# OEB Staff Interrogatories
# Niagara-on-the-Lake Hydro Inc.
# EB-2022-0158

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

**Staff Interrogatory – 1**
**Ref: Rate Modification Application, pages 4, 9, 11**

Preamble:

Niagara-on-the-Lake Hydro states that it submitted impact assessments to the IESO and Hydro One with respect to the availability of 80 MW of transmission line capacity on behalf of one of its customers. A scenario is provided based on the customer using 20 MW.

It is noted that the future of the cryptocurrency mining operation has a great uncertainty as to the future level of demand given that the servers are portable, and the land is leased.

Question(s):

a) Please explain where the 20MW and 80MW come from.

   NOTL Hydro response: The 80 MW is the capacity that NOTL Hydro is able to provide this customer without jeopardizing current customer support or their expected growth. The 20 MW was used for illustrative purposes and represents one feeder line.

b) Has Niagara-on-the-Lake Hydro been able to determine a range of possible loads for the customer?

   NOTL Hydro response: The range is anything up to around 80 MW and will be based on the requirements and requests of the customer.

c) Given the recent fluctuation of the cryptocurrency, has Niagara-on-the-Lake Hydro contacted the cryptocurrency mining customer regarding its operation? If not, why not? If so, please provide a copy of the communication.

   NOTL Hydro response: NOTL Hydro has not contacted the customer specifically about any changes to their plans due to the recent downturn in the cryptocurrency market. NOTL Hydro is in regular communication with this customer and has been provided with no indication that there are any changes to their plans. As they continue to invest in this project, we continue to work with them on it.

d) Please provide details on the assets proposed to connect the customer, including any assets that are dedicated, shared with other customers, voltages, number of circuits, length of feeders, and capacity.

NOTL Hydro response: NOTL Hydro receives its power from Hydro One at two NOTL Hydro owned stations where the power is converted from 115 kV to 27.6 kV. These stations are used for all NOTL Hydro customers. Assuming the full 80 MW capacity was provided, 40 MW would be provided from each station. Two dedicated feeder lines or circuits, both with 20 MW capacity and at 27.6 kV, will be built from each station. The customer property is adjacent to the NOTL Hydro MTS 1 so the feeder lines from this station will only be around 100m. The feeder lines from the NOTL Hydro MTS 2 will be around 5 km. The customer will be providing its own transformers to convert from 27.6 kV to its desired voltage.

e) Of the assets required to serve the customer, which were pre-existing, and which are new (constructed or to be constructed) for the customer.

NOTL Hydro response: The transformation stations are pre-existing. The feeder lines from both stations will be newly constructed for the customer.

f) Please provide details cost sharing for any new assets, including any guarantees provided by the customer to Niagara-on-the-Lake Hydro.

NOTL Hydro response: No guarantees are provided by the customer. As with all customers, NOTL Hydro will not commence construction until a deposit to cover 100% of costs has been received as per our Conditions of Service.

**Staff Interrogatory – 2**
**Ref: Rate Modification Application, pages 9, 11**

Preamble:

Niagara-on-the-Lake Hydro states that the customer is intending to operate on a 24/7 basis.

A scenario is provided based on the customer using 20 MW, and that load being coincident with the load of existing customers at the transmission connection point.

The proposal is to increase the Large Use Network Service Rate from $3.4872 / kW to $5.46 / kW, and to decrease the Line and Transformation Connection Service Rate from $0.8937 / kW to $0.88 / kW.

Question(s):

a) The application contemplates scenarios for 24/7 full load and no load (lost customer). Is it reasonable that the customer might vary usage, for example depending on energy prices?

NOTL Hydro response: Discussions with the customer indicate they are not currently planning to vary usage with energy prices. That could always change.

b) Please confirm that there are no other large user customers at the time of the application and Niagara-on-the-Lake Hydro does not expect any other large user customers in the current rate term.

NOTL Hydro response: There are no other Large Use customers with NOTL Hydro at the time of the application and NOTL Hydro has not received any inquiries from any other potential Large Use customers. The property of the previous Large Use customer is up for sale but, as it is a greenhouse facility, Large Use level use of electricity is not a requirement.

c) Please explain how Niagara-on-the-Lake Hydro would handle the situation if another large use customer were to connect.

