CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

November 3, 2020

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: EB-2020-0008 Canadian Niagara Power Inc. 2021 IRM Application
CNPI Reply Submission

In accordance with Procedural Order #1, please find attached CNPI's reply to submissions from OEB Staff, Vulnerable Energy Consumers Coalition ("VECC"), and the School Energy Coalition ("SEC").

Copies of the attached reply submission have also been provided to VECC and SEC representatives, as well as OEB Staff.

Please direct any questions or concerns to the undersigned.

Sincerely,

Greg Beharriell Digitally signed by Greg Beharriell Date: 2020.11.02 15:28:13 -05'00'

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Encl.

cc: Mark Rubenstein, Jay Shepherd, Wayne McNally (SEC)
Shelley Grice, John Lawford (VECC)
Marc Abramovitz, Richard Lanni (OEB Staff)

EB-2020-0008

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, (Schedule B);

AND IN THE MATTER OF an application by Canadian Niagara Power Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2021.

Canadian Niagara Power Inc.

Reply Submission

November 3, 2020

This is the Reply Submission of Canadian Niagara Power Inc. ("CNPI"). It has been organized by topic as follows:

1. Z-Factor Claim
2. LRAMVA Claim
3. Other Elements of the Application

CNPI has filed this reply submission more than a week in advance of the date specified in Procedural Order #1, with the intent that any additional procedural steps that may be required in consideration of OEB Staff's submission[1] can be completed without materially delaying the Board's decision and order in the proceeding.

[1] As described in Section 1.3 of this reply submission.

1. Z-Factor Claim

1.1. Z-Factor Eligibility Criteria

OEB Staff, the School Energy Coalition ("SEC"), and the Vulnerable Energy Consumer's Coalition ("VECC") all submitted that CNPI's Z-factor claim of $261,587 met the OEB's eligibility criteria of causation, materiality, and prudence, subject only to OEB Staff's request for additional clarification on 2019 OM&A amounts, which is addressed in Section 1.3 below.[2]

Accordingly CNPI respectfully submits that the OEB should find that CNPI's Z-factor claim for $261,587 meets the three eligibility criteria based on the evidence and the submissions of all parties in this proceeding and approve that claim for recovery.

1.2. Z-Factor Cost Recovery

OEB Staff and VECC explicitly supported CNPI's proposal to recover its total Z-factor claim of $261,587 over a 12-month period by: (a) allocating the Z-factor costs in proportion to its last OEB-approved revenue by rate class, and (b) recovering the allocated amounts through fixed rate riders based on the most recently reported actual customer counts, consistent with the OEB's recent decision and rate order approving Burlington Hydro Inc.'s Z-factor claim for 2019 rates.[3] SEC's submission did not address CNPI's cost recovery methodology.

Accordingly CNPI respectfully submits that the OEB should approve the proposed cost recovery methodology for it's Z-factor claim based on recent precedent and in consideration that all parties to the proceeding either explicitly supported CNPI's proposal or did not object to it.

1.3. OEB Staff Submission on total 2019 OM&A

OEB Staff submitted that it would be helpful for CNPI to "compare its 2019 OEB-approved total OM&A, adjusted for inflation, versus its total 2019 OM&A spending" to confirm that the costs are incremental to what underpins rates.[4] Accordingly OEB Staff proposes an extended process for, potentially, addressing any such "new evidence" if CNPI agrees to file the new evidence as part of its reply submission:

> OEB staff would consent to Canadian Niagara Power filing such new evidence in its reply submission, but respectfully reserves the right to test any such evidence through a subsequent interrogatory process. In this regard, if Canadian Niagara Power files the new evidence in its reply submission, and OEB staff feels that a further round of interrogatories is warranted, OEB staff will notify the OEB by written submission within 3 days of the filing of the reply submission.

