

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Niagara Peninsula Energy Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2017.

Introduction

Niagara Peninsula Energy Inc. (“NPEI”) filed its 2017 IRM Price Cap Rate Application (EB-2016-0094) with the Ontario Energy Board (“OEB”) on September 26, 2016. NPEI’s Application included a request for the disposition of Group 1 Deferral and Variance Account balances in the total amount of (\$4,397,950), representing the Group 1 balances as at December 31, 2015, plus projected carrying charges to April 30, 2017.

On February 3, 2017, Board Staff posed certain questions of NPEI in respect of Accounts #1588 RSVA – Power and #1589 – RSVA Global Adjustment. In order to properly respond to the information request, NPEI began an in-depth review of the accounts. During this review, NPEI determined that it was appropriate to obtain an independent report to support the balances in the accounts.

In a letter dated February 17, 2017, NPEI advised the Board that NPEI had engaged KPMG to provide a Section 9100, *Report on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*. NPEI indicated that it expected to file the Section 9100 Report, along with other supporting evidence, by March 24, 2017. On February 21, 2017, the OEB issued a letter granting NPEI’s requested extension. The Board indicated that, in the alternative, NPEI could withdraw its request for recovery of Group 1 Deferral and Variance Account balances. Due to the Group 1 balances being in a repayment position to the customer, NPEI opted to not withdraw its request for recovery as it is in the best interest of the customers from a bill impacts perspective to be effective May 1, 2017.

The result of NPEI's review, supported by the Section 9100 report, was an adjustment to Account #1589 RSVA – Global Adjustment with a corresponding offset to Account #1588 RSVA – Power. On March 22, 2017, NPEI submitted the additional evidence to support the revised Account #1588 and Account #1589 balances proposed for disposition.

On April 19, 2017, the OEB issued a draft of the decision that the delegated authority proposed to make based on the application and any subsequent updates or clarifications. In a letter accompanying the draft decision, the OEB requested that NPEI review the Draft Decision and Rate Order and provide any comments by April 24, 2017.

NPEI hereby submits its comments on the Draft Decision and Rate Order.

Comments

NPEI has no comments on the following sections of the Draft Decision and Order:

- Price Cap Adjustment
- Regulatory Charges
- Lost Revenue Adjustment Mechanism Variance Account Balance
- Residential Rate Design

Retail Transmission Service Rates

NPEI has reviewed the calculation of the proposed Retail Transmission Service Rates (“RTSRs”) in the 2017 IRM Rate Generator Model provided by Board Staff. NPEI has verified the 2017 Embedded Distributor RTSRs for Grimsby Power Inc. (EB-2016-0073) and the 2017 Sub-Transmission Class RTSRs for Hydro One Networks Inc. (EB-2016-0081). As noted in the draft decision, the Uniform Transmission Rates (“UTRs”) have not been updated for 2017, as the OEB has not yet approved the 2017 UTRs. The UTR values for 2017 in the Rate Generator Model are based on the approved 2016 UTRs.

NPEI is in agreement with the 2017 RTSRs as calculated in the updated 2017 IRM Rate Generator Model provided by Board Staff.

Group 1 Deferral and Variance Account Balances

The Draft Decision and Order states “*While it was helpful for Niagara Peninsula to voluntarily prepare a Section 9100 Report, the OEB is not satisfied with the explanations provided in the Report for the quantum and reasons for the allocation.*”

NPEI conducted the review and documented the steps it took in completing the review and explained the rationale for the adjustment at page 4 of 83 of the March 22, 2017 submission. NPEI performed calculations to determine what the Account 1589 balance should be for 2014 and 2015. NPEI retained KPMG to review its methodology and calculations and to confirm the accuracy of the Account 1589 balance. As a result, it was confirmed that NPEI's original GA true-up was not correct, resulting in a reallocation of \$1.9M between Account 1588 and Account 1589.

NPEI submitted its evidence based upon billing month rather than consumption month. This approach permitted NPEI to reconcile amounts easier and to a greater extent given the billing practice that was described in the evidence.

