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September 7, 2021 **VIA E-MAIL**

Christine E. Long
Board Secretary and Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

Re: EB-2021-0011 – Canadian Niagara Power Inc. (CNPI) 2022 Cost of Service Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Mark C Garner Digitally signed by Mark C Garner
Date: 2021.09.07 16:46:47 -04'00'

Email copy:
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REQUESTOR NAME	**VECC**
TO:	**Canadian Niagara Power Inc. (CNPI)**
DATE:	**September 7, 2021**
CASE NO:	**EB-2020-0011**
APPLICATION NAME	**2022 Cost of Service Rates**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: Exhibit 1,

a) What percentage of CNPI customers receive: 1) paper bills; 2) ebills?
b) What incentives does CNPI offer for a customer to choose ebilling?
c) What is the default billing option provided to a new residential account?

1.0-VECC-2
Reference: Exhibit 1, BP Appendix B CNPI Scorecard

a) Please provide the 2020 CNPI Scorecard results.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -3
Reference: Appendix 2-AB / Appendix 2-A DSP

a) Please provide the CIAC for each category of capital spending (system access, renewal etc.) for the historical period 2017-2021 (or confirm CIAC is limited to the system access category).

2.0-VECC -4
Reference: Exhibit 2, page 28 Table 2-16 / Appendix 2-A DSP, page 81, 4.3.1.1

a) For each year 2017 to 2021 please provide a breakdown of the system access spending into discretionary and non-discretionary (on the basis that customer connection related and municipal required relocations are the only non-discretionary amounts).

2.0-VECC -5
Reference: Appendix 2-AB / Appendix 2-A DSP, page 16

a) CNPI overspent from the estimates of its prior distribution plan by more than 31% in system renewal, 53% in system service (unadjusted for Station 19 et. al. capex) and 8% in general plant. It did so in light of system access spending that was nearly three times the prior DSP forecast. Please explain why CNPI did not adjust the pace of capital spending in order to more closely adhere to its original plan.
b) Please explain why it is reasonable for the OEB to allow into rates the impact of significant overspending in the non-system access categories when these amounts have not been or considered by the Board at the time of the last cost of service proceeding and as part of its prior DSP.
c) Please provide any reports or board of director meeting minutes showing board of director approval for each of the historical years when this overspending occurred.

2.0-VECC 6
Reference: Appendix 2-AB / Appendix 2-A DSP, page 16

a) What portion of the past overspending is related to CNPI's decision to accelerate the pace of voltage conversion in the Fort Erie service area?
b) What portion of the overspending is due to the change in plans for the Jefferson and Catharine DSs?

2.0-VECC -7
Reference: Appendix 2-AB / Appendix 2-A DSP

a) Please explain what changes have been made in either the planning or execution of the distribution system plan which would indicate that CNPI is now more able to follow the forecast capital spending of its plan?

2.0-VECC -8
Reference: Appendix 2-AA

a) Please update Appendix 2-AA to add columns showing show the 2021 actuals to date (6 month or for 3rd quarter if available), and the same period for 2020.
b) Please show any adjustments to the expected year end-spending for 2021 as required in a separate column.

2.0-VECC -9
Reference: DSP Appendix D ACA

a) At section 5 of the ACA METSCO makes a number of recommendations for improving CNPI's asset condition assessment. Please provide the Utility's view on these recommendations and discuss whether/how CNPI intends to act upon each recommendation and if so when and at what expected additional cost.

2.0-VECC -10
Reference: DSP Appendix F CNPI Reliability Study

a) At section 4 of the SNC-Lavalin Report make a number of recommendations to improve system reliability. Are all of the Report's recommendations being implemented as part of this DSP? If not please identify which recommendations are being rejected and why.
b) What improvement in outages due to vegetation and defective equipment does CNPI expect with the implementation of this Reports' recommendations?

2.0-VECC -11
Reference: DSP, Table 8, page 30

a) Please explain the nature of the defective equipment failures that were recorded as major event outages in 2017 through 2020.
b) Are outages due to defective equipment typically recorded as part of major event days (MEDs)?

2.0-VECC -12
Reference: DSP, page 113

a) Please provide the project timelines for the Stevensville DS, including when engineering and construction contracts are expected to be issued for tendering.
b) Does CNPI require land for this station? If so please explain when this land acquisition is expected.
c) Please provide the detailed cost estimate for this project.

