



CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO
Company

January 10, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: 2017 DISTRIBUTION REVENUE REQUIREMENT APPLICATION FOR CANADIAN
NIAGARA POWER INC., ("CNPI") EB-2016-0061
RESPONSE TO UNDERTAKINGS**

Please find accompanying this letter, two (2) copies of CNPI's responses to Undertakings arising from the Oral Hearing. Co-incidentally with the submission, an electronic copy of these responses have been filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 871-0330 ext. 3278.

Yours truly,

Original Signed by:

Greg Beharriell P.Eng,
Manager Regulatory Affairs

Enclosure

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UNDERTAKING NO. J1.1: TO PROVIDE AN UPDATED VERSION OF APPENDIX 2L THAT SHOWS THE OM&A COST PER CUSTOMER AND PER FTE TO INCLUDE THE MOST RECENT ACTUALS OR PROJECTION OF ACTUALS FOR THE 2016 BRIDGE YEAR; TO CONFIRM WHETHER THE 71.25 INCLUDES THE CDM PERSON

Response:

Please see table below for updated version of Appendix 2-L. The 71.25 mistakenly included the CDM resource and so a 0.75 FTE has been removed from the 2013 Actual column.

**Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE**

	Last Rebasing Year - 2013-Board Approved	Last Rebasing Year - 2013-Actual (Note B)	2014 Actuals	2015 Actuals	2016 Forecast (Note A)	2017 Test Year
Reporting Basis						
Number of Customers	28,438	28,584	28,627	28,670	28,761	28,781
Total Recoverable OM&A from Appendix 2-JB	\$ 9,835,961	\$ 8,864,063	\$ 9,434,813	\$ 9,518,933	\$ 9,813,000	\$ 10,574,723
OM&A cost per customer	\$ 345.87	\$ 310.11	\$ 329.58	\$ 332.02	\$ 341.20	\$ 367.42
Number of FTEs	70.68	70.50	69.34	69.45	71.11	71.41
Customers/FTEs	402.34	405.47	412.84	412.83	404.43	403.07
OM&A Cost per FTE	139,159.94	125,738.57	136,061.18	137,066.36	137,989.85	148,094.82

Note A: 2016 forecasted values provided based on the following:
- Number of Customers based on average of 2015 ending customer count and 2016 ending customer count (based on 2016 preliminary year-end reports run by the customer service department)
- Total OM&A is sum of Nov YTD total of \$8.913M as provided by Mr. Vander Vloet on page 76 of oral hearing transcript and an average of the \$0.8M to \$1.0M December 2016 forecasted expense as provided by Mr. King on the same page of transcript
- Number of FTEs has remained unchanged from the original application due to the complexity around calculating an exact 2016 projected Number of FTE's primarily due to the shared services allocations

Upon review of request made during oral hearing (page 94-95), the CDM FTE appeared to be in the initial 2013 Actual 71.25 FTE count

Note B: provided in the original Application. Therefore, the amount has been adjusted down by 0.75 to reflect an adjusted FTE count of 70.50 for 2013 Actual.

UNDERTAKING NO. J1.2: TO RECONCILE THE FIGURES FOR DISCONNECTION COSTS in the RESPONSES TO 4-STAFF-60 AND UNDERTAKING NO. JTC1.8.

Response:

The number of disconnects confirmed and forecasted in CNPI's response to JTC1.8 are based on the total instances that actually proceeded to a complete disconnection of service. While the revised 2017 forecast indicates a marginally lower total as compared to 2013, two other factors continue to result in an upward pressure on labour costs.

First, while the number of annual disconnects has not increased, the following table shows a steady year-over-year increase in the number of final collection notices issued, indicating an increase in overall activity related to collections and disconnections. Second, the revised disconnection policy provided in response to 4-Staff-60 discusses added steps, requiring additional labour hours.

	2013	2014	2015	2016
Total Final Collection Notices	7783	8098	8543	9217

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UNDERTAKING NO. J1.3: TO EXPLAIN THE CHANGE TO THE FIGURES FOR DELIVERY VOLUMES FOR 2017 IN THE SETTLEMENT AGREEMENT

Response:

In order to include values for the Delivery Volume model inputs for the 2018-2021 IRM years in the Adjusted Benchmarking Model included in its Hearing Materials, CNPI projected its load forecast in the IRM years based on the ratio of 2017 vs 2016 load forecasts on a weather-normalized and CDM-adjusted basis. In doing so, CNPI inadvertently used the 2016 and 2017 forecasts from its Application as the starting point, as opposed to the updated forecast provided in response to 3.0-VECC-18c. Also, the PEG model excludes the kWh volumes associated with certain rate classes. The table below reconciles both of these differences to the total value of 471,118,042 presented in the Settlement Agreement.

