



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

February 27, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: 2015 & 2016 TRANSMISSION REVENUE REQUIREMENT APPLICATION FOR CANADIAN
NIAGARA POWER INC., ("CNPI") EB-2014-0204
RESPONSE TO UNDERTAKINGS**

Please find accompanying this letter, two (2) copies of CNPI's responses to Undertakings arising from the Technical Conference. Co-incidentally with the submission, an electronic copy of these responses have been filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994-3634.

Yours truly,

Original Signed by:

Douglas Bradbury P.Eng,
Director Regulatory Affairs

Enclosure

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UNDERTAKING NO. JT1.1: TO PROVIDE AN ESTIMATE OF THE AMOUNT THAT WOULD BE RECORDED IN ACCOUNT 1576 IF CNPI TX HAD MADE THE CHANGES TO USEFUL LIVES EFFECTIVE JANUARY 1, 2013.

RESPONSE:

This undertaking has asked for an estimate of what might be recorded in account 1576 had the change in useful lives been effective January 1, 2013; since CNPI Tx was not required to make the change in January 2013 and did not, this response can only provide a “back of the envelope” estimation of the amount.

CNPI Tx’s automated accounting records system does not have the functionality necessary to perform a meaningful analysis of changes to depreciation parameters on a retrospective basis. To provide the Board with a substantive value which could satisfy the requirements of an external audit would be a significant undertaking requiring time and resources.

Shown in the following table is an estimation of the theoretical closing balance of an account 1576 as requested by Board staff.

	2013	2014
	\$	\$
PP&E Values under former CGAAP		
Opening net PP&E	14,752,078	17,146,324
Net Additions	3,095,496	3,197,153
Net Depreciation (amounts should be negative)	(701,250)	(1,303,431)
Closing net PP&E (1)	17,146,324	19,040,046
PP&E Values under revised CGAAP (Starts from 2012)		
Opening net PP&E	14,752,078	17,328,101
Net Additions	3,095,496	3,197,153
ESTIMATED Net Depreciation (amounts should be negative)	(519,473)	(1,020,027)
Closing net PP&E (2)	17,328,101	19,505,227
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP	(181,777)	(465,181)

Estimated closing balance in Account 1576

(465,181)

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UNDERTAKING NO. JT1.2: TO EXPLAIN THE MAIN REASON FOR THE SPIKE, OR THE INCREASE IN ANNUAL DEPRECIATION, LET'S SAY FROM \$835,000 IN 2010 TO \$1,255,000 IN 2011 ACTUAL.

RESPONSE:

The increase in annual depreciation in 2011 is the result of changes to the allocation of computer hardware and software and equipment to the transmission business unit.

In 2010, CNPI Tx was allocated 5% of computer hardware and software and 11 % equipment. Following a review of the shared services between CNPI units and affiliates these allocations were changed to 6% and 19% respectively.

This change is detailed in the following table.

