Ontario Energy Board | Commission de l'énergie de l'Ontario

BY E-MAIL

October 28, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

Re: Niagara Peninsula Energy Inc. (Niagara Peninsula Energy)
2021 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2020-0040

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Niagara Peninsula Energy and all intervenors have been copied on this filing.

Niagara Peninsula Energy's responses to interrogatories are due by November 19, 2020. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2021 Electricity Distribution Rates Application
Niagara Peninsula Energy Inc. (Niagara Peninsula Energy)
EB-2020-0040
October 28, 2020

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1
Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2021 Electricity Distributor Rate Applications webpage.

1-Staff-2
Letters of Comment

Following publication of the Notice of Application, the OEB received 40 letters of comment. Section 2.1.7 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent

comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3
Letters of Comment
In the letters of comment received, customers are concerned about a rate increase during the COVID-19 pandemic.

a) Did Niagara Peninsula Energy consider deferring its rate increase due to COVID-19?

1-Staff-4
Customer Engagement
Ref 1: Exhibit 1 – Appendix 1-25 NPEI's Customer Engagement Final Report, pp. 31-32
Ref 2: Ref 1: Exhibit 4 – 4.4.1 New Positions, pp. 69-72
In the customer engagement final report Niagara Peninsula Energy's residential and small business customers ranked their top three priorities and the results showed that customers rank quality customer service and enhanced communications as their lowest priority. The top priority for residential and small business customers is to deliver electricity at reasonable distribution rates. In this application, there are three new positions, a communications coordinator, a customer engagement manager, and a key account coordinator.

a) Please explain how Niagara Peninsula Energy justifies three new positions dedicated to providing customers with improved engagement and communications when customers rank that as their lowest priority.

1-Staff-5
External Benchmarking
Ref 1: Exhibit 1 – 1.8.4 External Benchmarking, pp. 163-165
Niagara Peninsula Energy compared its Services Connected on Time benchmark to its peers and it was lower than most of its peers.

a) Please explain causes of the lower Services Connected on Time benchmark and if Niagara Peninsula Energy has plans to improve it.

Niagara Peninsula Energy compared its Total Cost Per Kilometer benchmark to its peers and it was higher than most of its peers.

b) Please explain causes of the higher Total Cost Per Kilometer benchmark and if Niagara Peninsula Energy has plans to improve it.

1-Staff-6
Debt to Equity
Ref 1: Appendix 1-30 2019 Forecast Scorecard Results
OEB staff reproduced the leverage ratio from Appendix 1-30 as below:

	2015	2016	2017	2018	2019
Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.82	1.01	0.97	0.92	0.99

OEB staff notes that based on the deemed debt equity structure of 60/40, the debt to equity ratio is expected to be 1.5 and Niagara Peninsula Energy's debt equity ratio from 2015 to 2019 has been well below the expected ratio of 1.5.

a) Please explain whether Niagara Peninsula Energy has an intention to bring the debt equity ratio to align with 1.5 which is based on the deemed debt equity structure. If so, how.

1-Staff-7
Capitalization
Ref 1: Exhibit 1, page 19
Niagara Peninsula Energy states that from 2015 to 2019, capitalized labour and benefits as a percentage of total labour and benefits has been on average 26.33%, and on average 73.67% of the total labour and benefits has been expensed as OM&A.

a) Please provide a summary of the basis in which Niagara Peninsula Energy capitalizes its labour, including any key assumptions, ranges of estimates, or management judgement applied.
b) Please confirm whether the 2020 and 2021 years have the same labour capitalization ratio applied as the prior 5-year average.
c) Has Niagara Peninsula Energy previously assessed whether its capitalization rates for labour are reasonable and in line with industry norms? If so, please explain.

Exhibit 2 – Rate Base

2-Staff-8
COVID impact on capital
Ref 1: Exhibit 1 – Review of COVID-19 Impacts
Ref 2: Chapter 2 appendices – 2-AA
Niagara Peninsula Energy requested an extension to its 2021 cost of service rate application to allow Niagara Peninsula Energy to gain a better understanding of impacts, if any, the COVID-19 pandemic would have on its 2021 cost of service rate application. Niagara Peninsula Energy also stated that it intends to review and update the capital projects table as part of the interrogatory process.

a) Please provide the planned and actual capital expenditures from March to September 2020.
b) Please provide an updated Chapter 2 appendices – 2-AA and explanations for any changes. For each of these changes please specify if they were COVID-19 related.

2-Staff-9
Classification of Capital Assets
Ref 1: Exhibit 2, page 27; Accounting Procedures Handbook, Article 220
In explaining the capital and building variance of $403k from 2016 to 2017, Niagara Peninsula Energy states that:

> Building expenditures in 2017 include:
> - $173K for a new Wi-Max communications tower in Niagara Falls.
> - The Wi-Max communications tower that was installed at Campden DS in 2016 at a cost of $115K was reclassed from Communication Equipment to Building in 2017, to more accurately reflect the estimated useful life of the tower.

Accounting Procedures Handbook (APH), Article 220 defines USoA 1908 Building and Fixtures and USoA 1955 Communication Equipment as follows:

> **1908 Buildings and Fixtures**
> This account shall include the cost in place of buildings and fixtures used for utility purposes, the cost of which is not properly included in other Buildings and Fixtures accounts.

1955 Communication Equipment
This account shall include the cost installed of telephone and wireless equipment for general use in connection with utility operations.

a) Please confirm whether Niagara Peninsula Energy has reclassified the Wi-Max Communications tower from USoA 1955 to USoA 1908.
b) If so, please explain why Niagara Peninsula Energy reclassified the Wi-Max Communication tower from Communication Equipment to Buildings and Fixtures in 2017?
c) Please confirm that the assets should be classified based on their use and on the associated definitions in the APH.
d) Please explain the impact on the CCA for this reclassification, if any.
e) Please update the relevant evidence/schedules, as applicable.

2-Staff-10
Variances in Building
Ref 1: Exhibit 2 – 2.1.2. Gross Assets (PP&E), pages 29 to 38
Staff has summarized the variances in USoA 1908 Building from 2018 to 2020 as below:

	Variance between 2018 $ and 2017 $	**Variance between 2019 $ and 2018 $**	**Variance between 2020 $ and 2019 $**
USoA 1908 Building	$1,024,864	$2,037,896	$1,768,100

In explaining the 2018 variance of $1,025k, Niagara Peninsula Energy states that "Building expenditures in 2018 include the costs related to the schematic drawings and design of a new garage and truck washing facility, and the purchase of the hoists for the new garage and other mechanical equipment".

In explaining the 2019 variance of $2,038k, Niagara Peninsula Energy states that "Building expenditures in 2019 include the first phase of construction of NPEI's new garage and truck washing facility".

In explaining the 2020 variance of $1,768k, Niagara Peninsula Energy states that "Building expenditures in 2020 include the completion of NPEI's new garage and truck washing facility".

a) Please confirm that the new garage and truck washing facility was completed in 2020 and Niagara Peninsula Energy has started to use the garage and truck washing facility in 2020.
b) If a) is confirmed, please explain why Niagara Peninsula Energy started recording the gross purchase costs related to the new garage and truck washing facility starting in 2018 directly to Account 1908, as opposed to construction work in progress, despite the fact that the assets were not in use until 2020.
c) Please explain how this practice aligns with Niagara Peninsula's capitalization policy.

2-Staff-11
Fixed Assets Continuity Schedules
Ref 1: Appendix 2-BA Fixed Asset Continuity Schedule; Accounting Procedures Handbook, Article 220; Exhibit 3, Table 3.1.2.1

OEB Staff notes that Niagara Peninsula Energy did not fill in the section for "Fully Allocated Depreciation" for transportation and store equipment.

In addition, OEB Staff notes that the annual amortization of the USoA 2440 Deferred Revenue is included in the annual depreciation expense.

Accounting Procedures Handbook, Article 220 states that

> **4245 Government and Other Assistance Directly Credited to Income**
> This account shall include government assistance towards current expenses or revenues. It shall also include government assistance that has been deferred, and is subsequently amortized to income as related expenses are incurred. This account shall include the deferred revenues arising from customer contributions that are amortized to income. Amounts recognized in Account 2440 are to be amortized to income over the useful life of the related property, plant and equipment or intangible asset to which the contribution were made by debiting Account 2440, Deferred Revenue, and crediting this account.

OEB Staff notes from Table 3.1.2.1 of Exhibit 3 that amortization of capital contributions has been included in the other revenues since the Niagara Peninsula Energy's last cost of service application and it has forecasted $1,211,588 of amortization of capital contributions in the 2021 test year and included this amount in 2021 Other Revenues.

a) Please confirm whether transportation and store equipment were fully allocated to other capital assets, If so, please include the depreciation of these assets in

the “Fully Allocated Depreciation” sections of the Appendix 2-BA so that the amounts are not double-counted.

b) Please confirm whether the amortization of capital contributions is netted against depreciation expense in Appendix 2-BA in addition to being included in Other Revenues. If so, please remove these amounts from depreciation expense by filling out the “Deferred Revenues” cells beneath the “Fully Allocated Depreciation” section of all years.
c) Please update Appendix 2-BA, as applicable.

2-Staff-12
Capital Project Summary
Ref 1: Chapter 2 Appendices – 2-AA
Ref 2: Capital Project Summary – RBD Truck (TR#9) Replacement
Ref 3: Capital Project Summary – 7447 Pin Oak Dr. Service Centre Concrete Floor Repair
Ref 4: Capital Project Summary – Grid Modernization Program

Niagara Peninsula Energy provided a project summary for the body completion of an RBD truck with an estimated cost of $270k. In reference 1, the vehicle budget was $546k.

a) Please provide a list of other vehicles being replaced under the vehicle budget.

Niagara Peninsula Energy provided a project summary for Concrete Floor Repair at the Pin Oak Dr. Service Centre with an estimated cost of $400k. In reference 1, the building budget is only $235k.

b) Please reconcile the two budgets or explain the difference.

Niagara Peninsula Energy is requesting a total of $613k for hardware and software investments but did not provide a capital project summary.

c) Please provide a capital project summary for the hardware and software investments.

Niagara Peninsula Energy is requesting a total of $209k for the grid modernization program but did not provide a capital project summary.

d) Please provide a capital project summary for the grid modernization program.

2-Staff-13
Planned Capital
Ref 1: EB-2014-0096 Chapter 2 Appendices – 2-AB
Ref 2: Chapter 2 Appendices – 2-AB Capital Expenditures
In Niagara Peninsula Energy's previous chapter 2 appendices, found in reference 1, it showed a total capital expenditure of $57 million between 2015 to 2019. In reference 2, Niagara Peninsula Energy showed a planned capital expenditure of $67 million between 2015 to 2019.

a) Please explain the variance between the planned capital expenditures found in the previous application and the current application.

2-Staff-14
System Access
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.4.2.1 Comparison of OEB Approved DSP Plan vs. Actual for Historical Period by Category, Page 286 and 294 of 1059
Niagara Peninsula Energy notes, on page 286, the following in respect to the historical variance for System expenditures: "the variance over the OEB Approved plan for System Access expenditures averaged at 219% of Plan over the Historical Period and was driven each year by customer requested connections and expansions along with municipal road relocation work. All of this work is mandatory for NPEI to complete and outside of our control"

a) Given the average historical variance of the system access expenditures was 219%, how certain is it that the forecasted number of access projects, and corresponding systems access expenditures ($8.5M in 2021 and declining to $5.2M in 2025) will be as forecasted?
b) In the historical period, the variance between actuals and OEB-approved System Access expenditures was 219%. In the forecasted period (2021 to 2025), System Access spending is decreasing from 45.32% of the total budget to 37.36%. Please explain how System Access is forecasted and if Niagara Peninsula Energy expects similar variances to what it experienced between 2015 and 2019.
c) Please provide a list of expected new residential or commercial connections and relocation projects that would affect the System Access budget. For each of these projects please provide the forecasted System Access cost.

In the 2020 bridge year, the System Access budget is higher than the 2019 System Access budget because of municipal road relocations and new commercial services. However, the capital contribution amount budgeted for the 2020 bridge year is lower relative to historical years.

d) Please breakdown the capital contributions expected from the municipal road relocations and new commercial services in 2020 and explain the forecasting method.

