybe better.

MS. WILSON: I think I'll take it as an undertaking, because I'm pretty sure I noted those items in the original evidence of the two smart-meter coordinators and the additional meter reading.

MR. GARNER: Right. I wonder if you could. And maybe I've missed it, so if it's just a reference back to something that's fine. But what I would like is one snapshot that says, here's the extra people, let's say, here's the extra IT cost, here's the reductions in cost, because there usually are -- well, meter reading is usually the big one, right, here is the reduction of costs, and gives a number that's your best estimate of the cost of implementing that program.

MS. WILSON: Okay. We'll take that as an undertaking to do just one table to show that.

MR. GARNER: Thank you, that would be very helpful. And that was the last of my questions. Thank you, Ms. Helt. Thank you, panel.

MS. HELT: Thank you, Mr. Garner. That will be Undertaking JT1.12, and just to summarize it, it would be to provide a table showing the incremental costs that have been incurred due to the implementation of smart meters.

MS. WILSON: Yes.

UNDERTAKING NO. JT1.12: TO PROVIDE A TABLE SHOWING THE INCREMENTAL COSTS THAT HAVE BEEN INCURRED DUE TO THE IMPLEMENTATION OF SMART METERS.

MS. HELT: Mr. Battista?

# Questions by Mr. Battista:

MR. BATTISTA: I'll begin with Board Staff questions, and then Donna will have a couple at the end. My first question refers to Board Staff question 1, Staff 2, and at Exhibit 4, tab 3, schedule 2, and it has to do with benchmarking. And the question is at -- in your performance -- in your incentive compensation plans I wanted to know whether there's a target with respect to improving performance vis-a-vis your customers, whether management, either your bonus system or any other merit system, takes -- establishes a target and that your annual performance is somewhat based on the achievement of that target, and it's a firm target or quantified target?

MS. WILSON: Nowhere in our salary management do we have incentive pay or incentive bonuses.

MR. BATTISTA: Okay. So that answers the question in total. So there's no bonuses...

MS. WILSON: No, but I could always talk to my president.

[Laughter]

MR. BATTISTA: Okay. My next question has to do with, if you go to Board Staff -- 2-Staff-7, and it was really question -- part (c) of that, and that had to do with reasons for underspending. And in the answer with respect to 2013 there was a mention that due to weather in the spring of 2013 yard excavation project was delayed, and that impacted the new wire building and the high mast lighting.

What were the total costs that were, I guess, not incurred that year as a result of that delay? Or in your original budget for 2013, and what was expense specific to that project?

MS. WILSON: For the 2014 we carry forward 198,000 to complete the wire building and high mast lighting from an original budget of 1-million-570. The high mast lighting didn't get done because of the rains that happened in the yard.

MR. BATTISTA: So it's just --

MS. WILSON: And for the actual building optimization part the original budget for us to have done everything in that year was a million-865, and we had to carry forward -- we transferred to 2014 a million-303.

MR. BATTISTA: Okay. Now, just in general, when it comes to these kinds of delays, foreseen or unforeseen, generally do they have an impact on your system reliability?

MS. WILSON: No, these were just the workplace optimization which we took the existing stores area and converted it into office space. And we built a wire building to house our wire that was in the stores area, so they had to be done in phases. Had to build the wire building first, move the wire out so that you can actually redo -- renovate the existing stores area.

MR. BATTISTA: Thanks.

And if you have your interrogatories in front of you, if you go to page 52, there's a reproduction -- I guess it's from the distribution system plan of expenditures by category, being system access, system renewal, et cetera.

When it comes to 2011, on that table, 2011 was your last cost-of-service year; is that correct?

MS. WILSON: That's our first year of Board-approved; that's correct.

MR. BATTISTA: Right. Board-approved. And when it says "plan", is that your Board-approved capital or is that just a budget plan that you had in place for that year? Because I haven't seen Board-approved mentioned anywhere sometimes when it comes to capital. I see plan a lot, but just to confirm that that number of 9. -- 9,603,000 is Board-approved from the 2011 cost of service?

MS. WILSON: I believe the Board-approved is 9-million-362. That would be on a different appendix, on A.

The 9-million-603 is NPEI's internal budget.

MR. BATTISTA: Normally, when you go back -- this is an editorial, I guess -- normally when you go back in time and do a comparison, for the last cost of service year it's usually the Board-approved that becomes the comparator. Because then you see what's being covered in rates. And then if you've over-spent you're paying for it; if you've under-spent against Board-approved, that means you're recovering monies where -- and you haven't invested them.

MS. WILSON: I think we misinterpreted appendix 2-AA, then. Where we read "budget" or "plan," was our budget.

MR. BATTISTA: So whenever we see "plan" it's really your plan, not necessarily Board-approved from the cost of service test year. Okay. Just to be clear. Thanks.

We had some questions on the hydro asset; we've covered that. With respect to Board Staff Interrogatory 2-Staff-10, it has to do with service reliability.

You provided a new table, which included 23 -- or 2013 actuals for your SAIFI and CAIDI. And regarding the SAIDI, it appears that the trend is increasing; is there a particular reason for that?

MR. CARVER: Yeah, I believe we filed additional evidence that actually explained why 2013 was a bit of an anomaly year due to storms. There were two significant storms, one in July of 2013, and another, which was the ice storm around the December 22nd of 2013, which caused a significant upward pressure on SAIDI and SAIFI.

MR. BATTISTA: I guess you use that as more of a -- they're sort of one-time significant anomalies, as opposed to something that needs fixing or addressing through your capital expenditure program?

MR. CARVER: That's how we're viewing it. When we're looking at feeder performance, we're taking into consideration if it was an occurrence due to a major event. It's typically looked at as a one-off occurrence and not an indication of the feeder's overall performance on a day-to-day, normal basis.

MR. BATTISTA: Okay. My next question is -- references 2-Staff-14. And in the answer to that question, it's still not clear whether lightning protection is part and parcel of your transformer replacement program. Is lightning protection included in those replacements?

MR. CARVER: Yes. So any time we upgrade or replace a transformer installation, it would encompass the other ancillary components like the protecting switch, fuse, arrestors.

A lot of the lightning protection mitigation work is a result of our cyclical overhead inspections, where we're identifying or through a service identifying whether or not arrestors are suspect. And then we would issue follow-up work orders to correct any deficiencies found through that process.

MR. BATTISTA: The next reference is 2-Staff-16, and that's page 66-67 of the IR responses. It has to do with the Wi-Max project.

The project, based on the answer, is that the first phase will be in service prior to the end of this calendar year; is that still the case?

MR. CARVER: Yes. Installation of the actual devices was completed by the end of 2014. A bit of commissioning took place the last several weeks to actually establish wireless links, but the bulk of that work is completed, short of some staff training.

MR. BATTISTA: As further phases of this larger project are completed -- let's say for next year -- are they chewable chunks, where they're used and useful in, say, '15 and '16?

MR. CARVER: Yes. Phases moving forward are based on a geographic area of deployment. So I believe some of the evidence we supplied indicated that we had over 30 licences for links. So the remainder of the plan is to basically cover the west area in the early part and the eastern portion of our service area in the latter part, but there are definitely defined geographic areas that would be covered by the network.