CNPI Corporate Year End Balances

Asset	2010			
	computer hardware and software - 5%		equipment - 11%	
	COST		ACCUM DEPR	
	EOY	ALLOCATION	EOY	ALLOCATION
GA Office Furn & Equipment	1,294,096.52	(142,350.62)	(1,158,765.96)	127,464.26
GA Comp Hardware	2,285,230.70	(114,261.54)	(1,315,648.54)	65,782.43
GA Comp Software	6,909,539.82	(305,320.09)	(4,099,767.38)	172,821.52
GA Transportation Equipment	2,606,747.79	(286,742.26)	(1,407,096.64)	154,780.63
GA Stores Equip	166,152.13	(18,276.73)	(143,478.91)	15,782.68
GA tools,shop&garage equip	656,356.61	(72,199.23)	(609,033.74)	66,993.71
GA measure&test equip	458,572.54	(50,442.98)	(370,964.98)	40,806.15
GA Comm Equipment	630,955.60	(69,405.12)	(345,050.16)	37,955.52
GA Misc. Equip	138,987.68	(15,288.64)	(73,613.93)	8,097.53
GA System Supv Equip	743,130.54	(81,744.36)	(602,989.92)	66,328.89
TOTAL	15,889,769.93	(1,156,031.56)	(10,126,410.16)	756,813.31
DEPRECIATION EXPENSE	72,973.13			
Asset	2011			
	computer hardware and software - 6%		equipment - 19%	
	COST		ACCUM DEPR	
	EOY	ALLOCATION	EOY	ALLOCATION
GA Office Furn & Equipment	1,299,734.12	(246,949.48)	(1,193,042.60)	226,678.09
GA Comp Hardware	2,564,525.81	(153,871.55)	(1,617,601.05)	97,056.06
GA Comp Software	7,457,958.23	(399,289.21)	(4,549,850.03)	229,571.94
GA Transportation Equipment	2,435,292.97	(462,705.66)	(1,391,659.96)	264,415.39
GA Stores Equip	166,152.13	(31,568.90)	(149,535.14)	28,411.68
GA tools,shop&garage equip	657,962.33	(125,012.84)	(619,252.40)	117,657.96
GA measure&test equip	458,572.54	(87,128.78)	(388,271.79)	73,771.64
GA Comm Equipment	632,035.57	(120,086.76)	(364,719.02)	69,296.61
GA Misc. Equip	138,987.68	(26,407.66)	(85,947.00)	16,329.93
GA System Supv Equip	743,377.04	(141,241.64)	(649,509.58)	123,406.82
TOTAL	16,554,598.42	(1,794,262.49)	(11,009,388.57)	1,246,596.13
DEPRECIATION EXPENSE	489,782.82			
Asset	2011 at 2010 allocation %s			
	computer hardware and software - 5%		equipment - 11%	
	COST		ACCUM DEPR	
	EOY	ALLOCATION	EOY	ALLOCATION
GA Office Furn & Equipment	1,299,734.12	(142,970.75)	(1,193,042.60)	131,234.69
GA Comp Hardware	2,564,525.81	(128,226.29)	(1,617,601.05)	80,880.05
GA Comp Software	7,457,958.23	(372,897.91)	(4,549,850.03)	227,492.50
GA Transportation Equipment	2,435,292.97	(267,882.23)	(1,391,659.96)	153,082.60
GA Stores Equip	166,152.13	(18,276.73)	(149,535.14)	16,448.87
GA tools,shop&garage equip	657,962.33	(72,375.86)	(619,252.40)	68,117.76
GA measure&test equip	458,572.54	(50,442.98)	(388,271.79)	42,709.90
GA Comm Equipment	632,035.57	(69,523.91)	(364,719.02)	40,119.09
GA Misc. Equip	138,987.68	(15,288.64)	(85,947.00)	9,454.17
GA System Supv Equip	743,377.04	(81,771.47)	(649,509.58)	71,446.05
TOTAL	16,554,598.42	(1,219,656.78)	(11,009,388.57)	840,985.68
DEPRECIATION EXPENSE	84,172.37			

UNDERTAKING NO. JT1.3: TO UPDATE GROSS FIXED ASSETS, DEPRECIATION,
AND THE CONTINUITY OF RATE BASE SCHEDULES REFLECTING THE 2014
ACTUALS

RESPONSE:

RATE BASE						
Description	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Test	2016 Test
Gross Fixed Assets	29,416,951.99	30,130,283.71	33,225,780.22	34,675,983.01	42,392,488.14	43,233,088.14
Accumulated Depreciation	(14,585,456.14)	(15,378,206.09)	(16,079,455.84)	(17,336,637.84)	(18,150,324.07)	(19,052,599.76)
Net Book Value	14,831,495.86	14,752,077.61	17,146,324.38	17,339,345.17	24,242,164.07	24,180,488.38
Average Net book Value	15,040,787.60	14,791,786.74	15,949,201.00	17,242,834.78	20,790,754.62	24,211,326.22
Working Capital Requirement	1,592,177.47	1,724,679.21	1,545,661.65	1,599,764.79		
Working Capital Allowance	238,826.62	258,701.88	231,849.25	239,964.72	-	-
Rate Base	15,279,614.22	15,050,488.62	16,181,050.25	17,482,799.50	20,790,754.62	24,211,326.22

In the Application, the 2014 Bridge Year Gross Fixed Assets was stated as \$36,422,933 as opposed to the 2014 Actual being \$34,675,983. This difference is attributable spending on the IPL in 2014 not being capitalized in 2014 due to portions of the project being deferred to 2015. An amount of \$1,447,815 has been recorded in account 2055 Assets Under Construction in 2014.

