

BY E-MAIL

January 4, 2021

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

Dear Ms. Long:

**Re: Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro)
Application for 2021 Rates
Ontario Energy Board (OEB) File Numbers: EB-2020-0042**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Niagara-on-the-Lake Hydro and the intervenor have been copied on this filing.

Niagara-on-the-Lake Hydro's responses to interrogatories are due by January 18, 2021.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Electricity Distribution: Incentive Rate-Setting and Regulatory Accounting

Attach.

OEB Staff Interrogatories
2021 Rates Application
Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro)
EB-2020-0042
January 4, 2021

Please note, Niagara-on-the-Lake Hydro is responsible for ensuring that the documents it files with the OEB, such as its evidence, responses to interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref: Manager's Summary, p.22

Regarding the Specified Customer Revenue Variance Account,

- a) Please confirm that Account 1508, Sub-account Large Use Variance Account is the same as the Specified Customer Revenue Variance Account that was approved for establishment in Niagara-on-the-Lake Hydro's 2019 cost of service rate application.¹
- b) If not confirmed, please provide the approved accounting order for the 1508 sub-account.
- c) Please provide a breakdown of the calculation of the principal balance in the account, including the forecast and actual revenues if applicable.

Staff-2

Ref: GA Analysis Workform

Ref: Manager's Summary, p.26

In the GA Analysis Workform, regarding the consumption inputted to calculate the expected GA Amount, Niagara-on-the-Lake Hydro indicates that it is able to determine the actual GA billed to RPP and non-RPP customers by month. In the Manager's Summary, Niagara-on-the-Lake Hydro indicates that the consumption used to calculate the expected GA Amount in the GA Analysis Workform is based on actual non-RPP consumption including losses derived from the billing system.

- a) Please confirm that the consumption inputted into the GA Analysis Workform is actual non-RPP consumption including losses billed and unbilled for the calendar month, which is derived from the billing system.

¹ Decision and Order, EB-2018-0131, April 1, 2019, Schedule A – Appendix I

- b) If not confirmed, please explain what the consumption represents including whether it is comprised of billed and unbilled consumption and how it would accurately approximate calendar month consumption.

Staff-3

Ref: Manager's Summary, p.25

In Niagara-on-the-Lake Hydro's decision and rate order for 2020 rates², regarding the approach to record journal entries relating to charge types 148 and 1142/142, the decision stated "Therefore, the OEB directs that, going forward, Niagara-on-the-Lake Hydro use "Approach A" to record balances in the two commodity accounts." Approach A records the full charge type 1142/142 in Account 1588 – RSVA Power and prorates charge type 148 between Account 1588 and Account 1589 – RSVA Global Adjustment.

- a) Please state whether Niagara-on-the-Lake Hydro has revised its accounting practices to use Approach A to record balances in the commodity accounts.
- b) If not, please explain why not and when Niagara-on-the-Lake plans to start using Approach A.

Staff-4

Ref: Manager's Summary, p.31

Regarding Off-ramps, Niagara-on-the-Lake Hydro indicated its 2020 earnings were impacted by several one-time events, including forgoing May 1, 2020 to October 31, 2020 distribution revenues and not charging late payment or interest fees.

- a) Please quantify Niagara-on-the Lake's forgone revenue from May 1, 2020 to October 31, 2020 resulting from postponing implementation of 2020 rates.
- b) Please quantify the amount of late payment and interest fees Niagara-on-the-Lake did not charge its customers in 2020.
- c) If Niagara-on-the-Lake Hydro is able to forecast its 2020 regulated ROE, please provide this forecast.

Staff-5

Ref: Manager's Summary, pp.32

- a) Please provide a copy of the 2019 RRR 2.1.5.6 that was filed.
- b) For any "Other adjustments" made to Appendix 1-6 of the RRR 2.1.5.6 ROE calculation, please provide an explanation of what the adjustments are and why those adjustments are appropriate for the regulatory ROE calculation.