MR. BATTISTA: It's to be expected that there won't be construction work in progress, that as you close them in a particular calendar year, you're viewing them as used and useful?

MR. CARVER: Yes. That would be correct.

MR. BATTISTA: Next reference is 2-Staff-18. That's page 69 of the interrogatory responses. That has to do with the wholesale pole replacement project.

The benchmark of 25 percent was used to support the program. It's understood that you got the 25 percent from a third-party contractor?

MR. CARVER: Sorry, can you repeat the last part of that question?

MR. BATTISTA: I think your program as to whether you replace poles or not, there is a determinant of 25 percent?

MR. CARVER: In an area -- if there is a significant count in an area that comprised 25 percent of poles failing, then we would potentially select that for a holistic replacement.

MR. BATTISTA: Right. And then it says the values are determined by a qualified third-party contractor.

MR. CARVER: Okay.

MR. BATTISTA: So the 25 percent was determined by a third party?

MR. CARVER: Yeah. I think what that's referring to is the third-party contractor does an assessment of the pole's integrity. What we're asking for there by "qualified" staff, typically line staff, is what is the condition of that pole after tests are performed. Is it such that the pole needs to be replaced immediately, or is the condition such that it would survive another five years of service?

And so in review of that data, it would be NPEI staff that would determine whether or not it meets the 25 percent criteria.

MR. BATTISTA: And then the 25 itself has the benchmark to say go/no go? Where did the 25 percent come from?

MR. SIELICKI: That value generally comes up when we've noticed a trend, that if 25 percent of the poles show that they're defective in an area, usually the whole area is in need of repair and replacement. So that was the value that we would use to go in and actually do replacement of actual primary, secondary transformers and poles in that area. And generally we find that those are in areas that are in excess of 50 years of age.

MR. BATTISTA: So it's from your experience?

MR. SIELICKI: Right.

MR. BATTISTA: Do you know whether your neighbouring distributors use a similar benchmark when it comes to pole replacement?

MR. SIELICKI: I couldn't answer that.

MR. BATTISTA: I don't have further questions on the Niagara Parks Commission, so everyone will be happy to hear that.

The next reference is 2-Staff-28. In response, you provided a table on page 84 of the IR compendium, and you provided 2014 projected numbers. Do you have these numbers available for 2014 actual? And if so, could you update the table?

MS. WILSON: These are based on October numbers, and that's where we stand right now.

MR. BATTISTA: Okay. The next reference is 2-Staff-29, and that's on page 85.

In response C it says that the metering units were not at end of life. Niagara West Transformer Corporation facilitated repair of the failed units and was responsible for any associated costs.

Does that mean they actually absorbed the costs or in the alternative made a capital contribution?

MR. CARVER: In that particular case the Niagara West Transformer Corp. absorbed all costs.

MR. BATTISTA: Okay. The next reference is 3-Staff-35 at CDM. The plan for 2015 -- 2015 to 2020 CDM targets is about six years, right, 15, 16 -- 20 -- six years, yet 25 percent of the target is expected to be realized or you project to realize it in the first year?

MS. WILSON: Yes, the maximum you can take in the first year is 25 percent, and NPEI's plan is to take that maximum in the first year.

MR. BATTISTA: And you're very confident that -- because you have six years to do it. You're taking a big chunk in year one.

MS. WILSON: Yes.

MR. BATTISTA: On what basis did you conclude that's possible to move that quickly?

MS. WILSON: NPEI staff member who is doing the CD&M, she sat on the caucus and is very involved in that, and she has plans working with the consultant that they will be able to do that in the first year.

MR. BATTISTA: I'll turn it over to Donna now. Thank you.

# Questions by Ms. Quan:

MS. QUAN: I have a question on page 158 of your responses for number 4, Board Staff IR 39, on other post-employment benefits.

So in the response NPEI stated that it's not going to refund the gain in the actuarial evaluation report related to post-retirement non-pension benefit plan for about 1.6 million, and you guys also further stated that there is no impact to the 2015 revenue requirement or the DVAs.

So from the actuarial report the 1.6 million relates to unrecognized actuarial gains and losses and past service costs. Under CGAAP can you confirm that you would have used the corridor method to amortize the unrecognized actuarial gains and losses and past service costs into pension expense?

MS. WILSON: The $1.6 million gain relates to the gain from CGAAP and the change in the assumption to that were used into IFRS.

MS. QUAN: Yes, but it relates to unrecognized --

MS. WILSON: Not past service cost. Past service cost is very small, shown in the report, and it relates to the former Pen West utility employees.

MS. QUAN: Okay. But -- so the majority of that is related to unrecognized actuarial gains and losses, right?

MS. WILSON: Yes, due to changing the assumptions.

MS. QUAN: Yes. So under CGAAP you would have recognized that using the corridor method over time.

MS. WILSON: Yes, over EARSL.

MS. QUAN: Yes. So now that you're transitioning to IFRS, will the 1.6 million ever be recognized through a pension expense or anywhere in rates?

MS. WILSON: No, my understanding is it's supposed to hit retained earnings under IFRS reporting.

MS. QUAN: Okay.

MR. SHEPHERD: Can I ask a follow-up question about that? So for the utilities where that goes the opposite way and they have an additional cost, they're asking to recover that from ratepayers. So where you have the opposite and you're getting a credit, why are you not giving it back to ratepayers? I don't understand.

MS. WILSON: Well, we haven't seen any precedents to give it back to ratepayers and put it into a deferral and variance account, for one. And where it actually came from on this valuation is, when we did the RFE for the benefits the majority of the gain is because we're achieving better premiums for the post-employment retirement benefits. And we changed the assumption on the wages as well, projecting it out, we lowered that, because we don't see that happening in the next three years.

So in order to -- in our case we had a gain. I'm not aware of anyone asking for any money if their premiums have gone up. I'm not aware of that. However --

MR. SHEPHERD: Enbridge, Union Gas. There's about a dozen, maybe.

MS. WILSON: Okay. So in order to keep the stability, because I'm going to do another actuarial evaluation in three years, or is it -- we're supposed to do it every year -- I can have this going up and down, and to me, I'm not aware that we're supposed to be giving this back.

MR. SHEPHERD: Thanks.

MS. QUAN: Okay. And then for the next question, it's on page 159, 4 -- Exhibit 4, Staff -- Board Staff 40, also on other post-employment benefits. So NPEI stated that it recovered OPEBs on an accrual accounting basis each year since it started to recover OPEBs.

So when did NPEI first start recovering for OPEBs?

MS. WILSON: We've done the same accounting since I've been there, so I know it was in the 2011 rate application.

MS. QUAN: Would it be before that as well?

MS. WILSON: I'm not sure. I'd have to go back to the 2006 EDR and see how that was accounted for.

MS. QUAN: Can you find out?

MS. WILSON: Sure.

MS. HELT: Donna, can you just articulate exactly what it is that you're looking for, and then I'll give that an undertaking number?

MS. QUAN: Maybe I'll just go on and include -- because I think the next one might also require an undertaking as well, so --

MS. HELT: Okay. That's fine.

MS. QUAN: So for part (b) of the IR response you provided a table. In the interrogatory we had asked for the paid benefits amount, but from the response in the table -- in the middle of the table there's a line called "paid benefits and change in accrual", which also equals to the subtotal line. So I just wanted to confirm that those two lines, they actually represent the actual accrued amount recorded each year and not just the cash contribution, right?