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UNDERTAKING NO. JT1.4: APPLICANT TO GO BACK TO MTO TO GET MORE UPDATED INFORMATION.

RESPONSE:

CNPI Tx contacted the Ministry of Transportation – Ontario (MTO) to get an update on the status of their scheduled project to upgrade the 400-series highway interchange on the QEW at Bowen Road (Exit 7).

The MTO project manager for this project stated (verbally, on phone, and confirmed per the attached e-mail correspondence) that this project is still scheduled by the MTO to start in 2016.

In addition, CNPI Tx is providing a copy of an article printed in the Niagara Falls Review on February 25, 2015, which outlines ongoing discussions between the Canadian Motor Speedway and the MTO. The article indicates that the speedway will be complete in 2017, meaning the overpass has to be complete in 2016.

As outlined in the CNPI evidence as previously filed, and as restated during the technical conference, this will require CNPI Tx to relocate a portion of a 115kV transmission line in 2016.

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Kilfoil, Kevin

From: Sheikh, Riyaz (MTO) <Riyaz.Sheikh@ontario.ca>
Sent: February-24-15 5:16 PM
To: Kilfoil, Kevin
Subject: RE: Timeline for Expansion of Bowen Road Overpass of QEW (Exit 7)

Good Afternoon Kevin,

As per our discussion on the phone last week, the Bowen Rd. Interchange project is still on the Ministry's program for 2016 construction, to be completed by 2017/18 fiscal year. The interchange configuration alternative has yet to be finalized as it is based on stakeholder decisions (i.e. Canadian Motor Speedway). So this may alter the impacts to the transmission line. I will provide more information and details to you once they are finalized.

If you have any other questions, feel free to call me.

Thanks Kevin.

Riyaz Sheikh, P.Eng, M.Eng, LEED Green Associate

Phone: (416) 235-5534
E-mail: Riyaz.Sheikh@Ontario.ca

From: Kilfoil, Kevin [<mailto:Kevin.Kilfoil@cnpower.com>]
Sent: February-20-15 10:52 AM
To: Sheikh, Riyaz (MTO)
Subject: Timeline for Expansion of Bowen Road Overpass of QEW (Exit 7)

Riyaz,

I have been told that you are the MTO Project Manager for the planned project to alter the Bowen Road QEW overpass/exchange.

As part of a Rate / Cost of Service proceeding, the Ontario Energy Board has directed Canadian Niagara Power (CNPI) to request a statement from MTO regarding the timeline for the works required for this project, as CNPI included a budgeted item in our Capital Budget to pay for the expected relocation of a portion of our 115kV transmission line to provide the necessary clearances to accommodate the MTO and municipal road works.

We are aware that definitive dates cannot yet be set due to uncertainties regarding the development of the Canadian Motor Speedway.

Could you please call me at my desk (shown below) or my cell (905-658-7756) to discuss this?

Kevin Kilfoil
Technical Services Manager
Canadian Niagara Power Inc., a FortisOntario Company

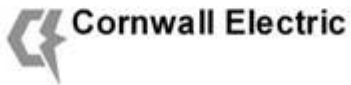
Telephone: (905) 871-0330 extension 3259
Facsimile: (905) 871-4458
Email: kevin.kilfoil@FortisOntario.com
Address: 1130 Bertie St., P.O. Box 1218
Fort Erie, Ontario, L2A 5Y2

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Thursday, February 26, 2015 Managing Editor Erica Bajer 905-684-7251, ext 1168

Big Brothers goes country for Kids' Sake

Big Brothers Big Sisters of South Niagara is bringing a country and western flair to local bowling alleys.

