

EB-2016-0061

Canadian Niagara Power Inc.

**Application for electricity distribution rates and other charges
beginning January 1, 2017**

**ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
CROSS-EXAMINATION COMPENDIUM**

4-Staff-68

Ref. E4/T4/S 2

Please complete the following table: (note that a separate table should be completed for both pensions and OPEBs, respectively)

Pensions and OPEBs	First Year of recovery to 2011	2012	2013	2014	2015	2016	2017
Amounts included in Rates							
OM&A							
Capital							
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paid contribution / benefit amounts (Cash)							
Net excess amount included in rates relative to amounts actually paid.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Please describe what the distributor has done with recoveries in excess of cash payments, if any.

RESPONSE:

CNPI has completed the schedule for years 2009 to 2017. The information from the first year of recovery to 2009 have not been included. This is due to information availability and reliability issues for these earlier years. However, CNPI believes the information below is typical of the trend for these years also.

Pensions	2009 to 2011	2012	2013	2014	2015	2016	2017
Amounts included in rates (000's)							
OM&A	\$ 934	\$ 276	\$ 344	\$ 284	\$ 245	\$ 97	\$ 211
Allocated out to related parties through shared service agreements	\$ 199	\$ 92	\$ 98	\$ 98	\$ 108	\$ 44	\$ 86
Capital	\$ 470	\$ 141	\$ 176	\$ 138	\$ 154	\$ 63	\$ 133
Total	\$ 1,602	\$ 509	\$ 618	\$ 520	\$ 507	\$ 204	\$ 431
Paid contribution / benefit amounts (cash)	\$ 2,578	\$ 1,111	\$ 1,126	\$ 1,120	\$ 626	\$ -	\$ -
Net excess (deficit) amount included in rates relative to amounts actually paid	\$ (976)	\$ (602)	\$ (508)	\$ (600)	\$ (119)	\$ 204	\$ 431

OPEBs	2009 to 2011	2012	2013	2014	2015	2016	2017
Amounts included in rates (000's)							
OM&A	\$ 695	\$ 251	\$ 251	\$ 257	\$ 286	\$ 295	\$ 276
Allocated out to related parties through shared service agreements	\$ 148	\$ 84	\$ 72	\$ 89	\$ 126	\$ 133	\$ 113
Capital	\$ 350	\$ 128	\$ 129	\$ 125	\$ 180	\$ 193	\$ 174
Total	\$ 1,193	\$ 463	\$ 452	\$ 471	\$ 592	\$ 621	\$ 563
Paid contribution / benefit amounts (cash)	\$ 762	\$ 310	\$ 317	\$ 291	\$ 295	\$ 290	\$ 306
Net excess amount included in rates relative to amounts actually paid	\$ 431	\$ 153	\$ 135	\$ 180	\$ 297	\$ 331	\$ 257

As per the above table, the net deficit in the DB Pension costs over the period has been approximately \$2.2 million. The net excess in OPEB costs have been approximately \$1.8 million. Therefore, the net deficit is approximately \$400k over the 9-year period for the combined Pension and OPEBs.

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Ref: Exhibit 4, Tab 1, Schedule 1

- a) How many months of actual data are included in the 2016 bridge year figures shown in Table 4.1.1.1?
- b) Please provide the most recent year-to-date actuals for the 2016 in the same level of detail as found in Table 4.1.1.1. Please also provide the figures for the corresponding period in 2015.
- c) Based on the response to part (b) what is the most current forecast of OM&A expenses for 2016, based on the most recent year-to-date actuals?
- d) Please confirm that the figures in Table 4.1.1.1 include both LEAP and property taxes for all years shown.

RESPONSE:

- a) There was no actual data included in the 2016 Bridge Year figures shown in Table 4.1.1.1.
- b) See table below for September 2015 and September 2016 year-to-date activity.

	2015 Sept YTD Actuals	2016 Sept YTD Actuals
Operations	1,314,287	1,285,676
Maintenance	1,372,033	1,265,670
Billing and Collecting	1,291,013	1,291,069
Community Relations	961	347
Administrative and General	3,131,050	3,238,749
Total	7,109,345	7,081,510

- c) At the time of filing this response, CNPI does not have any reason to believe that the actual 2016 operating expenses will significantly vary from the amounts provided in Table 4.1.1.1 of Exhibit 4, Tab 1, Schedule 1.

- d) Confirmed.