MS. WILSON: It's both.

MS. QUAN: So it's the cash contribution and the accrual, right?

MS. WILSON: Yes.

MS. QUAN: Would you be able to provide just the cash contribution amount as well so we can compare the amounts included in rates based on an accrual basis versus the cash contributions?

MS. WILSON: Yes.

MS. QUAN: Okay. So I guess that will be part of the undertaking, and can you complete it from when you first started recovering under the accrual basis?

MS. WILSON: Yes.

MS. HELT: So that will be Undertaking JT1.13, and it is to provide an update of the table that has been provided in response to 4-Staff-40 with respect to OPEBs and to provide the cash contribution amount, and the second part...

MS. QUAN: Versus the amounts included in rates on an accrual basis from the year that NPEI first started recovering for OPEBs.

MS. HELT: All right. Thank you.

UNDERTAKING NO. JT1.13: TO PROVIDE AN UPDATE OF THE TABLE PROVIDED IN RESPONSE TO 4 STAFF 40 WITH RESPECT TO OPEBS AND TO PROVIDE THE CASH CONTRIBUTION AMOUNT, VERSUS THE AMOUNTS INCLUDED IN RATES ON AN ACCRUAL BASIS FROM THE YEAR THAT NPEI FIRST STARTED RECOVERING FOR OPEBS.

MS. QUAN: My next question is on page 226 for IRR 9-Staff-48 for account 1576. So you provided an updated calculation of account 1576 based on the 2014 updated capital projects and the net book values agreed to the updated fixed continuity schedules in IRR 2-Energy Probe-4.

So are you asking for this position based on the 6.9 million as updated in the IRR or the 7.2 million in the original application?

MS. WILSON: I'm not sure if we change the rate rider on that. We'd have to go back and look. But this is based on the projected amounts now, so we feel this is the new number. I'm not sure if we went back to recalculate that rate rider.

MS. QUAN: You didn't. So that's why I wasn't sure which one you're actually asking for disposition.

MS. WILSON: We're probably going to ask for the 6.9.

MS. QUAN: So the updated IRR response, right?

MS. WILSON: That's correct.

MS. QUAN: Are you still going to be asking for a true-up for the account to actuals?

MS. WILSON: No.

MS. QUAN: My last question is on 9-Staff-52. In Accounts 1518 and 1548, you included interest on prudential letters of credits in the calculation of the variance of the accounts. Can you explain how the interest would comply with the Accounting Procedures Handbook article 490, relating to the accounts that gives specific items that can be included in the account?

MS. WILSON: The prudential that we're including, it's the fee from the bank.

MS. QUAN: Yes, but if you refer to the APH article 490, it specifically says the accounts are to "capture variances related to the following items," and then it lists out the request fee, processing fee, information request fee, the default fee and other associated cost fee. Or for Account 1518, it lists out establishing service agreements, distributor consolidated billing, and retailer consolidated billing.

I just wanted to see how the interest would fall into one of those categories.

MR. BAYTHIN: We feel that's an incremental cost for settling with all customers, both SSS and retailer, so we allocated in proportion of customer accounts.

MS. QUAN: Okay. That's all my questions.

MS. HELT: Thank you, Donna. Mr. Shepherd?

# Questions by Mr. Shepherd:

MR. SHEPHERD: Thank a lot. I'm starting at Staff -- 1-Staff-2, which is your number -- this is your response 2. And it's on page 11 of 646.

You were asked about your cost per customer, because your overall cost per customer is relatively high compared to other utilities. And you said in (b):

"NEPI has not targeted a specific dollar per customer cost for 2015 and beyond."

Do you see that?

MS. WILSON: I'm sorry, what was the question?

MR. SHEPHERD: First, I want to see whether you're in the right place.

MS. WILSON: Yes.

MR. SHEPHERD: You see that?

MS. WILSON: Yes.

MR. SHEPHERD: The question I have is: What targets do you have to -- for cost per customer? Do you have internal targets for where you want your cost per customer to go?

MS. WILSON: No.

MR. SHEPHERD: You have none? Okay.

Have you been asked by your board of directors or shareholders to take action on your cost per customer?

MS. WILSON: No.

MR. SHEPHERD: Okay. In (c) in this answer, you have -- you're saying your cost per customer will be comparable to 2013 in five years, assuming the status quo. That's not including the impact of the water, right?

MS. WILSON: That's correct. And smart meters.

MR. SHEPHERD: And smart meters. But when you're saying will be comparable, do you mean adjusted for inflation? Or actually the same?

MS. WILSON: I didn't do an actual calculation on that, but I know from where our OM&A levels sit in 2015, if you excluded the smart meter and water impact it would be very close to 2013.

MR. SHEPHERD: Okay. My next questions are around 1-Staff-3 on customer engagement, which is your Question No. 3, and I'm on page 13 of 646.

You were asked a number of questions about what you learned and things like that. I have sort of a general question to put around that, and that is: In this process, what did you learn that you didn't already know? You have some things in here like you learned that customers are primarily concerned with the bill amount and high consumption, but you knew that, right? This was not news to you.

So what I'm asking is: In this process, what did you learn that was new to you?

MS. WILSON: One of the key things that was a learning is from a traditional level, from speaking and engaging our customer, we were message takers. We were responding to the questions. However, we were not from a consultative basis when talking to our customer. So one of the key things that we learned is the customer wanted a two-way dialogue. Just as much as they would call in and ask us about a question, they wanted us to reach out and ask them questions as to what they were looking for.

And that was something that from a traditional sense of a utility answering the phone, when someone is moving or they have a question about their bill, it became more or less: Help me understand how I'm using my energy. Let me understand how I can control or budget my own energy costs.

So that was a turn, as well, from both the concept of how we handled customer calls as well as how we undertook outgoing calls to customers, because you started looking at trending. And that was something that, in meeting with our call centre staff as well as speaking with customers, is a new forefront, from being reactive to being a little more proactive in talking to our customers.

MR. SHEPHERD: If I can distil that, the customers liked the fact that you were asking them questions and wanted to know what they thought?

MS. BATTISTA: That's correct.

MR. SHEPHERD: Okay. That's at a meta level. Now I want to come down to the substantive level.

In terms of the things they are concerned with and the things that bother them, the things that they like, what new things did you discover from reaching out to them?

MS. BATTISTA: One of the biggest things that they liked is in terms of when it came to recognizing how they were paying their bill, that we -- if we saw that they were always making their payments online, then reaching out to them with a direct mailing to put them on the preauthorized, put them on to the e-billing, recognizing what we learned from customers as well is they didn't typically want a hard copy of their bill every month but they wanted access to request it at the time, because they were readily available and wanting to use the "My account" but didn't know: Okay, well, if I take this "My account" and look up my bill, am I going to lose my hard copy?

Because one of the fundamental things we learned is --in looking at our call volumes, is a ramp-up in January of everybody asking for 12 months of their bills. So it became then a new communication piece to say: It's January; you could go back and reprint your own bills directly to them.

So those are things that I wouldn't say we took for granted, but again, it was more of a message taken, where it became a task versus something to be proactive and presented to the customer as an offering.