2-Staff-15
System Access
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, 5.4.2 Capital Expenditure Summary, Page 284 of 1059
Niagara Peninsula Energy notes it has largely been investing in System Access projects in the historical period, and this has resulted in System Renewal projects being deferred: "NPEI has been largely investing in System Access projects during the Historical period. This has been accommodated by a corresponding reduction in System Renewal spending through the deferral of planned System Renewal projects. Over the forecast period, System Access spending experiences a decrease in spending and is estimated to be 37% of total spending, accounting for the expected growth within NPEI's service territory."

a) In the event that there are variances in the forecast period similar to those that occurred between 2015 and 2019, please explain how Niagara Peninsula Energy will adjust its capital program. In particular, if System Access is higher than expected will System Renewal projects be deferred and what impacts will this deferral have on system reliability and system rehabilitation? Alternatively, if System Access projects increase but System Renewal projects are not deferred, where will the required levels of funding to support higher overall capital expenditures come from?

2-Staff-16
System Renewal
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.4.2 Capital Expenditure Summary, Page 284 of 1059
Niagara Peninsula Energy notes "[it] has been largely investing in System Access projects during the Historical period. This has been accommodated by a corresponding reduction in System Renewal spending through the deferral of planned System Renewal projects."

Given that System Renewal projects are a flexible element within Niagara Peninsula Energy's overall capital program, please provide information on how target levels of System Renewal funding are determined. For example:

a) What are the criteria for renewing an asset? What is the process for determining which projects are part of the renewal budget?
b) How does Niagara Peninsula Energy determine which asset renewals can be deferred and what is the process?
c) How critical were the renewal projects that were deferred in the historical period?
d) What is the cumulative backlog value of renewal costs over the last 5 years?
e) How many years will it take to eliminate this backlog of renewal costs?

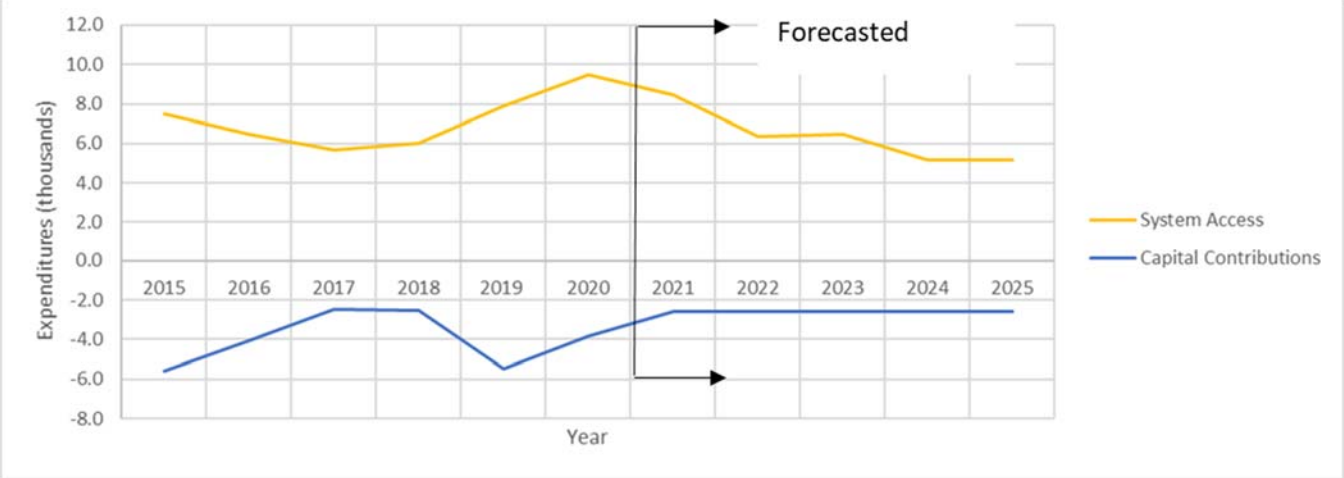
2-Staff-17
Capital Investment Planning
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, 5.2.2.6 Municipality Consultations, Page 179 of 1059,
Ref 2: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.4.2.1 Comparison of OEB Approved DSP Plan vs. Actual for Historical Period by Category, Page 288 of 1059
Ref 3: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.4.3.1.4 Drivers of Investment by Category, Page 299 of 1059
In reference 1, Niagara Peninsula Energy states in section 5.2.2.6 Municipality Consultations: “The projected yearly growth rates within NPEI’s service territory for the forecast period of this DSP are: 1.11% for Lincoln, 1.41% for Niagara Falls, 1.55% for Fonthill (Pelham) and 2.83% for West Lincoln.”

In reference 2, Niagara Peninsula Energy states in section 5.4.2.1 Comparison of OEB Approved DSP Plan vs. Actual for Historical Period by Category on page 288: “NPEI has over the years tried to use a total spend approach so that its spending (and distribution rates) are reasonably level and predictable. In order to attain this, NPEI identifies where its spending is to be focused and then balances its annual spend, recognizing that it has resource constraints, both internal and external. During years where customer demand capital requirements (System Access projects) are higher than normal, NPEI will shift resources, where feasible, to reduce its budgeted System Renewal and System Service projects so that its total level of spending remains about the same as budgeted for the year”

In section 5.4.3.1.4, Table 5-48: Forecast Expenditures by Category

CATEGORY	Forecast Period				
	2021	2022	2023	2024	2025
			$ '000		
System Access	8,466	6,347	6,490	5,196	5,197
System Renewal	6,828	7,986	7,314	8,156	8,348
System Service	1,098	1,099	1,350	1,602	1,600
General Plant	1,551	1,551	1,551	1,551	1,551
TOTAL EXPENDITURE	17,943	16,983	16,706	16,505	16,697
Capital Contributions	(2,583)	(2,585)	(2,587)	(2,589)	(2,587)
Net Capital Expenditures	15,359	14,398	14,119	13,916	14,110
System O&M	7,377	7,524	7,675	7,828	7,985

The graph below shows the correlated historical and forecasted relationship between System Access expenditures and Capital contributions (based on page 296 and 299)



In the historical period (2015-2019), the average Capital Contribution as a percentage of System Access is 58%, whereas in the forecast period (2021 to 2025) the average is 42%.

Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Actual	Actual	Bridge	Test year	Planned	Planned	Planned	Planned
System Access	7.5	6.5	5.7	6.0	7.9	9.5	8.5	6.3	6.5	5.2	5.2
Capital Contributions	-5.6	-4.0	-2.5	-2.5	-5.5	-3.9	-2.6	-2.6	-2.6	-2.6	-2.6
Capital Contributions as a percentage of System Access	75%	62%	43%	42%	69%	41%	31%	41%	40%	50%	50%

a) Please explain if Niagara Peninsula Energy evaluates the relationship between System Access expenditures the growth rates in reference 1. If so, how is this used to forecast System Access expenditures.
b) Please explain why the Capital Contribution as a percentage of System Access in the forecast period is less than the historical period.
c) Please explain why the forecasted capital contribution amount is the same for each of the forecast years when the System Access forecasts vary on a year-over-year basis?
d) Please break down the capital contributions from 2015 to 2021 to each of the four capital investment categories.

2-Staff-18
Asset Condition Assessment
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.3.1.1 Asset Management Objectives, Page 212 of 1059
Niagara Peninsula Energy states under its System Renewal section of Asset Management Objectives that: "System Renewal expenditures are based on the results of the 2019 Asset Condition Assessment report. The ACA report provides health indices for major asset categories which NPEI uses to prioritize asset replacements. In addition to the ACA, NPEI categorizes some of its programs as System Renewal based on identification of assets at end of life. An example of this is the kiosk replacement program where the holistic population of the asset base is at end of life."

a) Aside from System Access and General Plant expenditures which did not utilize the Kinetrics ACA, please identify which expenditures are based on the 2019 ACA report; which are based end-of-life assessment; and which are based on other assessments that Niagara Peninsula Energy undertook to develop its proposed capital investment plan.

2-Staff-19
Asset Condition Assessment
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix F Asset Condition Assessment (ACA) Report, Table 1 Health Index Results Summary, Page 923 of 1059
Ref 2: Chapter 2 Appendices – 2-AA Capital Projects
Niagara Peninsula Energy states on Page 920 of 1059 of Exhibit 2, in Kinetrics ACA Report: "It is important to note that while an asset may have a high Data Availability Indicator (DAI), having large data gaps will still result in a less reliable Health Index."

Niagara Peninsula Energy provided the following Health Index Results Summary table in reference 1.

Asset Category		Population	Sample Size	Average Health Index	Health Index Distribution					Average Age	Average DAI	Age Availability
					Very Poor (< 25%)	Poor (25 - <50%)	Fair (50 - <70%)	Good (70 - <85%)	Very Good (>= 85%)			
Power Transformers		20	20	77%	1	0	3	8	8	27	61%	100%
Pad-Mount Transformers - Large		74	74	95%	0	0	3	6	65	15	43%	100%
Pad-Mount Transformers - Small		3391	3369	96%	0	14	57	68	3230	17	57%	99%
Pole-Mount Transformers		6077	6051	74%	677	574	831	866	3103	25	96%	87%
Poles - NPEI Owned	Wood	23830	23733	81%	1042	1944	1807	3523	15417	33	88%	98%
	Concrete	621	618	91%	2	13	4	85	514	29	88%	98%
	Steel	371	370	95%	0	0	0	1	369	20	92%	100%
Poles - Non NPEI Owned	Wood	7053	6841	91%	98	148	80	557	5958	13	85%	25%
	Concrete	5719	5690	95%	2	10	24	143	5511	8	79%	35%
	Steel	680	646	96%	0	0	0	13	633	7	63%	52%
Pad-Mount Switchgear		170	61	92%	0	1	1	3	56		35%	0%
Underground Cables *		570.9	433.5	95%	3.8	10.8	9.3	18.5	391.0	13	0%	76%
Overhead Lines *		1451.7	558.0	100%	0.0	0.0	0.0	0.1	557.9	3	0%	38%

* by length (km)

In reference 2, Niagara Peninsula Energy is requesting a switchgear replacement budget of $389,960 and a pad-mounted transformer replacement budget of $277,762 for 2021.

d) Based on the Health Index, no power transformers, large or small pad-mounted transformers and pad-mounted switchgear are in “very poor” condition. Although in 2021, switchgear replacement expenses are $380k and pad-mounted transformers replacements are $277k. Please explain why the switchgear and pad-mounted transformers can not be deferred to future years when the condition assessment shows that they are not "very poor".
e) Please indicate what steps are being taken to address the low DAI values indicated above for Pad-Mounted Switchgear, Pad-Mounted Transformers Large and Small and Power Transformers.
f) Please explain if the Health Index ratings for Power Transformers, Pad-Mount Transformers – Large & Small, Steel Poles not owned by Niagara Peninsula Energy, and Pad-Mount Switchgear, and the corresponding Condition-Based Flagged for Action Plan have sufficient DAI values to support the proposed capital investment.
g) Considering power transformers and small pad-mount transformers have DAI of 61% and 57% respectively, please explain if their condition assessments are accurate enough for forecasting the proposed renewal expenditures.

2-Staff-20
Asset Condition Assessment
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix F Asset Condition Assessment (ACA) Report, Table 2 Year 1 Condition Based Flagged for Action, Page 925 of 1059
Ref 2: EB-2014-0096, Exhibit 2, Distribution System Plan, Appendix E 2014 Asset Condition Assessment (ACA), Table V-2 Year 1 Condition Based Flagged for Action, Page 16

In reference 1, Niagara Peninsula Energy provided the follow flag for action plan in its 2018 ACA report.

Asset Category		1st Year		10 Year Replacement		Replacement Strategy
		Quantity	Percentage	Quantity	Percentage	
Power Transformers		1	5.0%	4	20.0%	Proactive
Pad-Mount Transformers - Large		0	0.0%	0	0.0%	Proactive
Pad-Mount Transformers - Small		13	0.4%	168	5.0%	Proactive
Pole-Mount Transformers		377	6.2%	2627	43.4%	Proactive
Poles - NPEI Owned	Wood	968	4.1%	6465	27.2%	Proactive
	Concrete	6	1.0%	35	5.6%	Reactive
	Steel	0	0.0%	0	0.0%	Reactive
Poles - Non NPEI Owned	Wood	86	1.2%	612	8.7%	Reactive
	Concrete	10	0.2%	70	1.2%	Reactive
	Steel	0	0.0%	0	0.0%	Proactive/Reactive
Pad-Mount Switchgear		3.0	1.8%	30.0	17.6%	Proactive/Reactive
Underground Cables *		15.0	2.6%	93.0	16.3%	Reactive
Overhead Lines *		0.0	0.0%	1.2	0.1%	Reactive

* by length (km)

In reference 2, Niagara Peninsula Energy provided the follow flag for action plan in its 2014 ACA report.

