PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

October 30, 2018 **VIA E-MAIL**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

Re: EB-2018-0056 – Niagara-on-the-Lake (NOTL) EB-2018-0056 2019 Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Bill Harper/Mark Garner
Consultants for VECC/PIAC

Mr. Jeff Klassen, Vice President, Finance NOTL
jklassen@notlhydro.com

For interrogatory clarifications please contact Mark Garner at 647-408-4501 or markgarner@rogers.com

REQUESTOR NAME	**VECC**
TO:	**Niagara-on-the-Lake (NOTL)**
DATE:	**October 30, 2018**
CASE NO:	**EB-2018-0056**
APPLICATION NAME	**2019 COS Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: E1/pg. 89

a) Please update Table 1.47 (Scorecard) so as to include 2017 actual results.

1.0-VECC-2
Reference: E1/Appendix 1F

The following extract is provided in the Redhead Media Solutions Inc. February 15, 2016 Customer Survey:

Niagara-on-the-Lake Hydro is doing well in this area, but there is room for improvement. There is a positive perception that the utility provides a reliable power supply; however, the number of outage complaints was higher than we've seen in other areas and scores for communications around either scheduled or unscheduled outages indicate that customers are not getting the information they want about outages. We make that comment, recognizing that there were two significant outages during the
survey period. It is important to consider that receiving information is, for the most part, up to the customer more than it is up to the LDC. If the customer is actively seeking it, are they finding it? If they are not actively seeking it, we know that they definitely will not find it. The latter group may still find fault in the LDC for somehow not getting information into their hands

a) Please explain what actions are being taken by NOTL to address customer complaints with respect to communications by the Utility of outages.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC-3
Reference: E2/pg. 12

a) Why is NOTL replacing the current above ground plant with underground as part of the Highway 55/Vigil road widening? Is this project part of the Old Town underground conversion program?

b) What is the incremental cost of the underground replacement as compared to like-for like above ground plant for this area?

2.0-VECC-4
Reference: Ex2/pg. 46

a) Please update Table 2.34 to show the actual and forecast capital contributions for each year.

2.0-VECC-5
Reference: E2/S2.2.2.5/pg. 50

a) With respect to the 250 kVA lithium-ion battery (Smart Grid Fund) project at the M1 feeder please provide:
   i) the total cost of the project broken down by capital and OM&A costs;
   ii) the amount of any grants or subsidies being provided and by whom: and,
   iii) the business case showing the net benefit to NOTL ratepayers of this project.

b) As part of this project is NOTL planning to make publicly available the study results of this pilot project?

c) Given the large investment required for a new 83 MVA transformer in 2019 why would it not be preferable to defer the battery project to 20120 or beyond?

2.0-VECC-6
Reference: E2/Appendix 2A/DSP/pg.32

Pre-amble: At the above reference NOTL states: "*The large variance in 2018 is due to the Lakeshore Rd job as the Niagara Region has their own formula which drives how much of the costs of the project they will compensate NOTL Hydro*."

a) Please confirm that NOTL is subject to road construction cost-sharing arrangements based on the Government of Ontario Public Service Works on Highway Act, R.S.O. 1990, Chapter P.49 ("the Act"), which stipulates that the Utility is required to pay 100

percent of materials for relocation work, but that the associated labour and vehicle cost are to be shared equally with the appropriate Road Authority.

2.0-VECC-7
Reference: E2/Appendix 2A/DSP/pgs. 38,

a) In its last cost of service application EB-2013-0155 NOTL described a plan to convert all of the Niagara-on-the-Lake Olde Town to underground service by 2022. If this is still the case please explain why no detailed plan for this project is included in the current Distribution System Plan.

b) Are the underground voltage projects shown at Table 22 and Table 30, the entire underground plant conversion capital costs for the Olde Town project? If yes will the project be completed by 2023?

c) Please provide a map showing an outline of the entire area subject to the Olde Town underground conversion. Please confirm the boundaries are those required by the Town bylaw as part of its heritage policy.

d) Please provide a copy of the Town by-law related to this requirement.

