

**GRIMSBY POWER INC.**

Application for electricity distribution rates and other  
charges beginning May 1, 2016

**INTERROGATORIES OF  
NIAGARA PENINSULA ENERGY INC.**

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# 1-NPEI-1

**Preamble:** NPEI is the sole member of the proposed new “Embedded Distributor Rate Class” and is interested in understanding the changes that have taken place to drive costs so exponentially higher than was forecasted in the MAADs application EB-2014-0344. The table provided in EB-2014-0344 provided forecasted increases of \$177,471 for all rate classes. NPEI needs to understand where such increases are allocated.

**Reference:** EB-2014-0344, Application, page 9 of 17.

**Question:** (a) Does GPI believe a distributor has an obligation to minimize costs, service and reliability being equal, for its customers? If not, please explain.

(b) Please complete the following chart

Rate Class	From EB-2014-0344			EB-2015-0072	
	Status Quo	Difference from Amalgamation	Proposed Post Amalgamation	Impact from Amalgamation	Difference
(a)	(b)	(c)	(d)	(e)	(f) = (e)–(c)
Residential	\$3,404,806	\$52,556	\$3,457,362		
GS<50	\$542,799	\$30,616	\$573,415		
GS >50 Regular	\$899,955	(\$13,523)	\$886,432		
Street Light	\$140,131	\$1,306	\$141,436		
Unmetered Scattered Load	\$25,764	(\$406)	\$25,358		
Embedded Distributor	\$315,139	\$106,923	\$422,062	\$214,778	\$107,855
Total	<b>\$5,328,595</b>	<b>\$177,471</b>	<b>\$5,506,066</b>		

(c) Reconcile the cost increases for each rate class as against the cost increases forecasted by GPI in order to obtain OEB approval of the amalgamation.

(d) Please confirm that if the Niagara West MTS was owned by Hydro One that NPEI would be considered a “low-voltage customer”.

**Answer:**

**1-NPEI-2**

**Preamble:** The Application is late, filed December 23, 2015, and final rates may not be established by the Board for several months.

**Reference:** Exhibit 1, page 5 of 122, Lines 7 and 8.

Exhibit 8, Draft Rate Order

**Question:**

- (a) Confirm that GPI is seeking rates effective May 1, 2016.
- (b) At what date does GPI forecast a decision will be made in this matter?
- (c) What distribution revenue impact GPI is predicting during that period?
- (d) When did GPI begin preparing this Application?
- (e) What are the factors that GPI is relying upon in being late with its filing and yet still seeking recovery from customers?

**Answer:**

**1-NPEI-3**

**Preamble:** The Application contains a long excerpt about the Board rationale for rate design for residential customers and uses that to rationalize a fully fixed charge for the new embedded distributor class.

**Reference:** Exhibit 1, Appendix 1-B – 2016 Budget page 24, pg. 192 of 453 (pdf)

**Question:**

- a) Does GPI have other embedded or unlicensed distributors within its service territory? Are these unlicensed distributors billed on a fully fixed basis?
- b) Would GPI support distributors being billed by Hydro One on a fully fixed basis for each connection? Why or Why not?

**Answer:**

**2-NPEI-4**

**Preamble:** NPEI is interested in understanding the relationship between the rate base associated with the Embedded Distributor Rate Class and the overall rate base of GPI. GPI indicates that system constraints on the Niagara West MTS are rectified.

**Reference:** Exhibit 2, page 48 of 63  
Exhibit 2, Table 2-30, Capital Investments over forecast period

**Question:**

- (a) For each of the years 2016 to 2020, please provide a table, see below, showing the forecasted rate base, broken down by asset, of the Embedded Distributor class and forecasted rate base of GPI.
- (b) What is the percentage that the Embedded Distributor class rate base is forecasted to compose of the total rate base for each year of the term of the Application 2016-2020?
- (c) Based upon the response to (b) above, does GPI anticipate the Revenue to Cost ratio increasing over 1:1 during the term of the Application? If so, by how much?
- (d) For each year from 2016 to 2020 provide the capital additions to the Niagara West MTS and the proposed allocations.
- (e) Are there any known capital investments in the Niagara West MTS that will occur from 2021 to 2025?
- (f) Please state the transfer price for the Niagara West MTS, including accumulated depreciation, depreciation rate and original book value.