² Page 10, Decision and Rate Order, EB-2019-0056, April 16, 2020

Staff-6**Ref: Manager's Summary, pp.32-33**

Niagara-on-the-Lake Hydro indicates that one of the reasons for its over-earnings is due to the Account 1576 rate riders that resulted in a \$90k reduction to depreciation, which was not included in the depreciation expense of the approved revenue requirement in its 2019 cost of service rate application. Per the March 2015 Accounting Procedures Handbook Guidance³, the related journal entries that disposes of Account 1576 include i) debit entries to distribution revenues and other income to record the rate rider amounts refunded, and ii) credit entries to depreciation expense to dispose of Account 1576. Niagara-on-the-Lake Hydro has identified the impact to ROE resulting from \$90k in reduced depreciation expense that was recorded in 2019. However, it did not identify the ROE impact from the rate rider amounts refunded to customers in 2019 that reduce revenues.

- a) Please confirm that the reduction in revenues from the refund of Account 1576 rate riders were not reflected in the 2019 revenue requirement.
 - i. If not confirmed, please explain where/how it was included in the 2019 revenue requirement.
- b) Please explain why Niagara-on-the-Lake Hydro has not adjusted ROE for the reduction in revenues from the refund of Account 1576 rate riders.
- c) Please quantify the impact to ROE from the reduction in revenues attributable to the refund of Account 1576 through rate riders and update Table 33 to include this impact to ROE.

Staff-7**Ref: Manager's Summary, pp.32-33**

Niagara-on-the-Lake Hydro indicates that one of the reasons for its over-earnings is due to LRAMVA amount of \$196k included in 2019 distribution revenues, which was not considered in the 2019 revenue requirement. Niagara-on-the-Lake Hydro has calculated adjusted ROE to remove the impact from the LRAMVA.

- a) Please confirm that the LRAMVA amount of \$196k pertained to the approvals in its 2019 COS, which relate to lost revenue balances in the 2016-2017 program years.
 - i. If not confirmed, please explain which program year(s) the LRAMVA amount related to
- b) Please explain whether Niagara-on-the-Lake Hydro believes it to be appropriate to adjust the 2019 ROE calculation and include the LRAM revenues pertaining to

³ #6, https://www.oeb.ca/oeb/Documents/Regulatory/APH_Guidance_March2015.pdf

the 2019 program year, which would appear to be a portion of the amount sought for disposition in this application.

- c) Please quantify the LRAM revenues amount pertaining to the program year 2019 (e.g. 2019 portion of the \$192,685 claim) and adjust the 2019 ROE to include the 2019 LRAM revenues.

Staff-8

Ref: Manager's Summary, pp.32-33

Niagara-on-the-Lake Hydro indicates that one of the reasons for its over-earnings is due to the delay in completion of the project related to a new 83MVA transformer, which was included in the approved rate base. Niagara-on-the-Lake Hydro calculated an adjusted ROE in Table 32 to remove the impact from the delay in this capital project. OEB staff understands this to be a capital forecasting difference and not a difference from misalignments in elements of revenue requirement between approved and actuals.

- a) Please explain whether Niagara-on-the-Lake believes that this forecasting difference should be removed in the calculation of the adjusted ROE or whether Niagara-on-the-Lake is only identifying the delay in the project as a driver for over-earning.
 - i. If Niagara-on-the-Lake believes that the ROE should be adjusted to remove the impact from the delay in the project, please explain why.
- b) Please provide a revised adjusted ROE calculation excluding the adjustment to remove the capital forecasting difference.

Staff-9

Ref: LRAMVA Workform, Tab 5
Excel, "Detailed CDM Savings", Tab Edited
2019 Participation and Cost Report

Niagara-on-the-Lake Hydro claimed additional savings for various Commercial and Industrial conservation programs (e.g. business retrofit) in 2018 and 2019, which were not shown on the IESO's 2019 Participation and Cost Report.

- a) Please confirm the source report of the excel spreadsheet "Detailed CDM Savings".
- b) Please explain why these project savings were not included in the Participation and Cost Report and discuss the eligibility of the additional savings included in 2018 and 2019.
- c) Please confirm whether the persistence of 2017 savings into 2018 and 2019 changed from the previous year's LRAMVA application. If revisions have been made, please confirm that the revisions were made in accordance with the

savings adjustments indicated in the Participation and Cost Report. If not, please provide the supporting rationale for the changes.