People are asked to roundup a team and corral pledges for the annual Tim Hortons Bowl for Kids' Sake.

Bowlers will hit the alleys for the country-themed fundraiser, the largest annual event hosted by Big Brothers, on March 7 at Bowl-O-Rama, 968 Niagara St. in Welland, and

March 8 and 14 at Carroll's Bowling Lanes, 7 Klauck St. in Fort Erie.

The 2015 fundraising goal is \$60,000, which would provide funding for 60 traditional one-to-one mentoring matches for a year.

All funds raised from the event stay in Welland, Pelham, Port Colborne, Wainfleet and Fort Erie.

To register your team or for more information, visit www.bbbsinniagara.ca or call 905-735-0570, ext. 221.

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DEVELOPMENT: Racecourse complex on track to open in 2017

Overpass issue a detour for Speedway

TONY RICCIUTO
Niagara Falls Review

For the \$400-million Canadian Motor Speedway to keep moving forward changes need to be made at QEW-Bowen Rd. interchange.

"That overpass at Bowen Rd., does need to be upgraded," said CMS spokesman Erik Tomas. "But because it's going to be the main access and egress point to the speedway development, meetings are being conducted with the Ministry of Transportation to determine what has to go there, and whether that will be a two or four-lane design."

Tomas said the track has spent a large sum of money on traffic studies, and even though there will be about 60,000 people in the stands initially for auto-racing events, it might not be necessarily to have an expen-

sive four-lane interchange. The track might be able to do it with two lanes.

"The process moves at the speed the province says and not necessarily what we might want," said Tomas. "Despite the fact that this thing keeps moving in terms of a goal line and in terms of completion, right now they hope to have the project done in 2017."

The centrepiece for the massive track complex is a Jeff Gordon-designed signature speedway. Gordon is a four-time NASCAR Sprint Cup champion and he has announced that 2015 will be his 23rd and final full-time season of competition. He is one of the most celebrated NASCAR drivers in history.

"The investors are not losing sight of their goal and they are determined to build this," said Tomas. "Jeff Gordon is involved

with the design of the oval portion of the complex and has fully committed to the project. The town is behind it, the Region is behind it and the Ministry of Tourism in Queen's Park is certainly behind it and right now we are just trying to move it through the process of the Ministry of Transportation and the province of Ontario."

Tom Kuchyt, Fort Erie's interim chief administrative officer, said the project is going well and the municipality is excited about what is taking place.

"They have hired consultants. One is working on a site plan and they have another consultant that is working on the traffic issues," said Kuchyt. "In particular, they are preparing a traffic management plan and that is one of the requests from the MTO. As a result of that plan



SUBMITTED PHOTO

This artist's conception shows plans for the Canadian Motor Speedway, which proponents want to build on land west of the QEW between Bowen and Gilmore roads in Fort Erie.

and what it might state or recommends, then we will be able to move forward with the Inter-

change works."

The town has also made an application for money for the

external infrastructure work, the sanitary sewer and the water-main, and it hopes to have an answer before the end of the month beginning sometime before mid-March.

"If successful, the province will make a recommendation to the federal government suggesting that this project make it through the funding and then we would receive funding for that work," said Kuchyt.

A site plan is expected to be submitted within the next four weeks.

"People don't see much happening on site, but a ton of stuff is happening in the background," he said. "Jeff Gordon is still on board, so it's all good news. We just need to get the word out there that things are moving along."

tony.ricciuto@sunmedia.ca

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UNDERTAKING NO. JT1.5: TO PROVIDE OM&A ACTUALS FOR 2014 SIMILAR TO WHAT'S PROVIDED IN INTERROGATORY 4-STAFF-34.