2.0-VECC -13
Reference: DSP, Table 8, page 119

a) Please list with their approximate cost the software in 2022 with a total cost above the materiality of $100,000
b) Does CNPI have any plans or expectation to replace its CIS during the duration of this DSP?

2.0-VECC -14
Reference: DSP, Table 8, page 119

a) Please list the fleet vehicles replaced in each of 2019, 2020, 2021 (to-date and expected) and in 2022.
b) In light of the forecast which shows general plant spending in 2022 as higher than the next five years and fleet costs in 2023 estimated to be one-quarter of the amount in 2022, please explain why it would not be possible to defer some fleet spending until 2023.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC -15
Reference: Exhibit 3, page 25
Load Forecast Model, Inputs – Adjustments & Variables Tab

a) For each customer class please provide the June 30, 2021 and July 31, 2021 customer/connection counts.
b) In the Load Forecast Model, what customer classes are included in the customer counts in the Inputs - Adjustments & Variables Tab, Column Z?

3.0-VECC -16
Reference: Exhibit 3, page 26
Cost Allocation Model, Tab I6.2
Revenue Requirement Work Form, Tab 13
Tariff Schedules and Bill Impact Model

a) On page 26 the 2022 forecasts for Street Lights and Sentinel are shown as 6,064 and 610 connections respectively. However, in the Cost Allocation model the 2022 forecasted number of connections for these two classes are 3,972 and 274 respectively while the number of devices are shown as 6.064 and 610 respectively. Please clarify whether the values reported in Exhibit 3 for these classes are for the number of connections or the number of devices.

b) It is noted that the requested 2022 monthly service charges for Street Lights and Sentinel Lights are per connection (see the Proposed 2022 Tariff Schedule) and the proposed rates are calculated using connection counts of 6,064 and 610 for Street Lights and Sentinel respectively (per the RRWF). Please confirm whether the correct 2022 connection counts have been used for these classes. Alternatively, should the rates be based on "per device"?

3.0-VECC-17

Reference: Exhibit 3, pages 14-15
Load Forecast Model, Inputs – Adjustments & Variables Tab

Preamble: The Application states:

"*CNPI purchases electricity from the Independent Electricity System Operator (IESO) as a market participant, from Hydro One Networks Inc, as an embedded local distribution company (LDC), and from embedded retail generators in its Gananoque service area*." (page 14)

"*For the purpose of performing the 2011-2020 wholesale regression analysis, CNPI compiled historical monthly loss-adjusted consumption information related to these (two GS>50) customers and subtracted the amounts from its monthly wholesale purchases*". Footnote #3 indicates that these amounts are captured in columns F and G if the "Input – Adjustments and Variables" sheet of CNPI's load forecast model. (pages 14-15)

"*CNPI also purchases a relatively small amount of electricity from embedded solar generators with microFIT and FIT contracts, which are not reflected in its unadjusted wholesale purchases. Monthly purchases associated with these embedded generation accounts were added to CNPI's wholesale purchases*." Footnote #4 indicates that these amounts are captured in column C of the "Input – Adjustments and Variables" sheet of CNPI's load forecast model. (page 15)

a) With respect to the Adjustments and Variables Tab of the Load Forecast Model, does column B include CNPI purchases of electricity from the Independent Electricity System Operator (IESO) as a market participant and from Hydro One Networks Inc. as an embedded local distribution company (LDC)? If not, what does it include?
b) In Column C, why are the November 2011 purchases from embedded retail generators in its Gananoque service area negative?
c) Do the values in Columns F & G represent the actual monthly sales to the two customers or have they been adjusted for losses? If adjusted for losses, what was the loss factor used?

3.0-VECC-18

Reference: Exhibit 3, pages 14-15 / Exhibit 7, page 10 /Exhibit 8, page 12

Preamble: The Application states (Exhibit 3):

> "*One customer significantly reduced load through the use of embedded generation and transferring load to the transmission system. This customer currently uses CNPI's distribution system for backup supply purposes in limited circumstances only*".
>
> Footnote #2 explains that "Standby rates are applicable the difference between contracted demand and actual demand for this customer."
>
> The Application states (Exhibit 7):
>
> "*Standby customers are not a distinct customer class within CNPI's cost allocation study since these customers are billed as General Service 50 to 4,999 kW customers, with the standby rate applying to contracted capacity that is not utilized in a given month*."
>
> The Application states (Exhibit 8):
>
> "*CNPI's existing standby customer's use of the distribution system for backup purposes has changed in recent years in light of configuration changes within the customer's facilities as well as changes to the area transmission and distribution systems*."

