EB-2014-0096

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.

ENERGY PROBE RESEARCH FOUNDATION
(“ENERGY PROBE”)
CROSS-EXAMINATION COMPENDIUM

TOU May - October	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill
Usage	$ Change	% Change	$ Change	% Change	$ Change	% Change
kWh / month	Existing Fixed/Variable Split	Existing Fixed/Variable Split	65:35 split	65:35 split	100% fixed	100% fixed
100	2.91	9.02%	4.82	14.99%	14.56	45.19%
250	3.59	6.76%	5.04	9.51%	12.42	23.38%
500	4.75	5.39%	5.40	6.14%	8.87	10.08%
800	6.12	4.71%	5.84	4.50%	4.60	3.55%
1000	7.03	4.45%	6.12	3.88%	1.75	1.11%
1500	9.33	4.10%	6.84	3.01%	(5.36)	-2.36%
2000	11.63	3.91%	7.56	2.54%	(12.47)	-4.20%

TOU November - April	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill
Usage	$ Change	% Change	$ Change	% Change	$ Change	% Change
kWh / month	Existing Fixed/Variable Split	Existing Fixed/Variable Split	65:35 split	65:35 split	100% fixed	100% fixed
100	2.91	9.02%	4.82	14.97%	14.56	45.19%
250	3.59	6.76%	5.04	9.51%	12.42	23.38%
500	4.75	5.39%	5.40	6.14%	8.87	10.08%
800	6.12	4.71%	5.84	4.50%	4.60	3.55%
1000	7.03	4.45%	6.12	3.88%	1.75	1.11%
1500	9.33	4.10%	6.84	3.01%	(5.36)	-2.36%
2000	11.63	3.91%	7.56	2.54%	(12.47)	-4.20%

RPP May - October	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill
Usage	$ Change	% Change	$ Change	% Change	$ Change	% Change
kWh / month	Existing Fixed/Variable Split	Existing Fixed/Variable Split	65:35 split	65:35 split	100% fixed	100% fixed
100	2.91	9.22%	4.82	15.31%	14.56	46.21%
250	3.60	7.01%	5.04	9.82%	12.42	24.20%
500	4.74	5.61%	5.40	6.40%	8.86	10.50%
800	6.12	4.81%	5.83	4.58%	4.6	3.62%
1000	7.04	4.49%	6.12	3.90%	1.75	1.12%
1500	9.33	4.05%	6.84	2.97%	(5.36)	-2.33%
2000	11.63	3.82%	7.56	2.48%	(12.47)	-4.10%

RPP November - April	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill	Total Bill
Usage	$ Change	% Change	$ Change	% Change	$ Change	% Change
kWh / month	Existing Fixed/Variable Split	Existing Fixed/Variable Split	65:35 split	65:35 split	100% fixed	100% fixed
100	2.91	9.22%	4.82	15.31%	14.56	46.21%
250	3.60	7.01%	5.04	9.82%	12.42	24.20%
500	4.74	5.61%	5.40	6.40%	8.86	10.50%
800	6.12	4.93%	5.83	4.70%	4.6	3.71%
1000	7.03	4.66%	6.12	4.06%	1.75	1.16%
1500	9.33	4.16%	6.84	3.05%	(5.36)	-2.39%
2000	11.63	3.90%	7.56	2.53%	(12.47)	-4.18%

As indicated in the table above, for Residential customers with an average monthly consumption greater than 500 kWh, the proposed 65% fixed / 35% variable split results in a lower total bill increase than maintaining the existing fixed / variable split.

Evidence: Fixed/Variable Splits	
Application:	E1/T2/S10, E8/T1/S1, E8/T11/S1
Interrogatories:	IRR#160-8-Staff-45, IRR#162-8-VECC-47, IRR#164-8-VECC-49
Undertakings:	None
Transcript:	None
Appendices:	None
Supporting Parties:	NPEI, Energy Probe, SEC, VECC
Opposing Parties:	None

3.3.2 **Is the proposed generic microFIT Service Charge of $5.40 per month appropriate?**

Complete Settlement – MicroFIT service charge

The Parties agree the proposed generic microFIT Service Charge of $5.40 per month is appropriate.