OM&A COST DRIVER ANALYSIS

See Table 4.2.2.1 below for Appendix 2-JB of the Filing Requirements, along with explanations subsequent to the table. Within Table 4.2.2.1, CNPI has identified specific significant items that drive operating expenses either upwards or downwards. CNPI notes that in addition to the specific items in the table below, there is a general increase in operating expenses period over period that can be attributable to inflationary and related upwards pressures on expenses.

Table 4.2.2.1 Recoverable OM&A Cost Driver Table
Appendix 2-JB

OM&A	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
<i>Reporting Basis = ASPE</i>					
Opening Balance	\$ 9,835,961	\$ 8,864,063	\$ 9,434,813	\$ 9,518,933	\$ 10,130,816
CDM Staffing	\$ (85,000)	\$ 56,000		\$ 26,000	
Vehicle Depreciation Credit	\$ (351,000)	\$ 351,000			
Approved IFRS Costs	\$ (85,000)	\$ 85,000			
Port Colborne Service Center Closure	\$ (35,000)	\$ (20,000)			
Regulatory Staffing	\$ (100,000)				
Customer Service Staffing and Charge-outs	\$ (92,000)	\$ (70,000)	\$ (30,000)	\$ 30,000	
Collections and Bad Debts	\$ (8,000)	\$ (99,000)	\$ 29,000	\$ 49,000	\$ 38,000
Shared Service Allocation		\$ 63,000		\$ 45,000	\$ (11,000)
ON1Call Initiative		\$ 40,000			
Vacant IT Position			\$ (40,000)	\$ 40,000	
IT Billable Costs			\$ (28,000)	\$ 28,000	
Pole Testing Program				\$ 150,000	
MIST O&M				\$ 44,000	
EAB Program					\$ 100,000
Load Dispatching					\$ 65,000
Asset Management					\$ 30,000
Miscellaneous	(215,898)	164,750	153,120	199,883	191,906
Closing Balance	\$ 8,864,063	\$ 9,434,813	\$ 9,518,933	\$ 10,130,816	\$ 10,544,723

Pole Testing Program

2016 Bridge vs 2015 Actuals

Increase of \$150k

Included in the 2016 Bridge Year and forward 5 years is the addition of CNPI's detailed wood pole inspection and testing program. As discussed in section 5.2.2.2. of CNPI's Distribution Asset Management Program, the program at an annual cost of approximately \$75k will test all wood poles under certain criteria. The test results will help CNPI to develop a more effective pole replacement program.

An additional \$75k has been budgeted to accommodate immediate pole repairs including Grade 1 repairs to pole guy guards, down grounds, anchors, crossarms, insulators and other associated materials identified during the pole inspection and testing program.

MIST O&M

2016 Bridge vs 2015 Actuals

Increase of \$44k

In accordance with amendments to the DSC in 2014, in 2015 CNPI installed MIST meters that had a monthly peak demand over 50 kW, not including interval metered installations. Within Exhibit 9 of this Application CNPI details the incremental operating costs projected to be \$44k in 2016.

EAB Program

2017 Test vs 2016 Bridge

The Emerald Ash Borer (EAB) Program is intended to manage burdens resulting from the infestation of Ash trees within CNPI's service territories. A \$100,000 increase to operating expenses is anticipated as a result of the EAB Program. This program is focused on sustaining service reliability by proactively eliminating risks associated with this infestation and includes the following mitigation strategies:

- Completion of risk assessment
- Removal of infested trees on CNPI owned land
- Assisting stakeholders
 - o Creation of electrically safe work zones
 - o Additional Ash tree trimming in support of clearances for the purpose of removal
- Asset repairs as a result of Ash tree failure

The EAB Program is detailed in Section 5.2.4.2 of CNPI's Distribution Asset Management Program. (Appendix to DSP at Exhibit 2, Tab 2, Schedule 1, Appendix A)

Load Dispatching

2017 Test vs 2016 Bridge

Increase of \$65k

In 2017, CNPI has budgeted for an increase in load dispatching efforts as a result of staff assuming on-call duties on a full time basis. Once training of Operations Techs to provide backup for CNPI's control room is complete, efforts will remain constant in order to facilitate the ongoing operation of CNPI's control room.

1 **Asset Management**

2

3 2017 Test vs 2016 Bridge

4

5 *Increase of \$30k*

6

7 As the capital portion of the GIS system is being concluded, CNPI's estimates that there will
8 be approximately \$30k per year incurred to maintain the system.