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

BY E-MAIL

September 3, 2021

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

Dear Ms. Long:

Re: Canadian Niagara Power Inc. (Canadian Niagara Power)
2022 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2021-0011

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

Canadian Niagara Power's responses to interrogatories are due by September 24, 2021. 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
2022 Electricity Distribution Rates Application
Canadian Niagara Power Inc. (Canadian Niagara Power)
EB-2021-0011
September 3, 2021

*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 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 2022 Electricity Distributor Rate Applications webpage.

1-Staff-2
Letters of Comment

Following publication of the Notice of Application, the OEB received six 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
Customer Engagement
Ref 1: Exhibit 1 – Appendix B – UtilityPULSE Taking AIM report, pg. 50
Ref 2: Tariff Schedule and Bill Impact Model
The report states that customers were shown a proposed total bill impact of $1.26. The results were that 12% of customers supported an increase of $1.26 and 63% of customers supported an increase less than $1.26.

a) The total bill impact in the bill impact model is $2.80, which is $1.54 higher than the total bill impact presented to customers. What were the assumptions at the time of the AIM report that estimated the $1.26 total bill impact and how had those assumptions changed to result in the $2.80 bill impact?
b) In the 2022 bill impact, a large offset to the increase in distribution costs is the deferral and variance account credit rate rider, which expires December 31, 2022. Please explain how CNPI considered the expiration of this credit rate rider and the customers expectations of an increase less than $1.26.
c) Based on the new total bill of $2.80 is CNPI able to estimate the amount of customer support. If so, please provide the assumptions and a detail explanation of the estimate.

1-Staff-4
Budgeting Assumptions
Ref 1: Exhibit 1 – 1.4.2 Budgeting and Accounting Assumptions
Ref 2: Chapter 2 Appendices – 2-JB OM&A Cost Drivers
CNPI stated in reference 1 that no material adjustments have been made to future forecasts in relation to COVID-19 impacts. In reference 2, it shows that there is a net impact of $50k in incremental OM&A costs.

a) Please confirm if there are any immaterial capital costs incurred as a result of COVID-19.

1-Staff-5
Ref 1: Exhibit 1, pg. 48
CNPI stated that:

> CNPI has reported under the Accounting Standards for Private Enterprises accounting standard since January 1, 2011…CNPI adopted MIFRS and confirms

that it reflected the required changes to its capitalization policies and depreciation rates in its 2013 cost of service application (EB-2012-0112). The values presented in CNPI's most recent cost of service application (EB-2016-0061) and the values presented within this Application have also been reported using this methodology.

Throughout the application, CNPI has referred to the accounting standards used in its last rebasing application, as well as the ones used in every year subsequent to then, as MIFRS. OEB staff notes that MIFRS is underpinned by IFRS reporting standards, modified for various ratemaking considerations. CNPI has never adopted IFRS for financial reporting or ratemaking purposes.

a) Please confirm that CNPI has prepared this application (including the presentation of all financial data from the years from 2017 to 2022) on the basis of ASPE standards, with the exception of capitalization and depreciation policies, which reflect those mandated by the OEB in 2013 (permitted in 2012). If this is not confirmed, please explain.
b) Please confirm that, throughout the application, CNPI has interpreted the term MIFRS to mean: Any acceptable accounting standards (e.g., ASPE/IFRS), as long as the capitalization and depreciation policies reflect those mandated by the OEB in 2013 (permitted in 2012). If this is not confirmed, please explain.

1-Staff-6
Ref 1: Exhibit 1, Appendix 1-H, Reconciliation – AFS to RRR Filing, 2019 and 2020 analysis
Ref 2: Chapter 2 Appendices, Appendix 2-BA, August 9, 2021 (Excel spreadsheet)
Ref 3: Exhibit 1, Appendix 1-I, 2020 Audited Financial Statements
At the above noted first reference, CNPI has provided a reconciliation of its 2019 and 2020 audited financial statements (AFS) to its RRR 2.1.7 filing.

OEB staff is unable to reconcile the December 31, 2020 amounts in the AFS related to fixed assets to Appendix 2-BA, at the above noted second reference.

OEB staff also notes that, in comparing the AFS to the RRR 2.1.7, CNPI has incurred an increase of $535,000 of "Regulatory Adjustments" recorded in 2019 and a decrease of $417,000 of "Regulatory Adjustments" recorded in 2020. CNPI provided a brief description for these amounts, stating that these amounts are due to "accounting policy changes".

a) Please provide a table that reconciles the total 2020 fixed assets per the 2020 fixed asset continuity schedule (Appendix 2-BA) to the distribution fixed asset balances presented in Note 14 of the December 31, 2020 AFS.
b) Please explain why the balances would differ between the sources referenced above.
c) Please provide more detail regarding the above noted “Regulatory Adjustments” and explain whether these adjustments impact any amounts being requested in this application.

Exhibit 2 – Rate Base

2-Staff-7
Storm Damage
Ref 1: Exhibit 2 – 2.1.3 Rate Base Variance Analysis
In reference 1, CNPI stated that it had incurred $800k in capital work related to pole replacements following a severe storm.

a) Please provide the scope of the work done for the pole replacements and show that the scope was prudent.
b) Please provide the number of poles replaced in the storm that were in fair, poor, or very poor pole condition.

2-Staff-8
Service Quality Indicators
Ref 1: Chapter 2 appendices 2-G
In reference 1, CNPI has seen a continuous decline in written response to enquiries.

a) Please provide an explanation to this continuous decline and how CNPI intends to address it in the next five years.

2-Staff-9
System Access Variance
Ref 1: Chapter 2 appendices 2-AA
Ref 2: Chapter 2 appendices 2-AB
Ref 3: Exhibit 2 – 2.1.3. Rate Base Variance Analysis
Ref 4: Distribution System Plan – 4.3.1 Variances by Capital Investment Category
Ref 5: Exhibit 3 – Operating Revenue
In reference 4, CNPI shows that over the historical period there is a spending variance of $8.688 million in the System Access category or 278% higher than planned in CNPI’s

2017 cost of service application. CNPI attributed this variance to higher than anticipated subdivision development and road relocation activity.

a) CNPI provided the number of subdivisions and lots for 2017 to 2020 in reference 4. Please provide the known subdivisions and lots for 2021, if any.
b) Please explain how the number of customers added are reflected in the forecast of 27,227 residential customers and reconcile the growth in system access costs to the growth in the load forecast.
c) Please explain CNPI's process in gathering information and the methods used in forecasting subdivision development.
d) Please provide the scope of work and total subdivision investments for 2017 to 2020.
e) Does CNPI have standard design principals for subdivision distribution designs (i.e. overhead to underground design, or duct to direct buried)? If so, please provide the standard design principals. If not, how does CNPI work with the subdivision developers to ensure that most economical design such that CNPI's existing customers are not negatively impacted by costs.
f) Please confirm if CNPI has an internal process to operate within their approved capital envelop (i.e. increase in System Access budget is redirected from other capital budgets). If so, please explain how that process was applied in the past five years. If not, please explain why CNPI has chosen to operate outside of its capital envelop.

Based on the capital contribution provided in reference 2 and the investments provided in reference 1 (Service Connections and Relocations/Joint-Use amounts), 2018 and 2019 have lower contribution percentages as compared to other years, which were 36% and 25% respectively.

g) Please explain the lower contribution amounts in 2018 and 2019.
h) Please provide the methodology CNPI uses to calculate capital contributions for subdivision developers. If it is a discounted cash flow model, please provide the assumptions used by CNPI in the model.
i) Please confirm if CNPI follows the Public Service Works on Highways Act for road relocations. If so, what is the apportionment of costs that CNPI and the road authority has agreed to?
j) Please explain CNPI's coordination and planning process with municipalities for road relocation projects.
k) Please provide the known road relocation projects for the next five years.

2-Staff-10
System Access - Meters
Ref 1: Chapter 2 appendices 2-AA
Ref 2: Distribution System Plan – 4.4.1.1 System Access
CNPI stated that the meter program includes costs related to install new complex meter installations. CNPI also stated in reference 2 that it has planned a lower level of system access investments due to lack of identified/committed housing developments and uncertainty related to the timing of infrastructure projects post-pandemic.

a) Please explain why the budget for meters has consistently grown even with declining expected connections.

2-Staff-11
System Renewal Variance – Targeted Pole Replacements
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.17 CNPI Targeted Pole Replacement Program
In CNPI's last DSP it had planned to replace 138 poles per year under the Targeted Pole Replacement Program.

a) Please provide the actual number of poles replaced under this program per year between 2017 to 2021.
b) Please provide the average installed cost per pole replacement achieved by CNPI over the historical period 2017 to 2021.
c) Please confirm if the historical targeted pole replacement program has become the voltage conversion and line rebuilds programs in this application.
d) Please provide the annual number poles CNPI anticipates replacing between 2022 to 2026.

2-Staff-12
System Renewal/Service Variance - Voltage Conversion – New Gilmore DS
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.1 FE – Construct New Gilmore DS
In CNPI's last distribution system plan it identified a project to construct Gilmore DS and to complete voltage conversion for QEW North. The total project cost was $7.04 million and was to be done between 2016 to 2020.

a) Please provide the final cost and timing for this project and provide an explanation for variances between the cost and timing as compared to the business case in reference 2.
b) Please provide the cost benefits of accelerating the voltage conversion.

2-Staff-13
System Renewal/Service Variance - Voltage Conversion – Ridgeway
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.4 Ridgeway – 4.8Δ to 8.3Y Voltage Conversion SS
Ref 3: EB-2016-0061 – Distribution System Plan – 5.4.6.5 Ridgeway – 4.8Δ to 8.3Y Voltage Conversion SR
In CNPI's last distribution system plan it identified a project to voltage convert the Ridgeway area through a system service and system renewal project for a total of $3.7 million.

a) Please provide the final cost and timing for this project and provide an explanation for variances between the cost and timing as compared to the business case in reference 2 and 3.
b) Please provide the cost benefits of accelerating the voltage conversion.