Evidence: MicroFit service charge	
Application:	E8/T2/S1
Interrogatories:	None
Undertakings:	None
Transcript:	None
Appendices:	None
Supporting Parties:	NPEI, Energy Probe, SEC, VECC
Opposing Parties:	None

3.4 **Are the proposed Retail Transmission Service Rates appropriate?**

Complete Settlement - Retail Transmission Service Rates

For the purpose of achieving partial settlement of the issues herein, the Parties agree the proposed Retail Transmission Service Rates are appropriate. NPEI updated the Uniform Transmission Rates as per the 2015 Uniform Transmission Rates from the EB-2014-0357 Rate Order dated January 8, 2015 for Hydro One. See Appendix 3.5-A-RTSR updated model, NPEI filed this model in excel.

Network	Billing Determinat	RTSR Model - Originally Filed		RTSR Model - Updated for Proposed 2015 UTRs	
		2015 Forecast Wholesale $	2015 RTSR Rate	2015 Forecast Wholesale $	2015 RTSR Rate
Residential	kWh	3,318,860	0.0076	3,304,272	0.0076
General Service Less Than 50 kW	kWh	903,753	0.0069	899,781	0.0069
General Service 50 to 4,999 kW	kW	4,892,913	2.8421	4,871,407	2.8297
Unmetered Scattered Load	kWh	16,360	0.0069	16,288	0.0069
Sentinel Lighting	kW	1,507	2.1043	1,501	2.0951
Street Lighting	kW	44,709	2.1486	44,512	2.1391
		9,178,102		9,137,760	

Connection	Billing Determinat	RTSR Model - Originally Filed		RTSR Model - Updated for Proposed 2015 UTRs	
		2015 Forecast Wholesale $	2015 RTSR Rate	2015 Forecast Wholesale $	2015 RTSR Rate
Residential	kWh	2,252,405	0.0052	2,300,676	0.0053
General Service Less Than 50 kW	kWh	596,993	0.0046	609,787	0.0047
General Service 50 to 4,999 kW	kW	3,111,286	1.8073	3,177,964	1.8460
Unmetered Scattered Load	kWh	10,807	0.0046	11,038	0.0047
Sentinel Lighting	kW	1,082	1.5101	1,105	1.5425
Street Lighting	kW	28,893	1.3885	29,512	1.4183
		6,001,465		6,130,083	

164. 8.0 –VECC -49

Reference: E8/T13/S1, Attachment 1

a)Please provide Residential bill impact schedules based on the following monthly usage levels that include the updated RTSR rates from the preceding question:

- 100 kWh
- 250 kWh
- 500 kWh
- 800 kWh
- 1,000 kWh
- 1,500 kWh and
- 2,000 kWh

b)Based on the most recent 12 months of billing data available, please provide a breakdown as to the number of residential customers that fall into the following ranges of monthly usage:

- 0-100 kWh
- >100 – 250 kWh
- >500 – 800 kWh
- >800 – 1,000 kWh

- >1,000 – 1,500 kWh
- >1,500 – 2,000 kWh
- >2,000 kWh

Response

a) The bill impacts are included in Attachment #17. Please see the response to 8-VECC-47 above for the bill impacts summary table for the requested levels of consumption.

b) The table below shows the breakdown of Residential customers into the given ranges of consumption.

Range of Average Monthly Consumption	Number of Residential Customers	% of Total
0 - 100 kWh	690	1.5%
100 - 250 kWh	2,800	6.0%
250 - 500 kWh	12,717	27.0%
500 - 800 kWh	15,943	33.9%
800 - 1000 kWh	6,221	13.2%
1000 - 1500 kWh	6,007	12.8%
1500 - 2000 kWh	1,641	3.5%
> 2000 kWh	1,026	2.2%
Total	47,045	100.0%

PRE-TAX COST OF CAPITAL (1)

	Capital Structure	After-Tax Return	Pre-Tax Return
Long Term Debt	56.00%	3.92%	3.92%
Short Term Debt	4.00%	2.16%	2.16%
ROE	40.00%	9.30%	12.65%
Total		6.00%	7.34%
Total Tax Rate	26.50%		

Working Capital Allowance Percentage

Controllable Expenses & Cost of Power	144,009,195
One Percentage Point Change in Working Capital Rate	1.00%
Impact on Working Capital Allowance	1,440,092
Impact on Ratepayers	105,743

(1) Based on Proposed Settlement Agreement RRWF

121. 4-Energy Probe-28

Ref: Exhibit 4, Tab 3, Schedule 1

Table 4-5 shows increases of wages and benefits of 3.1% in 2014 and 2.5% in 2015.

a) What does NPEI benchmark these increases against?

b) If NPEI benchmarks against other distributors, please provide a list of these distributors and their corresponding increases.