RESPONSE:

Operating and Maintenance Expenses			
	Amount (See Note)	Year on Year \$	Change %
2002 Approved	\$ 1,100,790		
2002 Actual	\$ 1,996,303	\$ 895,513	81.4%
2003 Actual	\$ 1,800,755	\$ (195,548)	-9.8%
2004 Actual	\$ 1,033,747	\$ (767,008)	-42.6%
2005 Actual	\$ 893,140	\$ (140,607)	-13.6%
2006 Actual	\$ 1,003,310	\$ 110,170	12.3%
2007 Actual	\$ 1,028,215	\$ 24,905	2.5%
2008 Actual	\$ 1,218,496	\$ 190,281	18.5%
2009 Actual	\$ 1,283,628	\$ 65,132	5.3%
2010 Actual	\$ 1,461,386	\$ 177,758	13.8%
2011 Actual	\$ 1,592,177	\$ 130,791	8.9%
2012 Actual	\$ 1,724,679	\$ 132,502	8.3%
2013 Actual	\$ 1,545,662	\$ (179,017)	-10.4%
2014 Actual	\$ 1,599,765	\$ 54,103	3.5%
2015 Test	\$ 2,012,716	\$ 412,951	25.8%
2016 Test	\$ 2,057,066	\$ 44,350	2.2%
Note-Includes property taxes			

The 2014 Bridge Year forecast was \$1,805,115 as compared with the 2014 Actual of \$1,599,765; a variance of \$205,350. This variance is comprised of two drivers; first, there was a one-time refund of property taxes paid by CNPI in the amount of \$61,854. The remainder of the variance, \$142,496, is attributable to a combination of four retirements and resignations from the operations group in 2014.

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UNDERTAKING NO. JT1.6: TO RECALCULATE THE COST OF THE PORTION OF LINE BETWEEN STATION 18 AND BERTIE HILL TOWER IN CURRENT US DOLLARS.

RESPONSE:

In its original filing, CNPI Tx indicated that the estimated cost to retire and remove the existing 115kV transmission line would cost \$5,903,193. This can be broken down as follows using the appropriate US / Canadian currency exchange rate at that time:

AS FILED:

115kV Line removal, \$5,027,421 USD @ \$1.0946 CAD / USD ⁱ	\$5,503,163
Construction of replacement distribution lines	400,000
TOTAL (CAD)	\$5,903,163

In this undertaking, CNPI Tx is to provide an updated estimate for the cost of this removal, using the present currency exchange rate (as at February 20, 2015) :

RECALCULATED:

115kV Line removal, \$5,027,421 USD @ \$1.2506 CAD / USD	\$6,287,293
Construction of replacement distribution lines	400,000
TOTAL (CAD)	\$6,687,293

ⁱ Per Estimate from O'Connell, entered as Evidence during Technical Conference as KT1.1 and attached herein for reference

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July 1, 2014

TRC Solutions, Inc.
215 Greenfield Parkway, Suite 102
Liverpool, NY, 13088
Attn: Joe Procopio

Re: CNP 115kV/34.5kV Line Decommissioning Budget

Dear Mr. Procopio:

O'Connell Electric Company is pleased to provide TRC Solutions, Inc. a **lump sum budgetary price** of:

\$5,027,421.00

{Five Million Twenty-seven Thousand Four Hundred Twenty-one and 00/100 USD}

This is to provide labor, materials, & equipment to perform a 115kV & 34.5kV line removal as described hereunder. It is important to note that this proposal is for budgetary purposes only and not for construction. O'Connell Electric reserves the right to modify this proposed value at anytime.