2-Staff-14
System Renewal Variance - Transformer Replacement
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution Asset Management Program – 8.2.2 Distribution Transformers, pg. 102
CNPI stated that transformer replacement variance is a result of replacing transformers identified in poor condition during the accelerated voltage conversion and other line rebuilds. In reference 2, identified that an average replacement rate of 155 transformers would achieve a sustainable average transformer age and condition.

a) Please provide the number of transformers replaced each year between 2017 to 2021. This should include all transformers replaced under all capital investments.
b) In CNPI's last application and this application, CNPI only has age information for distribution transformers. What is the age threshold CNPI used to decide whether to replace transformers during the accelerated voltage conversion and line rebuilds?
c) Please explain why CNPI has chosen not to have a condition assessment factor in evaluating line transformers.

d) Please explain if CNPI has considered adding a visual inspection component to the condition assessment. If not, why not?

2-Staff-15
System Renewal Variance - Fort Erie South DS
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.20 FE – New South DS – Construct Substation
CNPI originally estimated the cost to construct a new dual-element substation in Fort Erie South to be $1.7 million but following the tendering process the cost was expected to be $2.75 million.

a) Please provide the changes in assumptions from the original estimate to the tendering process that explains the $1 million increase in cost.

The substation design shown in reference 2 appears to be a prefabricated substation.

b) Please confirm if the substation design in reference 2 was the final design put in-service at Fort Erie South DS. If so, has CNPI used this substation design before, except for Port Colborne DS? If CNPI has used this substation design before what was the previous cost?
c) What is the capacity of this new station?
d) If this was a new substation design, how does the final cost of $2.75 million compare to a traditional station rebuild (i.e. not on a prefabricated skid)?
e) If the costs of a traditional station rebuild is cheaper than the new substation design how did CNPI assess that the new substation design was the alternative of choice.

2-Staff-16
System Renewal Variance - Port Colborne DS
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.14 PC – Port Colborne South DS – Construct New Substation
CNPI originally planned to construct a new dual-element substation in Port Colborne but was unable to secure land for the new substation. This led to a change in plans to rebuild the existing Jefferson DS and Catharine DS at a $2.2 million increase in cost.

a) Please explain the assumptions CNPI used in the original plan for land acquisition and the changes that occurred that led to CNPI being unable to secure the land.

In reference 2, the original plan was to construct a single element substation that is prefabricated on a skid with 3 to 4 feeders, which would replace Jefferson DS and Catherine DS. The variance explanation in reference 1 states that CNPI rebuild Jefferson DS and Catherine DS as single-element substations.

b) Please explain CNPI's change in scope from one single element substation to two single element substations. Please also confirm if the total cost of $3.8 million was to only construct Jefferson DS and it could cost the same amount to build Catherine DS.
c) What is the capacity of the single element station in reference 2? and what is the capacity of the single element station at Jefferson DS and Catherine DS?
d) Please confirm if CNPI used the prefabricated design to rebuild Jefferson DS and Catherine DS. If not, why not?

2-Staff-17
System Renewal Variance – Other/Less Materiality
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
In the system renewal variance analysis, CNPI had $2 million in unplanned other/less than materiality projects.

a) While each individual project may be below materiality the total amount accounts for approximately a quarter of the system renewal variance. Please provide additional context to the investments made and why CNPI had to complete these projects.
b) Please group the immaterial spending in this investment by similar projects or similar outcome CNPI was trying to achieve. Alternatively, CNPI can group the immaterial spending in groups that could help explain this variance amount better.

2-Staff-18
System Renewal Variance – EOP Distributed Option
Ref 1: Distribution System Plan – 4.3.1.2 System Renewal, pg. 83-85
Ref 2: Distribution System Plan – 4.4.2.2.4 SR – Gananoque Distributed Supply
Ref 3: EB-2016-0061 – Distribution System Plan – 5.4.6.12 EOP Distribution System Upgrade Program

In CNPI's last distribution system plan it identified the voltage conversion plan for the Gananoque downtown area and to retire Gananoque DS. In 2020 and 2021, CNPI had installed a series of distributed padmount transformers as an alternative solution for retiring the end-of-life Gananoque DS.

a) Please confirm if the plan is to offload Gananoque with multiple 27.6/4.16kV padmount distribution transformers and as voltage conversion is completed in each area to remove the pad mount transformers. If so, please explain the plan for these pad mount transformers when conversion is complete. If not, please provide the updated plan for the Gananoque downtown.

2-Staff-19
System Renewal – Voltage Conversion
Ref 1: Distribution System Plan – 4.4.2.2.1. SR – Voltage Conversion
Ref 2: Asset Condition Assessment 4.1.1 Wood Poles
Ref 3: Asset Condition Assessment 4.1.3 Overhead Distribution Transformers
In CNPI's distribution system plan it identified four areas that CNPI plans to voltage convert.

- Two areas in Fort Erie to accommodate the retirement of Station 12 and preparation for Stevensville DS.
- One area in Gananoque to accommodate the retirement of Gananoque DS
- One area in Port Colborne to accommodate the potential retirement of Killaly DS

a) For voltage conversion projects in each of these areas please provide the kilometers of line CNPI is planning to convert each year, the scope of the work each year, the project cost each year, the timeline for completion, and the priority in relation to the list of voltage conversion projects.
b) Please explain how CNPI has tried to pace the voltage conversion to mitigate bill impacts and how does CNPI prioritize voltage conversion projects.
c) Please provide the number of distribution transformers anticipated to be replaced in this program that were in fair, poor, or very poor condition.
d) Please provide the number of poles anticipated to be replaced and the number of poles that were in fair, poor, or very poor condition from the ACA.

2-Staff-20
System Renewal – Line Rebuilds
Ref 1: Distribution System Plan – 4.4.2.2.2. SR – Line/Rebuilds/Upgrades/Replacements
Ref 2: Asset Condition Assessment 4.1.1 Wood Poles

Ref 3: Asset Condition Assessment 4.1.3 Overhead Distribution Transformers
CNPI stated that this program addresses the safety and reliability risks associated with end-of-life pole failures. In reference 2, CNPI showed that there were 6,901 poles in poor condition and 82 poles in very poor in the Niagara region. CNPI also showed that there were 943 poles in poor condition in the Gananoque region.

a) For line rebuild projects in 2021, please provide the kilometers of line CNPI is planning to rebuild, the scope of the work, the number of poles replaced, the number of distribution transformers replaced, the project cost, the timeline for completion, and the priority in relation to other line rebuilds projects.
b) The asset condition assessment shows that CNPI does not have 75% of pole information in Niagara region and 80% of pole information in Gananoque region. Please explain how CNPI could identify line rebuild projects accurately with much of the pole information missing.
c) Please confirm if the extrapolation of the health index for poles is based on age and the known population health index.
d) Please provide the number of poles anticipated to be replaced and the number of poles that were in fair, poor, or very poor condition from the ACA.
e) Please provide the number of distribution transformers replaced in this program that were in fair, poor, or very poor condition.

2-Staff-21
System Renewal – Port Colborne TS Rebuild
Ref 1: Distribution System Plan – 2.2.1.3. CNPI-Specific Coordination with Hydro one
Ref 2: Chapter 2 appendices – 2-AA
To address the loss of supply issue in Port Colborne, Hydro One advanced a planned rebuild of Port Colborne TS. As a result, CNPI had to make investments in the distribution lines for the Port Colborne TS rebuild. Based on reference 2, the total amount invested is approximately $1.2 million.

a) Please provide the scope of work, kilometers of line that was rebuilt, the number of circuits per pole, whether they were sections near the egress or not.

2-Staff-22
System Renewal – Sherkston DS Transformer
Ref 1: Distribution System Plan – 4.4.2.2. System Renewal
In the system renewal project list CNPI provided a project called Sherkston DS Transformer.

a) Please confirm if the scope of work for this project is to replace a transformer at Sherkston DS. If not, please provide the scope of work.

2-Staff-23
Asset Condition Assessment
Ref 1: Asset Condition Assessment 5.1 Health Index Improvements
In CNPI's asset condition assessment, Metsco recommended additional condition parameters to improve the health index.

a) Please confirm which recommended condition parameters CNPI intends to include. For the condition parameters CNPI does not include please explain why.
b) Please provide the plan and status of implementing the recommended condition parameters.

2-Staff-24
System Renewal – Distribution Transformers
Ref 1: Distribution System Plan – 4.4.2.2.5. SR – Distribution Transformers
Ref 2: Asset Condition Assessment 4.1.3 Overhead Distribution (Pole Mount) Transformer
This program includes costs related to the purchase of distribution transformers required for end-of-life replacements, including proactive replacements during line rebuild activities, replacements during voltage conversion programs, and replacements due to failure. Based on the asset condition assessment, the health index for overhead transformers is only based on age and identified that 710 transformers in poor condition and 492 transformers in very poor condition.

a) Please explain if there are transformers replaced as part of rebuild or voltage conversion projects and why the distribution transformers costs would not be included under the line rebuild or voltage conversion investments.
b) Please explain how CNPI differentiates the transformer costs that fall under the line rebuild program, voltage conversion program, or distribution transformer program.
c) Please breakdown the historical budget (2017 to 2021) in the distribution transformer program into end-of-life replacements, proactive replacements during rebuilds, replacement during voltage conversion, and replacements due to failure.
d) If there was a reduction in line rebuilds and voltage conversion projects would the number of transformers identified above also be reduced. If not, why not?

e) Please provide the number of historical distribution transformers replaced for each year between 2017 to 2021.
f) Please provide the expected number of distribution transformers to be replaced between 2022 and 2025 and explain the pacing as compared to the units identified to be in poor and very poor condition in the asset condition assessment.

2-Staff-25
System Service Variance - Distribution Automation
Ref 1: Distribution System Plan – 4.3.1.3 System Service, pg. 86-87
Ref 2: EB-2016-0061 – Distribution System Plan – 5.4.6.8 Distribution Automation and Reliability Improvements
In CNPI's last distribution system plan it identified a program to introduce in the field automated switching and protection devices on CNPI's poor performing feeders to decrease outage frequency and duration. In reference 2, it shows that CNPI spent $711k more than planned for this program over the five years.

a) Please provide the feeder reliability between 2017 to 2021 for each of the feeders that had distribution automation installed under this program.
b) CNPI stated that it had increased investments in recent years to improve outage restoration efforts. Please identify which feeders provided above were the target of these increased investments and provide a cost benefit analysis, if available.