	2017 CDM Adjusted Forecast (Per Application)	2017 CDM Adjusted Forecast (Per 3.0-VECC-18c)
Residential	198,077,803	201,294,289
GS < 50	67,907,332	69,390,323
GS > 50	184,944,203	190,144,345
Embedded Distributor	5,129,448	5,205,754
<i>Load included in Model</i>	<i>456,058,785</i>	<i>466,034,712</i>
Streetlight	2,781,556	2,991,556
Sentinel	629,014	629,014
USL	1,462,761	1,462,761
<i>Load Not Included in Model</i>	<i>4,873,332</i>	<i>5,083,332</i>
Total	460,932,116	471,118,043
Table 14 of Settlement Agreement		471,118,042

Difference (rounding)

1

CNPI has recalculated the 2018 to 2021 Delivery Volume inputs, using the updated load forecast, as shown in the following table. CNPI notes that the updated load forecast provided in response to 3.0-VECC-18c resulted in less of an annual decline in total kWh.

Year	Hearing Materials		Load Forecast Corrected	
	kWh Input	Trend Adjustment	Total	Trend Adjustment
2015	468,074,081	N/A - Actual PEG Model	468,074,081	N/A - Actual PEG Model
2016	462,038,994	N/A - Forecast from Application	467,903,031	N/A - Forecast from IRR's
2017	456,058,785	N/A - Forecast from Application	466,034,712	N/A - Forecast from IRR's
2018	450,185,149	-1.3%	464,201,922	-0.4%
2019	444,415,900	-1.3%	462,404,250	-0.4%
2020	438,748,903	-1.3%	460,641,291	-0.4%
2021	433,182,065	-1.3%	458,912,645	-0.4%

CNPI has updated the Adjusted Model, based on the corrected load forecast described above. A live MS-Excel version has been filed in conjunction with these responses. For ease of reference, CNPI has also included a hard copy of the Results tab, as well as a summary of the differences in any line items in the Results tab that were affected by this correction. With the correction to the Delivery Volume inputs, 2015 results are unaffected and CNPI's cost performance improves by between 0.1 and 0.3% in each of 2016 to 2021.

Summary of Cost Benchmarking Results (Adjusted)

Canadian Niagara Power Inc.

Updated per J1.3

Cost Benchmarking Summary		2015 (History)	2016 (Bridge)	2017 (Test Year)	2018	2019	2020	2021
A	Actual Total Cost	22,334,375	23,534,557	23,992,198	24,800,661	25,575,451	26,390,794	27,280,821
B	Other Revenue Offset (Accts 4325/4330/4375)			1,456,194	1,456,194	1,456,194	1,456,194	1,456,194
C = A - B	Revised Actual Cost			22,536,004	23,344,467	24,119,257	24,934,600	25,824,627
D	Predicted Total Cost	19,620,562	20,218,592	20,469,038	21,242,419	22,072,162	22,915,337	23,794,550
E = A - D	Difference	2,713,813	3,315,964	3,523,160	3,558,241	3,503,289	3,475,457	3,486,271
F = C - D	Difference with Other Revenue Offset			2,066,966	2,102,047	2,047,095	2,019,263	2,030,077
G = LN(A/D)	Percentage Difference (Cost Performance)	13.0%	15.2%	15.9%	15.49%	14.73%	14.12%	13.67%
H = LN(C/D)	Percentage Difference (Cost Performance - With Other Revenue Offset)			9.6%	9.4%	8.9%	8.4%	8.2%
	Three-Year Average Performance			14.7%	15.52%	15.37%	14.78%	14.18%
	Three-Year Avg (With Other Revenue Offset)					9.31%	8.92%	8.50%
Stretch Factor Cohort								
	Annual Result	4	4	4	4	4	4	4
	Annual Result (with Other Revenue Offset)			3	3	3	3	3
	Three Year Average			4	4	4	4	4
	Three Year Average (with Other Revenue Offset)					3	3	3