NOTL Hydro response: How NOTL Hydro would handle another Large Use customer would depend on the expected load profile of that customer. NOTL Hydro would continue to look for a solution that protected all existing customers and was fair to all customers. Given the rarity of Large Use customers for NOTL Hydro, this can be dealt with if it happens. The proposed changes to the Large Use Customer Variance Account would accommodate another Large Use customer with no additional modifications required.

d) Please explain if the rates are not updated, what variance accounts would the shortfall be accumulated, what would be the timing of the disposition, and what would be impact on Niagara-on-the-Lake Hydro's cash flow (please quantify the impact regarding the interest costs).

NOTL Hydro response: If rates are not updated;

- Differences in Network charges would be captured in account 1584 RSVA – Retail Transmission Network Charge.
- Differences in Connection charges would be captured in account 1586 RSVA – Retail Transmission Connection Charge.

Disbursements would be through the regular IRM/COS process – for example variances accumulated in 2022 would be audited in early 2023 and submitted as part of the rate application for disbursement in 2024.

Using a demand of 20MW per month for illustration purposes and assuming 2022 rates, the cash shortfall to NOTL Hydro would be approximately $470k. This amount would not be fully collected through rate riders until the end of 2024. Interest at 2.2% would be approximately $860 per month. Note interest would be calculated on a growing balance in the first year, a set balance in the second year and a declining balance in the third year. The interest amounts are not material.

Assuming the normal recovery process at the end of 2 years the impact on NOTL Hydro's cash flow would be almost $1m. If the full demand of 80 MW was used without the rate adjustment the cash flow impact would be close to $4 million.

This demonstrates the problem of the existing rate structure and the danger to NOTL Hydro's customers. Under the normal process this shortfall would be recovered from all NOTL Hydro customers even though only one customer created the shortfall. If the process is adjusted to recapture the shortfall from just the Large Use class, there is no guarantee these customers will still be in existence by this time.

e) Please comment on the suitability of the proposed RTSRs to any future customers in the Large Use rate class.

NOTL Hydro response: The suitability of the proposed RTSR's to any future Large Use customer will depend on whether the future customer also has peaks that coincide with the peak times for transmission billing purposes. Given the rarity of Large Use customers for NOTL Hydro, this can be dealt with if it happens.

f) Has Niagara-on-the-Lake Hydro considered a rate class dedicated to this customer? If not, why not?

NOTL Hydro response: Given that this customer will be the only customer in the Large Use rate class it effectively is a dedicated rate class.

**Staff Interrogatory – 3**
**Ref: Rate Modification Application, page 9**

Preamble:

Niagara-on-the-Lake Hydro is proposing to update the RTSR rates of a single rate class.

Question(s):

a) Please provide a reconciliation comparing total RTSR revenue and total UTR expenses as updated with the proposed new customer and proposed rates.

NOTL Hydro response: RTSR revenue would increase by the customer peak per month multiplied by the proposed rates for network and connection, likewise UTR expenses would increase by this same peak per month multiplied by the same rate. It is anticipated, based on discussions with the customer, that the usage will not vary significantly during the month so the customer peak and the increase in the station peak will be similar. The RTSR rates for large customers are therefore proposed to be set to the same rates that NOTL Hydro is charged by the IESO as per the example below using 20 MW.

| | Demand (kw) | Rate | Monthly | Months | Total |
|---|---|---|---|---|---|
| Network Revenue | 20000 | 5.4500 | 109,000 | 12 | 1,308,000 |
| Connection Revenue | 20000 | 0.8800 | 17,600 | 12 | 211,200 |
| | | | | | |
| | Demand (kw) | Rate | Monthly | Months | Total |
| Network Charges | 20000 | 5.4500 | 109,000 | 12 | 1,308,000 |
| Connection Charges | 20000 | 0.8800 | 17,600 | 12 | 211,200 |

b) Has Niagara-on-the-Lake Hydro considered updating the RTSR riders for all rate classes, and if not please explain why?

NOTL Hydro response: NOTL Hydro wanted to keep this rate application as simple as possible while achieving the goal of protecting all customers. Updated the RTSR riders for all rate classes was not considered necessary and they will all be updated with the next IRM anyway.