2-Staff-26
System Service – Stevensville DS
Ref 1: Area Planning Study – 5.2 Stevensville Conversion and New Substation Construction
The area planning study provided a cost breakdown of the Stevensville DS, which uses a modular substation design. This design is like the station design for Port Colborne DS and Fort Erie South DS, which had higher than anticipated costs.

a) Please confirm if the cost estimate of $1.6 million is still forecasted to be the same.
b) Were there lessons learned on the Port Colborne DS and Fort Erie South DS station rebuilds that could be applied to Stevensville DS.
c) This project causes a spike in capital spending in the test year causing it to be higher than 2023 to 2026. How has CNPI tried to offset this increase by deferring capital investments in programs that have a large enough budget for reprioritization, such as voltage conversion, line rebuilds, or distribution automation.

2-Staff-27
System Service – Distribution Automation and Reliability
Ref 1: Distribution System Plan – 4.4.2.3.4 SS – Distribution Automation and Reliability
Ref 2: Chapter 2 appendices – 2-AA
Ref 3: Distribution System Plan – 2.3.1.3.2. Historical Performance
The investments in distribution automation include installation or replacement of protection, control, and monitoring devices on CNPI's distribution lines. The historical investments in this program also vary greatly from year-to-year. CNPI also stated that this program is discretionary in comparison to other projects.

a) Is the high year-over-year variation because this program is discretionary?

CNPI's SAIDI adjusted for loss of supply and MED has gotten slightly better between 2016 to 2020 and is relatively flat for SAIFI.

b) How did CNPI forecast that an investment level of $700k is reasonable for the test year when the historical average is $475k and reliability outcomes are relatively stable?

2-Staff-28
General Service – IT Hardware/Software
Ref 1: Distribution System Plan – 4.4.2.4.1 GP – IT Software
CNPI stated that software investments include email applications, file/print services, CNPI's SAP ERP/CIS system, operating system, server/networking software, and office productivity software.

a) Please provide the software projects for the test year and the cost of those projects.
b) Please provide known projects between 2023 to 2026 and their estimated costs.
c) Please list new functionalities and benefits that may be provided by new IT Software and IT Hardware projects.

2-Staff-29
General Service - Fleet
Ref 1: Distribution System Plan – 4.4.2.4.2 GP – Fleet
Ref 2: Distribution System Plan – 4.3.1.4 General Plant

CNPI stated that replacement decisions for fleet vehicles are based on age, total km, condition assessment and evaluation of maintenance costs. CNPI's fleet spending in over the five-year period was also $810k higher than previously planned.

a) Does CNPI complete the condition assessment internally or through a third party? Please provide the condition assessment of CNPI's fleet.
b) Please provide a list of CNPI's fleet assets, the condition, and the expected replacement year.
c) Please provide the vehicles replaced for each year between 2017 to 2021.

2-Staff-30
Ref 1: Chapter 2 Appendices, Appendix 2-AB, Appendix 2-BA, August 9, 2021 (Excel spreadsheet)
In Appendix 2-AB and Appendix 2-BA, OEB staff notes that for the 2021 bridge year, a CWIP amount of $5,317,000 has been subtracted from PP&E, which also impacts the 2022 test year.

OEB staff also notes that there is a nil CWIP addition forecasted for the 2022 test year.

a) Please explain why for the 2021 bridge year (Appendix 2-AB and Appendix 2-BA), a CWIP amount of $5,317,000 has been subtracted from PP&E, which also impacts the 2022 test year Appendix 2-AB and Appendix 2-BA.
b) Please explain why for the 2022 test year (Appendix 2-AB and Appendix 2-BA), a CWIP addition amount of $0 has been forecasted.

2-Staff-31
Ref 1: Chapter 2 of the Filing Requirements For Electricity Distribution Rate Applications - 2021 Edition for 2022 Rate Applications, dated June 24, 2021, pg. 16
Ref 2: Chapter 2 Appendices, Appendix 2-BA, August 9, 2021 (Excel spreadsheet)
Ref 3: Exhibit 9, pg. 13
As per the above noted first reference, distributors may include in-service balances previously recorded in deferral or variance accounts, such as MIST meters or renewable generation/smart grid related accounts, in its opening test year PP&E balances, if these costs have not been previously reviewed and approved for disposition, but disposition is being requested in this application.

This may result in opening balances not reconciling to the closing bridge year PP&E balances. In this situation, the distributor must clearly show in its evidence (e.g., Appendix 2-BA) that the addition was included in the opening test year balances and

must reconcile the closing bridge year and opening test year figures. Distributors must provide the same reconciliation for accumulated depreciation.

At the above noted second reference, CNPI has not set out how the amounts approved in its 2017 cost of service rate proceeding impact the opening 2022 opening fixed asset and accumulated depreciation balances presented in the current application.

At the above noted third reference, CNPI stated that regarding Account 1557 – MIST Cost Deferral Account, "per EB-2016-0061, this account is being recovered through rate riders rate riders billed to CNPI's customers until December 31, 2021."

a) Please confirm that there are no undepreciated MIST meter costs that will remain after the rate riders are completed in December 31, 2021. If this is not the case, please explain.
b) Please confirm if the MIST meters approved in the 2017 CoS proceeding are reflected in 2022 opening fixed asset balances and accumulated depreciation. If this is not the case, please explain.
c) If so, please provide the reconciliations.

Exhibit 3 – Operating Revenue

3-Staff-32
Load Forecast
Ref 1: Load Forecast Model, "Input" Tab, Cells G3, F17, E19, E20, H17, G19, G20, J17, I19, I20
Ref 2: Load Forecast Model, "Bridge&Test Year Class Forecast" Tab, Cells: G26, G27, G54, G55, G82, G83, G110, G111; Load Forecast Model, "Input – Customer Data" Tab, Cells:
The original model is running a regression on total wholesale load then normalizing for number of customers instead of including customer count as an independent variable. This methodology, therefore, includes in the 'trend' the number of customers served in addition to increase in average use per customer, which runs the risk of potentially double counting implications of customer growth.

a) Please explain why customer count was not included as a variable in the model regression.
b) The model currently runs a regression on total load and then normalizes for number of customers. How does this model ensure there is no double counting the implications of customer growth given the wholesale forecast represents the

change in load from 2011 to 2020, which also includes increased load from increased customers?

3-Staff-33
Load Forecast
Ref 1: Load Forecast Model, "Bridge&Test Year Class Forecast" Tab, Cells: G82, G83

a) Since wholesale load in the model is based on a usage per customer assumption, how this is applicable to the large commercial (General Services 50 – 4,999 kW) customer group where their usage may not change based on customer count?
b) Please explain the rationale for using average customer load for the large commercial (General Services 50 – 4,999 kW) customer group and why that is appropriate given the size of customers in this class can vary greatly.

3-Staff-34
Load Forecast
Ref 1: Load Forecast Model, "Input" Tab, Column: A

a) Do the wholesale load regression numbers used in Column A in the Input Tab, exclude load included in street lighting sentinel, and USL classes?
b) Please explain why the sum of the monthly loads in Column A does not sum to the annual totals in the "Input – Customer Data" Tab, row 101 (by year).
c) Please explain why the sum of the monthly loads, in Input – Adjustments & Variables Tab, Column B, does not sum to the annual totals in the "Input – Customer Data" Tab, row 101 (by year).

3-Staff-35
Load Forecast
Ref 1: Load Forecast Model, "Input – Adjustments & Variables" Tab, Columns: C,D,E,F,G

a) What do the adjustments listed in Columns C,D,E,F, and G cover?
b) Are the adjustments exclusively for customers in the small commercial (General Services <50 kW) customer group? Are there other adjustments? If so, please explain?
c) Do adjustments account for transmission and distribution losses or transmission only losses?
d) Do adjustments account for wholesale market participants?

e) Do adjustments account for embedded generation including FIT and microFIT?

3-Staff-36
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
On page 11 of the Exhibit, CNPI states “The one-way analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of the three or more independent (unrelated) groups. The ANOVA compares the means between the groups you are interested in and determines whether any of those means are statistically significantly different from each other”.

a) Please define the ‘three groups’ referenced here. Are these customer groups?
b) Please provide the ANOVA results or direct where they can be found in the workpapers.

3-Staff-37
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
On page 11, Lines 24-29 of the Exhibit, CNPI states “The most readily available heating degree days (HDD) come with a base temperature of 18 degrees C. Cooling degree-day (CDD) values, also using a base temperature of 18 degrees C, provide…”.

a) Often, the cooling base temperature is higher than the heating base temperature, which may allow for days of neither HDD nor CDD. The model base temperature for both HDD and CDD is 18 degrees C. Please explain the implications in this model of there being neither heating nor cooling degree days (e.g., CDD and HDD both based on 18 degrees C)?
b) Are the HDD and CDD values the cumulative differences of the mean daily temperature and the base temperature (as noted later on page 17, row 5) for a given calendar month? If not, please explain how the HDD and CDD values were calculated.

3-Staff-38
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
On page 25, Lines 4-5 of the Exhibit, CNPI states “Although the formal is somewhat simplistic, it is reasonably representative of CNPI’s natural customer growth.

a) Why does CNPI consider this to be representative? Is there any concern that the last five years have seen a higher rate of customer growth than in the earlier years of the sample period? If there is no concern, please explain why not.

3-Staff-39
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
On page 28, Lines 13-17 of the Exhibit, CNPI states "Since the load forecast model does not include a customer growth variable or any other trend variable, the per customer weather-normal consumption values for 2021 and 2022 are initially calculated using 2020 customer numbers. These per customer weather-normal consumption values are then multiplied by the expected increase in Residential customer count each year to arrive at the final class load forecast shown in Table 3 - 10 below."

a) Since the load forecast does not include customer grown, the regression results don't include load growth from customer growth. Please explain the reasoning behind why a customer growth variable is not included in the model.
b) (b) Did CNPI remove customer growth load from the historical wholesale load used in the regression? If not, is there not a risk that customer growth is already in the load forecast estimate via the regression?

3-Staff-40
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
In Section 3.2.3.1, CNPI discusses 'allocation' of the wholesale regression to customer class. CNPI noted that the large commercial (General Services 50 – 4,999 kW) customer group is not weather sensitive, which consists of approximately 37% of total wholesale load. However, the regression assumes all wholesale load is weather sensitive.

a) Please explain the rationale for assuming all wholesale load is weather sensitive.
b) Is there a risk that the impact of weather on residential and small commercial (General Services <50 kW) customer group is being underestimated as a result of this approach? If so, how has CNPI addressed this risk? If there is no risk, please explain why not.