MR. SHEPHERD: Is it fair to say -- I was going to ask you -- you have a pretty good take-up for your e-billing, right?

MS. BATTISTA: Yes. Actually, it's phenomenal. From the time that when -- actually, our saving grace was Canada Post going on strike, and we were forced to put it actually out into the market. It was already tested but we weren't ready for it yet, but we went in because they were on strike. And since that point in time, it's been a progressively 1 to 2 percent increase in each month.

One of the key things, though, is that we didn't want to take or provide to the customer a negative option, meaning when they signed up to "My account" we didn't take away their hard-copy bill unless they told us to take away their hard-copy bill.

MR. SHEPHERD: Understood.

MS. BATTISTA: That's where we also learned that this customer satisfaction survey and the client visits is -- they kind of like that, that we didn't force it on them like the other utilities might have been, like Cogeco and Enbridge and that, and said: Oh, okay. Well, thank you for that.

So it's those little uptakes that we were actually appreciating.

MR. SHEPHERD: So have you tried to analyze -- you probably have the highest or one of the highest penetrations of e-billing of Ontario LDCs; is that right?

MS. BATTISTA: Yes.

MR. SHEPHERD: Is that factually correct?

MS. BATTISTA: Actually, I don't know whether it's -– I haven't done comparators, but I just know from my uptake of looking at the number of customers that I currently have, and I'm now sitting at 18 percent of my account base being on "My account" that that's a good number.

MR. SHEPHERD: It's a big number compared to other LDCs?

MS. BATTISTA: Mm-hmm. Well, good. Thank you.

MR. SHEPHERD: Do you have any idea why you have been more successful than others?

MS. BATTISTA: That's one of the things, again, that we learned from the survey, was the fact that our upfront staff -- which is why, when we look at things like water being taken away and the mail machine taken away, we need to put those people on the phone, because what the customer wanted was more of that consultative, so they're not asking us questions. They have up on their monitors or their tablets at home their views of their usage, and now they're having a dialogue with us. I can see on this day my consumption went up. Any ideas on why it went up that day, and we're able to actually have that two-way dialogue while we're both looking at the same information.

And that's where we've seen a progressive -- progressively increasing type of call happening, but of course, with that, they're on the phone longer than your traditional message-taking.

MR. SHEPHERD: It sounds like this -- your success in this area is replicable in other LDCs. It's not something to with the city of Niagara Falls. It's not because your customers are all nerds, right? Yeah, I've been to Niagara Falls. I know that's not true. But it's because of things that you're doing that are making your customers more interested in that option. Is that your conclusion?

MS. BATTISTA: That is my conclusion.

MR. SHEPHERD: Okay.

MS. BATTISTA: And that is why we're seeking what's working and we're putting the resources to what's working and putting them into more of that consultative role versus the message-taker.

MR. SHEPHERD: Excellent. On page 14, which is in section E in that same response, you talk about the public consultations, including a public information centre on September 24th.

Do you know how many people came, and was it facilitated? Did you get notes from it or anything like that? Can you tell us a little more about that?

MR. SIELICKI: Yes, there were about 30 people that showed up to that meeting, and they were just in general asking questions about the project and how it would affect them. So, yes, we did take notes. We had some PowerPoint presentations we did showing the basic plan and what we were going to do going forward and how it was going to affect each customer, and they were quite satisfied with it.

MR. SHEPHERD: You didn't have an external facilitator?

MR. SIELICKI: No, we did it with our own staff, and the civil contractor that was going to be doing directional boring also had staff available to answer any questions that the customers had.

MR. SHEPHERD: Is this something new for you? You would normally do this anyway, wouldn't you?

MR. SIELICKI: We have done it in the past; that's correct. Whenever -- whenever we have to do work that affects private property, we do have consultations to get their feedback on the project.

MR. SHEPHERD: So the Board's shift to a greater emphasis on customer engagement, has that affected -- I understand that's affected your general customer engagement. I understand that. But in terms of your engagement on projects, capital planning and stuff like that, has it affected how you're doing that, or are you still doing it roughly the same way?

MR. SIELICKI: I would say that it's roughly the same, because there's authorities that we have to get answers from and applications we have to make to the road authorities to get permission and generally work on the road allowance falls under the road authority's permission, and if it doesn't directly affect the customer's property then -- they became aware of the project. We do hand out pre-construction letters explaining what the project is going to be on the street, but, yeah, generally we were doing that all along.

MR. SHEPHERD: When you do these your biggest shareholder is the city, right?

MR. SIELICKI: That's correct.

MR. SHEPHERD: And so they're presumably there too. They participate.

MR. SIELICKI: That's right.

MR. SHEPHERD: And the local alderman and people like that, they're there, right?

MR. SIELICKI: We have monthly meetings with the city and region. They're called public utilities committee meetings, and everybody discusses their short- and long-term plans at those meetings, so that if there is any coordination of agencies involved we do that at those meetings.

MR. SHEPHERD: But are those public meetings?

MR. SIELICKI: No, but --

MR. SHEPHERD: No. I was asking about the public meetings.

MR. SIELICKI: -- the minutes become public on the city's website.

MR. SHEPHERD: Yeah, no, I'm asking about the public meetings. Your shareholder -- or somebody from the city is there when you have a public meeting on something too, right, typically.

MR. SIELICKI: We have had aldermen at some of the meetings. We did have that happen in a project we did a number of years back in Chippewa.

MR. SHEPHERD: Excellent. I'm now at 1-VECC-3, which is your number 9, and this is to do with the e-billing in which you're so successful. And I calculate that you're saving -- 39 percent of your e-billed customers are not getting hard copies right now, right?

MS. BATTISTA: That's correct.

MR. SHEPHERD: So that's just under 38,000 bills that you don't have to send out, roughly? Will you accept that subject to check?

MS. BATTISTA: That would be subject to check, yes.

MR. SHEPHERD: And do you have any idea of how much that saves?

MS. BATTISTA: I'd have to check that --

MR. SHEPHERD: Because I --

MS. BATTISTA: -- because a lot of times even though they're not getting their monthly bill, what may happen and often does happen is at another time, rather than them printing the bills themselves, they will call in and ask for the bulk of those bills, so in a sense I might be saving it on a monthly basis, but I'll get it back when I have to send all 12 bills to them.

MR. SHEPHERD: Okay.

MS. BATTISTA: And that's where I would have to go back and check that.

MR. SHEPHERD: Okay. Now, next is -- my next question is on SEC number 1, which is your number 11. And on the second page you have a breakdown of savings from the merger, and this is actual, right? This is not the forecast, this is actual, on page 24 of 646?

MS. WILSON: No, the starting premise was what we filed.

MR. SHEPHERD: Okay.

MS. WILSON: On some of the numbers.

MR. SHEPHERD: So these numbers here in this first table, those are all what was filed?

MS. WILSON: Yes, like the rate application is an actual number, because I know that number now, from the 2011, and I can guess what the 2015 one is. The administration on the billings, that's actually an actual number.

MR. SHEPHERD: So you're saying that when you went into the merger you forecast that you'd save a total -- it looks like the total savings here are under $100,000; is that right?

MS. WILSON: Over the five years?

MR. SHEPHERD: Yes.

MS. WILSON: Yes.

MR. SHEPHERD: But you didn't actually save that much, right? You saved less than that?