Ultimately CNPI is content to voluntarily file the requested "new evidence" within this submission (insofar as CNPI has correctly interpreted OEB Staff's request). In agreeing to provide the "new evidence" at this stage of the proceeding, however, CNPI notes neither OEB Staff, in making the request, nor either of VECC or SEC in their submissions in support of the Z-Factor claim as filed, provided submissions as to why such "new evidence" is relevant to the OEB's resolution of CNPI's Z-Factor claim. Accordingly, while content to file the "new evidence", CNPI reserves the right to respond to any submissions that parties may make to the effect that such "new evidence" supports a finding by the OEB that CNPI's Z-

[2] OEB Staff Submission, pp. 8-10; SEC Submission, p.1; VECC Submission, pp.1-3
[3] OEB Staff Submission, p.10; VECC Submission, p.4
[4] OEB Staff Submission, p.8

Factor claim should be limited or denied, and notes that in addition to the possible "further round of interrogatories" proposed by OEB Staff, it will be necessary to add a round of submissions, first by OEB Staff and intervenors followed by reply submissions by CNPI, assuming one or more of Board Staff, VECC or SEC believes that approval of CNPI's Z-Factor Claim is should be influenced by the "new evidence". CNPI notes that the additional round of submissions may be obviated if OEB Staff and intervenors indicate that the "new evidence' does not impact their initial support of CNPI's claim.

Within that context CNPI has prepared the following "new evidence" in response to OEB Staff's request.

The last time CNPI had its OMA approved by the Board was in its 2017 Cost of Service Application, EB-2016-0061. In the table that follows below CNPI took that 2017 Board-approved OMA figure and applied the 2018 and 2019 Price-Cap factors applicable to CNPI in 2018 and 2019 to simulate an "approved" 2019 OMA.[5] The table also includes the actual OMA expenditures in 2019 exclusive of the claimed Z-Factor costs, and then provides the actual OMA expenditures for 2019 including the claimed Z-factor costs:

	Approved	Price-Cap IR Adjusted		Actual (SEC-2) (exclusive of Z-Factor costs)	Actual + Z-Factor costs
	2017	**2018**	**2019**	**2019**	**2019**
Total OM&A (Excl LEAP)	9,914,000[6]	9,988,355	10,093,233	10,118,441	10,376,491[7]
CNP Price-Cap Factor[8]		0.75%	1.05%		

2019 Actual vs. 2019 Price-Cap IR Adjusted:	**25,208**
2019 (Actual + Z-Factor) vs. 2019 Price-Cap IR Adjusted:	**283,258**

A comparison of the "approved" 2019 OMA budget against the actual 2019 OMA spending exclusive of the claimed Z-Factor costs shows that CNPI's spending exceeded the "approved" budget by $25,208.[9] CNPI notes that adding the claimed Z-Factor costs to the 2019 actual OMA spending increases the actual overspend relative to the "approved" 2019 budget to $283,258.

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[5] CNPI notes its position that there is no Board "approved" 2019 OMA budget, as CNPI's 2019 rates, as a result of the application of the Board's IRM regime, were decoupled from costs, with no necessary correlation between the revenues generated by rates and the costs incurred by CNPI in providing distribution service. Accordingly the fact that CNPI is providing this calculation should not be construed as agreement that it is appropriate in the context of evaluating CNPI's Z-factor claim, and, as noted, CNPI reserves its right to respond to any submissions to the effect that its Z-Factor claim should be partially or entirely denied on the basis of this calculation.
[6] See CNPI's 2017 DRO RRWF in EB-2016-0061. The OEB's decision and order references $10.017 million, which is the sum of $9.914 million in OM&A and $103,000 in property tax (which is also excluded from the SEC-2 response)
[7] Z-Factor claim amount of $258,050 (excludes carrying costs) added to 2019 OM&A
[8] Inflation adjustments are based on CNP's actual price-cap IR factor for each rate-setting year (EB-2017-0031 for 2018 rates and EB-2018-0022 for 2019 rates)
[9] CNPI notes that in answering SEC-2 it was not explicit in the response whether the actual 2019 OMA reported in the answer either included or excluded the claimed Z-Factor costs; CNPI confirms that the reported 2019 OMA in SEC-2 did not included the claimed Z-Factor costs, as those costs were tracked outside CNPI's "normal" OMA for the year through the use of account 1572.