Table V-2 Year 1 Condition Based Flagged for Action

Asset Category		Flagged for Action Plan for Year 1		Action Strategy
		Number of Units	Percentage of Population	
Power Transformers		0	0.0%	proactive
Large Pad-mounted Transformers		0	0.0%	proactive/reactive
Pole-top Transformers		79	1.2%	reactive
Wood Poles		216	0.9%	proactive/reactive
Standard Pad-mounted Transformers		1	0.0%	proactive/reactive
Pad-mounted Switchgear		0	0.0%	proactive
Underground Cables (data in conductor-km)	Main Feeder	0	0.0%	proactive
	Distribution	5	1.2%	proactive

a) Please explain the increase between the 2014 and 2018 ACA Report for flagged assets in first year. Specifically, the increase of 0.9% to 4.1% for wood poles, 1.2% to 6.2% for pole mount transformers and 0% to 1.8% for pad-mounted switchgear.

2-Staff-21
Asset Condition Assessment
Ref 1: Distribution System Plan, Appendix F Asset Condition Assessment (ACA) Report, Conclusions and Recommendations, Page 30

Niagara Peninsula Energy states as conclusion #10: “The population of pad-mounted switchgear increased more than double from 2014 to 2018, while the available data had little change, making the sample size drop substantially. The pad-mounted switchgear inventory needs to be verified by NPEI.”

a) Please explain why Kinectrics states that the inventory needs to be verified and the specific improvements in data required. Please also identify what the impact of not having the data verified is on the Condition Based Flagged for Action Plan.
b) Based on the statement above, is there a concern that switchgear inventory data is not accurate? If so, what is the nature of the concern and what are the implications of inaccurate inventory data?

2-Staff-22
Asset Condition Assessment
Ref 1: Distribution System Plan, Appendix F Asset Condition Assessment (ACA) Report, 1.5.2 Data Availability Distribution, Report Page 44
Niagara Peninsula Energy states under Power Transformer Data Availability Distribution: “Nearly all units had age, loading, oil quality, and DGA tests, and some inspection records Available”

a) Please elaborate on which units had information and what information was available. If possible, provide the unit name, the category of data and whether the data was available for that unit.

2-Staff-23
Performance Measures
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, 5.2.3.2 Cost Efficiency and Performance, 5.2.3.2.1.2 Historical Performance, Page 201 of 1059
Niagara Peninsula Energy states in 5.2.3.2 Cost Efficiency and Performance: “Going forward, NPEI intends to continue implementing productivity and efficiency improvements to help offset some costs while maintaining the reliability and quality of its distribution system.”

a) Please provide examples and costs of past productivity and efficiency improvement activities and corresponding savings Niagara Peninsula Energy has achieved between 2015 – 2020

b) Similarly, please provide examples and costs of future productivity and efficiency improvement initiatives, with corresponding forecasted savings that Niagara Peninsula Energy expects to achieve between 2021 and 2025.
c) Please provide examples of specific costs that can be offset via the mentioned productivity and efficiency improvement initiatives?

2-Staff-24
Niagara Peninsula Energy Capital Program Historical and Forecast Analysis
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix 2-AA Capital Projects Table, Page 286 of 1059
Niagara Peninsula Energy provided a list of projects for 2021 for each of the four capital investment categories.

a) Please provide a detailed capital expenditure project listing for years 2022 to 2025. If detailed investments are not available please explain how Niagara Peninsula Energy Estimated the capital expenditure budget for 2022 to 2025.

2-Staff-25
Kalar TS Switchgear
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix 2-AA Capital Projects Table Reference #21, Page 286 of 1059
Ref 2: Capital Project Summary Page 311 of 1059, Kalar TS Switchgear
The Kalar TS Switchgear has a forecasted estimated Cost of $1.699 Million with a start date Jan 1, 2021 and In-service Date Dec 31, 2021.

Niagara Peninsula Energy states on Page 312 of 1059:

> "There is risk to schedule with ordering the switchgear. The order is custom and there is a long lead time. To mitigate this NPEI is currently issuing an RFP for the supply of the gear. Expected delivery is Q1 of 2021.
>
> Another risk is the availability of labour for the installation. An RFP for installation will be issued once the contract is awarded for material supply. The RFP for installation will be issued approximately May2020."

a) Given that Niagara Peninsula Energy has identified risk to the schedule from ordering the switchgear, please explain the project contingency, if any, that Niagara Peninsula Energy has incorporated to mitigate this risk.
b) Niagara Peninsula Energy has stated above that it will issue an RFP for the supply of the switchgear and that Niagara Peninsula Energy is planning to issue an RFP for the labour and installation in May 2020. Given the majority of costs

for this project are still to be tendered, please explain the confidence level Niagara Peninsula Energy has with its proposed project budget of $1.699 million.

c) Please explain the plans Niagara Peninsula Energy has in place to mitigate potential delays in the project sourcing of materials as well as variations in the labour and installation costs that may arise from the final procurement processes.
d) Please provide an update on the status of this project.

Niagara Peninsula Energy also stated that Kalar TS has 44MVA of connected peak load and a capacity of 45MVA.

e) Please confirm if the 45 MVA capacity is the transformer nameplate capacity or the transformer's 10-day Limited Time Rating. If 45MVA is nameplate capacity, please provide the transformer's 10-day Limited Time Rating.
f) Please provide a one-year load profile for the load on Kalar TS or confirm how many consecutive days Kalar TS would see a peak load of 45MVA.
g) Please provide Niagara Peninsula Energy's philosophy for loading transformers (i.e. a transformer can be loaded up to its 10-day Limited Time Rating).

2-Staff-26
Kalar Switchgear Installation
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Reference Page 334 of 1059, Factors Affecting Timing/Priority, Kalar Switchgear Installation

Niagara Peninsula Energy stated the following factors affecting timing/priority:

> "Kalar Switchgear Installation
> The two new feeders will be supplied from Kalar substation. Currently Kalar has one lineup of switchgear which is fully occupied, but was designed to accommodate another line up. A separate project is to install this line up of switchgear. Without this line up of switchgear, there is no capacity to supply the South Niagara Hospital. Any delays experienced with the Kalar Switchgear installation would impact this project.
>
> Coordination with 3rd parties
> NPEI coordinates the design and construction with gas, water and communication companies. The routing of the new pole line has not been finalized, and the final routing will be impacted largely by third parties. NPEI may have to use a Hydro One corridor or obtain easements on private property. These options will be explored during the design phase to choose the most cost-effective and efficient routing.

Availability of Labour and Materials

NPEI utilizes both internal resources and contractors to construct electrical infrastructure for new customers. For large projects, material acquisition can consume a significant portion of the schedule."

a) Niagara Peninsula Energy has stated above that there is a dependency between the South Niagara Feeder and the Kalar Switchgear installation. Has Niagara Peninsula Energy explored design and construction efficiencies between the two projects? If not, will Niagara Peninsula Energy be exploring potential efficiencies between these two projects?

b) Niagara Peninsula Energy has stated that availability of labour and materials is a factor which can affect the project timing. Niagara Peninsula Energy did not state that labour and materials is a risk in regard to the cost for this project.
   i. Does Niagara Peninsula Energy see the availability of labour and materials as a risk to the proposed budget for this project?
   ii. Will Niagara Peninsula Energy issue an RFP for the labour and materials required for this project?

2-Staff-27
South Niagara Feeders Ph 1
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix 2-AA Capital Projects Table Reference # left blank, Page 286 of 1059
Ref 2: Capital Project Summary Page 330 of 1059, South Niagara Feeders Ph 1
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Reference Page 333 of 1059, Project Alternatives, Feeders from Murray TS
The South Niagara Feeders Phase 1 has a forecasted estimated Cost of $1.603 Million and is to support the customer attachment of a 15 MVA hospital.

Niagara Peninsula Energy states on Page 331 of 1059:

"The schedule risk for this program lies with the developer and the availability of NPEI's internal resources to design and service the development. The workload is driven by customer demand, which is not steady throughout the year. Another risk to schedule is long lead items such as large transformers and switchgear. This project is contingent on new switchgear being installed at Kalar Substation.

Obtaining easements on private property, hydro one right of way, crossing the Welland River are a few issues to be resolved that may impact schedule.

To mitigate risks, NPEI works closely with developers and third parties to ensure a timely service connection. This involves reviewing notices for zoning by-law amendments and reaching out to potential developers. At this time the process is communicated with the developer and time lines are established."

a) Given that Niagara Peninsula Energy has identified potential schedule risks from the developer, availability of Niagara Peninsula Energy's internal resources, and the lead time for equipment and obtaining easements, please explain the project contingency, if any, that Niagara Peninsula Energy has incorporated to mitigate these risks.
b) Please provide an update on the status of this project.

Additionally, Niagara Peninsula Energy states on Page 332 of 1059: "In 2018, a similar project was completed in the Lincoln area of Victoria Avenue north of Eighth Avenue. This project was a rebuild and installation of additional circuit along 2km of the system. The total cost was $807,268.73 (approx. $403,634.37 per km)."

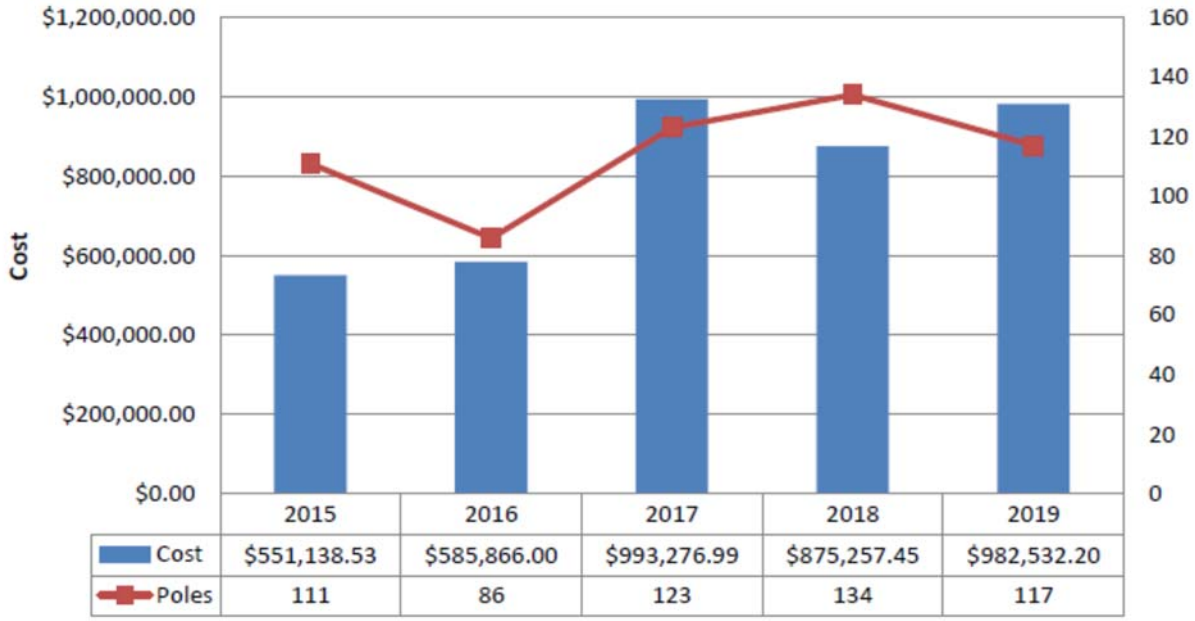
c) Please provide the number of kilometers of the South Niagara Feeders Ph 1 project and provide an explanation if the per kilometer cost is higher than the similar project provided.

Niagara Peninsula Energy stated that "Supplying the new hospital from Murray TS was considered, but the station does not have sufficient capacity on any existing feeder. Obtaining a spare feeder from Hydro One was considered, but difficult to coordinate as Hydro One is currently redesigning Murray. This option is also cost prohibitive as the budget cost provided by Hydro One for a new feeder is approximately 1 million. There was also difficulties crossing the QEW due to MTO bridge work."

d) Please explain how Niagara Peninsula Energy determined that the project was cost prohibitive if Hydro One is redesigning its Murray TS?
e) Please explain why Niagara Peninsula Energy chose a $1.6 million project option when the alternative to acquire a supply from Hydro One is $1 million.

2-Staff-28
Pole Replacement Program
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Projects Table Reference #53 Pole Replacement Program, Page 393 of 1059

Niagara Peninsula Energy stated that "The table below summarizes the pole replacement program from 2015 to 2019. Over this period, the average cost to replace a pole was $6,841."



The following table shows the average cost per year to replace poles between 2015 and 2019:

Year	2015	2016	2017	2018	2019
Average Cost/Year	$4,965	$6,812	$8,075	$6,532	$8,397
% per year		27%	16%	-24%	22%

a) Please explain the variation in average cost per year for the pole replacement program?
b) Please confirm the average replacement cost per pole used for the forecasted period.