MS. WILSON: No, I would say we saved that. Some of the five years -- or the four years we've saved so far, '11 to '14.

MR. SHEPHERD: See, what I'm trying to understand here is, I thought this was actually your actuals. That is, you'd said --

MS. WILSON: And they are.

MR. SHEPHERD: Well, no, I just asked you that, and you said, no, this was your forecast.

MS. WILSON: Some of the numbers are -- the legal and consulting is a guess, because the legal and consulting can go up and down from year to year, which have nothing to do with the original merger. We just know how they were doing in the Pen West, what they were recording for legal, and they had a lot of legal fees. Most of our legal fees are coming from anything to do with labour or external -- items that have nothing to do with the merger, so I had to guess on the legal and the consulting. We know they used a lot of consulting with KPMG. We don't have that.

MR. SHEPHERD: All right. This --

MS. WILSON: But I know on the rate application and the building -- the building maintenance, I know those costs now.

MR. SHEPHERD: And so you're saying that you actually had a cost increase of $162,000 dollars a year as --

MS. WILSON: Yes.

MR. SHEPHERD: -- a result of the administration buildings.

MS. WILSON: Yes, I missed the property taxes on the Clifford Street building big time when I estimated that.

MR. SHEPHERD: So why would that have gone up? I don't understand why your administration building would end up costing more money.

MS. WILSON: When I originally did for the merger application, I estimated property taxes I think to be $30,000 a year, and they're $200,000 a year just for the Clifford Street property, so I missed that. I didn't have snow-ploughing and landscaping when I did my original estimate for the savings of the merger. These are actual costs that we're incurring on the building.

MR. SHEPHERD: Yeah, no, I'm asking a different question. I'm not asking how this compares to your original forecast. I'm asking why did the administration buildings cost more after the merger than before.

MS. WILSON: This is for the Clifford Street property, which was built after the merger. Peninsula West Utilities was going to build a billing, buy a building or build a building. So they were going to do this irrespective of the merger.

So when we filed for the merger I put in savings that we were going to have without that Clifford Street property. We ended up buying the Clifford Street property -- or building the Clifford Street property, and now I have these costs. So this is actual; they weren't in the original part of the savings.

MR. SHEPHERD: Okay. And the other thing that happened here -- tell me whether this is right -- is that you did have a bunch of savings, but you also had to bring all of your staff up to the PWU wage rates?

MS. WILSON: That's correct. We did that in the first year.

MR. SHEPHERD: So that cost you $262,000 a year?

MS. WILSON: That's correct.

MR. SHEPHERD: Okay. My next question is in SEC No. 4, which is your No. 14, we provided you with a number of comparisons, your costs and rates compared to other utilities. We provided you with a table. You will recall the table.

And I don't see anywhere here where you talk about those differences. We asked you, for example: Are there any distributors on the list we gave you that you felt are not appropriate comparators? And I don't see an answer to that.

MS. WILSON: In my response -- I feel like I -- personally I can only benchmark against myself, because that's the only information that I have. I'm not privy to other utilities' trial balances where you actually get into the detail of what programs they have.

I don't know if they have a succession planning. I don't know if they're doing apprenticeship. I don't know what their weighted average cost of capital is. I don't know what they've settled on working capital allowance in a settlement. I don't know what their capital programs are. I don't know what their tree trimming is. I don't know if they do rate application internally or externally. I don't know all of those -- that piece of information.

And for me to compare our numbers in detail -- because I'm a detailed person -- what you're asking, I would have to have all that information.

MR. SHEPHERD: I understand. I guess the Board's gone in a direction of benchmarking, and most businesses benchmark in one way or another. And if you can't use that table to benchmark, then what do you use to benchmark? If you only benchmark against yourself, you don't know whether your costs are reasonable, right?

MS. WILSON: I may not know if my costs are reasonable compared to what others are doing. However, I would know if I'm improving or not.

MR. SHEPHERD: Okay. This question was more to give you an opportunity to explain, because obviously the facts speak for themselves, right? The Board will make what they want of them.

I was trying to give you an opportunity to explain: Well, yes, if you're going to use this, you can't compare us to Canadian Niagara Power, let's say. They're operated very differently than we are. Or, you know, it's not fair to compare us on gross PP&E per customer because we have this particular issue.

You don't have any of that to help us with, right?

MS. WILSON: I don't have that information of what other people's capital programs are. I can only tell you where we've spent our capital money. That's the difficult part.

MR. SHEPHERD: All right.

MS. WILSON: I also don't know the makeup of the rate classes. Like, we don't have a large user. We don't have a large user rate class. We don't know if, in their rate design, that they're at a revenue-to-cost of 85 -- or below 100 percent.

Which a lot of the statistics, when you get into the different ones, it can make a difference.

MR. SHEPHERD: Okay. I understand.

You have a problem with that, though, right? Because your shareholder requires you to compare your rates to comparable utilities, right?

MS. WILSON: Our shareholder does not require me to do that.

MR. SHEPHERD: Your shareholder's agreement says that they do. Your shareholder's agreement says you are obligated, your company is obligated to ensure that your distribution rates are consistent with similar utilities in comparable growth areas.

MS. WILSON: Okay. And we did provide the answer to that one. I think we ranked third in the list of six.

MR. SHEPHERD: No, actually you didn't, but it's --

MS. WILSON: We were able to do that one.

MR. SHEPHERD: Okay. So -- but my first question is: So your shareholder requires to you do that; how do you report to them on that? What information do you give them on that?

MS. WILSON: I don't.

MR. SHEPHERD: Okay. Is there anybody who can help me with that?

MS. WILSON: The shareholder has never asked me for that information.

MR. SHEPHERD: No, I understand, but this directs your board of directors to do this, so presumably your board of directors is asking for it. And that's what I'm asking for.

MS. WILSON: My board of directors hasn't asked me specifically to provide that information.

MR. SHEPHERD: Okay. So in SEC 21, there is -- which is your No. 31. We asked you about this, quoting the shareholder's agreement. And you compared yourself -- and you think your proper comparables are the adjacent utilities, right?

MS. WILSON: For distribution rates, yes.

MR. SHEPHERD: Okay. So then with the exception of Canadian Niagara Power, which we know has a particular problem, and Hydro One, which we know is an outlier, you're the worst for all three categories of customers; isn't that right?

Grimsby is right beside one of your areas, right? One of your franchise areas? And Grimsby is about half for a typical school, half. So I guess I'm wondering: What are you doing about this? If these are the right comparables, what are you doing about it?

MS. WILSON: Are you saying on the Grimsby it's half at $25 on the residential? Is that what you're --

MR. SHEPHERD: I just said for a typical school, GS over 50.

MS. WILSON: Oh, school. Okay.

MR. SHEPHERD: You would charge them $943, and Grimsby would charge them $483.

MS. WILSON: Yes.

MR. SHEPHERD: I'm asking: What are you doing about that? How are you fixing that? What's your plan?

MS. WILSON: Again, we would have to look to see what Grimsby has in their revenue-to-cost, and what did they settle.

MR. SHEPHERD: No, I understand, but I guess my question is about your obligation to your shareholder and what -- and I asked you how do you compare, and this is what you gave me. These are the comparables that you say are the appropriate ones.