**Answer:**

### 3-NPEI-5

**Preamble:** NPEI is seeking to understand the relative use of the Niagara West MTS and the revenue derived from that use.

**Reference:** Exhibit 3, page 5  
Exhibit 3, Table 3-22, page 24 of 35  
Exhibit 3, Tables 3-31, 3-32, page 31 of 35

**Question:**

- (a) What are the “applicable deferral and variance account riders” that are proposed to be applied to the Embedded Distributor rate class?
- (b) Please provide the actual revenue for NWTC and GPI from NPEI for each of 2012 thru 2015 and the forecasted revenue for 2016 through 2020.
- (c) For each of 2012 thru 2015 provide the actual monthly peak demands for the Niagara West MTS in total and for each of NPEI and Grimsby?
- (d) For each of 2012 thru 2015 provide the actual monthly demand of NPEI coincident with the peak Niagara West MTS?
- (e) What factors are contributing to the further reduction of 4,207kW, in demand forecasted for the Embedded Distributor rate class for 2016? If such reduction can be broken down into constituent elements, please do so.

**Answer:**

**4-NPEI-6**

**Preamble:** NPEI wants to understand the expenses related to the Niagara West MTS and how these have changed.

**Reference:** Exhibit 4, page 21 of 108  
Exhibit 4, Table 4-9, Appendix 2-JC, page 29 of 108

**Question:**

- (a) List the third parties that provide services related to the Niagara MTS.
- (b) Are any of these third parties related to GPI?
- (c) Did GPI procure these services through a competitive procurement process?
- (d) Can GPI provide any written contract for such services?
- (e) Did GPI receive any tax benefits or tax deferral, including but not limited to NWTC non-capital losses, as a result of the amalgamation with NWTC? If so, please explain the accounting treatment of such and how were these allocated?
- (f) The operational expenses for the Niagara West MTS were \$152,103 for 2016 Test Year. What were the operational expenses for the Niagara West MTS for each year from 2012 to 2015?

**Answer:**

**8-NPEI-7**

**Preamble:** GPI has indicated 100% of the costs are fixed. However the draft rate order for the Embedded Distributor class includes references to a number of elements based upon demand and energy.

**Reference:** Exhibit 8, Appendix 2-Z

**Question:**

- (a) Please provide a sample calculation showing all payments that NPEI would have to make under the existing rates and under the current proposal based as expressed in the draft rate order upon a demand and consumption of electricity by NPEI for February 2016.
- (b) What is the percentage increase in amount billed to NPEI from the current actual 2015 billed amount to the 2016 proposed amounts.

**Answer:**



**8-NPEI-8**

**Preamble:** GPI has proposed a fixed charge of \$44,159.75 per month + \$14,183 miscellaneous revenue. GPI has also not proposed any rate mitigation. The Board has in the past required utilities to provide a rate mitigation plan for any rate increases beyond 10%.

**Reference:** Exhibit 1, page 30, pdf page 198 of 453.  
EB-2014-0344, page 9 of 17.

**Question:**

- (a) Please confirm the proposed rate increase for the Embedded Distributor Class is greater than 10%? What is the percentage increase against the actual billed amount for 2015.
- (b) What was the percentage increase in rates GPI forecasted for the Embedded Distributor Class when it sought approval under the MAADs Application EB-2014-0344?
- (c) Under GPI's current proposal, what is the forecasted Revenue to Cost ratio for the Embedded Distributor class for each of 2017 thru 2020?
- (d) Confirm the current proposal far exceeds the forecasted increase GPI had provided to the Board during EB-2014-0344.
- (e) Can GPI provide the source document that provides authority for its failure to provide any rate mitigation plan?
- (f) Has GPI treated all assets from the Niagara West MTS are to be charged and recovered from all customers on a fully fixed basis? If not why not?
- (g) Does GPI agree that a fully fixed charge removes any financial incentive or benefit for NPEI's and its customers to conserve or reduce energy that receive power from the Niagara West MTS?
- (h) Does GPI agree that the removal of such an incentive would actually encourage NPEI to focus conservation efforts on customers that do not receive electricity from the Niagara West MTS?
- (i) If the rate as based upon demand, \$/kW, what would the charge be for the Embedded Distributor rate class?
- (j) What losses, if any, are factored into the determination of the Embedded Distributor rate class?

**Answer:**