**Staff Interrogatory – 4**
**Ref: EB-2018-0056, Cost Allocation Model, sheet I8 Demand Data, April 24, 2019**

Preamble:

The cost allocation model underpinning the rates in the 2019 Cost of Service proceeding allocated costs to the Large User rate class based on 60,000 kW total annual billable kW of usage per year (average of 5,000 kW per month), and 38,333 kW total annual demand (average of 3,194 kW per month) coincident with the peak load of all Niagara-on-the-Lake Hydro customers.

All of this was allocated based on Niagara-on-the-Lake Hydro owned primary distribution lines.

Question(s):

a) Please comment on the suitability of the cost allocation model in allocating costs to the new customer. Please give consideration to:

i. The coincidence of the customer's demand at peak Niagara-on-the-Lake Hydro demand.

ii. The nature and ownership of the assets required to serve the new customer.

NOTL Hydro response: This rate application has been submitted based on the expectation of the new customer due to the work that has been done since October 2021. It is designed to protect existing customers with regards to transmission rates and update the use of the variance account. Given that the considered connections are not yet in place, NOTL Hydro considers it premature to consider the cost allocation model. This is best accomplished at the time of the next Cost of Service application.

**Staff Interrogatory – 5**
**Ref: Rate Modification Application, page 11**

Preamble:

OEB staff anticipates that the rate rider, as proposed, would generate credit balances owing to customers for any load of the new customer over 5,000 kW.

Question(s):

a) Please confirm OEB staff's expectation or explain.

NOTL Hydro response: Confirmed.

b) Please provide bill impacts of the addition of this customer and use of this rate rider on other typical customers of other rate classes. This should be prepared at the most probable anticipated level of demand for the new customer. Please ensure that rate riders reflecting the anticipated benefit to customers is included.

NOTL Hydro response: NOTL Hydro does not have the most probable anticipated level of demand for the new customer. An illustrative demand of 20 MW has been used for this analysis along with 2021 rates and loads by class. The resulting rate riders and bill impacts is below. If the demand is higher then the rate rider and the bill impact will be proportionally larger.

Rate Rider:

| Rate Class | kWh | kW | Customers | Distribution Revenue | % of Distribution Revenue | Allocation | Rate Rider | |
|---|---|---|---|---|---|---|---|---|
| Residential | 78,544,394.47 | - | 8,127.00 | 2,912,737.26 | 49.7% | (168,349.09) | (0.0021) | per kWh |
| GS<50 | 42,026,390.29 | - | 1,478.00 | 1,240,764.40 | 21.2% | (71,713.15) | (0.0017) | per kWh |
| GS>50 | 76,922,414.79 | 195,348.20 | 125.00 | 959,083.16 | 16.4% | (55,432.66) | (0.2838) | per KW |
| Large User | Unkown | 240,000.00 | 1.00 | 497,859.48 | 8.5% | (28,775.06) | (0.1199) | per KW |
| USL | 262,765.23 | - | 45.00 | 8,868.99 | 0.2% | (512.61) | (0.0020) | per kWh |
| Street Lights | 561,900.85 | 1,568.30 | 2,254.00 | 245,986.95 | 4.2% | (14,217.44) | (9.0655) | per KW |
| Total | 198,317,865.63 | 436,916.50 | 12,030.00 | 5,865,300.24 | 100.0% | (339,000.00) | | |

Bill Impact:

| RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer) | Units | Sub-Total A | | Sub-Total B | | Sub-Total C | | Total Total Bill | |
|---|---|---|---|---|---|---|---|---|---|
| | | $ | % | $ | % | $ | % | $ | % |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | kWh | $ (1.61) | -5.2% | $ (1.61) | -4.9% | $ (1.61) | -4.0% | $ (1.54) | -1.3% |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP | kWh | $ (3.41) | -5.1% | $ (3.41) | -4.8% | $ (3.41) | -3.8% | $ (3.28) | -1.1% |
| GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other) | kW | $ (38.31) | -6.0% | $ (38.31) | -7.2% | $ (38.31) | -3.4% | $ (43.29) | -0.6% |
| LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other) | kW | $ (2,397.92) | -5.6% | $ (2,397.92) | -7.2% | $ (2,397.92) | -2.0% | $ (2,709.65) | -0.1% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP | kWh | $ (1.56) | -5.7% | $ (1.56) | -5.4% | $ (1.56) | -4.3% | $ (1.50) | -1.3% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | kW | $ (262.90) | -11.2% | $ (262.90) | -11.2% | $ (262.90) | -10.8% | $ (297.08) | -7.3% |

c) For the same level of consumption, please provide the bill impacts that would result if the customer were to leave after a full calendar year of service.