3-Staff-41
Load Forecast
Ref 1: CNPI Exhibit 3: Operating Revenue
Ref 2: CNPI Load Forecast, "Input – Customer Data" Tab

CNPI has used a geometric mean function applied to 2011-2020 customer counts to determine the forecasted number of customers.

The number of General Service 50 – 4,999 kW customers has decreased from 225 in 2014 to 220 in 2014, 206 in 2016, and 198 in 2017.

a) Please explain the cause of the reductions in the General Service 50 – 4,999 customers in the 2014 – 2017 period.
b) Has CNPI considered a shorter time period such as 2016-2020 to determine customer counts? If so, why was it rejected, if not, why not?
c) As a scenario, please provide the results of using a geometric mean growth rate over the 2016-2020 time period to forecast customer connections.
d) Please discuss the suitability of the scenario in part b) for setting rates.
e) Please provide the number of connections in each rate class as of June 30, 2021.

Exhibit 4 – Operating Costs

4-Staff-42
Cost Driver – Miscellaneous
Ref 1: Chapter 2 appendices – 2-JB – Cost Driver
Ref 2: Exhibit 4 - 4.1.1. Overview of Operating Expenses
In the cost driver table, there is a miscellaneous driver that accounts for $849k between 2017 to 2022. In reference 2, one of the increases drivers listed was inflationary increases, which accounts for $1 million.

a) Please confirm if most of the miscellaneous cost increase is due to inflationary increases. If not, please provide an explanation to the drivers for the miscellaneous cost increases.

4-Staff-43
Cost Driver – FTE
Ref 1: Chapter 2 appendices – 2-JB – Cost Driver
Ref 2: Chapter 2 appendices – 2-K Employee Costs
Ref 3: Chapter 2 appendices – 2-N Corporate Cost Allocation
Ref 4: Exhibit 4 – 4.4.2.1 Variance Analysis - FTEs
Between the 2017 approved and 2017 actuals, there was a decrease of $800k and 10 FTEs. CNPI stated that 6.5 of the FTE decrease was due to decrease in shared services allocations as there was an increase allocation to non CNPI-distribution projects, positional vacancies, and elimination of IT department staff. The corporate cost

allocation also shows very little variance in amounts between the 2017 approved and 2017 actuals.

a) Please confirm if the increase in allocation to non CNPI-distribution projects is accounted for in corporate cost allocations. If not, how are the costs for the reallocated FTEs for non CNPI-distribution projects recovered?
b) How many FTEs were related to the increase in allocations to non CNPI-distribution projects?
c) When did CNPI know about the need for the non CNPI-distribution projects?
d) For the positional vacancies between 2017 to 2022, please show in a table the position, the year it was vacant, and the year it was filled. In the same table please show the positions that were eliminated or created between 2017 to 2022.

4-Staff-44
Cost Drive – Cybersecurity
Ref 1: Chapter 2 appendices – 2-JB – Cost Driver
Ref 2: Exhibit 4 – 4.2.2.7 Cybersecurity
Ref 3: Letter of the OEB – Cyber Security Readiness Report & Amendments to Electricity Reporting and Record Keeping Requirements, November 29, 2018
CNPI stated that it incurred additional IT costs related to cybersecurity enhancements and contracted a Managed Security Service Provider to address requirements of the OEB Cybersecurity Framework. In reference 3, the OEB expects cyber security investments 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 CNPI tried to manage its Cyber Security costs within its historical OM&A budget?
b) Did CNPI compare the costs of in-house cyber security to a third-party provider? If so, please provide the comparison. If not, why not?

4-Staff-45
Cost Drive – IT based third party solutions
Ref 1: Chapter 2 appendices – 2-JB - Cost Drivers
Ref 2: Chapter 2 appendices – 2-AA - Capital Projects
CNPI stated that several IT based solutions have moved from on-premise and/or perpetual licenses to both cloud infrastructure/hosting and subscription-based licensing, with annual renewals as opposed to multi-year contracts for perpetual licenses with

annual maintenance costs. This cost increase was in 2020. In reference 2, CNPI also shows increasing IT software and hardware costs in 2020.

a) Please justify the increase in cost to move to cloud infrastructure/hosting and subscription-based licensing when IT software/hardware costs continue to increase.
b) Please provide the business case for moving IT based solutions from on-premise to cloud infrastructure.

4-Staff-46
Cost Drive – Pandemic Incremental OM&A Costs
Ref 1: Exhibit 4 – 4.2.2.14 Pandemic Incremental OM&A Costs
Ref 2: Chapter 2 appendices – 2-JB – OM&A cost drivers
CNPI stated that it incurred incremental OM&A costs because of the pandemic and that these costs are expected to persist into 2022 as best practices adopted after the pandemic. In reference 2, the persisting OM&A costs are $50k.

a) Please provide a cost breakdown for the persisting pandemic costs.

4-Staff-47
Community Relations
Ref 1: Exhibit 4 – 4.2.2.12. Third Party Customer Engagement Costs
Ref 2: Exhibit 1 – Appendix B – UtilityPULSE Taking AIM Report, pg. 10
The community relations budget has increased by approximately double in 2021 and 2022. In reference 2, UtilityPULSE stated the following:

> *"Based on our experience, for a relatively small LDC, Canadian Niagara Power / Eastern Ontario Power has an extensive list of CE activities and showed an enthusiasm for doing more. For example, we do not know of another Ontario LDC with less than 30,000 customers who conduct an extensive Annual Customer Satisfaction survey through a 3rd party. To our knowledge, LDCs with this level of customers conduct their survey on a bi-annual basis in order to meet OEB requirements only"*

a) Please confirm if most of this driver is due to third-party customer engagement costs. If so, how has CNPI decided that this is necessary when other utilities of similar size have not.
b) What additional benefit does increased customer engagement have for CNPI and its customers?

4-Staff-48
Metering Service Provider
Ref 1: Exhibit 4 – 4.2.2.11 Metering Service Provider
CNPI renewed its contract with its Metering Service Provider in 2020 which led to an increase in cost.

a) Please explain CNPI's procurement policy on evaluating metering service providers.

4-Staff-49
Other Operating Maintenance
Ref 1: Chapter 2 appendices – 2-JC – OM&A Programs
Ref 2: Exhibit 4 – 4.3.2.7 – Other Operating and Maintenance
CNPI stated that the 2019 increase for Other Operating Maintenance was due to the non-attributable costs for the technical service, electrical and lines operational groups were reported in OEB 5085.

a) Please provide the programs and amounts where the balances were reallocated based on the programs provided in reference 1.

4-Staff-50
Other General and Admin
Ref 1: Chapter 2 appendices – 2-JC – OM&A Programs
Ref 2: Exhibit 4 – 4.3.2.8 – Other General and Admin
CNPI stated that there was an increase in property insurance rates which has been attributed to rates being impacted by the pandemic.

a) Please provide the cost increase in property insurance and explain the driver of higher insurance cost when more staff are working from home.

4-Staff-51
Executive Compensation
Ref 1: Exhibit 4 – 4.4.1.2 Base Pay Compensation – Executive, Management, and Non-union staff
CNPI stated that for members of the Executive, the Board of Directors of FortisOntario considers Korn Ferry compensation data and other policies to validate that the compensation practices are market competitive. CNPI also stated that Korn Ferry recommends that incentive compensation was a normal component of compensation for management positions in Canadian corporations.

a) Please provide the Korn Ferry compensation report used to ensure executive compensation is market competitive.
b) Please provide the corporate targets used for short-term incentives.

4-Staff-52
Corporate Cost Allocation
Ref 1: Exhibit 4 – 4.5 Shared Services and Corporate Cost Allocation
CNPI stated that in preparing the 2022 corporate cost allocation it re-examined the 2017 approved methodology (a cost allocation methodology supported by a third-party review and report from BDR) to determine mechanistic updates and whether an update in methodology was warranted.

a) Please provide the BDR report from 2017.

4-Staff-53
Vegetation Management
Ref 1: Exhibit 1 – Appendix B – UtilityPULSE Taking AIM Report, pg. 48
Ref 2: Exhibit 4 – 4.1.2 Overview of Operating Functions
Ref 3: Chapter 2 Appendices – 2-JC OM&A Programs
Ref 4: Exhibit 2 – Distribution System Plan – Appendix F – Reliability Study
In reference 1, the report stated that CNPI spends approximately $500k on vegetation management yearly. In reference 2, vegetation management appears to fall under line services and in reference 3, there is an OM&A program called Overhead Lines and Feeders.

a) Please confirm if the $500k budget for vegetation management is fully included under the Overhead Lines and Feeders program.
b) Please provide the annual historical vegetation management budget between 2017 to 2021.
c) How does CNPI plan and budget for vegetation management activities each year?
d) Has CNPI always had a three-year tree trimming cycle?
e) Please explain if CNPI plans to follow the recommendation provided for vegetation management in Appendix F – Reliability Study.

4-Staff-54
Regulatory Costs
Ref 1: Exhibit 4 – 4.7.1 One-Time Costs

In reference 1, CNPI provided a table of one-time application costs.

a) Please provide the spend to date for each item in the table.
b) Please provide the number of intervenors assumed in the intervenor costs estimate.

4-Staff-55
Ref 1: Additional Pension and OPEB Information, July 15, 2021
Ref 2: Exhibit 4 Revised, pg. 35
Ref 3: Exhibit 4 Revised, pg. 36
At the above noted first reference, CNPI provided information supporting its historical (2017-2020), bridge (2021), and test year (2022) amounts for pension and OPEBs. CNPI also labelled this information as “Section 3461” for both pension and OPEBs.

At the above noted second reference, CNPI stated that in April 2021, Mercer provided updated estimates of the 2021 and 2022 pension amounts based on current known market information as of March 31, 2021.

At the above noted third reference, CNPI stated that in November 2020, Mercer provided updated estimates of the 2022 OPEB amounts based on the current known market information as at October 31, 2020.

a) Please confirm that all of this information at the above noted first reference was calculated by Mercer under ASPE Section 3461 and not ASPE Section 3462. If this is not the case, please explain.
b) Please confirm that the information provided at the above noted first reference correspond to the statements made by CNPI at the above noted second reference and third reference. If this is not the case, please explain.
c) Please explain why the update at the above noted second reference was done in April 2021 (for pension amounts), whereas the update at the above noted third reference was done in November 2020 (for OPEB amounts).
d) Please explain why both 2021 and 2022 amounts were updated for pension, but only 2022 amounts were updated for OPEBs.