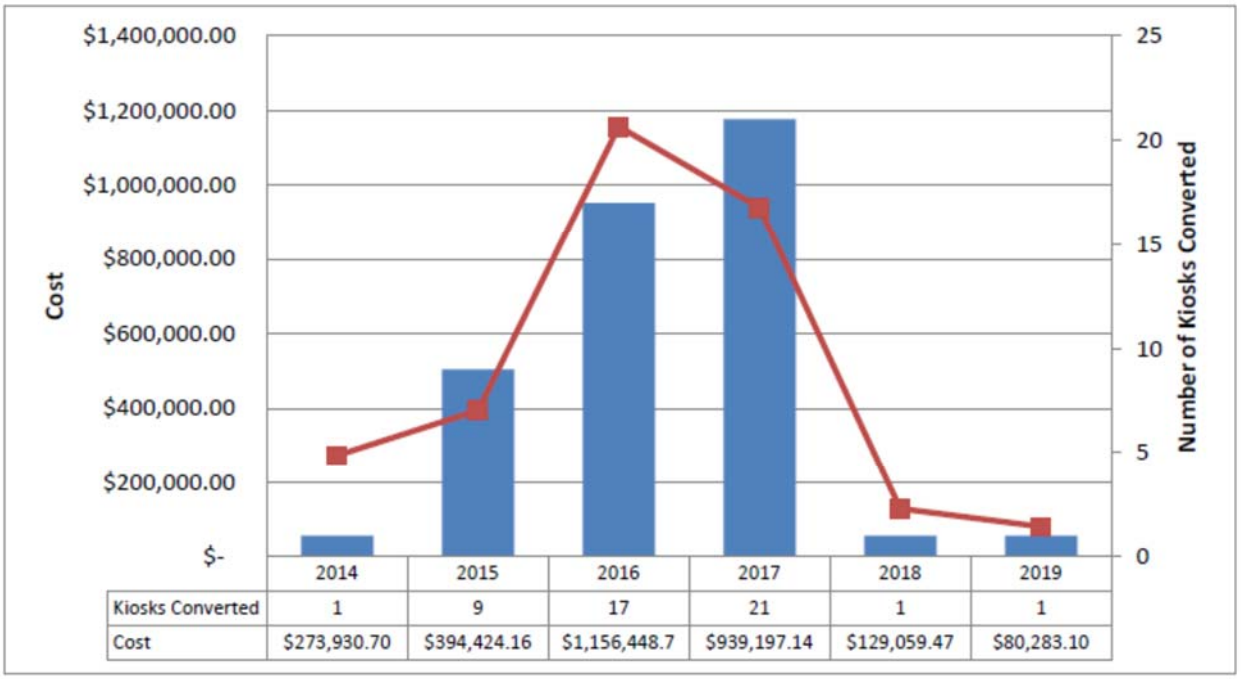
2-Staff-29
Kiosk Replacement Program with Pad Mounted Transformers
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix 2-AA Capital Projects Table Reference #54 Kiosk Replacement Program with Pad Mounted Transformers, Page 364 of 1059

Niagara Peninsula Energy stated that “This Capital Program is an integral part of the remediation of underground distribution systems, increasing longevity and reliability within the area serviced. As these legacy components are replaced, safety, reliability

and service quality are significantly improved. For 2021 the plan is to replace approximately 11 units."

Niagara Peninsula Energy further stated that "The cost can vary from kiosk to kiosk as each project is unique. In some cases, the rebuild may only involve the installation of new pad mounted distribution in place of the existing kiosk. While, in other cases a new location for the new equipment may be required to improve accessibility.

Below is a breakdown of historical Kiosk Replacements over the past 6 years:



	2014	2015	2016	2017	2018	2019
Kiosks Converted	1	9	17	21	1	1
Cost	$273,930.70	$394,424.16	$1,156,448.7	$939,197.14	$129,059.47	$80,283.10

This equates to an average cost of $55,061.91 per Kiosk."

a) Please confirm the number transformers that will be replaced in these kiosks and are they considered pad mounted transformers.
b) Please show the calculation that Niagara Peninsula Energy used to derive its average cost of $55,061.91 per kiosk?
c) What is the range of costs per kiosk that Niagara Peninsula Energy has experienced in the past?
d) Niagara Peninsula Energy has stated that the cost can vary from kiosk to kiosk as each project is unique. Can you please explain how the capital expenditure request for the 11 kiosks are estimated?

2-Staff-30
Road Relocation
Ref 1: Exhibit 2, Table 5-38: Chapter 2 Appendix 2-AA- System Access, page 286 of 1059
Planned expenditures for road relocation in 2021 is $540,923, which is 10x higher than in 2020 and higher than the average across the historic period.

a) Please explain why road relocation is substantially higher than in previous years
b) Please provide all known relocation projects that fall into the PSWHA and Non-PSWHA capital program for 2021 to 2025 and the estimated project cost.

2-Staff-31
System Reliability
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, 5.2.3.1.3.2 Historical Performance, page 196 of 1059
Niagara Peninsula Energy mentioned on page 196 that "during the past 5 historical years, NPEI has identified 7 such weather-related events which have either impacted 10% of customers or caused an equivalent number of customer hours of interruption."

Niagara Peninsula Energy also mentioned on page 196 that "that there were five significant weather events over the years 2017 through 2019."

Table 5-7, on page 196, list the significant weather-related events in the historical period.

Date	Description	# of Customer Interuptions	# of Customer Hour Interruptions	Average # of Customers	Contribution to Annual SAIDI	Contribution to Annual SAIFI
March 2-3, 2015	Freezing Rain	3,987	9,842	53,002	0.19	0.08
June 20, 2016	Lightning	5,415	9,416	53,671	0.18	0.10
March 8, 2017	Wind Storm	8,255	7,426	55,013	0.13	0.15
April 4, 2018	Wind Storm	11,052	11,769	55,811	0.21	0.20
May 4, 2018	Wind Storm	9,767	11,733	55,811	0.21	0.18
Feb 24-25, 2019	Wind Storm	10,454	4,108	56,025	0.07	0.19
Dec 1-2, 2019	Freezing Rain	12,885	33,199	56,025	0.59	0.23

a) Please provide information on the costs to deal with the weather events listed in Table 5-7.
b) Based on historical weather events costs, is there any budget contingency in the forecast for adverse weather impacts?
c) Are there any budgetary plans to accommodate the number of weather events continuing to increase due to climate change?

2-Staff-32
System Reliability
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.2.3.1.3.2 Historical Performance, Reliability Performance Metrics, Page 187 to Page 189 of 1059
Ref 2: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.2.1.3 Cost Savings Expected Over Forecast Period, Page 173 of 1059
Figures 5-4, 5-5, 5-8 & 5-9 and Table 5-6 show Niagara Peninsula Energy's SAIDI and SAIFI historical performance over the period of 2015 – 2019. During this period Niagara Peninsula Energy's SAIDI performance has not improved and the SAIFI performance has worsened.

Niagara Peninsula Energy has stated on page 173 of 1059 of Exhibit 2, that the capital programs are "generally expected to result in improvement in reliability and operational efficiency, and distribution system losses reduction. Continuing to improve system reliability while maintaining asset integrity has been a key focus of NPEI's historical capital expenditures."

a) Table 5-6 shows that SAIDI and SAIFI metrics are similar or slightly worse when comparing 2015 and 2019 values. Please explain how the historical capital expenditures have improved system reliability and how the proposed capital programs will impact future system reliability.

2-Staff-33
System Reliability
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.2.3.1.3.2 Historical Performance, Reliability Performance Metrics, Page 193 of 1059
Table 5-8: Historical System Reliability Indicators (Excluding Significant Weather Related Events) shows a significant improvement in Niagara Peninsula Energy's SAIDI and SAIFI historical performance when significant weather-related events are excluded.

a) Please explain the need for higher system renewal investments if reliability is improving when weather-related events are excluded.

2-Staff-34
System Reliability
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Section 5.2.3.1.3.2 Historical Performance, Reliability Performance Metrics, Page 195 of 1059
Table 5- 9: Outages by Cause Code shows that Defective Equipment accounts for 31.3% of the customer outages over the 2015 to 2019 period.

a) Defective Equipment is the most significant contributor to Niagara Peninsula Energy outages. Please explain how Niagara Peninsula Energy defines Defective Equipment and if Kinectrics used the Defective Equipment information in its Asset Condition Assessment? If not, why not?
b) Please provide any details Niagara Peninsula Energy has regarding the type of Defective Equipment over the 2015 – 2019 period.
c) Can you explain how Niagara Peninsula Energy's proposed capital program plans to deal with Defective Equipment over the 2021 – 2025 period?

2-Staff-35
Capital Investment Planning
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Page 154 of 1059
Niagara Peninsula Energy states in its Distribution System Plan Executive Summary: "An integral part of achieving the asset management objectives are inspection, maintenance and replacement programs, to ensure system performance is sustained during the entire asset service life."

a) How did management balance the trade-offs between costs for the capital investment plan and costs for the operation and maintenance plan?

2-Staff-36
Performance Measures
Ref 1: Exhibit 2, Appendix 2-8, Distribution System Plan, Appendix I: NPEI's OEB Scorecard Section 5.3 Health Index Results, Page 1057 of 1059
Niagara Peninsula Energy Scorecard includes data from 2014 until 2018.

a) Please update the Scorecard to include 2019 values for all metrics.

2-Staff-37
Land and Building
Ref 1: Exhibit 2 – 2.1.2. Gross Assets (PP&E), p. 34, p. 38
Niagara Peninsula Energy showed variance analysis between 2018 and 2019 for Land and Building was due to the first phase of construction of Niagara Peninsula Energy's new garage and truck washing facility. However, the new garage and truck washing facility was not completed until 2020.

a) Please confirm what parts of the new garage and truck washing facility was used and useful for it to be put into rate base in 2019.

2-Staff-38
Garage Facility
Ref 1: Exhibit 2 – Summary by Investment Category, p. 93-94
Niagara Peninsula Energy constructed a new garage facility as the existing garage facility was constructed 35 years ago and can not accommodate the current number of fleet equipment in addition to the physical size of each vehicle. The new garage facility will have twice the existing capacity and have greater hoisting capabilities.

a) Please provide the business case to justify the construction of the new garage facility.
b) Is the new garage facility constructed over the existing garage? If not, what will Niagara Peninsula Energy do with the existing garage?
c) Please describe Niagara Peninsula Energy's request for proposal process for the design and construction of the new garage facility.

2-Staff-39
Equipment – Vehicles
Ref 1: Exhibit 2 - Gross Asset Variance Analysis, p. 39
Ref 2: Distribution System Plan – 5.4.3.1.4 Drivers of Investment by Category, p. 301
Niagara Peninsula Energy stated that it purchased the chassis for a bucket truck in 2020 and the body in 2021. Niagara Peninsula Energy further confirmed that derrick trucks are replaced over two years.

a) Please confirm if the bucket truck is still used and useful over the two-year period even though the chassis and body are replaced separately.

2-Staff-40
2021 Canada Summer Games
Ref 1: Exhibit 2 - Gross Asset Variance Analysis, p. 38
Ref 2: Canada Summer Games Website
(https://niagara2021.ca/media/release/niagara-2021-canada-summer-games-postponed-due-to-the-ongoing-covid-19-pandemic/)
In reference 1, Niagara Peninsula Energy stated that a main driver of increase in system access for 2020 is due to the Canada Summer Games for 2021. In reference 2 it shows that the Canada Summer Games have been postponed to 2022.

a) Please explain if the deferred Canada Summer Games affects the 2020 or 2021 system access budget.

b) If so, please explain the changes and update the capital budget. If not, please explain why not.

2-Staff-41
Service and Meter Variance
Ref 1: Exhibit 2 - Gross Asset Variance – Table 2.1.2.8 2020 bridge vs. 2019 actual
Ref 2: Exhibit 2 - Gross Asset Variance – Table 2.1.2.9 2021 test vs. 2020 bridge
In reference 1 and 2 Niagara Peninsula Energy showed a variance of $2 million for Services and Meters but did not provide a variance analysis.

a) Please provide a variance analysis for Services and Meters in reference 1 and 2.