NOTL Hydro response: Based on the approved rate order, and assuming there is no longer a Large Use customer, NOTL Hydro would be seeking to recover the lost revenue of 5 MW.

This is effectively the situation that NOTL Hydro is currently in. The resulting rate riders and bill impacts are below.

## Rate Rider:

| Rate Class | kWh | kW | Customers | Distribution Revenue | % of Distribution Revenue | Allocation | Rate Rider | |
|---|---|---|---|---|---|---|---|---|
| Residential | 78,544,394.47 | - | 8,127.00 | 2,912,737.26 | 54.3% | 86,284.18 | 0.0011 | per kWh |
| GS<50 | 42,026,390.29 | - | 1,478.00 | 1,240,764.40 | 23.1% | 36,755.23 | 0.0009 | per kWh |
| GS>50 | 76,922,414.79 | 195,348.20 | 125.00 | 959,083.16 | 17.9% | 28,410.97 | 0.1454 | per KW |
| Large User | - | - | - | - | 0.0% | - | - | per KW |
| USL | 262,765.23 | - | 45.00 | 8,868.99 | 0.2% | 262.73 | 0.0010 | per kWh |
| Street Lights | 561,900.85 | 1,568.30 | 2,254.00 | 245,986.95 | 4.6% | 7,286.89 | 4.6464 | per KW |
| Total | 198,317,865.63 | 196,916.50 | 12,029.00 | 5,367,440.76 | 100.0% | 159,000.00 | | |

## Bill Impact:

| RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)* | Units | Sub-Total A | | Sub-Total B | | Sub-Total C | | Total Total Bill | |
|---|---|---|---|---|---|---|---|---|---|
| | | $ | % | $ | % | $ | % | $ | % |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | kWh | $ 0.82 | 2.7% | $ 0.82 | 2.5% | $ 0.82 | 2.0% | $ 0.79 | 0.7% |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP | kWh | $ 1.75 | 2.6% | $ 1.75 | 2.4% | $ 1.75 | 1.9% | $ 1.68 | 0.6% |
| GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other) | kW | $ 19.63 | 3.1% | $ 19.63 | 3.7% | $ 19.63 | 1.7% | $ 22.19 | 0.3% |
| LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other) | kW | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP | kWh | $ 0.80 | 2.9% | $ 0.80 | 2.8% | $ 0.80 | 2.2% | $ 0.77 | 0.7% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | kW | $ 134.74 | 5.7% | $ 134.74 | 5.7% | $ 134.74 | 5.5% | $ 152.26 | 3.7% |

# VECC Interrogatories
# Niagara-on-the-Lake Hydro Inc.
# EB-2022-0158

**VECC-1**

Reference: Application, pages 4, 9 and 10

Preamble: The Application states (page 4):
"On May 2, 2022, NOTL Hydro submitted a System Impact Assessment (SIA) request to the IESO and a Connection Impact Assessment (CIA) to Hydro One requesting the availability of 80 MW of transmission line capacity on behalf of one of its customers".

The Application also states (page 4):
"Cryptocurrency mining differs from traditional industrial infrastructure in that a new operation can be built and established within a couple of months. Our customer currently intends to be operating as soon as possible; including potentially operating this summer".

At page 9 the Application states:
"At 20 MW, the difference between the Provincial Transmission Rates and the NOTL Hydro approved rates is $39,182 per month or $470,184 annually. This shortfall will accumulate in the NOTL Hydro variance accounts and would subsequently have to be recovered from all NOTL Hydro ratepayers".

At page 10 the Application states:
"The SIA and CIA applications submitted to the IESO and Hydro One request a July 2022 in-service date".

a) What it is the current status of the SIA request to the IESO and the CIA request to Hydro One?

NOTL Hydro response: The SIA request is still with the IESO. NOTL Hydro does not have insight into the status within the IESO. The CIA with Hydro One normally follows the SIA but the agreement for the CIA has been put in place.

b) At this point, is the expected in-service date still July 2022?