4-Staff-56
Ref 1: Exhibit 4 Revised, pg. 35-37
OEB staff has compiled the following information for each component of pension and OPEB amounts from the pre-filed evidence, at the above noted first reference. Some of the cells in OEB Staff Table 1 are blank because no amounts were included in the pre-filed evidence.

OEB Staff Table 1 - Pension and OPEB Amounts – 2022 Test Year

Plan	Total Costs	Amounts Included in Test Year OM&A	Amounts Allocated to Related Parties through Shared Service Agreements	Amounts Capitalized and Included in Rate Base
Employees' Retirement Plan (Defined Benefit)	$158,888	$52,483	$75,892	$30,513
Supplementary Retirement Plan (Defined Contribution)	$355,800			
OMERS Plan	$181,704			
OPEBs	$482,600	$159,411	$230,511	$92,678
Total	$1,178,992			

a) For the cells that OEB staff populated in OEB Staff Table 1, please confirm that it is an accurate and complete summary of the 2022 test year revenue requirement for CNPI's estimated pension and OPEB costs. If this is not the case, please update OEB Staff Table 1.
b) Please also update OEB Staff Table 1 to put numbers in the cells which are blank.
c) Please confirm that no components of the column "Amounts Allocated to Related Parties through Shared Services" in the updated OEB Staff Table 1 are incorporated into the 2022 test year revenue requirement. If this is not the case, please explain.

4-Staff-57
Ref 1: Exhibit 4 Revised, pg. 35
Ref 2: Exhibit 4 Revised, pg. 37
At the above noted first reference, CNPI has completed "Table 4 - 8: Defined Benefit Pension Expense". This table shows for each year (2017 Actual, 2017 OEB-Approved,

2018 Actual, 2019 Actual, 2020 Actual, 2021 Bridge Year, and 2022 Test Year) the following information:

1. Amounts Included in Rates
    a. Amounts Included in Test Year OM&A
    b. Amounts Allocated to Related Parties through Shared Service Agreements
    c. Amounts Capitalized and Included in Rate Base
    d. Total
2. Paid contribution / benefit amounts (cash)
3. Net excess (deficit) amount included in rates relative to amounts actually paid
4. Funded status-surplus (deficit)

At the above noted second reference, CNPI has completed a similar table titled “Table 4 - 11: Post-Retirement Benefits Expense”.

a) Please confirm that line #3 “Net excess (deficit) amount included in rates relative to amounts actually paid” is comparing the accrued amount in the financial statements to the cash payments, rather than comparing the amounts included in rates to the cash payments. If this is not the case, please explain.
b) Please update “Table 4 - 8: Defined Benefit Pension Expense” and “Table 4 - 11: Post-Retirement Benefits Expense” with a new line showing a comparison of the amounts included in rates to the cash payments.
c) Please produce a similar table to Table 4 – 8 and Table 4 – 11 for the Supplementary Retirement Plan (Defined Contribution) and the OMERS Plan, also with a new line showing a comparison of the amounts included in rates to the cash payments.
d) In Table 4 – 8, Table 4 – 11, and the new tables requested in the questions above, please confirm that no components of the rows “Amounts Allocated to Related Parties through Shared Services” are incorporated into the 2017 Actual, 2017 OEB-Approved, 2018 Actual, 2019 Actual, 2020 Actual, 2021 Bridge Year, and 2022 test year revenue requirement. If this is not the case, please explain.

4-Staff-58
Ref 1: Exhibit 4 Revised, pg. 35
Ref 2: Exhibit 4 Revised, Appendix 4-B, Pension Valuation Report, December 31, 2019

At the above noted first reference, CNPI has completed “Table 4 - 8: Defined Benefit Pension Expense”. This table shows a 2017 OEB-Approved amount of $430,524, but

actual and forecasted amounts subsequent to the last rebasing range from a low of $30,767 (2021 Bridge) to a high of $158,888 (2022 Test).

OEB staff is unclear how the amounts in Table 4 – 8 reconcile to the pension valuation, as per the above noted second reference.

a) Please explain why the 2017 OEB-Approved amount of $430,524 was so high compared to actual and forecasted amounts subsequent to the last rebasing.
b) Also incorporating CNPI's answer to question a), please explain why CNPI is confident that its requested Defined Benefit Pension Expense of $158,888 for the 2022 test year is reasonable.
c) Please show how the amounts in Table 4 – 8 reconcile to the pension valuation, as per the above noted second reference.

4-Staff-59
Ref 1: Exhibit 4 Revised, pg. 36
Ref 2: Exhibit 4 Revised, Appendix 4-B, Pension Valuation Report, December 31, 2019
At the above noted first reference, CNPI has completed "Table 4 - 9: Defined Contribution Pension Expense" regarding the Supplementary Retirement Plan. This table shows a 2017 OEB-approved amount of $255,132 and 2022 test year amount of $355,800.

OEB staff is unclear how the amounts in Table 4 – 9 reconcile to the pension valuation, as per the above noted second reference.

a) Please explain why the 2022 test year amount has increased by over $100,000, or by almost 40%, when compared to the 2017 OEB-approved amount.
b) Were updated 2021 bridge year and 2022 test year estimates for the Supplementary Retirement Plan (Defined Contribution) also provided by Mercer in its April 2021 update? Please explain and provide any additional support that may be necessary.
c) If this is not the case, what valuation are the 2021 and 2022 bridge and test year amounts based on? Please explain and provide any additional support that may be necessary.
d) If required, please provide a table that reconciles the amounts being sought in the 2021 bridge year and 2022 test year with the amounts per the valuation from Mercer.
e) Please describe how each of the key assumptions by which the 2022 test year amount of $355,800 were determined and why they are reasonable.

f) Please show how the amounts in Table 4 – 9 reconcile to page 8 and any other relevant pages of the pension valuation, as per the above noted second reference.

4-Staff-60
Ref 1: Exhibit 4 Revised, pg. 36
CNPI has completed "Table 4 - 10: OMERS Pension Expense" regarding the OMERS Plan.

a) With respect to OMERS, please provide the support that underpins the 2021 bridge year and 2022 test year amounts being sought.
b) If required, please reconcile the support provided to the amounts being sought for the 2021 bridge year and 2022 test year.

4-Staff-61
Ref 1: Exhibit 4 Revised, Appendix 4-B, Pension Valuation Report, December 31, 2019, page 22
The Mercer valuation stated that if the DB component of the Plan has any available surplus then, subject to the Act, the Plan terms, and any collective or employment agreement, it may be possible for CNPI to apply DB assets in satisfaction of its contribution requirements for the DC component of the Plan.

a) As per the valuation in Appendix 4-B, the Plan is fully funded on both the going concern and solvency bases, therefore has CNPI been funding its defined contribution requirements using the surplus assets of the defined benefit component of the plan? Please explain.
b) If so, what portion of the 2021 bridge year and 2022 test year defined contribution requirements will be funded using the defined benefit assets? Please explain.
c) If the option to fund the defined contribution requirements using defined benefit assets was not considered, please explain why it was appropriate to not do so.

4-Staff-62
Ref 1: Exhibit 4 Revised, pg. 35

CNPI has provided "Table 4 - 8: Defined Benefit Pension Expense" and the significant assumptions used to determine the 2022 test year pension amount of $158,888 for CNPI's Employees' Retirement Plan (Defined Benefit) are outlined.

a) Please discuss how each of these assumptions is determined and why they are reasonable.

4-Staff-63
Ref 1: Exhibit 4 Revised, pg. 37
Ref 2: Additional Pension and OPEB Information, July 15, 2021, OPEB Valuation December 31, 2018
At the above noted first reference, CNPI has provided "Table 4 - 11: Post-Retirement Benefits Expense" and the significant assumptions used to determine the 2022 test year OPEB amount of $482,600 for CNPI's OPEBs are outlined.

OEB staff has been able to tie the 2017 $409,200 and 2018 $414,200 amounts paid (cash), as per Table 4 – 11, to the OPEB Valuation (page A-2), as per the above noted second reference.

a) Please discuss how each of these assumptions is determined and why they are reasonable.
b) Please explain whether CNPI's OPEB 2022 test year amount of $482,600 is reasonable, given the magnitude of the amount.
c) Please show how the amounts in Table 4 – 11 reconcile to the OPEB Valuation (as applicable), as per the above noted second reference, other than the amounts that OEB staff was able to reconcile (as noted in the preamble).

4-Staff-64
Ref 1: Additional Pension and OPEB Information, July 15, 2021
Ref 2: Exhibit 4 Revised, pg. 35
At the above noted first reference, CNPI provided information supporting its historical (2017-2020), bridge (2021), and test year (2022) amounts for pension and OPEBs. CNPI also labelled this information as "Section 3461" for both pension and OPEBs.

OEB staff notes that employee contributions are $0 for both the Employees' Retirement Plan (Defined Benefit) plan (for the years 2017 to 2020) and the OPEBs plan (for the years 2017 to 2022) at the above noted first reference. OEB staff assumes that nil employee contribution amounts also apply for the years 2021 to 2022 for the Employees' Retirement Plan (Defined Benefit) plan.

At the above noted second reference, regarding the Supplementary Retirement Plan (Defined Contribution), CNPI indicated the following:

- Members of the Employees' Retirement Plan (Defined Benefit), but not members of the OMERS plan, may make contributions to the Supplementary Retirement Plan (Defined Contribution) ranging from 2% to 6% of their basic earnings, with CNPI matching 50% of the members' contribution.
- Members that are not part of the Employees' Retirement Plan (Defined Benefit) may contribute to the Supplementary Retirement Plan (Defined Contribution) from 1% to a maximum of 6.5% of their annual basic earnings, with CNPI matching 100% of the members' contribution.

a) Please confirm that nil employee contribution amounts also apply for the years 2021 to 2022 for the Employees' Retirement Plan (Defined Benefit) plan. If this is not the case, please explain.
b) Please confirm that OEB staff has correctly characterized in the above preamble CNPI's employee contributions made (or not made) to the various plans and any matching by CNPI. If this is not the case, please explain.
c) Please discuss CNPI's process for managing its pension and OPEB obligations, including but not limited to:
    i. Determining the appropriate level of employee contributions towards its Employees' Retirement Plan (Defined Benefit) and OPEB plan, and why employee contributions for both are $0 for the years 2017-2022.
    ii. Determining the appropriate level of matching made by CNPI regarding the Supplementary Retirement Plan (Defined Contribution).