Response

a)The 3.1% for 2014 is as per the collective agreement NPEI has with its union IBEW local 636. The collective agreement expires March 31, 2015. At the time of union negotiations in 2011 NPEI compared its negotiated wage increases against other neighbouring utilities. The 2.5% wage increase for 2015 is an average of 11 utilities wage increases.

b)NPEI completed a calculation of 11 utilities wage increases for 2015. The average for these LDC's was 2.56%. Due to many of these utilities filed their collective agreements in confidence with the OEB, NPEI is unable to disclose the names of these distributors and their corresponding increases.

122. 4-Energy Probe-29

Ref: Exhibit 4, Tab 3, Schedule 2 &
Exhibit 4, Tab 2, Schedule 1

a) Please reconcile the total employee costs shown in Appendix 2-K and the figures shown in Table 4-1 for each year shown.

b) Please add a line to Appendix 2-K that shows the actual and forecasted amounts for 2011 through 2015 that are capitalized.

Response

a) Please see the table below. The wages in Appendix 2-K are from the T4 summary. These wages represent an employee's total employment income which may include lump sum payments for vacation and vested sick leave. These payments reduce the liabilities for vacation

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.

12. [Ex. 4, p. 12] Please provide details of any cost reductions that have arisen or are expected to arise due to the shift to monthly billing, including but not limited to reduced bad debts, lower collection costs, etc. Please provide any internal documents analyzing the costs and benefits of moving to monthly billing in Niagara Falls.

Response:

The former Peninsula West Utilities customers were all billed monthly. NPEI converted the former Niagara Falls Hydro residential and several GS<50 customers to monthly billing on May 15th 2010.

Please see Appendix E which details the costs and savings of converting to monthly billing and Appendix F which is the internal document approved by the Board of Directors in 2010.

Appendix E
Costs/Savings Monthly Billing

NPEI
Cost and Benefits for Monthly Billing
2010

		(Savings)/Costs
Postage	Residential customers converte	30,400
	GS<50 customers converted	2,287
	Total customers converted	32,687
	Cost of postage	0.52
	Additional bills	6
		101,983
Envelopes	Total customers	32,687
		0.029
		6
		5,782
Bills	Total customers	32,687
		0.0175
		6
		3,432
Bad Debts Due to Final Bill being only a one month value vs bi-monthly	reduction in 2010 estimate	(100,000)
Unbilled Revenue Reconciliation & Power variance reconciliation		(37,800)
Reminder Notices	# of notices	15,000
	Notice & Envelope	0.047
	# times per year	6
		(4,228)
Interest on Cash Flow	Change in Unbilled to Billed to Cash	(3,000,000)
	per annum rate	0.02
		(60,000)
Net (Savings)/Cost		(90,831)

Appendix F
Internal Memo

Memorandum

To: **Board of Directors**

Cc: **Brian Wilkie, CEO**

From: **Suzanne Wilson, VP Finance**

Date: **2/11/2011**

Re: **Cost and Benefits of Residential Monthly Billing**

Currently residential customers in the Niagara Falls territory are billed bi-monthly or approximately every 60 days and residential customers in the Peninsula West territory are billed monthly or approximately every 30 days. Niagara Falls residential customers are billed on the Harris billing software and Peninsula West residential customers are billed on the Advance billing software. Efforts of conversion of the Peninsula West customers from Advance to Harris have been on going with an expected conversion go-live date of September 25th, 2009.

Niagara Falls residential customers receive a benefit of having their electric and water bills combined onto one bill and in one envelope. The billing costs related to processing the water portion of the bill is paid for by the City of Niagara Falls via the Niagara Falls Hydro Services Corporation. The incremental costs of monthly billing are as follows; envelope, pre-printed bill, paper for journals, postage and ink cartridges. These incremental costs total approximately $106,000 annually with the electric portion totaling $53,000 annually.

The benefits of monthly billing are numerous. First, cash flow increases for both the collection of electric and water usage by 30 days. This increase in cash flow represents approximately $55,000 of interest on cash held in our bank account at approximately 2% annually. A savings of approximately $5,000 annually in reminder notices not having to be printed and mailed. A reduction in doubtful accounts of approximately $4,800 as well as reduced collection costs annually. Two additional benefits are the accounting reconciliations for unbilled revenue and power purchased are currently very complex and time consuming. The annual cost for these two reconciliations is approximately, $47,000. The power bill is received monthly for all customers of NPEI, however it is very difficult to reconcile monthly billed Peninsula West customers and a mix of monthly and bi-monthly billed Niagara Falls territory customers. As an approximate total benefit of $111,800 annually, the net result is an estimated savings per year of $58,800.