2.0-VECC-8
Reference: E2/Appendix 2A/ DSP

a) Please explain the lower than average underground plant investment in 2015 as compared to 2014 and 2016-2017.

2.0-VECC-9
Reference: E2/ Table 2.34 (Appendix 2-AA)

a) Please explain the large increase in customer projects in 2018 as compared to prior and subsequent years.

b) Please explain why there is no balance forecast under Continuity Account 2056 CWIP-Customer Projects in 2019, whereas all prior years have a positive balance of 200k or more.

2.0-VECC-10
Reference: E2/ Table 2.34 (Appendix 2-AA)

a) Please provide an update of Table 2.34 (Appendix 2-AA) showing both forecast and actual amounts expended in 2018 (ending October 30).

2.0-VECC-11
Reference: E2/ pg.34

a) Please explain the large increase in customer projects in 2018 as compared to prior and subsequent years.

2.0-VECC-12
Reference E2/pg.33, 43

a) Please provide the detailed budget (transformer and other capital costs, capitalized labour and non-capitalized labour) and the construction schedule for the York station transformer replacement.

2.0-VECC-13
Reference: E2/Appendix A/Asset Management Plan/pg.8

Table 4: Major Distribution Assets as of February 2018

Asset	Count
Poles	6,809
Pole mounted transformers	1,003
Pad mounted transformers	799
Transmission voltage transformers	4
PMH units	20
Junction boxes	144
Primary wire - Overhead	236 km
Primary wire - Underground	132 km
Secondary wire - Overhead	171 km
Secondary wire - Underground	332 km

a) For each category of capital assets shown in Table 4, please indicate the percentage of assets found to be in good, fair or poor condition and the method by which that assessment was made.

2.0-VECC-14
Reference: E2/ Continuity Schedule 2018/pg.18

a) Why are there no disposals shown for 2018 (and unlike each of the prior years which have between 200 and 500k in disposals)?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-15
Reference: Exhibit 3, page 7

a) Please re-do Table 3.4 and include, for the years 2016-2018, the revenues from the ICM rate rider.

3.0-VECC-16
Reference: Exhibit 3, page 10

a) Why were only seven years of data used for purposes of developing the multi-variate regression model (as opposed to including more historical years)?

3.0-VECC-17
Reference: Exhibit 3, pages 11-14 and page 26

a) At page 26, the Application states that the "the expected growth rate (for Residential customers) has been adjusted by reducing it to 2.21%; the historical growth rate without Cannery Park". Please provide the calculation supporting the claim that the 2.21% represents the historical growth rate without Cannery Park.

b) At page 14, the Application states that "forecasted growth in GS<50 kW customers has been reduced to 3 new customers each year to remove the impact of the Outlet Mall from the forecast". Please provide the calculations that demonstrate that, without the Outlet Mall, the historical growth rate (for GS<50) would have been three customers per year.

c) Please provide i) the customers count by class as of June 30, 2018 and ii) the most recent customer count by class available.

d) With respect to page 26 (lines 1-2), please: i) confirm that the historical data (i.e., 2011-2017) on customer counts presented in Table 3.21 is based on the average of the twelve monthly values for each year and ii) clarify what Tables in the Application (if any) are based on year-end customer counts.

3.0-VECC-18
Reference: Exhibit 3, pages 19-24

a) What customer classes are included in determining the value for the Customer Count variable?

b) It is noted (see Table 3.18) that neither the Daylight Hours variable nor the Blended Rate variable are statistically significant. Please provide a regression model and results

(similar to Table 3.18) that excludes these two variables along with an alternative forecast (similar to the excel load forecast filed) based on this revised model.

3.0-VECC-19
Reference: Exhibit 3, page 33 and Exhibit 8, page 26

a) Please provide a revised version of Table 3.29 that includes rows which set out: i) purchases (including IESO, SOP, FIT and MicroFIT) – both actual and forecast and ii) calculated losses for each year – both historical and forecast.

