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Niagara  
on-the-Lake  
HYDRO

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4 **Rate Application**  
5 **Supplementary Questions**  
6 **RESPONSES TO FOLLOWUP**

7 **SEC**

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9 2019 Cost of Service Rate Application

10 Niagara-on-the-Lake Hydro Inc. (NOTL Hydro)

11 EB-2018-0056

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## SEC - 1

1. [2-JB Table] With respect to the entries on the 2-JB –OM&A cost driver table:

- a. Why is there a positive number of \$75,445 in 2014 related to the 2014 CoS Settlement Agreement as a cost driver from the Board-approved amount includes a reduction of \$75,445?
- b. Please reconcile the 'Capitalize Labour' line-item with the year-over-year changes that can be derived from the response to 4-SEC-30.

### RESPONSE:

- a) The Board approved amount in 2014 includes the reduction of \$75,445 from the 2014 settlement conference. The \$75,445 was an agreed upon amount but was not allocated to a specific cost line. For the purposes of this reconciliation it is being added back (a positive number) to get to the OM&A balance for which detailed allocations exist. From that point we are able to provide the analysis.
- b) The Capitalized Labour amounts included in appendix 2-JB OM&A Cost Driver Table are amounts incurred for internal capital jobs. The amounts used to complete the appendix were based on the year the items were capitalized, not necessarily the year the expense was incurred. In the response to 4-SEC-30, the Capital & Billable line item includes internal capital, customer driven jobs, CDM, and amounts charged to affiliated companies. These amounts are based on the year they were incurred.

## SEC - 2

2. At Ex.4, p.17, NOTL states as part of its explanation for the variance between 2017 and 2018 OM&A costs: "Administration is up by \$213k or 22.9% due to the additional cost of the VP Operations and increased staffing costs from maternity coverages." The explanation is consistent with what is provided in the compensation specific variance analysis shown at Ex.4, p.26. Yet, the total compensation increase is only \$118K (or \$141K as allocated to OM&A per 4-SEC-30). Please reconcile.

## RESPONSE

A large portion of the increase in Administration is due to the reallocation of VP Operations time from the Operations line to the Admin and General line. The table below shows the impact of this change.

Payroll & Benefits	VP Operations		
	2017	2018	Variance
Operations	107,772	-	(107,772)
Administrative and General	-	145,687	145,687
Capital & Billable	41,632	5,971	(35,661)
	149,404	151,659	2,255

The increase in Administrative and General expenses related to covering the cost of a maternity leave in 2018 vs. 2017 is \$34k overall. The cost for a temporary employee hired through an agency is an increase of \$69k which is partially offset by savings in payroll and benefits for the employee on leave.

Admin and General	Business Analyst + Contract		
	2017	2018	Variance
Payroll & Benefits	75,730	40,245	(35,485)
Other Expenses	-	69,081	69,081
	75,730	109,326	33,596

While these two items increase Administrative and General payroll by \$110,202, the total change in OM&A payroll and benefits for these two items is a decrease of \$2,430. (+\$145,687 – \$107,772 – \$35,485).

## **SEC - 3**

*3. How many customers will be impacted immediately by the revised standby rates proposal?*

### **RESPONSE:**

One. The Large Use customer who is supporting the proposed standby rate.