With respect to the timing of converting Niagara Falls bi-monthly customers to monthly, I recommend the billing commence May 1, 2010 for two reasons; first, NPEI's 2010 electricity distribution rates become effective May 1, 2010 and secondly, March and April are historically the lowest consumption months thereby reducing any high dollar impacts to residential customers.

As an example, a customer whose billing period in 2009 is from March 13th to May 13th were billed on June 4th with a due date of June 22nd. Actual reading May 14th to July 14^{th,} were billed on August 11th with a due date of August 27th.

In 2010, the scenario would be as follows; Actual reading for 2 months March 13th to May 13th, billed June 4th, due date June 22nd, estimated reading May 14th to June 14th, billed July 5th, due July 21st, actual reading June 15 to July 13th, billed August 3rd, due August 16th. This customer benefits by having 2 smaller payments on July 21st and August 16th versus one large payment on August 27th as in 2009.

One-time conversion costs for customer communication; public notices and advertising would be incurred in early 2010 and budgeted for in the 2010 operating budget. This amount would be determined and approved by the Board at such time.

If you have any questions, please do not hesitate to contact me at 905-353-6004.

Sincerely,

Suzanne Wilson, VP Finance

LATEST WORKING CAPITAL FILINGS

FILE NO. (a)	DISTRIBUTOR (b)	APPLIED OR APPROVED (c)	SERVICE LAG (d)	CHANGE IN SERVICE LAG FOR MONTHLY BILLING (e) = 15.21-(d)	% CHANGE IN SERVICE LAG FOR MONTHLY BILLING (f) = (e)/365	WCA FOR MONTHLY BILLING (g) = (c) + (f)	
EB-2011-0054	HYDRO OTTAWA	14.20%	30.24	NA	NA	9.60%	(1)
EB-2012-0033	ENERSOURCE	13.50%	28.75	-13.54	-3.71%	9.79%	
EB-2012-0146	LONDON HYDRO	11.42%	15.21	0.00	0.00%	11.42%	
EB-2013-0174	VERIDIAN	13.40%	22.30	-7.09	-1.94%	11.46%	
EB-2013-0416	HYDRO ONE DIST	7.40%	16.40	-1.19	-0.33%	7.07%	
EB-2014-0002	HORIZON UTILITIES	12.00%	25.02	NA	NA	8.72%	(2)
EB-2014-0116	TORONTO HYDRO	7.99%	18.72	-3.51	-0.96%	7.03%	
	AVERAGE	11.42%	22.38			9.30%	

(1) EB-2011-0054 INTERROGATORY RESPONSE - EX. K2, ISSUE 2.2, INTERROGATORY #2

(2) EB-2014-0002 INTERROGATORY RESPONSE - 2-ENERGY PROBE-11

Ontario

REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Niagara Peninsula Energy Inc.
File Number: EB-2010-0138
Rate Year: 2011

Rate Base

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	$205,000,203	($528,857)	$204,471,346	$ -	$204,471,346
2	Accumulated Depreciation (average)	(3)	($103,031,549)	($309,731)	($103,341,280)	$ -	($103,341,280)
3	Net Fixed Assets (average)	(3)	$101,968,654	($838,588)	$101,130,066	$ -	$101,130,066
4	Allowance for Working Capital	(1)	$17,176,290	$1,261,334	$18,437,623	$ -	$18,437,623
5	**Total Rate Base**		$119,144,943	$422,746	$119,567,689	$ -	$119,567,689

	(1)		Allowance for Working Capital - Derivation				
6	Controllable Expenses		$14,517,909	($441,227)	$14,076,682	$ -	$14,076,682
7	Cost of Power		$99,990,688	$8,850,119	$108,840,807	$ -	$108,840,807
8	Working Capital Base		$114,508,597	$8,408,892	$122,917,489	$ -	$122,917,489
9	Working Capital Rate %	(2)	15.00%	0.00%	15.00%	0.00%	15.00%
10	Working Capital Allowance		$17,176,290	$1,261,334	$18,437,623	$ -	$18,437,623

Notes

(2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.
(3) Average of opening and closing balances for the year.