3.0-VECC-20
Reference: Exhibit 3, page 29

a) Please confirm that the "weather normalized" values for Residential and GS<50 are calculated by applying the ratio of Actual Residential Sales over Actual Wholesale Purchases to the calculated value for Weather Normalized Wholesale Purchases.

b) Please confirm that in those years where the Actual Wholesale Purchases exceed the Weather Normalized Wholesale Purchases one would expect the percentage of Wholesale Purchases accounted for by the Residential and GS<50 classes to be higher – since these classes are also weather sensitive.
    i. If not confirmed, please explain why not.
    ii. If confirmed, please explain why the calculation, as described in part (a), results in weather normalized values for the Residential and GS<50 classes.

3.0-VECC-21
Reference: Exhibit 3, page 31

a) Please provide the derivation of the 2018 and 2019 value for the average use per connection for USL (9,573.38 kWh).

3.0-VECC-22
Reference: Exhibit 3, page 34

a) Please provide a copy of the most recently approved 2015-2020 CDM Plan for NOTL.

b) Please confirm that the IESO report in Appendix 3A is equivalent to the excel based report found on the IESO web-site at: http://www.ieso.ca/sector-participants/conservation-delivery-and-tools/conservation-targets-and-results. If not confirmed, please provide Appendix3A in excel format.

3.0-VECC-23
Reference: Exhibit 3, pages 45-49

a) Please explain more fully how the 2018 and 2019 forecast Late Payment revenues were determined.

b) Please explain the significant fluctuation in Revenue from Merchandising (Account 4325) in 2016.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0-VECC-24
Reference: E4/pg. 7

a) Given NOTL's bad debt expense in 2017 was less than in 2014 (17,789 as comparted to 51,789) what evidence does NOTL have that the prohibition on winter disconnection has resulted in more write-offs (bad debt expense).

4.0-VECC-25
Reference: E4/Table 4.6/pg.7

a) Please explain how the calculation of a 20% increase in OM&A attributable to "growth" was dervived.

4.0-VECC-26
Reference: E 4/Table 4.7/pg. 8

a) In discussing the 19% increase in OM&A per customer NOTL makes the following statement: " *OM&A per customer is expected to rise 19% between 2014 and 2019. This is consistent with the calculation above as the increase in OM&A per customer is the non-growth increase (inflation, offsetting revenues, requirements, etc.*) above."

It is unclear what this statement is trying to convey. Since 2014 the OM&A increase to 2019 (forecast) has risen by 19.4%. Inflation between that same period would account for approximately 6.6% of that increase (Bank of Canada inflation calculator https://www.bankofcanada.ca/rates/related/inflation-calculator/)

In the result there is 12.8% (13%) increase above inflation during the last rate period. Please explain the factors causing this 13% increase (or 15% if measured from last Board approved) and using the categories shown in Table 4.6

4.0-VECC-27
Reference: E4/pg. 9

a) Please explain why Community Relations should be increase t0 $11,485 given that in the period 2014 to 2017 the average spending in this category was just $3,800?

4.0-VECC-28
Reference: E4/pg. 16

a) At the above reference NOTL states: "*Billing and Collecting was down $54k or 9.0% as 2015 had the $42k severance payment*." Are severance costs recorded under the ambit of "Billing and Collecting" rather than under accounts related to Administrative and General? If so what other compensation costs are recorded under the accounts for Billing and Collecting?

4.0-VECC-29
Reference: E4/Table 4.24 (Appendix 2-K)/pg. 25

a) Please amend Table 4.24 (Appendix 2-k) to show the amount and percentage of employee compensation capitalized in each year.

4.0-VECC-30
Reference: E4/pg. 25

a) The average total compensation per employee approved by the Board was $95,470 in 2014. The forecast 2019 average will be $113,467. This increase is significantly above the inflationary increase - 18.4% vs approximately 6.4% inflation. What productivity increases have been achieved which support compensation increases above inflation?