NOTL Hydro response: Any load over 10 MW requires the SIA and CIA approval so cannot be in-service until these are received. Some initial load could still be in-service in July but that will depend on the objectives and readiness of the customer.

c) The reference on page 4 suggests that the new customer's load could be up to 80 MW. However, the reference on page 9 suggests the customer's load will be in the order of 20 MW. What is NOTL's best estimate as to the new customer's average monthly peak demand?

NOTL Hydro response: NOTL Hydro does not have enough information to provide an estimate at this time. The 20 MW has been used for many of the impact estimates for this reason. 20 MW is the capacity on one dedicated feeder.

d) Based on this estimate what would be the monthly revenue based on NOTL's 2022 approved fixed and variable distribution rates? (Note: If NOTL is unable to provide a estimate in response to part (c), Please provide the monthly revenue based on a billing demand of 20 MW.

NOTL Hydro response: Based on 20 MW of demand, the monthly revenue is roughly estimated to be $33,125.08. $3,941.08 fixed charge plus $40,384 variable revenue based on the volumetric rate less rate riders less $11,200 in transformer allowances.

**VECC-2**

Reference: Application, page Exhibit 9, pages 4, 5 and 9

Preamble: The Application states (page 4):
"On May 2, 2022, NOTL Hydro submitted a System Impact Assessment (SIA) request to the IESO and a Connection Impact Assessment (CIA) to Hydro One requesting the availability of 80 MW of transmission line capacity on behalf of one of its customers".

At page 9 the Application states:
"It is therefore expected that the cryptocurrency mining operation will operate close to operating capacity at most times. This means the NOTL Hydro peaks for the purposes of calculating the Network Service Charge and the Line Connection Service Charge as administered by the IESO will increase by the full amount of the demand of the cryptocurrency mining operation. The charge to NOTL Hydro will therefore increase by this level of demand multiplied by the respective rates".

At page 5, the Application states:
"NOTL Hydro is only expecting one Large Use customer at any point in time but does note that the cryptocurrency mining operation has not established their corporate structure and has indicated that it may be subject to change".

At page 9 the Application also states:
"NOTL Hydro is therefore requesting an amendment to its Large Use Service Classification Retail Transmission rates so that they match the Provincial Transmission Rates as approved by the OEB (EB-2022- 0084)".

a) Does NOTL currently have any expectation that there will be additional new Large Use customers requesting service in 2022 or 2023 (apart from the new cryptocurrency customer)?

NOTL Hydro response: There are no other Large Use customers with NOTL Hydro at the time of the application and NOTL Hydro has not received any inquiries from any other potential Large Use customers. The property of the previous Large Use customer is up for sale but as it is a greenhouse facility Large Use level use of electricity is not a requirement.

b) What implications, if any, does the fact the new "cryptocurrency mining operation has not established their corporate structure" have with respect to the current Application for revised Large Use class RTSRs and changes to the Specified Customer Revenue

Variance Account?

NOTL Hydro response: This has no implications for the Large Use class RTSRs. It has important implications for the Customer Revenue Variance Account. The Customer Revenue Variance Account approved in EB- 2018-0056 was specified to the one Large Use customer in existence at that time. As the customer corporate structure has not been finalized, we are unable to specify the name of the customer in which the accounts will be created. A general Customer Revenue Variance Account has therefore been requested.

c) Please describe how the new cryptocurrency customer will be supplied (i.e., at what point will the supply come from Hydro One/be delivered to NOTL and what NOTL facilities will be used to supply the customer?).

NOTL Hydro Response: NOTL Hydro is supplied from the Hydro One Q12S at the York transformation station and from the Hydro One Q11S at the NOTL Hydro transformation station. Both stations are facilities belonging to NOTL Hydro. From these stations feeder lines would supply the customer.

d) Will NOTL incur any line or transformation losses between the point at which Hydro One measures demand for purposes of charging NOTL for Network Service and Line Connection Service and the point at which NOTL will measure the new customer's demand for purposes of applying its Retail Transmission Service Rates?

NOTL Hydro response: Yes

i. If yes, what is the estimate percentage losses per kW of monthly peak delivered to the new customer?

NOTL Hydro response: We are unable to estimate this as the services have not been installed nor have any engineering drawings been made yet for this service.

ii. If yes, shouldn't the Provincial Transmission Rates be increased to recover these losses when determining the RTSR for the Large Use Service Classification in order to ensure all NOTL Hydro customers are treated fairly?