4-Staff-65
Ref 1: Exhibit 4 Revised, pg. 34-37
Ref 2: Exhibit 9, pg. 11-12
Ref 3: EB-2013-0368, EB-2013-0369, Decision and Order, December 12, 2013
Ref 4: EB-2013-0368, EB-2013-0369, Accounting Order, January 9, 2014
Ref 5: DVA Continuity Schedule, August 9, 2021 (Excel spreadsheet)
Ref 6: Additional Pension and OPEB Information, July 15, 2021
At the above noted first reference, CNPI provided an overview of its pension and OPEB amounts requested in the current application.

At the above noted second reference, CNPI described four Group 2 DVAs related to pension and OPEBs costs that resulted from CNPI's adoption of ASPE Section 3462, starting on January 1, 2013. The establishment of these four Group 2 DVAs was approved by the OEB at the above noted third and fourth references. The OEB also determined that no carrying charges will be recorded on these accounts.

The four Group 2 DVAs are listed below in OEB Staff Table 2, including the December 31, 2020 balances, as per the above noted fifth reference:

OEB Staff Table 2 – Deferral and Variance Accounts – ASPE Transition

Account	Sub-account	December 31, 2020 balance
Account 1508 – Other Regulatory Assets	Pension Deferral	$3,790,682
Account 1508 – Other Regulatory Assets	Pension Expense Variance	($7,724,669)
Account 1508 – Other Regulatory Assets	OPEB Deferral	$1,986,200
Account 1508 – Other Regulatory Assets	OPEB Expense Variance	($473,365)
Total		($2,421,152)

However, the DVA Continuity Schedule at the above noted fifth reference includes balances starting January 1, 2016, instead of January 1, 2013.

OEB staff also notes that nil principal transactions were recorded in each year in the DVA continuity schedule for both the Sub-account – Pension Deferral Account and the Sub-account – Other Post Employment Benefits Deferral Account.

At the above noted second reference, CNPI stated that “due to the reasons outlined in the EB-2013-0368/EB-2013-0369 proceeding requesting the creation of these variance accounts”, CNPI is not requesting disposition of the balances in these four sub-accounts in this proceeding.

At the above noted sixth reference, CNPI provided information supporting its historical (2017-2020), bridge (2021), and test year (2022) amounts for pension and OPEBs. CNPI also labelled this information as “Section 3461” for both pension and OPEBs.

a) Does CNPI agree with the values shown in OEB Staff Table 2? If CNPI disagrees, please update the table accordingly.
b) Please provide more detail as to why CNPI is not requesting disposition (or partial disposition) of these balances in this proceeding, given that the sum of the balances of these four sub-accounts as of December 31, 2020 is a material credit balance of $2,421,152.

c) Please revise the DVA Continuity Schedule to include balances starting January 1, 2013 for these four sub-accounts.
d) Please confirm that nil principal transactions were recorded in the DVA continuity schedule for both the Sub-account – Pension Deferral Account and the Sub-account – Other Post Employment Benefits Deferral Account because these sub-accounts relate to amounts incurred at the transition date of January 1, 2013 and do not reflect any on-going impacts. If this is not the case, please explain.
e) Please provide additional detail on how the December 31, 2020 amounts in OEB Staff Table 2 were calculated, including how these amounts reconcile to the pension and OPEB Mercer amounts provided at the above noted sixth reference, as well as the new and revised tables requested by OEB staff in interrogatory 4-Staff-57.

4-Staff-66
Ref 1: Additional Pension and OPEB Information, July 15, 2021
CNPI provided information supporting its historical (2017-2020), bridge (2021), and test year (2022) amounts for pension and OPEBs. CNPI also labelled this information as "Section 3461" for both pension and OPEBs.

a) Please confirm that:
    i. Upon adoption of ASPE Section 3462 on January 1, 2013, Section 3462 required unamortized actuarial gains and losses to be charged to retained earnings.
    ii. These amounts were recorded by CNPI in Account 1508 – Other Regulatory Assets – Pension Deferral sub-account and Account 1508 – Other Regulatory Assets – OPEB Deferral sub-account, rather than charged to retained earnings.
    iii. If these are not the case, please explain.
    iv. Please tie the answer to the above questions to the additional detail requested at the interrogatory 4-Staff-65 which asks how the December 31, 2020 amounts in OEB Staff Table 2 were calculated.
b) Please confirm that:
    i. Starting January 1, 2013, although ASPE Section 3461 is based on using the corridor smoothing method over a period of time, this is not permitted under ASPE Section 3462, as Section 3462 requires the full amount to be immediately recorded in net income.
    ii. The differences in these amounts are continuing to be recorded by CNPI in Account 1508 – Other Regulatory Assets – Pension Expense Variance sub-account and Account 1508 – Other Regulatory Assets – OPEB Expense Variance sub-account.
    iii. If these are not the case, please explain.

iv. Please explain if the amounts recorded in these sub-accounts pertain to: 1) the differences between amounts recognized under Section 3461 versus Section 3462; or 2) the difference between Section 3462 and the amounts embedded in 2017 rates; or 3) another difference.

v. Please tie to answer to the above questions to the additional detail requested at the interrogatory 4-Staff-65 which asks how the December 31, 2020 amounts in OEB Staff Table 2 were calculated, including how these amounts reconcile to the pension and OPEB Mercer amounts provided at the above noted reference, as well as the new and revised tables requested by OEB staff in interrogatory 4-Staff-57.

c) Please confirm that the amounts underpinning the pension and OPEB amounts from 2017 to 2022 at the above noted first reference, including the amounts underpinning the pension and OPEB amounts in the 2022 test year revenue requirement, are based on ASPE Section 3461, as well as if there are different numbers underpinning 2017 rates and 2022 rates. Please also confirm if the new and revised tables in 4-Staff-57 are based on ASPE Section 3461. If these are not the case, please explain.

4-Staff-67
Ref 1: Exhibit 4 Revised, pg. 35
Ref 2: Exhibit 4 Revised, pg. 37
Ref 3: Exhibit 9, pg. 11-13
Ref 4: EB-2019-0019, Algoma Power Inc., Settlement Proposal, September 24, 2019, pg. 47-49
Ref 5: Additional Pension and OPEB Information, July 15, 2021
At the above noted first reference, CNPI has completed “Table 4 - 8: Defined Benefit Pension Expense”. This table shows for each year (2017 Actual, 2017 OEB-Approved, 2018 Actual, 2019 Actual, 2020 Actual, 2021 Bridge Year, and 2022 Test Year).

At the above noted second reference, CNPI has completed a similar table titled “Table 4 - 11: Post-Retirement Benefits Expense”.

At the above noted third reference, CNPI has outlined four sub-accounts that relate to pension and OPEB amounts and the transition of ASPE Section 3461 to Section 3462.

At the above noted fourth reference, in the settlement proposal for another subsidiary of FortisOntario, Algoma Power Inc. (API) agreed to remove the amortization of actuarial gains and losses related to pensions and OPEB in the 2020 test year revenue requirement, in an effort to enhance alignment around OEB policy.

Starting January 1, 2020, API agreed to accumulate all actual amortized actuarial gains and losses in two sub-accounts of Account 1508, Other Regulatory Assets:

- Account 1508, Other Regulatory Assets, Subaccount – Amortized Pension Actuarial Gains/Losses
- Account 1508, Other Regulatory Assets, Subaccount – Amortized OPEB Actuarial Gains/Losses

At the above noted fifth reference, it appears to OEB staff that amounts are recorded for the amortization of net actuarial loss (gain) for OPEBs for all of the years 2017-2022, but none for pension.

a) Please provide additional detail on how the corridor approach amounts have been calculated by CNPI and whether any actuarial gains/losses are currently included in the pension and OPEB costs requested for disposition in the 2022 test year, as well as 2017 through 2021 amounts. Please also reproduce the updated Table 4 – 8 and Table 4 – 11 (as per 4-Staff-57) to show the actuarial gains/losses that are amortized and included in the pension and OPEB line items. Please tie this to the additional detail requested at the interrogatory 4-Staff-65 which asks how the December 31, 2020 amounts in OEB Staff Table 2 were calculated, including how these amounts reconcile to the pension and OPEB Mercer amounts provided at the above noted fifth reference, as well as the new and revised tables requested by OEB staff in interrogatory 4-Staff-57. Please also tie to 4-Staff-66.
b) Please explain why amounts have been recorded for the amortization of net actuarial loss (gain) for OPEBs for all of the years 2017-2022, but no actuarial loss (gain) amounts were recognized in regards to pension. If this is not the case, please explain.
c) Please confirm that OEB staff has correctly characterized, in the preamble above, the nature of API's OEB-approved settlement proposal with respect to pension and OPEBs. If this is not the case, please explain.
d) Please explain whether CNPI has considered applying the same outcome in API's proceeding, as described in the preamble, to the current CNPI proceeding.

4-Staff-68
Ref 1: Exhibit 4 Revised, pg. 34-37
Ref 2: EB-2015-0040, Report of the Ontario Energy Board Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017, pg. 21, 22, 24, 25, 26 (Pension and OPEB Report)
Ref 3: DVA Continuity Schedule, August 9, 2021 (Excel spreadsheet)

Ref 4: Exhibit 9, pg. 5
At the above noted first reference, CNPI provided an overview of its pension and OPEB amounts requested in the current application.

At the above noted second reference, the OEB established the following sub-accounts, effective January 1, 2018:

- Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential
- Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account
- Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges

However, the DVA Continuity Schedule at the above noted third reference includes balances starting January 1, 2020, instead of January 1, 2018. At the above noted fourth reference, CNPI noted that it was unable to populate the DVA Continuity Schedule with a January 1, 2018 starting date due to restrictions in the DVA Continuity Schedule.

CNPI also has not recorded all of the incremental carrying charges to December 31, 2021 in the sub-account Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential. At the above noted second reference (Pension and OPEB Report), the OEB stated that carrying charges shall apply to the primary sub-account only (not the contra sub-account) and the interest rate shall be the CWIP rate prescribed by the OEB.