4.0-VECC-31
Reference: E4/pg. 33

Table 4.32: Services to ESNI Comparisons

Service	2014 OEB Approved	2017 Actual	2019 Proposed
Water heaters rental support	$4,200	$7,505	$2,103
Water and waste water billing	$110,500	$141,808	$141,871
Administration	$5,800	$4,816	$6,517
Board of Directors	-	$8,400	$8,400
Total	**$120,500**	**$162,530**	**$158,891**

a) In 2014 NOTL stated the cost of serving Energy services for water billing was $74,791. In 2019 that cost was 71,666 or 4% decrease in costs. During that same period NOTL's billing and collection costs rose from $559,556 to $597,617 and are projected to increase to $632,867. As Table 4.32 shows shared service costs are in real terms also declining. Water billing costs are in real terms decreasing while those of electricity customers are rising. Please explain why.

4.0-VECC-32
Reference: E4/pg. 18 Table 4.18 & pg.36

a) Have any one-time regulatory costs been included in Table 4.18 (Appendix 2-JA) in 2018 and 2019? If so please identify the amounts for each year.

b) Please update Table 4.18 to show both 2018 actuals to-date and 2018 forecast to year-end.

4.0-VECC-33
Reference: E4/Table 4.35/pg. 37

a) Please update Table 4.35 to show the amounts expended to-date.

4.0-VECC-34
Reference: E4/pg.39

a) In each of the years 2014 through 2017 was all of NOTL allocated LEAP funding used?

b) Were any requests denied due to lack of funding?

4.0-VECC-35
Reference: E4/pg.52

a) Please provide the actual taxes (PILs) remitted in each of 2014 through 2017.

4.0-VEXX-36
Reference: E4/pg. 36

a) Please explain the increase of $9,540 in Board Assessment costs as between 2018 and 2019.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-37
Reference: E5/Table 5.11/pg.9 & pg. 12

a) NOTL notes that it will need to borrow (long-term debt) to finance the York Station transformer. Please provide an update as to the status of this debt issuance.
b) Table 5.11 Year 2019 does not show any loans which with a start date in 2019 (there is 0 principal loan at 6.03% with a start date of August 29, 2003). Please update Table 5.11 to show the current forecast for 2019 long-term debt, including that associated with the York Station.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)-N/A

N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –38
Reference: Exhibit 7, page 5

a) The Application states: "*The weighting factor "0.8" (for GS<50) is proposed based on the ratio of customers in this class with 200 amp or less service*". Please explain how this ratio is determined and why it is appropriate to use in determining the Services weighting factor for the GS<50 class.
b) The Application states: "*The weighting factor "0.1" (for GS>50) is proposed based on the ratio of customers in this class with 200 amp or less service*". Please explain how this ratio is determined and why it is appropriate to use in determining the Services weighting factor for the GS>50 class.

7.0 – VECC –39
Reference: Exhibit 7, page 5

a) Please provide a copy of the "detailed review" undertaken to determine the Billing and Collecting weighting factors.

7.0 – VECC –40
Reference: Exhibit 7, page 6 (lines 4-6)

a) Please explain how level of the level of "activity in account changes" impacts the Billing and Collecting costs and the related weighting factors – particularly when account change activity is subject to a specific service charge.

7.0 – VECC –41
Reference: Exhibit 7, page 9

a) It is understood that the values for Tab I8 for the LU class were provided by the customer concerned. Please provide a schedule that compares these values from Tab I8 for the LU class with the values that would result from applying the GS>50 load profile to the new LU class.

b) Please indicate when the Sentinel Lighting class was eliminated.