NOTL Hydro response: Line losses are recovered through the line loss factor which is applied to all usage on a kwh basis. Line loss rates for Large Use customers have been previously approved by the OEB. NOTL Hydro believes these will be sufficient.

**VECC-3**

Reference: Application, page 11
EB-2018-0056, Settlement Proposal, page 9 and Appendix I

Preamble: The Application states:
"NOTL Hydro is seeking to amend this Order to instead have a general Large

Use Customer Revenue Variance Account. The cryptocurrency mining operation has an even greater uncertainty as to the future level of demand. It would also be much easier to close the operation as the operating assets, the servers, are very portable and the land is leased rather than owned. Under this amended order, the 5 MW variance account would apply to each Large Use customer".

The load forecast per the EB-2018-0056 Settlement Proposal included one Large Use customer with an average monthly demand of 5 MW. Appendix I from the EB-2018-0056 Settlement Proposal set out the Draft Accounting Order for Specified Customer Revenue Variance Account and included the following statement:

"On a monthly basis the demand revenue from the Specified Customer will be reviewed and any variance from a demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to the Specified User's behind-the- meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the Specified Customer and the amount of revenue forecasted to be collected for that period, based on the approved fixed and variable rates in effect during that period".

a) With respect to NOTL's proposed general Large Use Customer Revenue Variance Account, is it NOTL's proposal that if there was more than one Large Use customer, then the total variance to be recorded in the account would be the sum of the variances for each customer when each customer's actual revenue is compared to the monthly fixed and variable distribution revenues assuming 5 MW of demand?

   i. If yes, why is this appropriate when the load forecast per the EB-2018- 0056 Settlement only included one Large Use customer?

NOTL Hydro response: No. NOTL Hydro's proposal only anticipated one Large Use customer each year though the name/account of the customer may change from year to year. If there were more than one Large Use customer, NOTL Hydro agrees that the variance account would be calculated using the total class demand.

# SEC Interrogatories
# Niagara-on-the-Lake Hydro Inc.
# EB-2022-0158

**SEC-1**
[p.8] The Applicant seeks "An Order amending the Specified Customer Revenue Variance Account to a general Large Use Customer Revenue Variance Account." Please provide a copy of the draft Accounting Order for the proposed Large Use Customer Revenue Variance Account. Please also provide a blacklined copy compared to the Specified Customer Revenue Variance Account to which the Applicant seeks to amend.

NOTL Hydro response: The draft accounting order and a blacklined copy with the proposed changes have been added as appendix 1 and appendix 2.

**SEC-2**
[p.11] The Applicant states that "[u]nder this amended order, the 5 MW variance account would apply to each Large Use customer":

a. Is the proposed Account intended to capture variances in distribution revenue when i) each Large Use Customer's actual monthly demand is above or below 5 MW (i.e. it records differences in a customer's distribution revenue between actual demand and 5 MW), or ii) when the total actual demand of the all Large Use customers is above or below 5 MW (i.e. it records the difference between the total actual demand of the Specified Customer and all new Large Use customers, including the cryptocurrency mining customer, and 5 MW)?

   NOTL Hydro response: NOTL Hydro's proposal only anticipated one Large Use customer each year though the identity/name of the customer may change from year to year. If there were more than one Large Use customer, NOTL Hydro agrees that the variance account would be calculated using the total class demand as per ii).

b. If the answer to part (a) is (i), please explain why that is appropriate considering the cryptocurrency mining customer, and any other Large Use customer, except for the Specific Customer, was not a customer, nor forecast to be a customer, in EB-2018-0056, and so not included in the load forecast used to set base rates.

**SEC-3**
[p.11] Please explain how the proposed Account would operate in the following circumstance: An existing GS>50 customer with a load of 1 MW expands to 5 MW and is re-classified as a Large Use customer. After a period of time, the customer demand returns to 1 MW and so is re-classified back to GS>50.

NOTL Hydro response: The variance account only applies to Large Use customers and does not apply to GS > 50 kW customers. It would therefore not apply to customers with 1 MW of demand

that were in the GS > 50 kW class. While the customer is Large Use the variance account would be used.

**SEC-4**

[p.11] With respect to the new cryptocurrency mining customer:

a. The Applicant forecasts demand of 20 MW (p.9) for the customer while noting that it has requested 80 MW of transmission line capacity for the customer (p.4). Please reconcile the difference in forecast demand.