In this proceeding, CNPI is requesting disposition of a credit balance of $49,452 in Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges.

a) Please revise the DVA Continuity Schedule to include balances starting January 1, 2018.
b) Please confirm that CNPI is using these variance accounts to track the difference between the accrual amount in rates and actual cash payments made, with an asymmetric carrying charge in favour of ratepayers applied to the differential. If this is not the case, please explain.
c) Please confirm that CNPI has utilized the sample journal entries as per “Appendix D: Journal Entries” of the Pension and OPEB Report to calculate the

balances in the sub-accounts of Account 1522. If this is not the case, please explain.

d) Please provide additional detail on how the credit amount of $49,452 was calculated, showing the pension and OPEB amounts recorded in reflected in rates since 2018 versus the cash payments made.
e) Please update the primary sub-account in the DVA Continuity Schedule to also reflect carrying charges to December 31, 2021.

4-Staff-69
Ref 1: Exhibit 4 Revised, pg. 4
CNPI stated that the "2020 Draft Corporate Tax Return" had been filed, as opposed to a final version.

a) Please confirm that any differences between the 2020 final Federal and Provincial tax returns that were filed with the Canada Revenue Agency and the draft version that supported CNPI's pre-filed evidence do not have a material impact on CNPI's application, in particular the 2020 historic year, 2021 bridge year, and 2022 test year calculations of PILs/taxes.
b) If this is not the case:
    i. Please update each of the respective tables to quantify the revenue requirement impact, with explanations.
    ii. Please provide a copy of the final tax return and demonstrate how it ties to each of the respective tables to quantify the revenue requirement impact.

4-Staff-70
Ref 1: CNPI 2022_Test Year Income Tax PILs_20210630.xlsm (Excel spreadsheet)
In the tab "S.1 Integrity Checks", CNPI confirmed that it had performed the following integrity check:

> Other post-employment benefits and pension expenses that are added back on Schedule 1 to reconcile accounting income to net income for tax purposes agree with the OM&A analysis for compensation. The amounts deducted are reasonable when compared with the notes to the audited financial statements, Financial Services Commission of Ontario reports, and actuarial valuations.

OEB staff was unable to reconcile the above information.

a) Please demonstrate how the above integrity check information has been reconciled for each of the 2020 historic, 2021 bridge, and 2022 test years, in particular relating to the reserve amounts incorporated into taxable income.

4-Staff-71
Ref 1: Additional Information Related to PILs, July 14, 2021
Ref 2: Exhibit 4 Revised, pg. 71
At the above noted first reference, CNPI listed “Table 1: Calculations for Accelerated CCA by Year”

Table 1: Calculations for Accelerated CCA by Year

		2018	2019	2020
	Line	Actuals	Actuals	Actuals
Dist Enhanced CCA per Table 4-29 Detailed Tax Calculations	1	6,818,365	8,582,352	8,968,581
Dist Non-Enhanced CCA	2	6,697,667	7,158,973	7,834,703
Diff Between Non-Enhanced and Enhanced CCA	3 = 2-1	120,699	1,423,379	1,133,878
PILs Difference	4 = 3x26.5%	31,985	377,196	300,478
Grossed-up PILs Difference	5 = 4/(1-26.5%)	43,517	513,191	408,813
Per OEB 1592 DVA	6	-	534,514	417,274
Cumulative OEB 1592 DVA	7	-	534,514	951,788
Difference PILs per CCA Calcs and OEB 1592	8 = 5-6	43,517	(21,323)	(8,460)
Cumulative Difference PILs per CCA Calcs and OEB 1592	9	43,517	22,194	13,734

At the above noted second reference, CNPI listed “Table 4 - 27: Taxable Income Recalculated Excluding Enhanced CCA”.

a) Please confirm that Line 1 of the above noted Table 1 represents the impact of the accelerated CCA rule changes, whereas Line 2 does not represent this impact. If this is not the case, please explain.
b) For each of Line 1 and Line 2, please provide a UCC schedule broken down by tax class, from 2018 through 2020, and reconcile to Line 1 and Line 2.
c) Please explain whether CNPI is recording the difference to Account 1592 based on the impact of accelerated CCA each year since the introduction of the program using the actual capital additions or the most recent OEB-approved capital additions in the 2017 cost of service proceeding.
d) Although the line “Add Back - 1592 Balances Pre Gross-Up” at the above noted second reference has immaterial differences when comparing to the Line 4 at the above noted first reference, please confirm which table has the correct numbers.

4-Staff-72
Ref 1: Exhibit 4 Revised, pg. 70
Ref 2: Exhibit 4 Revised, pg. 71

At the above noted first reference, CNPI stated that disposition of amounts recorded in Account 1592 for the 2021 Bridge Year will be requested in CNPI's next cost-based application.

At the above noted second reference, CNPI listed "Table 4 - 27: Taxable Income Recalculated Excluding Enhanced CCA" and has recorded an amount for 2021 of $440,078 in the line "Add Back - 1592 Balances Pre Gross-Up". OEB staff has calculated the "Grossed-up PILs Difference" to be $598,746, using a tax rate of 26.50%.

a) Does CNPI agree with OEB staff's calculated number of a credit of $598,746 for the forecasted 2021 Account 1592 amount? If this is not the case, please explain.
b) Please explain CNPI's views on disposing a forecasted 2021 balance in Account 1592 in the current proceeding. Please comment on the reasonability of the forecasted balance of a credit of $598,746.

4-Staff-73
Ref 1: Exhibit 4 Revised, pg. 71
Ref 2: CNPI 2022_Test Year Income Tax PILs_20210630.xlsm (Excel spreadsheet)
At the above noted first reference, CNPI noted that given its Account 1592 historical balance will be fully credited to ratepayers, it has adjusted the 2022 Test Year taxable income to exclude the default loss carry forwards applied by the model.

CNPI noted that instead of crediting ratepayers the value of enhanced CCA from 2018 to 2020 through a combination of the application of enhanced CCA against CNPI distribution's PILs liability in the 2018 to 2020 period in Account 1592 and the use of any unused tax loss carry forward amounts against future PILs liability, ratepayers are being credited the full value of enhanced CCA from 2018 to 2020 through Account 1592.

At the above noted second reference, the PILs model shows that CNPI had $1,977,761 of loss carry-forward amount available to reduce its 2022 test year taxable income to zero. OEB staff notes that applying this loss carry-forward amount to reduce CNPI's 2022 test year taxable income to zero would result in a 2022 test year PILs provision of $0, from CNPI's requested amount of $430,483.

a) Please confirm that CNPI has $1,977,761 of loss carry-forward amount available which would reduce its 2022 test year taxable income to zero and would result in a 2022 test year PILs provision of $0, versus its requested amount of $430,483. If this not the case, please explain.

b) Please confirm that absent the accelerated CCA impacts, this $1,977,761 loss carry-forward amount would not be triggered and there would be no loss carry-forward amount available to apply to the 2022 test year. If this not the case, please explain.
c) If the $1,977,761 of loss carry-forward amount was not triggered by the accelerated CCA deductions, please provide more detail as to why CNPI is of the view that it is not appropriate to not apply any loss carry-forward amounts to the test year taxable income calculations in the PILs model at the above noted second reference.

4-Staff-74
Ref 1: Exhibit 4 Revised, pg. 72
Ref 2: CNPI 2022_Test Year Income Tax PILs_20210630.xlsm (Excel spreadsheet)
At the above noted first reference, CNPI has included "Table 4 - 28: Smoothing Adjustment to 2022 Test Year re: Enhanced CCA".

CNPI confirmed that the 2022 Test Year revenue requirement includes the enhanced CCA deductions on eligible capital assets in accordance with the rate in effect for the Test year.

CNPI stated that the enhanced CCA will further change during the rate-setting term (i.e., a reduction to the enhanced deduction amount to be taken starting in 2024). CNPI proposed that, in an effort to smooth the impact of the change in these rates, an adjustment be made to the 2022 Test Year PILs amount equal to 1/5 of the grossed up PILs impact of the calculated CCA differences for the years 2024 to 2026 under the current enhanced CCA rates in effect for 2022, and the reduced enhanced CCA rates that will be in effect for those same years.

CNPI has calculated this smoothing adjustment to be $281,000 and has reflected this amount as an increase to the 2022 Test Year taxable income, at the above noted second reference (Excel PILs model).

a) Please confirm that CNPI has used varying capital additions from 2024 to 2026 in its smoothing adjustment calculations, as per the above noted first reference, representing its forecasted capital additions from 2024 to 2026. If this is not the case, please explain.
b) Please explain whether the line "CCA Using 2022 Test Year Rates" represents the current enhanced CCA rates in effect for 2022, but also reflects the forecasted capital additions for 2024 to 2026. Please also consider CNPI's answer to question a).

c) Please explain whether the line “CCA Using 2024 Rates per Bill C-97” represents the reduced enhanced CCA rates that will be in effect for 2024 to 2026, but also reflects the forecasted capital additions for 2024 to 2026. Please also consider CNPI’s answer to question a).
d) For each of two lines described above in question b) and question c), please provide a UCC schedule broken down by tax class, from 2024 through 2026, and reconcile to these two lines.
e) Please explain CNPI’s view on how its proposed method of calculating the smoothing adjustment, which results in an increase to the 2022 Test Year taxable income of $281,000, at the above noted second reference (Excel PILs model), is reasonable.

4-Staff-75
Ref 1: Exhibit 4 Revised, pg. 72
CNPI noted that it has reflected the $281,000 PILs smoothing adjustment (increase to taxable income) in the PILs model for 2022 Test Year. By making this adjustment to 2022 Test Year PILs, CNPI also proposed to discontinue accumulating additional variances into Account 1592, starting the effective date of the decision and order of this application (e.g., January 1, 2022), unless there are further changes to tax policy that the OEB determines should be captured through the use of Account 1592.

a) Please confirm whether it is CNPI’s understanding that the accelerated CCA will not be completely phased out until December 31, 2027.
b) Please confirm whether it is CNPI’s understanding that Account 1592 is a generic account which is subject to continuance or discontinuance on a generic basis by the OEB.

Exhibit 5 – Cost of Capital

5-Staff-76
Debt to Equity Ratio
Ref 1: Exhibit 1 – Appendix B – Business Plan – 5.7 Financial Performance
CNPI has increased its debt-to-equity ratio from 1.72 in 2015 to 2.92 in 2019.

a) Has this affected CNPI’s ability to find the lowest available debt rate?
b) What is CNPI’s rational in increasing debt financing?