2-Staff-42
Non-NPEI poles
Ref 1: Exhibit 2 – Appendix F – Asset Condition Assessment
In reference 1, it shows that there are non-Niagara Peninsula Energy owned poles that are planned for replacement.

a) Please explain why Niagara Peninsula Energy's asset condition assessment has poles not owned by them.
b) Please explain who pays for the replacement of these non-Niagara Peninsula Energy owned poles. If it is Niagara Peninsula Energy, please justify why these capital costs should be included in rate base.
c) Please confirm if there are non-Niagara Peninsula Energy owned poles in rate base. If so, please confirm if these assets are offset by capital contributions.

2-Staff-43
Cost of Power
Ref 1: Chapter 2 Appendices – 2-Z Commodity Expense
Ref 2: Regulated Price Plan – November 1, 2020 to October 31, 2021, October 13, 2020
On October 13, 2020 the OEB issues the Regulated Price Plan Report for November 1, 2020 to October 31, 2021.

a) Please update reference 1 with the new prices.

The Ontario Energy Rebate (OER) has changed from 31.8% to 33.2% starting November 1, 2020.

b) Please update the OER in reference 1.

Exhibit 3 – Operating Revenue

3-Staff-44
Load Forecast
Ref: Exhibit 1, pages 11-12
Niagara Peninsula Energy indicates that it has experienced a slight decrease in residential customer counts. It indicates that the only significant reduction in consumption or demand is to GS > 50 demand. Based on this, Niagara Peninsula Energy believes its 2021 load forecast, which does not reflect impacts of COVID-19, remains appropriate for 2021.

a) Please confirm that this is still Niagara Peninsula Energy's view, or explain.
b) For each rate class, please provide monthly energy and customer connection counts for all months available in 2020. Where applicable, please provide billing demand as well.

3-Staff-45
Load Forecast
Ref: Exhibit 1, pages 11-12
Niagara Peninsula Energy has used five year and four year average growth rates for Sentinel and General Service > 50 kW. All other rate classes were forecasted on the basis of a geometric growth rate from 2004-2019.

a) Has a shorter average been considered for Residential?
b) Please provide a scenario where Residential is forecasted on the basis of a five-year geometric mean growth rate.
c) Please indicate whether the more recent five year average, or the proposed 2004-2019 average would be more appropriate, and explain why.
d) Please provide actual customers / connections for all months available in 2020.

3-Staff-46
Load Forecast
Ref: Exhibit 3, page 11
Ref: Weather Normalization Regression Model, sheet: Power Purchase Model
Niagara Peninsula Energy predicted kWh Purchases model includes a CDM Activity coefficient of -4.2%, implying that every kWh of verified CDM savings results in an energy consumption reduction 4.2 kWh. The Population coefficient is 967.96 implying that each additional person in Niagara Region results in an additional 967.96 kWh per month. The population ranges from 127,069 to 148,257 resulting in 123 GWh to 144

GWh of monthly load attributable to population. Actual monthly consumption varied between 84 GWh and 136GWh. Both variables exhibit an increasing trend over time.

a) Has Niagara Peninsula Energy examined the variables CDM Activity and Population variables for multicollinearity? If so, please provide the results. If not, why not?
b) As a scenario, please provide a load forecast where CDM Activity is not used an explanatory variable. Instead, uplift it for losses, and remove it from purchases. Please provide a complete model including regression outputs as well as the resulting forecasted energy and demand.
c) For all months available in 2020, please provide total system purchases.
d) For all months available in 2020, please provide purchases predicted by the proposed model. In doing so, please update all explanatory variables to actual values where possible. Please indicate which explanatory variables do not yet have an actual value available, and continue to use the forecast values for these variables.

Exhibit 4 – Operating Costs

4-Staff-47
COVID impact on OM&A
Ref 1: Exhibit 1 – Review of COVID-19 Impacts
Ref 2: Chapter 2 appendices – 2-JC
Niagara Peninsula Energy requested an extension to its 2021 cost of service rate application to allow Niagara Peninsula Energy to gain a better understanding of impacts, if any, the COVID-19 pandemic would have on its 2021 cost of service rate application.

a) Please provide the planned and actual OM&A from March to September 2020.
b) Please update Chapter 2 appendices – 2-JC, if required, and provide explanations for any changes. For each of these changes please specify if they were COVID-19 related.
c) For each new position planned for 2021, please provide an update on the status of the new position.

4-Staff-48
PILs Expense
Ref 1: PILs Workform, Tab T8
Ref 2: DVA Workform, Tab 2b
Ref 3: the OEB's Letter "Accounting Direction Regarding Bill C-97", July 25, 2019
Ref 4: Exhibit 9, p. 29
Niagara Peninsula Energy has applied an accelerated capital cost allowance (CCA) in the PILs model as a result of the new Accelerated Investment Incentive Program (AIIP). In the OEB's July 25, 2019 letter Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, it states that:

> The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this.

a) Please confirm that all of Niagara Peninsula Energy's capital additions in the 2021 test year are forecasted to be eligible for the AIIP.
b) Please discuss whether Niagara Peninsula Energy has considered smoothing of
c) accelerated CCA for all its capital additions and what its conclusion is.
d) Please provide a calculation showing how Niagara Peninsula Energy would smooth CCA over the IRM period, and what the impact to PILs would be under a smoothed and unsmoothed scenario.
e) Assuming the current proposed capital additions are approved in this rate application, please provide the balance in Account 1592 sub-account CCA changes as at end of the IRM term, i.e. 2025, for the full revenue impacts of the phasing out of the AIIP.

4-Staff-49
Cost Driver - Other
Ref 1: Exhibit 4 – 4.2.3. Summary of Cost Drivers
Ref 2: Chapter 2 Appendices – 2-JB Cost Drivers
In the cost driver table in reference 2, there is an Other cost driver component that is responsible for $214,243 but Niagara Peninsula Energy has not provided a summary of this cost driver.

a) Please explain what costs are included in this cost driver.

4-Staff-50
Engineering and Control Room
Ref 1: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 58
Niagara Peninsula Energy stated that they hired an additional Distribution Engineer as a result of increased workload from subdivision projects.

a) Please provide the number of subdivision units added to Niagara Peninsula Energy's distribution system between 2015 to 2021.
b) Please provide the known subdivision developments between 2022 to 2025 and the number of units.

4-Staff-51
Distribution and Transformer Station
Ref 1: Exhibit 4 – 4.2.3 Summary of Cost Drivers, p. 32
Ref 2: Exhibit 4 – 4.3.1.3 Program Descriptions, p. 43
Niagara Peninsula Energy stated that in 2021 it will conduct a case study to justify an additional transformer station in the Town of Lincoln. Niagara Peninsula Energy also anticipates another study to justify an additional transformer station in South Niagara. Niagara Peninsula Energy has included $100,000 in the test year and each year thereafter for these studies.

Niagara Peninsula Energy also hired a new distribution engineer in 2019 in the Engineering and Control Room budget.

a) Please explain why the new distribution engineer cannot assist in these studies.

4-Staff-52
Underground Operations and Maintenance
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
The 2016 actual budget for Underground Operations and Maintenance was 17.8% higher than 2015 actuals and 20.1% higher than 2015 OEB-approved and has stayed at this level to 2021.

a) Please explain the increase in the Underground Operations and Maintenance for 2016.

4-Staff-53
Underground Locates
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
The 2015 actual budget for Underground Locates was 23.2% higher than 2015 OEB-approved and has stayed at this level to 2021.

a) Please explain the increase in the Underground Locates for 2015.

4-Staff-54
Fleet and Supply Chain Management
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 2 – Gross Assets Variance Analysis, p. 30
The 2021 Fleet and Supply Chain Management budget has decreased by 42% as compared to the 2015 OEB-approved amount with most of the decrease in 2020 and 2021. Reference two also stated that a new garage and truck washing facility was completed in 2020.

a) Please explain if the new garage and truck washing facility had an impact on the 2021 Fleet and Supply Chain Management budget. If not, please explain the lower level of budget for 2021.

4-Staff-55
Meter Reading
Ref 1: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 59
Ref 2: Chapter 2 appendices – 2-JC OM&A Programs
In Niagara Peninsula Energy's last cost of service the OEB approved a Deferral and Variance Account related to the incremental meter reading expenses as a result of converting conventional meters to MIST meters. Any MIST meter reading expenses above or below $43,760 was recorded to the Deferral and Variance Account for MIST meter reading and will be subject to the OEB's prudence review. In December 2019, the MIST meter reading variance above the monthly amount of $43,760 was $121,501.

a) Provide an explanation to the meter reading variance being 1.7 times greater than originally estimated.
b) Please provide a cost breakdown of the meter reading expense for MIST meters as compared to conventional meters.

4-Staff-56
Meter Reading
Ref 1: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 59
Niagara Peninsula Energy had approximately 2,000 smart meter readings that were previously collected at a Grimsby Power tower. In 2018, the tower was damaged in a storm and Grimsby Power could not construct a tower at the same location. During the investigation of the damage it was determined that the base station fees at the tower were paid by Grimsby Power. As a result, Niagara Peninsula Energy had to purchase two towers and start paying for the base station fees. Since January 2019, Niagara Peninsula Energy bears the expenses ($6,555USD per month) of two base station towers used to collect meter data.

a) Please confirm if Grimsby Power uses the new towers that Niagara Peninsula Energy purchased. If so, please explain how Niagara Peninsula Energy is compensated.
b) Did Niagara Peninsula Energy investigate sharing other towers with Grimsby Power? If not, why not?
c) Please confirm if the $6,555 is the expense per tower or both towers.

4-Staff-57
Information Technology – Cyber Security
Ref 1: Exhibit 4 – 4.2.3 Summary of Costs Drivers, p. 28
Ref 2: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 62
Ref 3: Letter of the OEB – Cyber Security Readiness Report & Amendments to Electricity Reporting and Record Keeping Requirements, November 29, 2018
Niagara Peninsula Energy stated that it has included $341,000 in incremental costs to bolster Niagara Peninsula Energy's cyber security. This incremental cost includes two IT specialists for cyber security and cyber security software. In reference 3, the OEB expects that distributors incorporate cyber security investments into their distribution system plans and that these responsibilities should be addressed in the same manner as any other operational risk.

a) As the cyber security responsibilities should be addressed in the same manner as other operational risks so should costs. How has Niagara Peninsula Energy tried to manage its Cyber Security costs within its historical OM&A budget.
b) Please provide justification that two IT specialists are required to meet Niagara Peninsula Energy's cyber security needs.
c) Has Niagara Peninsula Energy compared the costs of in-house cyber security to a third-party provider? If so, please provide the comparison. If not, why not?

4-Staff-58
Information Technology – Hyper-Convergence technology
Ref 1: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 62
Niagara Peninsula Energy stated that it has included $197,705 for the conversion of physical servers to a hyper-convergence model of technology and for automation improvements. Niagara Peninsula Energy stated the Hyperconverged infrastructure shares storage to all compute and virtual machines whereas converged infrastructure does not. It also has the same storage space as twenty physical servers.

a) Please provide the business case to move from a converged infrastructure to hyperconverged infrastructure.

4-Staff-59
New Positions
Ref 1: Exhibit 4 – 4.4.1 New Positions
Niagara Peninsula Energy provided five positions in reference 1 of the application. However, throughout Exhibit 4 there is mention of additional staff being added in other departments such as the engineering and IT department.

a) Please provide a table that includes positions that were retired/vacant, positions that were backfilled, and new positions, for the years 2015 to 2021.
b) For each new position that was not included in reference 1 please provide justification for the position.

4-Staff-60
Regulatory Compliance and Financial Manager
Ref 1: Exhibit 4 – 4.4.1 New Positions, p. 67
Ref 2: Exhibit 1 – Appendix 1-9 NPEI's Organization Structure
Niagara Peninsula Energy plans to hire a new Regulatory Compliance and Finance Manager in 2020 to assist with regulatory financial reporting, data analytics, accounting activities, and corporate compliance with Regulatory Reporting Requirements. The new Regulatory Compliance and Finance Manager will report to the Director of Regulatory Affairs. In Niagara Peninsula Energy's organization structure the Director of Regulatory Affairs is under the Senior Vice President of Finance, which also have under them a Director of Finance and an acting supervisor.

a) Please explain why the duties that are listed for the new Regulatory Compliance and Finance Manager can not be done under the Director of Finance.

4-Staff-61
Human Resource Assistant
Ref 1: Exhibit 4 – 4.4.1 New Positions, p. 68
Niagara Peninsula Energy created and filled a new Human Resource Assistant position in 2017 as a result of increased responsibilities in the human resource department. The assistant is expected to provide administrative support to the HR department including the development of corporate policies and procedures and assistance with benefits administration; prepare and distribute by email a weekly Wellness newsletter to all NPEI employees; maintain employee and company files including personnel and training files; maintain and update job descriptions and Safety Data Sheets; respond to employee inquiries relating to benefits and interpretation of the Collective Agreement; assist with the recruitment process and conduct employee orientations for new hires.

a) Did Niagara Peninsula Energy consider contracting these duties out to a third party? If so, please provide the business case that it was more economical to add an additional position. If not, please explain why not.