a) In each of the years 2015-2020, how many customers did CNPI have that had embedded generation?
b) How many Standby customers did CNPI have in each of the years 2015-2020?
c) What was the Standby contracted capacity for each of the years 2015-2020?
d) What is the assumed number of Standby customers and contracted capacity for Standby for each of 2021 and 2022?
e) With respect to the existing customer discussed in the first reference in the Preamble, how has this existing customer's use of the distribution system for backup purposes changed in recent years?
f) Does the Load Forecast for the GS 50-4,000 kW class include any allowance/forecast for Standby billing quantities (i.e., the difference between the contracted demand and the demand forecast to be taken) for either 2021 or 2022?
    a. If not, why not?
    b. If yes, please identify the quantities and explain how they are captured in the proposed load forecast methodology.
    c. If not, what are the forecast Standby billing quantities for 2021 and 2022? As part of the response, please indicate how they were calculated.

3.0-VECC-19
Reference: Exhibit 3, page 17

a) It is noted that CNPI has two distinct service areas that are separated by a substantial distance (Exhibit 1, page 22). The Application (page 17) states that the regression model uses "the monthly HDD and CDD as reported by Environment Canada for the Welland-Pelham weather station". Has CNPI analyzed how the CDD and HDD values from the Welland-Pelham weather station compare with the HDD and CDD values reported from weather stations in the proximity of its Gananoque service area?
    i. If yes, are the values materially different and, if so, why weren't these differences factored into the load forecast methodology?

3.0-VECC-20
Reference: Exhibit 3, pages 18-19
Load Forecast Model, Input-CDM Tab

a) The Load Forecast model includes persisting savings through to 2022 from programs implemented in 2006-2014. If the OPA/IESO reports supporting these values are already filed, please indicate which documents contain the savings values. If not, please provide the relevant documents.
b) For purposes of this proceeding, please provide the relevant documentation from EB-2020-0008 that supports the Net kWh savings from 2019 projects not included in the IESO's April 2019 P&C report.

3.0-VECC-21
Reference: Exhibit 3, page 37
Preamble: The Application states: "*CNPI observed that any attempts to remove 2020 wholesale kWh from the regression analysis (i.e., using 2010-2019 or 2011-2019 wholesale purchases instead of 2011-2020), or attempts to normalize 2020 values, did not improve statistical results*."

a) Please provide the regression model developed using 2010-2019 wholesale purchases, the model's regression statistics and the wholesale forecasts for 2021 and 2022 based the model.

3.0-VECC-22
Reference: Exhibit 3, page 16
Load Forecast Model, Inputs Tab

a) Please provide an alternative purchased power model (i.e., coefficients and statistical results) along with the resulting 2021 and 2022 load forecast where:

i. The monthly purchased power values as currently used to estimate the regression equation are increased by the persisting monthly CDM (per the Inputs Tab) and the regression equation is estimated using the balance of the explanatory variables per the current model plus the historical customer count for each month (per the Inputs Tab).
ii. The 2021 and 2022 monthly purchases are first forecast using this regression model and the forecast values for the explanatory variables per step (i).
iii. The resulting 2021 and 2022 forecast monthly purchases (per part (ii)) are reduced by the persisting CDM forecast for each month as set out in the Load Forecast Model, Inputs Tab in order to derive the final forecast for 2021 and 2022.

3.0-VECC-23
Reference: Exhibit 3, pages 32-35

a) Please confirm that the calculation of the 0.00296 kW/kWh ratio used to determine the billing kW for the GS 50-4,999 class excluded the kW and kWh for the two customers excluded from the wholesale purchase model.
b) Please calculate the 2020 and 2021 billing kW for the GS 50-4,999 class using the following approach:
    a. Apply the average kW/kWh ratio for the years 2016-2020 based on all GS 50-4,999 customers except the two excluded from the wholesale purchase forecast model to the forecast kWh sales for 2021 and 2022 for the GS 50-4,999 class exclusive of these same two customers
    b. Base the forecast billing kW for Customer 1 on the customer's average annual billing demand for the period 2018-2020 (i.e., the same period used to forecast the customer's kWh usage) and the forecast billing kW for Customer 2 on the customer's average annual billing demand for the period 2019-2020 (i.e., again the same period used to forecast the customer's kWh usage)

3.0-VECC-24
Reference: Exhibit 3, page 39
a) Please calculate the weather normal adjusted wholesale purchases for each of the years 2018-2020 by subtracting form the actual adjusted wholesale purchases for each year the results of Steps 1 and 2, per page 39 (lines 11-15). As part of the response, please show the supporting calculations.