NPEI completed the reasonability test analytical tool provided by Board Staff on the basis of billing month, not on the basis of consumption month as requested by Board Staff. NPEI has attached a reorganized summary of the information based upon consumption month for your review. As is evident the balance for disposal has not changed from the submission on March 22, 2017. The amount not fully reconciled (0.18%) is a small fraction of the materiality threshold and therefore does not impede disposal.

NPEI would suggest that the Board dispose of the Group 1 Deferral and Variance accounts as requested for May 1, 2017 – even if it is on an interim basis. As previously indicated, deferring disposal only defers the benefits that customers would otherwise receive. If the Board wishes to make the disposal of Group 1 Deferral and Variance Accounts on an interim basis it would provide the immediate benefit to consumers and still permit the Board to further scrutinize the

balances in the future. NPEI is confident in the revised amounts that were submitted and feel that a final disposal of the balances is appropriate but acknowledges that an interim disposal may provide the Board with additional comfort.

NPEI will continue to engage with Board Staff on the additional details that are helpful for their reasonability test and any other details that Board Staff may require.

Draft Tariff of Rates and Charges

NPEI has reviewed the Draft Tariff of Rates and Charges included in the Draft Decision and Order and has not determined any inaccuracies with respect to the Draft Decision.

All of which is respectfully submitted.

Attachment 1 – Board Staff Reasonability Test

2014 and 2015 Global Adjustment Analysis Example

Allocation Method for Class B RSVA-Global Adjustment 2014			
IRM Total Metered Before Losses	1,195,394,887	kWh	100%
IRM RPP Before Losses	561,266,797	kWh	47.0%
IRM Non RPP Before Losses	634,128,090	kWh	53.0%
IRM Class A Before Losses		kWh	0.0%
IRM Net Class B Before Losses	634,128,090	kWh	53.0%

Input cells

Class B (Non RPP and Non Class A) RSVA GA Analysis - Allocation Method									
2014	Class B Non-RPP Spot - Billed on 1st Estimate kWh *	Class B Non-RPP Spot - Billed on Actual kWh *	First Estimate GA \$/kWh	2nd Estimate GA \$/kWh	Actual GA \$/kWh	Retail - Final \$/kWh	Class B Non-RPP @ Retail GA	Class B Non-RPP @ Actual GA	Est. Variance Retail less Final
Consumption Month									
Jan 2014	57,321,075	-	0.03626		0.01261	\$0.02365	\$2,078,462	\$722,819	(\$1,355,643)
Feb 2014	51,226,866	-	0.02231		0.01330	\$0.00901	\$1,142,871	\$681,317	(\$461,554)
Mar 2014	62,598,241	-	0.01103		(0.00027)	\$0.01130	\$690,459	(\$16,902)	(\$707,360)
Apr 2014	41,220,243	-	(0.00965)		0.05198	(\$0.06163)	(\$397,775)	\$2,142,628	\$2,540,404
May 2014	50,838,670	-	0.05356		0.07196	(\$0.01840)	\$2,722,919	\$3,658,351	\$935,432
June 2014	54,762,905	-	0.07190		0.06025	\$0.01165	\$3,937,453	\$3,299,465	(\$637,988)
Jul 2014	57,548,250	-	0.05976		0.06256	(\$0.00280)	\$3,439,083	\$3,600,219	\$161,135
Aug 2014	57,767,638	-	0.06108		0.06761	(\$0.00653)	\$3,528,447	\$3,905,670	\$377,223
Sep 2014	52,975,320	-	0.08049		0.07963	\$0.00086	\$4,264,000	\$4,218,441	(\$45,559)
Oct 2014	49,921,172	-	0.07492		0.10014	(\$0.02522)	\$3,740,094	\$4,999,106	\$1,259,012
Nov 2014	46,879,931	-	0.09901		0.08232	\$0.01669	\$4,641,582	\$3,859,156	(\$782,426)
Dec 2014	342,102	-	0.07318		0.07444	(\$0.00126)	\$25,035	\$25,466	\$431
							\$0	\$0	\$0
Out of Period Adjustments:							\$0	\$0	\$0
Jan 2013	277,767	-	0.03771		0.04999	(\$0.01228)	\$10,475	\$13,886	\$3,411
Feb 2013	180,906	-	0.05728		0.04814	\$0.00914	\$10,362	\$8,709	(\$1,653)
Mar 2013	206,908	-	0.04374		0.04926	(\$0.00552)	\$9,050	\$10,192	\$1,142
Apr 2013	161,890	-	0.05643		0.05859	(\$0.00216)	\$9,135	\$9,485	\$350
May 2013	144,387	-	0.05131		0.06759	(\$0.01628)	\$7,408	\$9,759	\$2,351
Jun 2013	173,534	-	0.06411		0.07043	(\$0.00632)	\$11,125	\$12,222	\$1,097
Jul 2013	231,888	-	0.07376		0.05089	\$0.02287	\$17,104	\$11,801	(\$5,303)
Aug 2013	194,601	-	0.04013		0.06245	(\$0.02232)	\$7,809	\$12,153	\$4,343
Sep 2013	166,588	-	0.08718		0.06655	\$0.02063	\$14,523	\$11,086	(\$3,437)
Oct 2013	155,466	-	0.05812		0.06312	(\$0.00500)	\$9,036	\$9,813	\$777
Nov 2013	2,444,368	-	0.06228		0.07855	(\$0.01627)	\$152,235	\$192,005	\$39,770
Dec 2013	55,697,245	-	0.07607		0.05068	\$0.02539	\$4,236,889	\$2,822,736	(\$1,414,153)
Reverse 2013 Unbilled Revenue	(53,021,855)						(\$3,987,555)	(\$2,736,836)	\$1,250,719
2014 Unbilled Revenue	51,517,330						\$3,824,356	\$3,846,570	\$22,214