4-Staff-62
Salary/Incentive Pay
Ref 1: Exhibit 4 – 4.4.2.2. Executive/Management/Non-Union Employees, p.76
Ref 2: Chapter 2 Appendices – 2-K Employee Costs
Niagara Peninsula Energy stated that as part of the 2018 Job Evaluation project it identified that in order to bring the upper pay grades in line with similar utilities' total compensation and the Broader Public Sector/Industrial compensation, it could either implement a one-time market salary adjustment or implement an incentive pay plan. Niagara Peninsula Energy chose to implement an incentive pay plan as it provides more value to the corporation and Niagara Peninsula Energy's customers.

a) Please provide the 2018 job evaluation report.
b) Is the total incentive pay compensation equal to the otherwise one-time salary adjustment? If not, please explain why.
c) Has Niagara Peninsula Energy had difficulty in recruiting Executive/Management staff?
d) Please provide examples of personal and corporate objectives and explain how Niagara Peninsula Energy customers benefit from each objective.

In 2019, the average total compensation for management saw an increase of 11.65% as compared to 2018.

e) Please confirm if this average total compensation increase is a result of the job evaluation project.
f) Please provide the quantitative value that customers receive from increasing management's total compensation by 11.65%.

4-Staff-63
Communications Coordinator
Ref 1: Exhibit 4 – 4.4.1 New Positions, p. 69
Ref 2: Exhibit 4 – 4.3.1.4 Variance Analysis Program, p. 62
Ref 3: Exhibit 4 – 4.2.3 Program Descriptions, p. 52
Niagara Peninsula Energy stated that they hired a CDM Communications Coordinator in 2018 as there was a need for increased communications with customers during power outages. Niagara Peninsula Energy also stated that 60% of the CDM communications coordinator's labour and benefits were recovered from the IESO as part of the CDM funding but ceased in 2019 when the position was revised to Communications Coordinator. The responsibilities of this role include support for the maintenance and reporting for the corporate website, address customer inquiries on social media and support to Niagara Peninsula Energy's customer service department, provide support to community outreach and public information sessions, and assist with customer surveys.

a) Please provide a breakdown of the CDM communications coordinator's labour hours prior to being revised as a communications coordinator.
b) Please explain why the maintenance and reporting for the corporate website cannot be done by the IT department
c) Please explain why addressing customer inquiries on social media cannot be done by the customer service department.
d) Please provide who was responsible for community outreach, public information sessions, and customer surveys prior to the communications coordinator role and explain why they need additional assistance.
e) Please confirm whether the Communications Coordinator position includes the responsibility to assist with the delivery of any specific CDM activities or planned initiatives in 2021.

4-Staff-64
Customer Engagement Manager
Ref 1: Exhibit 4 – 4.4.1 New Positions, pp. 71-72
Ref 2: Exhibit 1 – 1.7.1.1 Bi-annual Customer Satisfaction Survey, p. 121
Niagara Peninsula Energy stated that it discovered that there was a need for improved customer engagement activities. In 2020, Niagara Peninsula Energy intends to create a Customer Engagement Manager position to proactively engage with customers and

various customer groups. In Niagara Peninsula Energy's bi-annual customer satisfaction survey summary, it shows that Niagara Peninsula Energy is scoring higher than the provincial and national average in terms of customer satisfaction.

a) Since Niagara Peninsula Energy is already operating at customer satisfaction levels above the provincial and national average, please explain how Niagara Peninsula Energy justifies adding additional resources to customer engagement.
b) Please confirm whether the Customer Engagement Manager position includes the responsibility to assist with the delivery of any CDM activities or planned initiatives in 2021.

4-Staff-65
Key Account Manager
Ref 1: Exhibit 4 – 4.4.1 New Positions, pp. 71-72
Niagara Peninsula Energy stated that the Key Account Manager will assist the responsibilities of the Customer Engagement Manager and develop/implement engagement plans with Niagara Peninsula Energy's key accounts.

a) Please list out any customer engagement activities that are contracted out to third parties and the customer engagement activities that are done in-house.
b) Please explain if Niagara Peninsula Energy considered using third parties to assist the Customer Engagement Manager as required instead of a full-time position. If so, please provide the comparison between using third parties and a full-time position. If not, why not?
c) Please explain what accounts are considered key accounts and why do they have a separate engagement plan compared to other Niagara Peninsula Energy's customers.
d) Please confirm whether the Key Account Manager position includes the responsibility to assist with the delivery of any CDM activities or planned initiatives in 2021.

4-Staff-66
Telephone, Bank Services, Charges, and Office Supplies
Ref 1: Exhibit 4 – 4.3.1.3 Program Descriptions, pp. 54-55
Ref 2: Chapter 2 appendices – 2-JC OM&A Programs
The Telephone, Bank Services, Charges, and Office Supplies has seen steady growth between 2015 to 2020 but then there is a 26% increase between 2021 and 2020.

a) Please explain the driver for this increase in the test year.

4-Staff-67
LRAMVA
Ref 1: LRAMVA workform, Tab 1/ Tab 1-a (Updates)

a) If Niagara Peninsula Energy made any changes to the LRAMVA workform as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA workform, and confirm the LRAMVA balance requested for disposition, the disposition period and the revised rate riders.
b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)".

4-Staff-68
LRAMVA
Ref 1: LRAMVA Workform, Tab 8 (Street lighting)
Ref 2: Exhibit 4, Appendix A, IndEco Report – page 924 of 1405
Ref 3: 2017 Final Verified Results Report, Tab LDC Progress
In 2015, Niagara Peninsula Energy's street lighting projects in Niagara Falls and West Lincoln (Projects #1 and 2) resulted in a net reduction of 4,444 kW. In 2016, the street lighting project in Lincoln (Project #3) resulted in a net reduction of 819 kW.

a) Please explain how the 2015 energy savings of 2,207,192 kWh from street lighting projects were calculated, and confirm the kW/kWh conversion factor used if applicable.
b) Please explain how the 2016 energy savings of 773,903 kWh from street lighting projects were calculated, and confirm the kW/kWh conversion factor used if applicable.
c) The NTG ratio of 82% (applied to Project #3) is higher than the net-to-gross ratio of 69% (for Projects #1 and 2) and net-to-gross ratio of 74% (for similar programs in the retrofit program). Please clarify the rationale for using a net-to-gross (NTG) ratio of 82% to calculate net savings for Project #3 and confirm the reference source of the NTG ratio used.

4-Staff-69
LRAMVA
Ref 1: LRAMVA Workform, Tab 5 (Allocation of C&I savings)
The proposed rate class allocations were applied to certain 2014 and 2015 C&I programs to determine the rate class lost revenue amounts from CDM programs. The persisting savings from programs from 2014 and 2015 into 2016 to 2018 are claimed in the LRAMVA calculations.

Program Year	C&I Program	Residential	GS<50 kW	GS 50-4,999 kW	Total
2014	Retrofit	7.59%	22.86%	74.46%	105%
2015	Save on Energy Retrofit Program	2.44%	7.55%	84.56%	95%
2015	Save on Energy High Performance New Construction Program	21.87%	43.62%	54.95%	120%
2015	Efficiency: Equipment Replacement Incentive Initiative	2.44%	7.55%	84.56%	95%
2015	Direct Install Lighting and Water Heating Initiative	19.77%	80.23%	0%	100%
2015	New Construction and Major Renovation Initiative	21.87%	43.62%	54.95%	120%

a) As a portion of C&I program savings are allocated to residential customers, please provide rationale for this allocation and explain the types of residential customers in Niagara Peninsula Energy's service territory that would qualify under the IESO's C&I programs.
b) Based on the customers that participated in the C&I programs in the table above in 2014 and 2015, please confirm the accuracy of the proposed rate class allocations for the residential, GS<50 kW and GS>50 kW classes.
c) The majority of the programs listed in the table above indicate that more than 100% of the savings are being claimed from customer classes.
    i. Please show the calculation of the rate class allocation percentages.
    ii. Please discuss reasonableness of the rate class allocations.

4-Staff-70
LRAMVA
Ref 1: LRAMVA workform, Tab 6 (Carrying charges)
A prescribed interest rate of 2.18% was used in Q3 and Q4 of 2020 to calculate projected carrying charges on the LRAMVA balance.

a) In light of the revised OEB letter on July 30, 2020, please update Table 6 with the updated prescribed interest rate of 0.57% to re-calculate projected carrying charges.

Exhibit 5 – Cost of Capital

5-Staff-71
Cost of Capital
Ref 1: Exhibit 5 – 5.1.1 Long-term Debt

Please explain how Niagara Peninsula Energy ensures that the interest rate received for the bank debt is the lowest rate possible.

Exhibit 7 – Cost Allocation

7-Staff-72
Connection Counts
Ref 1: Exhibit 7, page 9
Ref 2: Cost Allocation Model, Sheet I6.2 Customer Data

Niagara Peninsula Energy indicates that it has 13,634 total street light devices, and 94 total street light connections. In the previous cost allocation study, it indicated that street light had 1,299 connections.

a) Please explain how Niagara Peninsula Energy went from 1,299 connections in its last cost of service application, to 94 in this one.
b) Please describe the typical wiring connection used that would give rise to 13,634 street lights sharing 94 connections to the distribution system.

7-Staff-73
Demand Allocators
Ref 1: Cost Allocation Model, Sheet I8 Demand Data

For the GS > 50 rate class, non-coincident peak (NCP) values provided include:

	1NCP	4NCP
Primary NCP	117,685	466,234
Secondary NCP	447,240	447,240

a) Please explain how the secondary 1NCP exceeds the primary 1NCP when all load served by the secondary system would have to flow through the primary system as well. If the entry is an error, please revise the next time a cost allocation model is filed.

7-Staff-74
Revenue to Cost
Ref 1: Exhibit 7, page 16
Ref 2: Revenue Requirement Work Form, Sheet I8 Demand Data

Sentinel Lighting and Street Lighting both have revenue-to-cost ratios above the target range at 126.04% and 217.09%. Niagara Peninsula Energy proposes to bring both of these rate classes to the upper boundary of the range, 120% in 2021. To do so, it proposes to make an offsetting adjustment to General Service > 50 kW to increase from 108.82% to 110.71%. Residential and Unmetered Scattered Load both have revenue-to-cost ratios below 100% at 94.24% and 96.43% respectively.

a) Please explain why Niagara Peninsula Energy is proposing to move a rate class away from unity or 100% when there are rate classes below unity which could be moved closer to unity.

Exhibit 8 – Rate Design

8-Staff-75
Fixed / Variable
Ref 1: Chapter 2 Appendix 2-IB

Niagara Peninsula Energy proposes to increase the set the GS > 50 kW fixed charge to the Minimum System with Peak Load Carrying Capacity (PLCC) Adjustment. In doing so, the proportion of base distribution revenue to be collected from the fixed charge increases from 15% to 21.63%. Niagara Peninsula Energy states that:

> NPEI asked its GS > 50 kW customers if they would prefer the:
>
> - Status Quo - 15% fixed; 85% variable
> - Included in Draft Plan – 21% fixed; 79% variable
> - Higher Fixed Distribution Charge – 33% fixed; 66% variable

The majority of responses (20 of 32) indicated a preference for the draft plan. In 2019, Niagara Peninsula Energy had 800 customers in its GS > 50 kW rate class.

Niagara Peninsula Energy also states that “NPEI proposes the fixed/variable proportions assumed in the current rates to design the proposed monthly service charges.” As Niagara Peninsula Energy notes, this results in increasing the fixed charge for the Unmetered Scattered Load class even though it is already above the minimum system with PLCC adjustment.

a) Did Niagara Peninsula Energy reach out to all customers for in its GS > 50 kW rate class?
b) If Niagara Peninsula Energy did not reach out to all customers in its GS > 50 kW rate class, how many customers did it solicit input from, and how did it determine which customers to engage?
c) Please provide the volumetric rate in the Unmetered Scattered Load rate class that would result from keeping the fixed charge at the current level, and increasing only the volumetric rate.

8-Staff-76
Retail Transmission Service Rates
Ref: RTSR Workform, Tab 3. RRR Data, Tab 5. Historical Wholesale
Ref: EB-2019-0054, Rate Generator Model, December 12, 2020, Tab 3. Billing Det. For Def-Var, Tab 12. RTSR – Historical Wholesale

Niagara Peninsula Energy has used the 2020 RTSR Workform model.