3.0-VECC-25
Reference: Exhibit 3, pages 51-53

a) Do the actual annual revenues shown for 2017-2020 include any revenues from CNPI's Standby Rates?
    i. If yes, where are they included and what were the annual amounts?
    ii. If not, why not and what were the annual amounts?

3.0-VECC-26
Reference: Exhibit 3, page 57

a) Please provide the 2021 year to date revenues from Late Payment Charges along with the 2019 and 2020 Late Payment Charges revenue for the same calendar period.
b) Where are the revenues from the microFit service charge reflected in Other Revenues?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -27
Reference: Exhibit 4, page 20

a) Please provide the comparable Shared IT offsets for the years 2017 (Board approved and actual), 2018 and 2019.

4.0 -VECC -28
Reference: Exhibit 4, page 25

a) Please provide more detail on the approximately 30% increase meter reading costs since 2019.

4.0 -VECC -29
Reference: Exhibit 4, page 32

a) Please amend Table 4-7 (Appendix 2-K) to show for the management and non-management categories the number of FTEs that are employees of CNPI and separately the FTEs allocated as part of shared services and corporate allocations. Please show as well the total compensation by these three categories.

4.0 -VECC -30
Reference: Exhibit 4, page 47

a) Is CNPI a member of the Electricity Distributor Association (EDA)? If yes please provide the annual dues paid for 2017 through 2022 (forecast).

4.0 -VECC -31
Reference: Exhibit 4, page 58

a) Please confirm that no one-time costs for this application are included in the OM&A table Appendix 2-JA in either 2020 or 2021. If this is not confirmed please identify the amounts recorded in those years.
b) What are the total one-time costs for this application recorded in 2022 and shown in Appendix 2-JA?

4.0 -VECC -32
Reference: Exhibit 4, page 45 / EB-2019-0019

The following table for 2020 was provided in the Algoma Power application EB-2019-0019

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
FortisOntario	API	corporate services	cost based	22%	534,579
FortisOntario	API	building rent	market based	14%	82,552
CNPI-Distribution	API	administrative services	cost based	25%	1,665,334
CNPI-Distribution	API	shared IT	cost based	35%	560,455
Fortis Inc.	API	administrative services	cost based	1%	189,234

We note that the amounts allocated by CNPI-Distribution for administrative services are similar for 2020 and 2022 ($1,665,334 in the API application as compared to $1,690,874 in this application). However, this is not the same case for IT services.

a) Please explain why the CNPI—Distribution allocation in this Application for shared IT serves for the 2022 test year ($478,299) is significantly different than the amount shown in the Algoma proceeding ($560,455) in 2020.

4.0 -VECC -33
Reference: Exhibit 4, Table 4-17/18, page 59

a) Who is CNPI's LEAP community partner(s)?
b) For the years 2017-2020 was all LEAP funding dispersed?
c) Have all CEAP and LEAP funding provided in 2020 been dispersed? Is their further funding available for 2021?

4.0 -VECC -34
Reference: Exhibit 4, pages 71-

"CNPI is proposing 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."

a) Why are the differences not calculated from **2023** to 2026?

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-35
Reference: Exhibit 5, page 6

a) Please explain the process CNPI employed to ensure that the Computershare Trust debenture of $75M was acquired at a competitive cost in August of 2018.
b) Does CNPI, or any of its affiliates have an interest in Computershare Trust?

5.0-VECC-36
Reference: Exhibit 5, Schedule "1.1"

a) Please explain the relevance of the $26.5 million of permitted indebtedness as between CNPI and FortisOntario Inc.