Total	Reconciled	\$1,184,733
GL Balance	Total Claim	\$1,176,471
Difference (immaterial)	Unreconciled	(\$8,262)
	% unreconciled	-0.70%

Materiality threshold from NPEI's 2015 COS Rate Application 146,874

Allocation Method for Class B RSVA-Global Adjustment 2015			
IRM Total Metered Before Losses	1,203,184,319	kWh	100%
IRM RPP Before Losses	569,024,338	kWh	47.3%
IRM Non RPP Before Losses	634,159,981	kWh	52.7%
IRM Class A Before Losses		kWh	0.0%
IRM Net Class B Before Losses	634,159,981	kWh	52.7%

Input cells

Class B (Non RPP and Non Class A) RSVA GA Analysis - Allocation Method									
2015	Class B Non-RPP Spot - Billed on 1st Estimate kWh *	Class B Non-RPP Spot - Billed on Actual kWh *	First Estimate GA \$/kWh	2nd Estimate GA \$/kWh	Actual GA \$/kWh	Retail - Final \$/kWh	Class B Non-RPP @ Retail GA	Class B Non-RPP @ Actual GA	Est. Variance Retail less Final
Consumption Month									
Jan 2015	54,581,531	554,164	0.05549		0.05068	\$0.00481	\$3,028,729	\$2,766,192	(\$262,537)
Feb 2015	51,539,602	417,946	0.06981		0.03961	\$0.03020	\$3,597,980	\$2,041,484	(\$1,556,496)
Mar 2015	53,303,108	397,995	0.03604		0.06290	(\$0.02686)	\$1,921,044	\$3,352,765	\$1,431,721
Apr 2015	1,034,109	47,500,523	0.06705		0.09559	(\$0.02854)	\$69,337	\$98,850	\$29,513
May 2015	985,891	50,649,263	0.09416		0.09668	(\$0.00252)	\$92,831	\$95,316	\$2,484
Jun 2015	48,518,396	3,881,779	0.09228		0.09540	(\$0.00312)	\$4,477,278	\$4,628,655	\$151,377
Jul 2015	3,174,390	56,053,945	0.08888		0.07883	\$0.01005	\$282,140	\$250,237	(\$31,903)
Aug 2015	1,526,587	57,035,310	0.08805		0.08010	\$0.00795	\$134,416	\$122,280	(\$12,136)
Sep 2015	2,987,509	52,572,779	0.08270		0.06703	\$0.01567	\$247,067	\$200,253	(\$46,814)
Oct 2015	987,529	48,650,241	0.06371		0.07544	(\$0.01173)	\$62,915	\$74,499	\$11,584
Nov 2015	878,742	45,805,174	0.07623		0.11320	(\$0.03697)	\$66,987	\$99,474	\$32,487
Dec 2015	202,001	-	0.11462		0.09471	\$0.01991	\$23,153	\$19,132	(\$4,022)
Out of Period Adjustments:									
Feb 2013	38	-	0.05728		0.04814	\$0.00914	\$2	\$2	(\$0)
Mar 2013	1,140	-	0.04374		0.04926	(\$0.00552)	\$50	\$56	\$6