The historic wholesale volumes reflect decrease of approximately 5% from the previous application to the current application. The retail volumes (un-adjusted for losses) are unchanged.

	EB-2019-0054	Current Application	Change
Wholesale			
Network (kW)	2,416,993	2,287,791	(5.3%)
Line Connection (kW)	2,487,606	2,365,406	(4.9%)
Transformation Connection (kW)	1,788,436	1,696,261	(5.2%)
Retail			
Residential (MWh)	449,943	449,943	-
General Service < 50 kW (MWh)	130,540	130,540	-
General Service 50 to 4,999 kW (kW)	1,618,431	1,618,431	-
Unmetered Scattered Load (MWh)	1,531	1,531	-
Sentinel Lighting (kW)	650	650	-
Street Lighting (kW)	12,519	12,519	-

a) Please confirm OEB staff's calculation, or provide a revised calculation and explain the differences.

b) Please explain why the retail volumes are unchanged from the previous application to the current application.
c) Please update and file the latest RTSR Workform.

8-Staff-77
Low Voltage (LV)
Ref 1: Exhibit 8, page 29, 30, 46
Ref 2: EB-2014-0096, Partial Settlement Agreement, Appendix 1.1-C

In the 2015 cost of service, Niagara Peninsula Energy's LV charges were set based on an LV expense of $541,161. In 2015, the actual expense was $1,000,679. In this proceeding, Niagara Peninsula Energy has calculated its proposed LV rates based on a proposed LV cost amount of $1,661,384. This corresponds to the 2019 Actual LV expense. The 2021 forecasted LV expense is $2,035,142.

a) Please explain the variance between the LV expense of $541,161 which underpins current rates, and the 2015 actual expense of $1,000,679.
b) Please explain why Niagara Peninsula Energy is proposing to set the LV charges to recover the 2019 Actual expense, rather than the 2021 forecasted expense.

8-Staff-78
Bill Impacts
Ref 1: Exhibit 8, page 52
Ref 2: EB-2019-0054 Final Rate Order

Niagara Peninsula Energy states that: "For purposes of bill impacts, NPEI used the Tariff of Rates and Charges effective May 1, 2020 that will be implemented on November 1, 2020."

On October 8, 2020 Niagara Peninsula Energy was approved forgone revenue rate riders.

a) At the next model update, please include the forgone revenue rate riders in both the existing and proposed tariffs and ensure that the bill impact comparison reflects December 31, 2020 and January 1, 2021 Proposed.
b) Please update the bill impact model with the new tariff sheets.

8-Staff-79
Wireline Pole Attachment
Ref 1: Exhibit 8 – 8.3.7 Wireline Pole Attachment Charge
Niagara Peninsula Energy stated that it has estimated the 2021 pole attachment charge by using an annual inflation factor of 1.5% and requested that the 2021 pole attachment charge reflect the actual approved 2021 province-wide pole attachment rate.

a) Please confirm if the 1.5% estimate was used when forecasting Other Revenue. If so, please explain why Niagara Peninsula Energy did not use 2.0%, which was the inflation factor used in 2020.

8-Staff-80
Lost Adjustment Factor
Ref 1: Chapter 2 Appendices – 2-R Loss Factor
Ref 2: Load Forecast Model – Summary Tab
In reference 1 Niagara Peninsula Energy had a wholesale kWh delivered to distributor value of 1,270,582,612 kWh for 2018 but in reference 2 the kWh delivered to distributor is 1,270,882,507 kWh.

a) Please reconcile the wholesale kWh delivered to distributor values.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-81
Account 1592 Sub-account CCA changes
Ref 1: Exhibit 9, page 4 and page 78
Niagara Peninsula Energy states that:

> The accounts listed above are all either Group 2 accounts or Other accounts that NPEI expects to utilize during 2020, but proposes to discontinue with the implementation of its OEB-approved COS Rates, effective January 1, 2021. Rather than request disposition of the December 2019 balances in the current application, and then wait until NPEI's next COS application to dispose of the 2020 balances, NPEI proposes to dispose of accounts listed above based on forecast balances to December 31, 2020.

OEB Staff notes that the accounts listed above include Account 1592 sub-account CCA Changes.

Niagara Peninsula Energy requests the establishment of a new sub-account under Account 1592 for the phasing out of the AIIP and states that:

> NPEI is requesting approval to establish a new sub-account of Account 1592: Account 1592 PILs and Tax Variances for 2006 and Subsequent Years, Sub-Account CCA Changes Incentive Phase Out. This account will be used to record the impact on PILs of the phase out of the current accelerated CCA rules.

a) Given that the phasing out of the accelerated investment incentive is also a type of the CCA changes, please comment on whether the phasing out impact would be more appropriately recorded in the existing Account 1592 sub-account CCA Changes.
b) If applicable, please revise the evidence.

9-Staff-82
Account 1595 Sub-account 2017
Ref 1: Exhibit 9, page 12
Ref 2: DVA Workform, Tab 2a
Ref 3: 2020 IRM Decision and Order, page
Ref 3: 2021 Filing Requirement, page 66

Niagara Peninsula Energy requests the disposition of Account 1595 (2017) in the amount of $4,225 in Tab 2a of the DVA workform. Niagara Peninsula Energy provides the following table in Exhibit 9 explaining the 2019 year-end principal balance of $4,623:

Table 9.1.2-2 – Account 1595 (2017) Balance

Description	Amount
Principal Approved for Disposition	477,114
Carrying Charged Approved for Disposition	19,820
Total Approved for Disposition	496,934
Recovered/Refunded via Rate Riders	(495,401)
Carrying Charges	3,091
Balance as at December 31, 2019	4,623
Residual Balance as Percent of Total Approved for Disposition	0.93%

OEB Staff notes that Account 1595 (2017) has been disposed of on a final basis in the 2020 IRM Decision and Order.[1]

[1] Decision and Order EB-2019-0054, page 9.

Page 66 of the OEB 2021 Filing Requirements states that distributors must “Request final disposition of residual balances for vintage Account 1595 sub-accounts only once”.

a) Please confirm that the balance in this account should be written off, in accordance with the Filing Requirements, given that the account balance has been requested already and on a final basis in 2020 IRM application.

9-Staff-83
Account 1508 Sub-account Pole Attachment Revenue Variance
Ref 1: Exhibit 9, page 16
OEB Staff notes that Niagara Peninsula Energy is proposing to include the 2020 forecasted balance in the disposition of Account 1508 sub-account Pole Attachment Revenue Variance. The 2020 balance is calculated as below:

Table 9.1.2-5 – Account 1508 Sub-account Pole Attachment Revenue Variance 2020

Transaction	Year	# of Poles	OEB-Approved Pole Attachment Rate	Rate Effective in Last COS	Incremental Portion of Current Rate	Recorded in Account 1508
LDCs on NPEI Poles	2020	40	44.50	22.35	22.15	(886)
Telecommunications carriers on NPEI poles	2020	14,917	44.50	22.35	22.15	(330,412)
Total Estimated 2020 Transactions						(331,298)

OEB Staff further notes that the number of poles forecasted in 2020 is equal to the number of poles in 2019.

a) Please explain the basis of the assumption used (that the forecasted number of poles with third party attachments in 2020 will remain unchanged from 2019).
b) Please provide number of actual poles that have third-party attachments as of today’s date.

9-Staff-84
Account 1508 Sub-account OEB Cost Assessment
Ref 1: Exhibit 9, page 18
OEB Staff notes that Niagara Peninsula Energy is proposing to include the 2020 forecasted balance in the disposition of Account 1508 sub-account OEB Cost Assessment and the forecasted 2020 balance is $52,912.

a) Please provide the calculation for the forecasted 2020 balance of $52,912 and provide the supporting details for the 2020 OEB cost estimated by Niagara Peninsula Energy.

9-Staff-85
RCVA Accounts 1518 and 1548
Ref 1: Exhibit 9, pages 24 to 28
Based on the direct labor costs provided in tables 9.1.2-10 to 9.1.2-13, staff has compiled the direct labour costs that are recorded in USoA 5340 for the recording of the variances in Account 1518 and Account 1548 as below:

	Actual						Forecasted
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Direct Labour Cost in Account 1518	53,759	47,141	47,258	45,322	42,380	53,153	56,610
Direct Labour Cost in Account 1548	45,761	45,629	59,759	64,375	68,463	59,526	56,577
Total	**99,520**	**92,770**	**107,017**	**109,697**	**110,843**	**112,679**	**113,187**
Year-over-Year variance %		-7%	15%	3%	1%	2%	0%

a) Please confirm the details in the table above.
b) Please explain the direct labour costs that are recorded in Accounts 1518 and 1548 (i.e. is there a staff member dedicated to retail services? If not, how are the incremental staff costs determined?).

9-Staff-86
Account 1557 Mist Meters
Ref 1: Exhibit 9, page 38
Niagara Peninsula Energy proposes to include the 2020 forecasted balance in Account 1557 Mist Meters and discontinue the account after this rate application. Niagara Peninsula Energy provides the following table for the calculation of the actual variance up to 2019:

Table 9.1.2-20 – 1557 MIST Meter Variance Account

MIST Meter Costs	2015	2016	2017	2018	2019	Total
Amount Included in Rates (EB-2014-0096)	(43,760)	(43,760)	(43,760)	(43,760)	(43,760)	(218,800)
Actual MIST Meter Expense	0	4,561	40,732	94,591	165,261	305,144
Account 1557 Variance	(43,760)	(39,199)	(3,029)	50,831	121,501	86,344

Niagara Peninsula Energy also provides the following table for the 2020 forecasted variance:

Table 9.1.2-21 – 1557 MIST Meter Variance – Estimated 2020

MIST Meter Costs	2020
Amount Included in Rates (EB-2014-0096)	(43,760)
Estimated MIST Meter Expense	248,260
Account 1557 Variance	204,500

a) Please explain why the actual MIST meter expense in 2019 has increased significantly as compared to the expense in prior years.
b) Please explain how the 2020 estimated MIST meter expense of $248,260 is derived.

9-Staff-87
Account 1592 Sub-account CCA Changes
Ref 1: Exhibit 9, pages 29 and 30
Regarding the balance in Account 1592 sub-account CCA changes, Niagara Peninsula Energy states that:

> In order to calculate the impact of the CCA rule change, NPEI compared the CCA amount, taxable income and grossed up income tax amount from the Board-approved PILs Model in NPEI's last COS Rate Application (EB-2014-0096) for the 2015 Test Year to what these amounts would have been using the accelerated CCA rules.

Niagara Peninsula Energy provides the following tables to summarize the calculations for the 2019 and 2020 balances in Account 1592 sub-account CCA changes:

Table 9.1.2-14 – Impact of CCA Changes for 2019

Description	2015 Board-Approved Amounts	Recalculated Using Accelerated CCA	Difference
Capital Additions During the Year	10,871,580	10,871,580	-
CCA for the Year	9,700,584	11,027,393	1,326,809
Regulatory Taxable Income	608,429	(718,380)	(1,326,809)
Income Tax Amount (Grossed Up)	109,157	-	(109,157)

Table 9.1.2-15 – Impact of CCA Changes for 2020

Description	2015 Board-Approved Amounts	Recalculated Using Accelerated CCA	Difference
Capital Additions During the Year	10,871,580	10,871,580	-
CCA for the Year	9,700,584	10,640,358	939,774
Regulatory Taxable Income	608,429	(331,345)	(939,774)
Income Tax Amount (Grossed Up)	109,157	-	(109,157)

a) Please provide the calculation steps from the regulatory taxable income of ($1,326,809) to the Income Tax amount (Grossed up) of ($109,157) in 2019 as shown in Table 9.1.2-14.
b) Please provide the calculation steps from the regulatory taxable income of ($939,774) to Income Tax Amount (Grossed Up) of ($109,157) in 2020 as shown in Table 9.1.2-15.
c) Please explain how the calculated income tax amount in 2020 is the same as it is in 2019, while the impact to the Regulatory Taxable Income is different.

9-Staff-88
Account 1592 Sub-account CCA Changes
Ref 1: DVA Workform, Tab 2b
Ref 2: the OEB's Letter "Accounting Direction Regarding Bill C-97", July 25, 2019
Ref 3: Exhibit 9, pages 30 and 31
Ref: 4 Exhibit 4, Table 4.9.1.4
The OEB's July 25, 2019 letter Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance states that:

> The OEB expects Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate subaccount of Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules.