5.0-VECC-37
Reference: Exhibit 5, page 7

CNPI explains that it expects to add $17 million in affiliated debt from FortisOntario in 2022. For the purpose of rate setting this amount is set at 2.85% or the most recent Board allowed for affiliated debt.

a) Given the current historically low interest rate environment why is not more prudent to acquire long-term debt at a fixed rate?
b) Has CNPI investigated the cost of unsecured 20- or 30-year term third-party debt? If so please provide the results of that investigation.
c) Please confirm (or correct) that it is CNPI's intention to adjust the cost of this debt at the next cost of service application (2027?) to the prevailing Board affiliate debt rate at that time.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0-VECC-38

Reference: Exhibit 7, page 10
Cost Allocation Model, Tabs I7.1 and I7.2

Preamble: The Application states:
"*Standby customers are not a distinct customer class within CNPI's cost allocation study since these customers are billed as General Service 50 to 4,999 kW customers, with the standby rate applying to contracted capacity that is not utilized in a given month*."

a) How many of CNPI's GS 50-4,999 customers have their own generation and are billed using the Standby Rates?
b) For these customers, is there a separate meter on the generation facilities?
    i. If yes, does CNPI own the meter and, if so, why (in Tab I7.1) doesn't the meter count for the GS 50-4,999 class reflect these additional meters?
    ii. If yes, does CNPI read these meters for purpose of applying the Standby rate and, if so, why (in Tab I7.2) doesn't the number of meter reads for the GS 50-4,000 class reflect these additional meters?

7.0-VECC-39

Reference: Exhibit 7, page 7

Preamble: The Application states:

"*When the Embedded Distributor customer class was established in CNPI's 2017 cost of service application, it was assigned the same weighting factors throughout the cost allocation as the General Service 50 to 4,999 class. In the current application CNPI zeroed out the Account 1855 weighting factor for the Embedded Distributor class to reflect that this is a primary metered account and none of the components at the demarcation point would be included in Account 1855*"

a) Please confirm that the fact the Embedded Distributor is a primary metered account just means that the meter is located at a primary voltage point.
b) Please describe the CNPI assets used to supply the Embedded Distributor.
c) Do any of these assets meet the definition of Services (Account 1855) as set out in the Accounting Procedures Handbook?

7.0-VECC-40

Reference: Exhibit 7, pages 7-8

Preamble: The Application states:

"*For its 2022 cost allocation study, CNPI undertook additional analysis of the costs recorded in Accounts 5315, 5320 and 5340 are and determined that in addition to billing complexity, cost drivers should also include the following:*

- *Number of meters*
- *Number of bills (without regard to billing complexity)*
- *Bad debt*."

a) What were the 2017 billing complexity weights used for each class in the current Cost Allocation?
b) With respect to the costs recorded in Accounts 5315, 5320 and 5340, please indicate what types of cost are related to each of the three identified cost drivers. In particular, for what costs is the number of meters as opposed to the number of bills the cost driver?

8.0 RATE DESIGN (EXHIBIT 8)

8.0-VECC-41

Reference: Exhibit 8, pages 8-9 /Cost Allocation Model, Tabs O2 and E3

Preamble: The Application calculates the status quo fixed variable split for the Street Light and Sentinel Light classes using "connection count" values of 6,064 and 610 respectively. However, in Table O2 the Customer Unit Costs per month (Minimum System with PLCC Adjustment) are calculated using connection counts of 3,972 and 274 respectively. Please reconcile and provide both the status quo fixed variable split and the values in O2 calculated on a comparable basis.

8.0-VECC-42

Reference: Exhibit 8, page 12

Preamble: The Application states: "*CNPI has also observed at least two additional instances in recent years where standby contracts could be considered, including a new large customer with load displacement generation and the pending installation of battery storage at an existing large customer facility*."

a) If CNPI has a new customer with load displacement generation why hasn't the customer been billed for Standby given CNPI has an approved Standby rate?
b) Please estimate the revenue that CNPI has foregone in recent years by not billing the customer for Standby.
c) What is the estimated revenue for 2022 (based on current 2021 rates) that CNPI is foregoing by not billing these customers for Standby service?

8.0-VECC-43

Reference: Exhibit 8, pages 13-14
/RTSR Work Form, Tabs 4 and 5
8-Staff-82

a) If the same year's date was not used in Sheets 3 and 5, please revise the RTSR Work Form, using the same year's data for each (e.g., 2020 if available).
b) Please confirm that the HON units billed in Tab 5 include both: i) all of CNPI's distribution system load in Gananoque and ii) the very small portion of the distribution system load in Port Colborne that is supplied from the Hydro One distribution system.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC –44

Reference: Exhibit 9, page 13. Account 1572 Extraordinary Event Losses

a) Is it CNPI's proposal to continue to keep open account 1752 to record "extraordinary event losses"?

End of document