Apr 2013	290	-	0.05643		0.05859	(\$0.00216)	\$16	\$17	\$1
May 2013	1,098	-	0.05131		0.06759	(\$0.01628)	\$56	\$74	\$18
Jun 2013	2,644	-	0.06411		0.07043	(\$0.00632)	\$170	\$186	\$17
Jul 2013	3,790	-	0.07376		0.05089	\$0.02287	\$280	\$193	(\$87)
Aug 2013	2,708	-	0.04013		0.06245	(\$0.02232)	\$109	\$169	\$60
Sep 2013	1,074	-	0.08718		0.06655	\$0.02063	\$94	\$71	(\$22)
Oct 2013	(52)	-	0.05812		0.06312	(\$0.00500)	(\$3)	(\$3)	(\$0)
Nov 2013	(496)	-	0.06228		0.07855	(\$0.01627)	(\$31)	(\$39)	(\$8)
Dec 2013	(5,926)	-	0.07607		0.05068	\$0.02539	(\$451)	(\$300)	\$150
Jan 2014	(1,033)	1,035,209	0.03626		0.01261	\$0.02365	(\$37)	(\$13)	\$24
Feb 2014	(37)	793,232	0.02231		0.01330	\$0.00901	(\$1)	(\$0)	\$0
Mar 2014	811	618,539	0.01103		(0.00027)	\$0.01130	\$9	(\$0)	(\$9)
Apr 2014	522	437,898	(0.00965)		0.05198	(\$0.06163)	(\$5)	\$27	\$32
May 2014	712	291,028	0.05356		0.07196	(\$0.01840)	\$38	\$51	\$13
Jun 2014	1,277	280,911	0.07190		0.06025	\$0.01165	\$92	\$77	(\$15)
Jul 2014	1,897	293,696	0.05976		0.06256	(\$0.00280)	\$113	\$119	\$5
Aug 2014	507	275,230	0.06108		0.06761	(\$0.00653)	\$31	\$34	\$3
Sep 2014	(6,725)	274,610	0.08049		0.07963	\$0.00086	(\$541)	(\$536)	\$6
Oct 2014	(41,351)	289,282	0.07492		0.10014	(\$0.02522)	(\$3,098)	(\$4,141)	(\$1,043)
Nov 2014	2,251,271	347,181	0.09901		0.08232	\$0.01669	\$222,898	\$185,325	(\$37,574)
Dec 2014	52,340,576	549,331	0.07318		0.07444	(\$0.00126)	\$3,830,283	\$3,896,232	\$65,949
Reverse 2014 Unbilled Revenue	(51,500,004)	-					(\$3,823,058)	(\$3,844,835)	(\$21,777)
2015 Unbilled Revenue	798,081	50,338,197					\$91,663	\$75,662	(\$16,001)

Total									Reconciled	(\$264,991)
GL Balance									Total Claim	(\$258,368)
Difference (immaterial)									Unreconciled	\$6,623
									% unreconciled	-2.56%

Materiality threshold from NPEI's 2015 COS Rate Application 146,874

									Total 2014 and 2015	Reconciled	\$919,742
										Total Claim	\$918,103
										Unreconciled	(\$1,639)
										% unreconciled	-0.18%

* - Quantities must be adjusted for unbilled revenue quantities on a monthly basis.