OEB Staff notes that Niagara Peninsula Energy has calculated the 2019 and 2020 balances in Account 1592 sub-account CCA changes using the approved capital additions in the 2015 rates and the balances are as below:

Table 9.1.2-16 – Account 1592 Balance Proposed for Disposition

Description	Amount
Impact of CCA Change for 2019	(109,157)
Impact of CCA Change for 2020	(109,157)
Total Principal	(218,314)
50% of Principal	(109,157)
Carrying Charges	(1,209)
Total Proposed for Disposition	(110,366)

In Exhibit 9 regarding the Account 1592 – PILs and Tax Variances, Niagara Peninsula Energy states that:

> NPEI is not able to calculate the impact on PILs resulting from the CCA rule changes for the period of November 21, 2018 to December 31, 2018, and therefore has not recorded any balance in Account 1592 for this period.

Niagara Peninsula Energy states that the reason for the 50/50 sharing of the tax impacts from the CCA changes is to “in accordance with the OEBs’ long-standing practice”.

OEB Staff notes from Table 4.9.1.4 of Exhibit 4 that Niagara Peninsula Energy has claimed 11% (calculated as $1,329,919 divided by $12,447,873) of the capital additions in 2018 under the AIIP:

Table 4.9.1.4 – CCA Schedule 8 calculations

2018 - CCA Schedule 8																	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
		Cost of Additions	Cost of additions	Adjustments			Proceeds	UCC		UCC adjustment	UCC adjustment	UCC adjustment	CCA	Recapture	Terminal	CCA	UCC
	Balance	during the	accelerated	Transfers			of	2+3-5		for accelerated	for accelerated	for non accelerated	%	of CCA	Loss	for the year	Balance
	12/31/2017	year	Cost				Disposition			CCA	by factor	CCA					12/31/2018
Buildings	48,669,733							48,669,733		-			4%			1,946,789	46,722,944
Buildings	3,193,329							3,193,329		-			6%			191,600	3,001,729
Buildings > 18-03-17	3,880,144	1,024,864	302,452					4,905,008		302,452	151,226	361,206	6%			281,702	4,623,306
Electrical generating equipment	2,836,688							2,836,688		-	-		6%			170,201	2,666,487
Building < 1990	1,038,720							1,038,720		-	-		5%			51,936	986,784
Office Equipment, Tools, Other	1,283,260	318,682	23,039					1,601,942		23,039	11,520	147,822	20%			293,128	1,308,814
Vehicles and Equipment	2,434,193	518,258					5,133	2,947,318		-	-	256,563	30%			807,227	2,140,091
Computer Software	355,448	288,891	146,406					644,339		146,406		71,243	100%			573,097	71,243
Goodwill	730,478							730,478		-	-		7%			51,133	679,345
Roads, parking lots	202,315							202,315		-	-		8%			16,185	186,130
Computers	259							259		-	-		45%			117	142
Transmission and Dist Equipment	68,927,140	9,993,141	847,768	(2,471,485)				76,448,796		847,768	423,884	4,572,687	8%			5,783,999	70,664,797
Computers > 3/18/07	344,053	304,037	10,254				20	648,070		10,254	5,127	146,882	55%			278,474	369,596
	133,895,760	12,447,873	1,329,919	(2,471,485)	-	-	5,153	143,866,995	-	1,329,919	591,757	5,556,401				10,445,587	133,421,408

a) Please explain how Niagara Peninsula Energy calculated the 2018 “cost of additions accelerated cost” (column 4 of Table 4.9.1.4).
b) Please explain why Niagara Peninsula Energy cannot calculate the impact from the CCA rule change for the stub period in 2018, given that Niagara Peninsula Energy has claimed the CCA under the AIIP in 2018 schedule 8.
c) Please provide the calculation of the tax impact from the CCA change in the 2018 stub-period under two scenarios:

I. using the 2015 approved capital additions prorated by the number of days that the AIIP was effective during 2018
II. using the 2018 actual claimed capital additions under the AIIP.

d) Please confirm OEB staff's observation that Niagara Peninsula Energy calculates the revenue requirement impact of the 2019 differences due to the AIIP using the approved capital additions from its last cost of service application. If so, please provide rationale for this approach, rather than using the impacts associated with the actual capital additions in 2019.
e) Please provide the calculated 2019 balance in Account 1592 – CCA Changes using the 2019 actual capital additions and compare this figure with the existing balance recorded in the account.
f) Please provide rationale for Niagara Peninsula Energy's proposal to only return 50% of the impacts of the AIIP to the utility's ratepayers, with giving due consideration to the OEB's letter dated July 25, 2019 regarding the establishment of this subaccount, which stated that utilities should not necessarily expect that a 50/50 sharing will apply to these impacts.
g) Is Niagara Peninsula Energy aware of any other circumstances in which the OEB approved refunding 50% of the AIIP impacts to ratepayers? If so, please provide references to the applicable evidence.

9-Staff-89
Account 1508 Sub-account OPEB Deferral
Ref 1: Exhibit 9, pages 22 and 58
Ref 2: Niagara Peninsula Energy's 2015 Cost of Service Settlement Proposal, Draft Accounting Order
Ref 3: Exhibit 3, page 101
Ref 4: Report of the Board for Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, page 13
Niagara Peninsula Energy proposes to dispose of $(398,469) in Account 1508 Sub-account Other Post-Employment Benefits Deferral Account, which was approved in its 2015 CoS settlement proposal. The proposed balance of $(398,469) is comprised of three sets of timelines of actuarial gains/(losses) since last rebasing:

Table 9.1.2-8 – Account 1508 Sub-account OPEB Deferral Account

Date	Amount
December 31, 2014	(1,570,621)
December 31, 2017	713,200
December 31, 2019	458,952
Total	(398,469)

The Draft Accounting Order in the 2015 CoS settlement proposal states that:

> NPEI shall establish the Other Post-Employment Benefits ("OPEB") Deferral Account to record the cumulative actuarial gains or losses with respect to NPEI's post-retirement benefits in Account 1508, Other Regulatory Assets, Sub-account OPEB Deferral Account.
>
> Upon rebasing on a MIFRS basis, effective from 2015 to the next time NPEI's rates are rebased, the deferral account shall be adjusted as required to record changes in the cumulative actuarial gains or losses in NPEI's post-employment benefits as supported by updated actuarial valuations prepared for NPEI.
>
> The adjustments that will be recorded in this account shall be supported by actuarial valuations when disposition of the deferral account is sought by NPEI.

Page 13 of Report of the Board for Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs states that:

> For some utilities, the OEB has already approved the use of a deferral account to capture the cumulative actuarial gains or losses in post-retirement benefits….Utilities may propose disposition of the account in future cost-based rate proceedings if the gains and losses that are tracked in this account do not substantially offset over time.

OEB Staff notes that the actuarial gain of $1,570,621 upon the transition to IFRS as at Dec 31, 2014 for the OPEB (which is recorded as a liability in Account 1508 sub-account OPEB deferral) has been offset by two actuarial losses as at December 31, 2017 and December 31, 2019 for $713,200 and $458,952.
In Exhibit 3, Niagara Peninsula Energy states that "The discount rate in the 2014 Actuarial Valuation was 4.80%; 2017 was 3.50% and 2019 the discount rate used was 3.0%".

OEB Staff further notes from the Appendix 4-3 Actuarial Valuation Report as at December 31, 2019 that the change of the discount rate has partially contributed to the actuarial loss of $459,952 as at December 31, 2019.

a) Please confirm Niagara Peninsula Energy's understanding that the draft accounting order in 2015 CoS settlement proposal directs Niagara Peninsula Energy to record the cumulative gains/losses for the OPEB liability as supported by the actuarial valuation, but that the order does not make reference to any disposition approach. If not, please explain.
b) If a) is confirmed, given that the actuarial gains/losses have been largely offsetting since the last rebasing year, please provide Niagara Peninsula Energy's rationale for its proposal to dispose of the cumulative gain of $398,469 in this proceeding.
c) Please explain if the discount rate has further decreased since the most recent valuation date, as well as how that would affect the actuarial gains/losses since that time, holding all other factors constant.
d) Please provide any precedent where the OEB has approved the disposition of the cumulative gains/losses that are recorded in Account 1508 sub-account OPEB. Please provide the appropriate references, as applicable.

9-Staff-90
Account 1588 RSVA Power
Ref 1: Exhibit 9, pages 76 and 77
In explaining the variance recorded in Account 1588, Niagara Peninsula Energy states:

> The credit balance that accumulated in Account 1588 RSVA – Power during 2019 is largely due to the following factors:
>
> 1. The difference between NPEI's OEB-approved loss factor and NPEI's actual loss factor.
> 2. Significant billing corrections relating to prior years' consumption.

Niagara Peninsula Energy also provides the following table for the breakdown of the 2019 principal balance of $1,714,103 in Account 1588:

Table 9.2.5.5-2 – Power Variance

Item		Amount
2019 Metered kWh	1,210,020,079	
OEB Approved TLF	1.0479	
2019 Calculated TLF	1.0397	
Loss kWh Difference	(9,977,653)	
2019 Average WAP	0.0187	
Variance due to Loss Factor Difference		(186,178)
2019 Metered kWh (Excluding Class A)	1,007,395,526	
OEB Approved TLF	1.0479	
2019 Calculated TLF	1.0397	
Loss kWh Difference	(8,306,840)	
2019 Average GA	0.1084	
Variance due to Loss Factor Difference		(900,474)
Significant Billing Corrections Relating to Prior Years Consumption		(355,605)
Total Variance Explained		(1,442,256)
2019 Change in Principal Balance		(1,714,103)
Variance Not Explained		(271,847)
2019 Total Power Revenue		(126,268,088)
Unexplained Variance as a Percentage of Power Revenue		0.22%

OEB Staff notes that the loss factor differences calculated in the table above appear incorrect because the line loss related to the Non-RPP portion of the GA is accumulated in Account 1589, rather than Account 1588, provided that Niagara Peninsula Energy follows the new February 2019 Accounting Guidance appropriately.[2]

a) Please recalculate the volume variance that is expected to be accumulated in Account 1588 using the table below:

[2] The Accounting Guidance Related to Commodity Pass-Through Account 1588 and 1589, February 21, 2019, page 9.

Customer Group	2019 Energy Wholesale kWh	2019 Energy Retail kWh	Line Loss kWh	Weighted Average Energy Price ($/kWh) – Note 1	2019 Line Loss Variance $
Class B - RPP					
Class B - Non-RPP					

Note 1: the weighted average price for the RPP customers is to be calculated as total RPP energy sales $ divided by the total RPP energy sales consumption in 2019 from the customer information system. The weighted average price for class B Non-RPP customers is calculated as total class B Non-RPP energy sales $ divided by the total class B Non-RPP sales consumption in 2019 from the customer information system.

b) Please explain the significant billing corrections relating to the prior years' consumption of $(355,605) in the Table 9.2.2.5-2.
c) Please revise the Table 9.2.2.5-2 as applicable based on the responses provided in a) and b) as applicable.

9-Staff-91
Account 1589 RSVA GA
Ref 1: DVA Continuity Schedule, Tab 2.a
Ref 2: GA Analysis Workform
Ref 3: Accounting Guidance Related to Commodity Pass-Through Accounts 1588 and 1589, February 21, 2019
OEB Staff notes that there in no transactions debit/(credit) in 2019 on the DVA continuity schedule for Account 1589 GA and the requested balance of $1,394 represents the carrying charges.

OEB Staff notes from the GA Analysis Workform that there is a line loss factor difference between the calculated line loss of 1.0424 and the OEB-approved line loss of 1.0479, however, Niagara Peninsula Energy did not provide any reconciling items, particularly the reconciling item #4 Differences in actual system losses and billed TLFs.

Page 9 of the Accounting Guidance Related to Commodity Pass-through Accounts 1588 and 1589 states that:

> Note that actual calendar month customer kWh sales volumes adjusted for the relevant Total Loss Factor (TLF) will not be the same as purchased volumes from the IESO. Differences exist between actual system losses and TLF billed to

customers. The resulting differences are defined as unaccounted for energy (UFE) and such differences will be tracked in Account 1588 – RSVA Power and Account 1589 – RSVA GA.

a) Please confirm whether Niagara Peninsula Energy has accounted for the unaccounted-for energy (UFE) variance (i.e. line loss variance) related to the class B Non-RPP customers in Account 1589.
   I. If not, why not.
   II. If so, where is the UFE variance recorded.
b) Please quantify the UFE variance $ that is expected to be recorded in Account 1589 using the table below:

Customer Group	**2019 Energy Wholesale kWh**	**2019 Energy Retail kWh**	**Line Loss kWh**	**Weighted Average GA Price ($/kWh)**	**2019 Line Loss Variance $**
Class B - Non-RPP					