MS. WILSON: Just on the distribution rates. I'm not saying we're comparable in number of customers or kilometres per line or anything else like that. When we attended the one session with the EDA, they actually had Niagara Peninsula Energy, which was a slow-growth -- the number of customers, the slow growth, and the vast area of kilometres per line.

They actually had us in a bucket comparing to us Algoma Power, Bluewater, and we looked really good in that. We liked that bucket that we were in.

MR. SHEPHERD: Everybody looks good compared to Algoma.

[Laughter]

MS. WILSON: Right. So when we were looking at this, and this is all new, putting us into buckets and everything, you know, growth does have a part to play in it. And you take a look at this and you're like: Well, do you really belong in that bucket?

I don't know. I don't know what the answer to that is on benchmarking. What we tried to do is, year-over-year, we look at things that are coming out of the Distribution System Plan. We've got this great application that we've put forward for a rate application, and we're looking at what our customer base is. We don't have growth happening in any of our rate classes in any of our service territory, and these are the rates that we have.

So for us to compare to Grimsby, I don't know if Grimsby is high-growth. I know they're not in a vast area for kilometres per line. But the engineers and the operational people will tell you it is different servicing vast areas when there's an outage. We have outage management; they don't.

So I don't know what they're reporting for their makeup. I don't know if they do their rate application internally or externally, which can have a big part on the costs that are thrown over five years. So our political world, they like to have from Welland, our neighbouring utility, what distribution rates do you pay and what distributions are you paying, residentially, GS less than 50. And you take a look at that. But to compare us and put us in the same bucket from benchmarking, I'm not sure that's appropriate.

MR. SHEPHERD: Okay. So then let me turn it around a different way. What steps has NPEI taken to identify appropriate external benchmarks that you can use to determine if your costs or if your rates are reasonable? What steps have you taken?

MS. WILSON: We haven't actually taken any steps other than we've put forward this rate application in the same year benchmarking has come out. So that's something that we can continue to improve on in going forward in the future. But I'm not sure what comparators are real. For example, what we also learned on the PEG report in the analysis, we were reporting numbers back in 2010 and '11 and '12. We own a TS station, and we're recording and doing our thing. When we found out benchmarking excludes the TS, which, we're finding this out in 2013, our trial balance does not have all of the costs related to that TS, which is snow-ploughing, landscaping, all of that, the water bills, because we were booking all of those things and its accounting to 5,675, so they're sitting in our general admin. And we find out in '13 that they're taking them out, so we have to adjust, and we started to record those costs because they think a TS isn't -- shouldn't be in. I actually think a TS should be in, because we did a business case to build a TS, and said for our customers it was cost-beneficial for us to build the TS ourselves instead of Hydro One. We did that back ten years ago. So now you're taking the TS out for whatever reasons -- everybody has all their different arguments.

So if you looked at '11 and '12 -- and the other big point that I've always had is this capitalization of people like us sitting here. A lot of utilities could do that. They were allowed to do that, and we've never done that. So when you take the OM&A per customer, if you look in 2011, my '11, '12, and '13, I'm actually coming down.

When you look at a Guelph Hydro, who has gone to IFRS, and they -- now they have to put a million-two into OM&A because of 20 percent administration cost, which are the people that are sitting here, salaried employees, which I have nothing to do with building a capital line at all. You take that million-two, if you took that off our income statement, we would look really good. So it is accounting in the way that we're doing it.

So again, I don't know if I'm comparing Grimsby -- I don't know how they're doing that. In what year did they change? We know in '13 they have changed, and that's one of the years that -- if everybody is doing the accounting the same way, then you can start to compare everybody.

MR. SHEPHERD: I understand. Okay.

I want to go to SEC No. 8, which is your number 18, and this is to do with customer engagement again. And I just want to ask about item D. ICF Marbek said to you -- did a memo which you've included, thank you, basically saying you can use your PAB funding from OPA to fund the customer engagement that the Ontario Energy Board is asking you to do, right?

MS. BATTISTA: Within that memo, yes, and then they provided a line item, if I'm recalling the memo without having it right in front of me, a line item of what was specific for the customer engagement.

MR. SHEPHERD: And did that mean that your customer engagement was -- that process at least was sort of weighted towards CDM because OPA was paying for it?

MS. BATTISTA: No, I think because the way that the review of customer engagement looked at a whole list of approach of the customer primarily, and then it actually looked at it as part of, if you say the CDM portion of it. It looked at the market characterization, and then it allowed us to look at data. The data and the analysis of that data was a shared process, where a lot of it then was used for CDM in setting up how they're going to set up their programs and which customers they're going to direct at.

By us polling that same data we were actually being able to use the same exercise but pull different type of data; i.e., the types of calls to use it towards the customer engagement side of things.

MR. SHEPHERD: Well, you had ICF Marbek do this baseline study in the plan. And I guess what we didn't understand is why you would retain someone who has no experience with customer engagement to do your customer engagement plan. They're a CDM company. They do conservation. They're really good at it. But I've never heard of them doing customer engagement.

MS. BATTISTA: When they came in, actually, on a first meeting, they presented what they would address in terms of the customer engagement as part of what they were doing for the OPA and allowed us to leverage the expertise in laying out a foundation that we could use. So it was more of a -- it became a collaborative approach between ICF and ourselves. So there was a large portion of time spent on staff actually putting together or filling in the template provided by ICF to put in the details of the customer engagement baseline as well as the plan.

MR. SHEPHERD: Do you feel that your customer engagement activities ended up being biased -- and I don't mean this in a bad way. It may actually be a good way -- biased towards conservation issues because of how you approached it? That is, instead of asking questions about, you know, how is our construction affecting your home, you're asking questions about building envelope and stuff like that. Did that affect the results?

MS. BATTISTA: I don't think so, because of that collaborative approach. The collaborative approach allowed staff to actually look at both what ICF was presenting in terms of market characterization, as well as for us to sit around and look at -- not sit around literally, but sit down and review our customer satisfaction survey results and actually discuss what those results actually mean.

So taking both the CDM side of things, as well as what our customers themselves were saying, that's why I don't think that the bias occurred.

MR. SHEPHERD: This process was actually run by your CDM coordinator, right?

MS. BATTISTA: Yes, actually, she was the coordinator in terms of setting up the meeting's agenda, and then the formation of the steering committee was internal, and for the most part the customer engagement meetings themselves were participated by staff predominantly.

MR. SHEPHERD: Thanks. My next question is with respect to 2-Staff-30, which is number 59 in your list, and I'm looking at E. This is to do with your mobile substation, right? And you say in section E that the way you chose -- if I understand this correctly -- the way you chose the solution -- i.e., the mobile substation -- was that you did a calculation of the lowest cost per unit risk, right?

MR. CARVER: Correct, yes.

MR. SHEPHERD: Okay. Do we have that calculation? Is that in the evidence somewhere?

MR. CARVER: I don't believe it is.

MR. SHEPHERD: No. Can you provide it?

MR. CARVER: Yes.

MR. SHEPHERD: Awesome.

MS. HELT: Undertaking JT1.4, to provide a calculation of the -- lowest cost risk? Is that what you said, Mr. Shepherd?

MR. SHEPHERD: The phrase is the lowest cost per unit risk calculation in 2-Staff-30(e).