   NOTL Hydro response: The calculation using the 20 MW on page 9 was for illustrative purposes to show the potential negative impact of the current rates.

b. Please provide a status update on the connection of this new customer.

   NOTL Hydro response: Any load over 10 MW requires the SIA and CIA approval so cannot be connected until these are received. The initial load of under 10 MW is expected to be connected during the summer. Communications continue with the IESO with a goal of expediting approval for some of the load and getting these connected within a few months.

c. Please provide the incremental distribution revenue (distribution fixed and variable charge) expected with the addition of this new customer both in 2022 and 2023. Please provide the full details of the calculation.

   NOTL Hydro response: NOTL Hydro is unable to estimate the expected demand at this point. Using 20 MW of demand and 2022 rates, the monthly revenue is roughly estimated to be $33,125.08. $3,941.08 fixed charge plus $50,328 variable revenue based on the volumetric rate less $9,944 in rate riders and less $11,200 in transformer allowances. 2023 rates are expected to be higher by the level of inflation less NOTL Hydro's productivity factor which is currently 0.30%.

**SEC-5**

[p.5] Please provide the monthly entries and total balance in the Specific Large Use Customer Revenue Variance Account.

NOTL Hydro response: Below are the audited values for the specific large use customer variance account for 2019-2021.

| | 2019 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December |
| Transactions | - | - | - | - | - | (2,945.81) | (12,318.14) | (4,704.18) | 4,533.86 | (5,560.41) | (3,901.57) | (4,707.64) |
| Interest | - | - | - | - | - | - | - | - | (69.36) | - | - | (111.41) |
| OEB Approved Disposition | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance | - | - | - | - | - | (2,945.81) | (15,263.95) | (19,968.13) | (15,503.63) | (21,064.04) | (24,965.61) | (29,784.66) |
| | | | | | | | | | | | | |
| | 2020 | | | | | | | | | | | |
| | January | February | March | April | May | June | July | August | September | October | November | December |
| Transactions | (4,764.41) | (3,827.11) | (4,812.72) | (5,221.37) | (3,750.61) | (4,652.47) | (3,027.53) | (3,648.73) | (4,332.81) | (4,698.37) | (3,944.88) | (3,706.65) |
| Interest | - | - | (185.60) | - | - | (260.18) | - | - | (85.31) | - | - | (102.73) |
| OEB Approved Disposition | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance | (34,549.07) | (38,376.18) | (43,374.50) | (48,595.87) | (52,346.48) | (57,259.13) | (60,286.66) | (63,935.39) | (68,353.51) | (73,051.88) | (76,996.76) | (80,806.14) |
| | | | | | | | | | | | | |
| | 2021 | | | | | | | | | | | |
| | January | February | March | April | May | June | July | August | September | October | November | December |
| Transactions | (1,855.33) | (3,107.79) | (3,119.34) | (755.95) | (3,046.63) | (2,039.91) | (556.63) | (79.95) | (1,870.99) | (3,392.47) | 851.82 | 4,648.15 |
| Interest | - | - | (117.23) | - | - | (113.31) | - | - | (91.31) | - | - | (97.14) |
| OEB Approved Disposition | - | - | - | - | 30,880.83 | - | - | - | - | - | - | - |
| Balance | (82,661.47) | (85,769.26) | (89,005.83) | (89,761.78) | (61,927.58) | (64,080.80) | (64,637.43) | (64,717.38) | (66,679.68) | (70,072.15) | (69,220.33) | (64,669.32) |

**SEC-6**

[p.11] Please provide the total distribution revenue (distribution fixed and variable charge) forecast to be collected in 2022 and 2023 from all customers, both including and excluding the new cryptocurrency mining customer (or any other forecast new Large Use customer).

NOTL Hydro response: NOTL Hydro's current estimate of distribution revenue in 2022 is $5.7 million. This excludes the cryptocurrency mining customer. NOTL Hydro does not have enough information on timing or load size to estimate this revenue. NOTL Hydro has not done a revenue estimate for 2023 at this time.

**SEC-7**

Please also provide the Applicant's materiality threshold.

NOTL Hydro response: Materiality threshold in 2019 Cost of Service was $50,000. Based on the revised chapter 2 requirements issued by the OEB on April 18, 2022 it would be $10,000. "for distributors with less than 30,000 customers - $10,000 for a distributor with a distribution revenue requirement less than or equal to $10 million."

