

Notes on Benchmarking Spreadsheet Forecast Model Updated to Include Undertaking Responses from Technical Conference

CNPI has filed an update to the OEB's Benchmarking Spreadsheet Forecast Model (the "Model"), reflective of changes associated with the Undertaking Responses following the Technical Conference.

Specifically, the update reflects a change in WACC as a result of updates to cost of capital parameters that CNPI agreed to reflect in its Revenue Requirement in response to JTC1.1. Accordingly, the 2017 WACC value at cell I22 of the Model Inputs tab was adjusted from the placeholder value of 7.18% to 6.84%. A portion of the Results tab of the Model has been reproduced below, with additional columns to show the impact of the adjustment to WACC.

Summary of Cost Benchmarking Results Canadian Niagara Power Inc.	2015 (History)	2016 (Bridge)	2017 Test - IRR	2017 Test - TC	2017 Change
Actual Total Cost	22,334,375	23,734,124	25,708,814	25,263,280	(445,534)
Predicted Total Cost	19,620,562	20,383,100	21,862,804	21,504,281	(358,523)
Difference	2,713,813	3,351,025	3,846,011	3,759,000	(87,011)
Percentage Difference (Cost Performance)	13.0%	15.2%	16.2%	16.1%	-0.1%

In attempting to incorporate the adjustment resulting from the response to JTC1.3, CNPI notes that Account 4375 (Revenues from Non-Utility Operations) is not included as an input to the Model. In CNPI's view, this omission raises significant concern regarding the applicability of Benchmarking results to CNPI's circumstances. While significant costs associated with the gross capital additions related to CNPI's shared capital assets are included in the model, the corresponding revenue offsets received from other LDC's is not included. The table below demonstrates the impact of including other revenue offsets by adjusting the Actual Cost to subtract the total of Accounts 4325, 4330, and 4375.

Summary of Cost Benchmarking Results Canadian Niagara Power Inc.	2017 Test - TC	2017 Test - Rev Adj	2017 Change
Actual Total Cost	25,263,280	23,807,086	(1,456,194)
Predicted Total Cost	21,504,281	21,504,281	-
Difference	3,759,000	2,302,806	(1,456,194)
Percentage Difference (Cost Performance)	16.1%	10.2%	-5.9%