MS. HELT: Thank you very much.

UNDERTAKING NO. JT1.4: TO PROVIDE A CALCULATION OF THE LOWEST COST PER UNIT RISK CALCULATION IN 2 STAFF 30(E).

MR. SHEPHERD: My next question is in 2-Energy Probe-8, which is number 64. And I'm not going to go through most of this, which we talked about at considerable and fascinating length. But in number (e) you talk about the allocation of the cost of these assets. So you have -- you're acquiring $18,000 of assets, right?

MR. CARVER: Correct.

MR. SHEPHERD: And they're allocated to rate classes? And you were asked what's the allocation, I think, how has it been allocated. And you said it's been allocated in the normal way, which I understand.

The question is: What are the numbers? How much is each class eating in this cost? Can you just give us the list?

MS. WILSON: I'd have to put that number through the cost allocation model just by itself, to find that. But for sure we could do that, create a new model.

MR. SHEPHERD: Thank you.

MS. HELT: Okay. That will be Undertaking JT1.15.

UNDERTAKING NO. JT.15: TO PROVIDE A BREAKDOWN OF COST ALLOCATION OF ASSETS BY RATE CLASS.

MR. SHEPHERD: Thank you.

And the next question is SEC No. 27, which is your No. 83. And what we were asking about is you had said that in your merger application, you said you were going to save $3 million in working -- in cash flow reductions, working capital reductions, because you were moving your remaining customers to monthly billing. That is, on the merger, some were on bimonthly, some were on monthly; you were merging them and they were all going to be monthly.

So we asked why didn't you carry out a lead-lag study you said you didn't have to. I understand.

My question is: How are you reflecting that savings of $3 million in working capital in the current application? Where are the ratepayers --

MS. WILSON: There is actually no savings, because when you're in a bimonthly situation, your unbilled revenue would be sitting there for two months. And what we've noticed is the unbilled revenue should only actually be one month, but what has happened is the cost of power, because your accounts receivable and your unbilled revenue, the way cost of power has increased 35 percent since we've done the merger. It ate the $3 million, because you don't see it on the income –- or you don't see it the balance sheet now.

My accounts receivable is pretty much the same as it was.

MR. SHEPHERD: But then you calculated the working capital allowance based on the Board default, with the result that your working capital allowance has actually gone up. Even though your receivables have stayed the same, your working capital allowance has gone way up, right?

MS. WILSON: Are you talking in the rate application?

MR. SHEPHERD: Yes.

MS. WILSON: My working capital allowance has increased because the cost of power has increased.

MR. SHEPHERD: I thought you said that the cost of power ate up your $3 million saving. So if it ate up the saving, then it shouldn't be an increase. It should just be --

MS. WILSON: When I say there was $3 million, we should have seen a shift from unbilled revenue going down, more moving to accounts receivable, and half of that you should have had in cash; just taking $3 million, 1.5 you should see in cash.

That's not happened, because the bills are higher.

MR. SHEPHERD: Sorry, let me stop you. That did happen, right? But that's been offset by the fact that the bills are higher?

MS. WILSON: That's correct.

MR. SHEPHERD: Thank you.

My next question is probably 20 minutes away, so I may be able to finish. Unlike Randy, nobody has tried to hijack my questions.

[Laughter]

MR. SHEPHERD: And that one was asked already.

So my next question is 4-Energy Probe-28, and this is your No. 121. And in (b) in that response, you say you've compared 11 utilities' wage increases for 2015, and they average 2.56 percent. But you won't tell us who it was.

So I'm going to ask you to file that in confidence, lease.

MS. WILSON: Okay. It's something we did the -- we went through all of the rate applications we could see, and the 11 that we had on our -- that we know that we got an average from, only one we could find that was on the website. The rest seem to have all been filed in confidence, so we didn't want to violate us providing you with those numbers, you know.

MR. SHEPHERD: How did you get the numbers?

MS. WILSON: By e-mail.

MR. SHEPHERD: Were they e-mails that said: This is confidential information?

MS. WILSON: No one said we could use it for the rate application for this filing, to publicly disclose it. So we didn't.

MR. SHEPHERD: So can you file it in confidence and we can talk about confidentiality later?

MS. WILSON: Yes.

MS. HELT: Okay. Undertaking JT1.16, to provide a list or calculation of the 11 utilities' wage increases for 2015, in confidence.

UNDERTAKING NO. JXT1.16: TO PROVIDE A LIST OF THE 11 COMPARATOR UTILITIES' WAGE INCREASES FOR 2015, IN CONFIDENCE.

MR. SHEPHERD: I'm not necessarily agreeing it's confidential, but they will make a confidentiality claim and then we'll --

MS. HELT: Okay. And we'll note that -- Mr. Battista pointed out -- JXT1.6. The X denotes confidentiality at this stage.

MR. SHEPHERD: X marks the spot. My next question is on 4-Energy Probe-30, which is your No. 123. This is your 2013 non-affiliate purchases, which -- it's great to see there's no law firms on here.

[Laughter]

MR. SHEPHERD: Because usually they're way at the top of everybody's list. Maybe it's not great for Scott.

[Laughter]

MS. WILSON: Sorry, Scott.

MR. SHEPHERD: I have a question about -- you have a column, "Purchasing method," and one of the answers you see in many of them is "RFP/quotation." Can you tell me what that means?

MS. WILSON: We don't -- request for proposal is what "RFP" stands for, or we get a quotation. We don't go with a public tender.

MR. SHEPHERD: Okay. But –- so these may all have been sole-sourced. There's no way of telling from this list, right?

MS. WILSON: No. If it says there's an "RFP/quotation," it went that route.

MR. SHEPHERD: But that's two different routes, right? A quotation is, like -- the reason I ask is MEARIE, right? You didn't do an RFP for MEARIE, did you? You went to MEARIE and said: What's your quote?

MS. WILSON: No, actually we did the life insurance with all the benefits. We did that in 2013, I think it was. Right. '12?

So yeah, no, the life insurance and RFP was -- how many did we have respond? We had, I think, five benefit carriers respond with us.

MR. SHEPHERD: Okay.

MS. WILSON: We did an RFP on the benefits. That's where the gain is coming from, because our premiums have gone down.

MR. SHEPHERD: So all of these ones that say "RFP/quotation" would include an RFP?

MS. WILSON: That's correct.

MR. SHEPHERD: Oh, good. Excellent.

MS. WILSON: So if we can get a response, we usually go out, try and get three quotations or three -- it goes through an RFP.

Some of them are a quotation, where you go get three quotes. And if two come back and they've bid, we go with the analysis and we continue the process.

It's not that we take the lowest bid, because we look at qualitative and history and everything else.

MR. SHEPHERD: Of course. And MEARIE ended up with the lowest cost, or they ended up with the best package?

MS. WILSON: Best package.

MR. SHEPHERD: Okay. My next question is 4-VECC-34, which is No. 135. This is to do with billing collection costs.

And I was struck when I saw this. I mean, obviously you have a big increase, right? You have an almost 70 percent increase, and about a 65 percent increase in cost per customer for these, for the billing and customer service component. But here's what I want to ask you about.

Have you compared your per-customer billing and collection costs with anybody else?

MS. WILSON: No.