2. LRAMVA Claim

2.1. Amount of LRAMVA Claim

OEB Staff was unable to reconcile the updated demand and energy savings for CNPI's Street Lighting projects with the amount of the revised LRAMVA claim presented in CNPI's interrogatory responses, and suggested that CNPI identify how these adjustments result in the updated balances in its reply submission.

CNPI clarifies that in the initial application, the Street Lighting savings were embedded in the 2016 and 2017 Retrofit Program savings. 2016 and 2017 Retrofit Program savings were entered into the LRAMVA Workform on the basis of IESO verified results for the entire program, and allocation factors were used to assign energy and demand savings to the general service and Street Lighting rate classes. The allocation factors were determined based on the ratio of net energy savings for each rate class, however the allocation factors apply equally to both energy and demand savings in the LRAMVA workform.

In response to various OEB Staff interrogatories, CNPI adjusted the LRAMVA Workform to separate its Street Lighting project energy and demand savings from the Retrofit Program results, and to calculate the reduction is Street Lighting demand based on actual fixture replacements and reductions to billed demand, in line with the filing requirements. During this process, CNPI discovered that the project-level demand savings for its Street Lighting projects were reported as zero in the IESO verified results for the Retrofit Program, since Street Lighting demand reduction doesn't generally contribute to reduction of system peak demand. Because of this assumption inherent in the IESO's verified results, the LRAMVA Workform submitted with the initial application: (a) failed to account for lost revenue due to demand reductions associated with Street Lighting projects, and (b) incorrectly allocated a small portion of the non-Street Lighting demand reductions associated with Retrofit project for general service accounts to the Street Lighting rate class.

The inclusion of a calculation of actual reduction in billed Street Lighting demand on Tab 8 of the revised LRAMVA Workform resulted in a significant increase to CNPI's total LRAMVA claim for the Street Lighting rate class, as compared to the (incorrect) Retrofit program allocation methodology used in the initial application. CNPI notes that in making these revisions to exclude Street Lighting savings from the Retrofit Program totals (energy only since demand was zero), it appropriately adjusted the Retrofit Program allocation factors to assign the reduced Retrofit Program savings to the general service rate classes only, which resulted in relatively small changes to the claims for those rate classes.

2.2. Disposition of LRAMVA Balances

Subject to CNPI's ability to reconcile the change in its LRAMVA claim (see Section 2.1 above), OEB Staff supported CNPI's proposed disposition of LRAMVA balances over a 12-month period for the residential and general service rate classes.[10]

With respect to CNPI's proposal to mitigate bill impacts for its Street Lighting customers by extending the disposition period to 48 months, OEB Staff recommended a 36-month disposition period on the basis that it would keep total bill impacts below the OEB's 10% mitigation threshold, without an additional year of carrying charges.

[10] OEB Staff Submission, p.4

CNPI does not object to OEB Staff's recommendation for a shorter disposition period and acknowledges the reasons for this recommendation. At the same time, CNPI submits that the interest rate applicable to DVA balances is at a historically low value, and while avoiding added carrying charges normally support shorter disposition period, bill impact and cash-flow considerations for its Street Lighting customers, most of which are small municipalities, provide counter-arguments for a longer disposition period.

3. Other Elements of the Application

OEB Staff's submission supported all other aspects of CNPI's 2021 IRM application, including the price-cap IR adjustment, the request to update RTSRs, and the disposition of Group 1 DVA's.[11]

OEB Staff also indicated that it has the necessary adjustments to the OEB's IRM Rate Generator Model to incorporate the most recently approved UTR's and Hydro One sub-transmission RTSRs, and will further update the model to reflect the 2021 price cap parameters once available.

CNPI has no concerns with OEB Staff submissions or comments on these matters.

All of which is respectfully submitted

[11] OEB Staff Submission, pp.1-3