Staff-10

**Ref: LRAMVA Workform, Tab 5
EB-2018-0056, 2019 COS Load Forecast Model (Feb 11, 2019), Tab 10 “CDM Adjustment”**

Niagara-on-the-Lake Hydro claimed the persistence of 2011 to 2016 programs in 2018 and 2019. At Tab 10 of the 2019 COS load forecast model, it indicates that the CDM adjustment of 3,770,854 kWh was comprised of forecast savings from 2017 to 2019.

- a) Please provide rationale for claiming persistence of 2011-2016 savings in each of 2018 and 2019, given that 2011 to 2016 actual program savings were embedded in the 2019 load forecast.
- b) Please explain whether Niagara-on-the-Lake Hydro agrees that it would be appropriate to remove the persistence of 2011-2016 savings in 2019. If so, please remove the lost revenue amounts in the applicable rows in Tab 5 (i.e. cells Y 931 to AD 936 for 2019).

Staff-11

Ref: LRAMVA workform, Tabs 3 and 5

Niagara-on-the-Lake Hydro completed the transition to a fixed residential charge as of May 1, 2019, but it has claimed lost revenues from the residential class in 2019.

- a) Please provide rationale for claiming lost revenues for the residential class in 2019, as the utility transitioned to a fixed residential charge as of May 1, 2019.
- b) Please discuss whether the residential lost revenues of \$2,642 (principal only) represent actual lost revenues incurred from January 1 to April 30, 2019.
 - i. Please provide a calculation of the residential lost revenues using savings from the Participation and Cost Report (i.e. monthly savings from Jan-April 2019 multiplied by the 2018 residential charge).
- c) If there is a material difference in the residential lost revenues calculated using the Participation and Cost Report compared to the approach used in the LRAMVA workform (which captures the value of 2019 annual savings at a third of the 2018 residential rate), please indicate the specific revisions made to the LRAMVA workform, including the tab references, to reflect the change(s).

Staff-12**Ref: LRAMVA workform, Tab 6**

The carrying charges on the principal balance are not calculated to May 1, 2021.

Please populate column H (cells 165-169) in Table 6-a with the corresponding monthly interest rate for the period to calculate projected carrying charges to May 1, 2021.

Staff-13**Ref: Rate Generator Model, Tab 3**

There is a variance of \$192,684 between RRR 2.1.7 and the year-end balance for Account 1568.

- a) Please explain why there is no balance for Account 1568 in RRR 2.1.7.
- b) Please clarify whether Niagara-on-the-Lake Hydro will update the Account 1568 in RRR 2.1.7 after the LRAMVA amount is approved for disposition in this proceeding.

Staff-14**Ref: LRAMVA workform, Tab 1-a**

- a) If Niagara-on-the-Lake Hydro made any changes to the LRAMVA workform as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA workform.
- b) If the LRAMVA balance requested for disposition has changed, please confirm whether the disposition period of 24 months on the LRAMVA balance is still necessary.
- c) Please confirm that any changes to the LRAMVA workform in response to any LRAMVA interrogatories are reflected in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)"

Staff-15**Ref: Rate Generator Model, Tab 3 Account 1595 (2016) and (2017)**

Niagara-on-the-Lake Hydro has not requested disposition for the residual balances in accounts 1595 (2016) and (2017).

- a) Please explain whether or not Niagara-on-the-Lake Hydro believes accounts 1595 (2016) and (2017) are eligible for disposition in this proceeding.
- b) If the above accounts are eligible for disposition, please update the IRM Rate Generator model accordingly.
- c) Please file, as necessary, the Account 1595 Analysis Workform to support the disposition of any residual 1595 balances that are eligible for disposition.

Staff-16**Ref: Rate Generator Model**

OEB staff has updated the IRM Rate Generator Model in the following areas:

- Tab 16 cell B12 the Price Escalator has been updated 2.20%
- Tab 19 cell B272 Specific charge for access to the power poles - per pole/year (with the exception of wireless attachments) - Approved on an Interim Basis has been updated to \$44.50

Please confirm that the IRM Rate Generator Model has been updated by OEB staff correctly. (Please note there will be further updates before final issuance of the Decision)