7.0 – VECC –42
Reference: Exhibit 7, pages 14-15

a) Please clarify whether NOTL is proposing: i) to introduce a standby rate for customers in the LU class with load displacement generation (lines 15-16) or ii) introduce a new customer class for customers with load displacement generation (lines 17-18).

b) Would there be minimum size for load displacement generation before the standby charge would be applicable?

c) Is it at the customer's discretion as to whether or not "utility grade metering" is installed on the generator? If installed, who pays the meter and its ongoing maintenance?

7.0 – VECC –43
Reference: Exhibit 7, pages 18 and 22

a) The proposed 2019 Revenue to Cost ratios set out in Table 7.11 do not match those in Table 7.17 for the Streetlights and USL classes. Please reconcile.

7.0 – VECC –44
Reference: NOTL's 2019 Cost Allocation Model

a) With respect to Tab I7, which of the meter types listed are suitable for customers with greater than 200 amp service?

b) With respect to Tab I7, please confirm that none of the customers in the Residential, GS<50, GS>50 or Large Use classes have more than one meter. If not confirmed, please revise Tabs I7 and I8.

c) With respect to Tab I8, please explain why, for the GS>50 and LU classes, the CP and NCP demand values for Line Transformer and Secondary are the same as for Primary.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 45
Reference: Exhibit 8, page 7

a) Why for the GS<50 and GS>50 classes is NOTL only proposing to not change the monthly service charge whereas for the Street Lighting and USL classes it is proposing to reduce the rate to the maximum value per the cost allocation model?

8.0 –VECC - 46
Reference: Exhibit 8, pages 19-22 and Exhibit 3, pages 50-51 & NOTL 2019 Cost Allocation Model, Tab O3.6

a) With respect to Tab3.6, please indicate which of the activities listed are performed by Utilismart.

b) What is the basis for the $2.00/month cost that NOTL attributes to its own activities associated with microFIT customers.

c) Please explain why the costs as derived in Tab O3.6 were not used as the basis for determining the adder required to compensate NOTL for its activities.

d) With respect to the changes proposed to the Specific Service Charges, why were specific service charges only updated for the six charges discussed in Exhibit 8 at pages 20-22?

e) In particular, why was the Disconnect/reconnect at Pole – after regular hours charge updated but the Disconnect/reconnect at Pole – during regular hours charge was not?

f) The Application indicates (Exhibit 8, page 20, line 12) that the disconnect /reconnect charge is only levied on the disconnection. Under what circumstance would NOTL undertake a disconnection after hours such that the “after regular hours” rate would apply?

g) Under what circumstances (if any) would the disconnect/reconnect charge apply to an “after regular hours” reconnection?

h) The Application states that NOTL does not use load control devices on a regular basis. When are such devices used?

i) Please provide the derivation of the proposed $320 charge for Service Call – customer owned equipment – after regular hours.

j) Does NOTL apply the Service Call – customer owned equipment – after regular hours even in situations where there is a safety risk to the custom 8.0 –VECC - 39

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -47
Reference: Exhibit 9, pages 49-50

a) Please confirm that the requested variance account would track variances in the annual variable distribution revenues for the one customer concerned until NOTL's next COS-based rate application.

b) When will the balances the account be refund to/collected from customers (e.g., will the account be cleared periodically during the IRM period or only at the time of the next COS-based application)?

c) When the account balance is refunded to/recovered from customers to which customer classes will it be allocated and now will the allocation be done?

d) What additional facilities is NOTL installing to meet the customer's forecasted increase in load and to what extent are these facilities being funded by capital contributions from the customer?

e) Was an economic evaluation undertaken (per the DSC) to determine if a capital contribution was required? If yes, what was the customer load forecast used that was used in the evaluation?

9.0 –VECC -48
Reference: E9, pg. 24-25

a) With respect to IFRS Transition costs (Account 1508) please explain the nature of the incremental labour costs of $35,125.

9.0-VECC-49
Reference: E9/pg.16

a) Please explain why the amounts recorded in account 1508 of $2,635,716 and $132,988 are being requested to be moved to fixed asset/depreciation (balance sheet)?

END OF DOCUMENT