5-Staff-77
Long-term Debt
Ref 1: 5.1.2.3 Weighted Average Cost of Debt

Ref 2: CNPI 2021 COS Checklist
CNPI stated that it anticipates $17 million in affiliate debt from its parent company FortisOntario in 2022. In CNPI's COS checklist, it noted that the promissory not was not yet available.

a) Please provide a copy of the promissory note with FortisOntario.

CNPI has an embedded third-party long-term debt of $75 million that was issued in 2018. The term was for 30 years. The previous third-party long-term debt had a term of 15 years.

b) Please explain why CNPI chose to have a term of 30 years instead of 15.
c) Has CNPI compared the cost for the redemption of the note and search for new debt at a lower long-term debt rate?

Exhibit 7 – Cost Allocation

7-Staff-78
Load Profiles
Ref: Exhibit 7, Page 6
CNPI states that it attempted to develop a regression level analysis of class-specific interval data with hourly weather data as the independent variables. In doing so, it observed poor statistical results on an hourly basis, both before and after attempting to introduce other variables similar to those included in its load forecast.

a) Please explain which variables were attempted
b) Did CNPI attempt to include variables for hour of day?
c) Did CNPI attempt to include variables to capture day of week or workday vs weekend/holiday?
d) Please provide the derivation of the demand allocators from the scaled load profiles.

7-Staff-79
Standby
Ref: Exhibit 7, Page 10
CNPI states that standby customers are billed as General Service (GS) 50 to 4,999 kW customers.

a) Please confirm that CNPI has a separate rate for Standby service, which differs from the GS 50 – 4,999 kW volumetric rate.

b) Please confirm that CNPI is not proposing to update the Standby rate as part of this proceeding.
c) Please provide standby revenue for each of 2016-2020 on an actual basis, and 2021-2022 on a forecast basis.
d) Please explain which account is used to track the standby revenue, and how this revenue is included in meeting CNPI's revenue requirement.
e) Please detail how the standby capacity is, or is not reflected in:
    a. The CP and NCP demand allocators in cost allocation
    b. The billing demand kW in the cost allocation model.
    c. The revenue in the cost allocation model.
f) As a scenario, please prepare a cost allocation model which includes Standby as a separate rate class, where forecasted standby billing demand volume, revenue, and as well as CP and NCP allocators are populated with respect to the capacity that is standing by.

Exhibit 8 – Rate Design

8-Staff-80
Loss Factor
Ref 1: Exhibit 8 – Table 8-19 Loss Factor Comparison
Ref 2: Chapter 2 appendices – 2-R
CNPI provided a comparison of loss factors from this application and CNPI's last application. The total loss factor has increased from 1.0530 to 1.0544 and the distribution loss factor has increased from 1.0458 to 1.0472. Over the last five years CNPI has completed a significant amount of voltage conversion.

a) Please explain why the distribution loss factor has increased when it should be decreasing because of voltage conversion.

CNPI is proposing to increase its distribution loss factor from 1.0458 to 1.0472. This is slightly below the threshold of 1.05 for which it would be required to take measures to reduce losses.

b) Has CNPI taken any steps to determine the causes of its losses? If so, please provide details on what CNPI has determined.
c) Does CNPI have any plans to review its losses or take measures to prevent losses from continuing to increase?

8-Staff-81
Tariff and Bill Impact Model

Ref 1: Tariff and Bill Impact Model
The Tariff and Bill impact model has an Ontario Electricity Rebate (OER) amount of 21.2% when the OER amount should be 18.9%.

a) Please work with OEB staff to update the OER percentage in the Tariff and Bill Impact Model.

8-Staff-82
Retail Transmission Service Rates (RTSR)
Ref 1: Retail Transmission Service Rates Model
Ref: Exhibit 8, Page 13
At the time of filing the 2022 RTSR model had not been issued. In the model provided, the supplied data does not reconcile to the 2019 load data filed in 2020.

a) Please confirm which year of RRR data is used in sheet 3. RRR Data.
b) Please confirm which year of Wholesale volume data is used in sheet 5. Historical Wholesale.
c) Please provide an updated version of the RTSR Workform using the version released on June 25, 2021.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-83
Ref 1: Exhibit 9, pg. 7, Table 9 - 2: Summary Deferral and Variance Accounts Included in Disposition Request
CNPI has included a table showing its DVAs and associated request for disposition, but has not stated whether it is requesting final or interim disposition of DVAs.

a) Please clarify whether CNPI is seeking final or interim disposition of its DVAs in the current proceeding.

9-Staff-84
Ref 1: Exhibit 9, pg. 8-14
A distributor needs to identify which Group 2 accounts it proposes be continued and which, if any, it proposes be discontinued on a going-forward basis, with an explanation for these proposals.

CNPI has described the DVAs that it is utilizing. However, CNPI has not clarified for each Group 2 DVA whether it is proposing to continue or discontinue the DVA and associated explanations.

a) For all Group 2 DVAs described at the above noted first reference, please describe and explain whether CNPI proposes to continue or discontinue the DVA.

9-Staff-85
Ref 1: Exhibit 9, pg. 10
Ref 2: Chapter 2 Appendices, Appendix 2-H, Other Operating Revenue, August 9, 2021 (Excel spreadsheet)
Ref 3: OEB Letter, Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018
Ref 4: DVA Continuity Schedule, August 9, 2021 (Excel spreadsheet), Tab 5 Allocation of Balances
At the above noted first reference, CNPI is proposing to clear a credit balance of $965,100 in Account 1508 – Other Regulatory Assets - Sub-Account - Pole Attachment Charges. However, CNPI did not provide the supporting derivation of this amount.

OEB staff is also not clear on how the above noted balance in Account 1508 interacts with the amounts recorded in Appendix 2-H, at the above noted second reference.

As per the above noted third reference, the OEB stated that when clearing this sub-account in a cost of service application, distributors are to allocate costs to customer classes based on test year forecast distribution revenue data. However, at the above noted fourth reference, CNPI has allocated the amounts based on kWh.

a) Please explain and provide the supporting derivation of the credit balance of $965,100 recorded in Account 1508 – Other Regulatory Assets - Sub-Account - Pole Attachment Charges.
b) Please explain how this balance in Account 1508 – Other Regulatory Assets - Sub-Account - Pole Attachment Charges interacts with the amounts recorded in Appendix 2-H.
c) Please update the DVA Continuity Schedule to reflect the allocation of this account based on test year forecast distribution revenue data, rather than based on kWh (or provide rationale for deviating from the OEB's guidance).

9-Staff-86
Ref 1: Exhibit 9, pg. 28
Ref 2: Accounting Procedures Handbook, Frequently Asked Questions, July 2012, Q. 3

At the above noted first reference, CNPI has proposed three new sub-accounts as follows:

- Account 1595, Sub-Account (2022POWER) for EB-2021-0011[1]
- Account 1595, Sub-Account (2022GA) for EB-2021-0011
- Account 1595, Sub-Account (2022LRAM) for EB-2021-0011

CNPI did not provide Draft Accounting Orders, or any additional information to support its requests.

a) Please explain why CNPI is proposing that additional Account 1595 sub-accounts be established, given that as per the above noted second reference, electricity distributors are required to annually open new sub-accounts of Account 1595, Disposition and Recovery/Refund of Regulatory Balances, but only with respect to the three applicable sub-accounts outlined in this OEB accounting guidance.

9-Staff-87
Ref 1: CNPI 2022_GA Analysis Workform_20210630.xlsb (Excel spreadsheet)
Due to timing differences, Canadian Niagara Power has not filed the most recent GA Analysis Workform approved by the OEB for 2022 rates.[2] For example, the most recent GA Analysis Workform requires information to be provided regarding the Account 1588 reasonability test, the GA Deferral, and the Expected GA Volume Variance.

OEB staff has noted some discrepancies in the “GA 2020 tab” of the GA Analysis Workform:

- Note 2 – it is unclear why some cells have been hard coded by CNPI
- Note 4 – cell C38 shows the year “2017” instead of “2020”.
- Note 4 – the GA Actual Rate Paid in column "L" needs to be updated to reflect 2020 IESO charges, as CNPI may have populated this column itself and there are some differences compared to the most recent OEB model.

Cell D21 of the Tab 1. Information Sheet states “2018” instead of “2019” in the GA Analysis Workform filed by CNPI.

[1] Canadian Niagara Power stated that this sub-account is applicable to the disposition of DVA balances (Group 1 excluding GA, Group 2 excluding LRAM).
[2] Issued by the OEB on June 24, 2021

The tab “Principal Adjustments” shows an IESO Charge Type (CT) 148 true-up of a debit of $33,096 to both Account 1588 and Account 1589, when they should be equal and offsetting, as per Note 9 “Principal Adjustment Reconciliation” of the OEB’s latest model.

a) Please file an updated GA Analysis Workform reflecting the OEB’s latest model on the OEB’s website, also including a reconciling item for Impacts of GA Deferral.
b) After filing the updated GA Analysis Workform reflecting the OEB’s latest model on the OEB’s website and if the above discrepancies are not addressed automatically by using the OEB’s latest model, please address each of the above noted discrepancies that are remaining. The updated GA Analysis Workform will automatically populate CNPI’s RRR 2.1.5.4 data in Note 2.

9-Staff-88
Ref 1: CNPI 2022_GA Analysis Workform_20210630.xlsb (Excel spreadsheet)
CNPI has included a 2020 debit principal adjustment of $262,000 for Account 1589. CNPI stated that this adjustment “relates to the understatement of actual GA non-RPP Class B costs for April 2020 as compared to the GA IESO posted rate per the above calculation.”

a) Please further explain why a principal adjustment of a debit of $262,000 to Account 1589 is required, rather than presented as a reconciling item (with no adjustment to the general ledger). This reconciling item may explain the difference between what is already in the 2020 general ledger for the “Net Change in Principal Balance in the GL” (i.e. Transactions in the Year amount of a credit of $529,367) and what would be generated in the GA Analysis Workform Note 4’s “Analysis of Expected GA Amount”. Therefore, a principal adjustment would not be required in the current DVA Continuity Schedule, as these GA costs would have already been appropriately reflected in the 2020 general ledger.
b) If CNPI interprets the matter differently, please explain.