Our Pricing Includes the following:

- Mobilization/Demobilization
- Labor & equipment required to perform the work.
- Qualified IBEW LU Lineworkers
- (5) – 10-hour day work schedule
- Conductor:
 - Remove approximately 2.3 miles of double circuit 115kV 795 kcmil conductor, insulators, and hardware
 - Remove approximately 1.4 miles of double circuit 34.5 KV underbuild (undefined conductor size)
- Structures:
 - 32 sectional steel monopoles
 - 2 steel lattice double dead-end structures, insulators, and hardware
- Foundations
 - 32 concrete caissons up to 20' depth (BFG). Diameter up to 8'-0"
 - 6 concrete piers and spread footings up to 20' depth (BFG).
- Right-of-way restoration
 - Backfill excavated area at former foundation locations with select fill.
 - Grade ROW to match existing
 - Mulch & Seed with native vegetation
 - Minor access road improvements where damaged by excavation

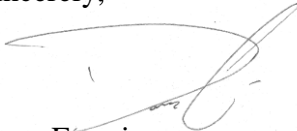
- Environmental:
 - Erosion control measures
 - Minor access matting
- Other provisions:
 - Allowances for road crossing at the following locations:
 - Queen Elizabeth Way (two locations) - \$45,000.00
 - Central Avenue - \$8,500.00
 - Thompson Road - \$8,500.00
 - Queen Elizabeth Way on/off ramp (two locations) - \$17,000.00
 - Escalation to 2015-2016 Labor Rates
 - Observed IBEW Holidays (Up to 4)
 - Off-site staging area and operations support overhead
 - Fuel, Tolls, Maintenance, Supervision, Safety Supervision, Overhead, Profit, Bonding, Insurance (typical commercial)
 - Disposal of the conductor, hardware, insulators.

Our Pricing does NOT Includes the following:

- Holiday, weekend, or off hours work.
- Sales/use tax.
- Permitting: State, Provincial, Highway, Environmental, etc.
- Special insurances.
- Restoration and access to driveways, roads, or major sidewalks.
- Dewatering for removal of foundations.
- Rock excavation.
- Heavy shoring for large excavations.
- Disposal of steel mono poles, lattice structures, concrete debris, etc.
- Handling contaminated materials or provisions for lead removals.

We trust you will find this proposal to be complete and encompass all of your requirements for this project.

Sincerely,



Dave Emmi
Project Manager, Power Group
O'Connell Electric Company
Office: 585.424.3472
Cell: 585.749.2187
david.emmi@oconnellelectric.com

UNDERTAKING NO. JT1.7: WITH REFERENCE TO EXHIBIT 4, TAB 2, SCHEDULE 2, APPENDIX 2 JB, ENTITLED "RECOVERABLE OM&A COST DRIVER TABLE", TO ACCOUNT FOR AN INCREASE IN SHARED SERVICES BETWEEN 2010 ACTUAL AND REQUESTED PROPOSED OM&A FOR 2015

RESPONSE:

In 2009, the 25 cycle transmission system in Ontario was wound up. Prior to this happening, system operations for CNPI's transmission and distribution operations were located in and provided from the Rankine Generation station; a FortisOntario 25 cycle generating station located in Niagara Falls, Ontario. Subsequent to the sunset of the 25 cycle transmission and generation system, CNPI had to relocate its control room and system operations staff to CNPI's service center in Fort Erie.

CNPI's system control center, with the sunset of the 25 cycle operations, was now dedicated to transmission and distribution system operation only. The allocation of shared services using the accepted methodology resulted in a 60% allocation to distribution and a 40% allocation to transmission.

This change is the driver for the increase in shared services for the proposed OM&A in 2015.

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UNDERTAKING NO. JT1.8: TO GIVE AN AVERAGE WAGE FOR THE PEOPLE WHO WORK ON IT AND THE NUMBER OF HOURS THEY WORKED ON IT, AND THEN GIVE AN FTE BASED ON THAT.

RESPONSE:

	2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year
TOTAL FTE's	8.56	10.18	10.18	11.78	11.78	11.78
AVERAGE SALARY & WAGES	\$ 104,397.39	\$ 88,413.93	\$ 90,508.63	\$ 92,534.43	\$ 94,406.01	\$ 97,238.19
NUMBER OF HOURS WORKED PER FTE PER YEAR	2080	2080	2080	2080	2080	2080

The above calculation of total salary and wages includes additional allocations from operations employees that were not included in BDR allocations. FTE count does not change because operations employees are included in the BDR FTE allocations.