Comparison of Benchmarking Results - Hearing Materials vs J1.3 (Load Forecast Corrected)

Line	Description		2015 (History)	2016 (Bridge)	2017 (Test Year)	2018	2019	2020	2021
D	Predicted Total Cost	Hearing Materials	19,620,562	20,204,249	20,444,658	21,207,353	22,026,055	22,857,913	23,725,499
		Load Forecast Corrected	19,620,562	20,218,592	20,469,038	21,242,419	22,072,162	22,915,337	23,794,550
		Difference	-	14,343	24,380	35,066	46,107	57,424	69,051
E	Difference (Actual - Predicted)	Hearing Materials	2,713,813	3,330,308	3,547,540	3,593,307	3,549,396	3,532,881	3,555,321
		Load Forecast Corrected	2,713,813	3,315,964	3,523,160	3,558,241	3,503,289	3,475,457	3,486,271
		Difference	-	14,343	24,380	35,066	46,107	57,424	69,051
F	Difference with Other Revenue Offset	Hearing Materials			2,091,346	2,137,113	2,093,202	2,076,687	2,099,127
		Load Forecast Corrected			2,066,966	2,102,047	2,047,095	2,019,263	2,030,077
		Difference			24,380	35,066	46,107	57,424	69,051
G	Percentage Difference (Cost Performance)	Hearing Materials	13.0%	15.3%	16.0%	15.65%	14.94%	14.37%	13.96%
		Load Forecast Corrected	13.0%	15.2%	15.9%	15.49%	14.73%	14.12%	13.67%
		Difference	0.0%	-0.1%	-0.1%	-0.2%	-0.2%	-0.3%	-0.3%
H	Percentage Difference (Cost Performance - With Other Revenue Offset)	Hearing Materials			9.7%	9.6%	9.1%	8.7%	8.5%
		Load Forecast Corrected			9.6%	9.4%	8.9%	8.4%	8.2%
		Difference			-0.1%	-0.2%	-0.2%	-0.3%	-0.3%
	Three-Year Average Performance	Hearing Materials			14.7%	15.64%	15.53%	14.99%	14.43%
		Load Forecast Corrected			14.7%	15.52%	15.37%	14.78%	14.18%
		Difference			-0.1%	-0.1%	-0.2%	-0.2%	-0.3%
	Three-Year Avg (With Other Revenue Offset)	Hearing Materials					9.47%	9.13%	8.75%
		Load Forecast Corrected					9.31%	8.92%	8.50%
		Difference					-0.16%	-0.21%	-0.25%

UNDERTAKING NO. J1.4: TO SHOW THE DIFFERENCE BETWEEN THE COMPONENTS THAT GO INTO OTHER INCOME AND DISTRIBUTION REVENUE FROM WHAT'S IN THERE FOR REGULATORY PURPOSES, JUST FOR CNPI

Response:

Please see table below for reconciliation.

OEB Account	Description	2015
	Distribution Revenue	
4080	Distribution Revenue per Table 3.1.1.1 of E3 T1 S1	17,517,892
	Add: Reclass from Other Revenue	
4082	Retail Services Revenues	21,397
4084	Service Transaction Requests (STR) Revenues	579
4086	SSS Administration Revenue	81,576
4210	Rent from Electric Property	322,464
4220	Other Electric Revenues	78,960
4225	Late Payment Charges	373,070
4235	Miscellaneous Service Revenues	159,803
	Total Reclass	1,037,849
	Revenue from Service - Distribution per Yearbook	18,555,741
	Other Revenue	
	Other Operating Revenue per Table 3.1.1.1 of E3 T1 S1	1,735,157
	Less: Reclass to Distribution Revenue per above	(1,037,849)
4375 + 4380	Add: Shared IT and equipment charges	1,160,498
	Other Income per Yearbook	1,857,805
	Note A: During the TC on Nov 2, 2016, Mr. King referenced the fact that "for internal financial reporting purposes, we had a charge back and forth. We didn't have shared assets. We had this internal charge and these are the numbers we used for that purpose only. For ratemaking purposes, we did the whole shared assets, took them out, notional assets over on the other account (see page 126 of transcript)." The \$1,160,498 above represents the shared assets charged in 2015 for financial reporting purposes and reflected in the RRR filings. Given that this methodology, in past Applications, has not been used for rate making purposes, these amounts were removed from reporting within Other Revenue within this Application.	