MR. SHEPHERD: So if you were told that yours are twice the Ontario average, would that surprise you?

MS. WILSON: I'd have to see again what's the detail behind where you're getting your number, what's making up that account.

Are they allocating their IT department? We are not.

I would have to know how they're doing the accounting. What are they including? And then I can compare. Is it the same as us?

Are they putting smart meter -- their smart meter people, are they booking them into operations or are they booking them here? We're booking ours here.

MR. SHEPHERD: So I'm asking a slightly different question. We looked at as many as we could -- it's harder to do this than some others -- on a basis of building a collection cost per customer.

Yours are $106 per customer.

MS. WILSON: Okay.

MR. SHEPHERD: Nobody else is above 60 in the province. Nobody else is above 60.

And so the question is –- so that's not because everybody else is doing it wrong, presumably. That's because your costs are higher, and I'm asking why are they higher.

MS. WILSON: Again, without knowing how -- I'm not privy to trial balances provided by other utilities of what's in what account. So I can't tell you what's in somebody else's 5305, because that information is not put out there for me to go and do all this comparative work. I don't know who else you're including in this 60 -- to get to $60. Is it by debts in, is it by debts excluded? Because it's excluded for benchmarking? I don't know that.

MR. GARNER: Can I, sorry, just ask you a question about that, because you did mention one item that did cause me to pause. It was IT, an allocation of IT. And you're saying that in your billing and collection all IT costs are run through those accounts?

MS. WILSON: No, our IT is actually in G&A, the 5600 accounts.

MR. GARNER: But that would then lower your billing and collecting costs, wouldn't it, if you're allocating it somewhere else?

MS. WILSON: I'm saying I don't know if other utilities do that or don't do that.

MR. GARNER: I see what you're --

MS. WILSON: I don't know if they're including them. I don't know.

MR. GARNER: Right.

MR. SHEPHERD: Your IT is in G&A? Because I'm --

MS. WILSON: Yes.

MR. SHEPHERD: -- reading this, and it says information technology expenses, $416,000.

MS. WILSON: That's not the labour. That's the programming expenses, the software maintenance. We have that included in billing and collecting. The software maintenance that goes with our GIS system is recorded in 5085, which is in --

MR. SHEPHERD: You're going to have to help me with the -- the numbers aren't --

MS. WILSON: Oh, 5085 is in engineering and operations. So we try to match where they are. The Great Plains, which is my general ledger software, that annual maintenance fee is actually in the billing and collecting line, not in the G&A line. So that's why we need to know what you're recording where. But for our billing system the information technology expenses, the annual maintenance fees and all of the other things that go with hardware and everything, that's recorded in the 5300 series accounts. However, the IT department, because they work and support everybody, we've included them in 5600 accounts in general and admin, because when my computer breaks down, they come looking to me, and I'm in G&A.

MR. SHEPHERD: I'm -- I guess what I'm trying to understand here is, if your billing and collecting costs per customer are 109 percent of the provincial average, don't you want to know why that is?

MS. WILSON: I would love to know, but I would have to have access to the data. So for example, if we took Horizon, there isn't anywhere I can go looking unless I'm taking a resource and searching into -- and the way they did their rate application I could never make heads nor tails of it because they went with a custom IR -- but let's pick another utility. Let's take --

MR. SHEPHERD: We still have many of the same tables.

MS. WILSON: -- for example...

MR. SHEPHERD: We still have many of the same tables.

MS. WILSON: Do they? Well, that's what I'm saying. I would have to go into everyone's cost-of-service rate application, then follow into an interrogatory to make sure that it didn't say that that was wrong in the table to find in their appendices. That's a lot of work for me to compare to do that.

MR. SHEPHERD: Yeah, but the problem is that --

MS. WILSON: And again, I wouldn't even know by looking at that information inside here are they recording 100 percent of their vice-president for customer service in here or are they allocating that person? That kind of detail isn't there.

MR. SHEPHERD: I understand that it's work, but I guess I'm asking a slightly different question, because Horizon -- the amount they asked for, they didn't even get it. The amount they asked for was $41 a customer for billing and collection, and you're asking for 106. And so that difference in your application, that difference is about $3 million. And so I have to ask the question: For $3 million don't you need to go find out the answer?

I mean, if your answer is no, that's fine. You're entitled --

MS. WILSON: My answer is no.

MR. SHEPHERD: Okay.

MS. WILSON: I don't have the resources to go and find that out. Again, when you're looking at 273,000 is loss of water activities, there's -- of the 1.7. We also have smart meters that have come into play here --

MR. SHEPHERD: Yeah, but -- no, but everybody else has those things too.

MS. WILSON: I don't know. Do they? Do they have two coordinators? Do they have one coordinator doing it all? Are they third-partying it? Are they booking it to here or are they spreading it all over?

MR. SHEPHERD: Doesn't matter. They have smart meters. So if they can --

MS. WILSON: But are they booking it to the --

MR. SHEPHERD: -- do it cheaper than you, you have to know why, right?

MS. WILSON: -- billing -- but are they booking it to their billing? Maybe they're booking that over into operations.

MR. SHEPHERD: And -- I thought I had one more question, but I can't find it. So I guess I don't. That's all, thanks.

MS. HELT: Are there any other follow-up questions from anybody? No? Okay. Then just a reminder. I believe that outside of the undertakings, the official undertakings given today, there was going to be the provision before the settlement conference about providing some documentation concerning economic analysis, and Scott, you had mentioned there is the distinction there between the enhancement and expansion. And that was going to be something, though, that we were going to --

MR. STOLL: Well, I think part of that may come out of the business-case description for the NPC, because there was a question regarding compliance with the distribution system code, but we agreed we were going to be able to talk about that during the settlement conference, so you guys understood where we were and whether there is compliance or not, and so that we can get our minds around it, and then therefore the Board would be able to get their minds around it.

MS. HELT: Okay. And then I also just wanted to follow up with two other matters. So the settlement conference is going to be -- is most likely going to be February 3rd and 4th, with February 2nd being set aside, but a further procedural order will be issued just confirming the actual dates, but that is my understanding of what is going to happen.

And then the only other matter that we wanted to discuss today was with respect to the issues list.

MR. BATTISTA: Board Staff, I guess on behalf of the parties, should -- if there's a consensus on the issues list is to file an issues list with the Board by January 23rd, which is Friday. So I think once we terminate this we can have some discussion on that. I've made copies of the Festival Hydro and the Hydro One Brampton recent Board-approved issues lists, and that might be a good start.

MS. HELT: Okay. So why don't we just conclude today's technical conference. Thank you very much to all of the witnesses for your testimony today.

One other thing. The undertaking responses, you know, it would be ideal if we can get them in by the settlement conference, but is that going to be possible, Mr. Stoll?

MR. STOLL: Yeah, I don't think that's going to be a problem to get them in before the settlement conference.

MS. HELT: Can you give us a date that you think they might be available?

MR. STOLL: Thursday of next week. Can we -- 29th?

MS. HELT: 29th?

MR. STOLL: 29th.

MS. WILSON: Yes, we will be able to do the 29th of January.

MS. HELT: Okay. So we'll have that on or before the 29th of January. Thanks. I'll just turn off the mics and take us off-air.

### --- Whereupon the conference concluded at 2:56 p.m.