Appendix 1

Niagara-on-the-Lake Hydro Inc.

DRAFT ACCOUNTING ORDER

Specified Customer Revenue Variance Account

The Specified Customer Revenue Variance Account is established with respect to a Specified Customer that is initially classified in the Large User rate class in NOTL Hydro's 2019 cost of service rate application. This variance account remains applicable irrespective of the Specified Customer's rate classification(s), or if they have multiple accounts at the current or adjacent location.

On a monthly basis the demand revenue from the Specified Customer will be reviewed and any variance from a demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to the Specified User's behind-the-meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the Specified Customer and the amount of revenue forecasted to be collected for that period, based on the approved fixed and variable rates in effect during that period

If the demand exceeds 5,000 kW then the entry is:

Dr. 4305 Regulatory Debit

Cr. 1508- sub-account Specified Customer Revenue Variance Account

If the demand is lower than 5,000 kW then the entry is:

Dr. 1508 – sub-account Specified Customer Revenue Variance Account
Cr. 4310 Regulatory Credit

Following the audit of the account's year-end balance, NOTL Hydro will request disposition of the account via a rate rider which will be in effect for one year. A rate rider will be determined for all customer classes including the Specified Customer who is currently forecasted in Large User class.

Assuming the variance account has a credit balance, the monthly recording of the billing of the rate rider will be:

Dr. 1508-sub-account Specified Customer Revenue Variance Account
Cr. 4305 Regulatory Debit

Dr. 4080 Distribution Revenue

Cr. 1100 Customer Accounts Receivable

If the variance account has a debit balance, the entries would be:

Dr. 4310 Regulatory Credit
Cr. 1508-sub-account Specified Customer Revenue Variance Account
Dr. 1100 Customer Accounts Receivable
Cr. 4080 Distribution Revenue

Following the audit of the year in which the last month of the rate rider was billed, any remaining balance in the variance account will be included in the balance requested for disposition in a future period. The rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class it will be allocated across customers based on kwh.

Appendix 2

Niagara-on-the-Lake Hydro Inc.

DRAFT ACCOUNTING ORDER

~~Specified~~ Customer Revenue Variance Account

The ~~Specified~~ Customer Revenue Variance Account is established with respect to ~~a Specified Customer that is initially classified in~~ the Large User rate class ~~in NOTL Hydro's 2019 cost of service rate application~~. ~~This variance account remains applicable irrespective of the Specified Customer's rate classification(s), or if they have multiple accounts at the current or adjacent location.~~

On a monthly basis the aggregate demand revenue from the ~~Specified~~ Large Use Customers will be reviewed and any variance from a aggregate demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to ~~the Specified a~~User's behind-the-meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the ~~Specified~~ Customers and the amount of revenue forecasted to be collected for that period, based on the approved fixed and variable rates in effect during that period

If the demand exceeds 5,000 kW then the entry is:

Dr. 4305 Regulatory Debit

Cr. 1508- sub-account ~~Specified~~ Customer Revenue Variance Account

If the demand is lower than 5,000 kW then the entry is:

Dr. 1508 – sub-account ~~Specified~~ Customer Revenue Variance Account
Cr. 4310 Regulatory Credit

Following the audit of the account's year-end balance, NOTL Hydro will request disposition of the account via a rate rider which will be in effect for one year. A rate rider will be determined for all customer classes including the ~~Specified Customer who is currently forecasted in~~ Large User class.

Assuming the variance account has a credit balance, the monthly recording of the billing of the rate rider will be:

Dr. 1508-sub-account ~~Specified~~ Customer Revenue Variance Account
Cr. 4305 Regulatory Debit

Dr. 4080 Distribution Revenue

Cr. 1100 Customer Accounts Receivable

If the variance account has a debit balance, the entries would be:

Dr. 4310 Regulatory Credit
Cr. 1508-sub-account ~~Specified~~ Customer Revenue Variance Account
Dr. 1100 Customer Accounts Receivable
Cr. 4080 Distribution Revenue

Following the audit of the year in which the last month of the rate rider was billed, any remaining balance in the variance account will be included in the balance requested for disposition in a future period. The rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class it will be allocated across customers based on kwh.