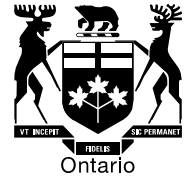


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**BY EMAIL**

April 28, 2016

Ontario Energy Board  
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[Kirsten.Walli@ontarioenergyboard.ca](mailto:Kirsten.Walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Niagara Peninsula Energy Inc. (NPEI)  
2016 IRM Rate Application  
Comments on Draft Rate Order  
OEB File No. EB-2015-0090/EB-2015-0328**

In accordance with the Decision and Procedural Order No. 2, written comments by OEB staff on NPEI's draft rate order must be filed with the OEB, and copied to all other parties by April 29, 2016. NPEI filed a draft rate order on April 25, 2016.

OEB staff has reviewed the Tariff of Rates and Charges, Excel models and calculations provided in NPEI's draft Rate Order and believes that NPEI has correctly reflected the OEB's decision, with the following exception.

In its April 25, 2016 draft Rate Order, NPEI requested the continuance of the subaccount of account 1508 in order to record any further incremental costs related to the lead/lag study that are not known at this time, such as the intervenor costs which have not yet been filed.

OEB staff submits that NPEI's request is inconsistent with the OEB's decision and its standard practises with respect to the recovery of regulatory costs. In effect, NPEI is requesting a "true-up" of its regulatory costs so that it can seek to recover actual costs in this proceeding in a future application.

In OEB staff's view, this is inappropriate. Distributors regularly file requests in IRM

applications<sup>1</sup> that introduce similar levels of incremental effort as the working capital issue considered in this application. The OEB does not grant applicants any additional regulatory cost recovery in those circumstances as distributors are expected to manage the costs of a certain level of regulatory activities within their regular operations.

Another consideration is timing. In the OEB's Decision and Procedural Order No. 2, the OEB found that "it is appropriate to dispose of [the incremental study] costs over the same time frame as the rate refund". In staff's view, it would contradict the OEB's finding to leave open the subaccount of account 1508 as NPEI has proposed, since it would extend the recovery period beyond the refund.

Given these factors and the fact that the intervenor cost claims are likely to be well below NPEI's materiality threshold of \$146,874<sup>2</sup>, OEB staff submits that NPEI's request should be denied and the relevant subaccount of account 1508 be closed.

Yours truly,

*Original Signed By*

Stephen Vetsis  
Advisor, Electricity Rates and Prices

Cc: Parties to the EB-2015-0090 and EB-2015-0328 proceedings.

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<sup>1</sup> Such as requests for incremental capital funding using the Incremental Capital Module.

<sup>2</sup> As established in NPEI's most recent cost of service application, EB-2014-0096.