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BY EMAIL

September 28, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0019 Application for 2023 Rates

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Canadian Niagara Power Inc.'s responses to interrogatories are due by October 12, 2022.

Any questions relating to this letter should be directed to Narisa Jotiban at Narisa.Jotiban@oeb.ca or at 416-440-7664. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Narisa Jotiban
Case Manager

Encl.

**OEB Staff Interrogatories
Canadian Niagara Power Inc. (CNPI)
EB-2022-0019**

Please note, Canadian Niagara Power Inc. 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-1

Ref 1: Rate Generator Model, Tab 3. Continuity Schedule, Column BD

Ref 2: 2022 DVA Continuity Schedule (Settlement), Tab 2.a Continuity Schedule, Column BD¹

Preamble:

Column BD in Reference 1 shows the transactions debit/credit during 2021. Column BD in Reference 2 shows the transaction debit/credit during 2020.

Questions:

- a) Please explain why the net transaction for Account 1580 RSVA – Wholesale Market Service Charge has increased significantly from a credit of (\$355,716) in 2020 (cell BD26 in Reference 2) to a debit of \$312,828 in 2021 (cell BD23 in Reference 1).
- b) Please explain why the net transaction for Account 1584 RSVA – Retail Transmission Network Charge has increased significantly from a debit of \$184,256 in 2020 (cell BD29 in Reference 2) to a debit of \$660,465 in 2021 (cell BD26 in Reference 1).

Staff-2

Ref: Rate Generator Model, Tab 4. Billing Det. For Def-Var, Column O

Preamble:

CNPI is requesting a disposition of Account 1595 (2019) and has populated the percentage allocations by customer class in Tab 4, Column O. These percentage allocations should be derived from the information used to establish the rate riders originally (2019 rate application). Staff was unable to verify these percentages:

¹ EB-2021-0011

**1595 Recovery
Proportion (2019) ¹**

19%
10%
67%
3%
0%
0%
0%
1%
100%

- a) Please identify the source of the percentages entered in Column O.
- b) Please confirm that the rate rider calculations for the vintage year rate application were used for the percentages entered. If not, please update the evidence as needed.

Staff-3

Ref: Rate Generator Model, Tab 12. Historical Wholesale

Questions:

- a) In Tab 12, staff has removed the red highlight from cells E38 to E49, I38 to I48 and M38 to M49. Please confirm that the model attached to these interrogatories reflects this update.
- b) The data in cell I49 shows the Hydro One's line connection service rate of \$0.8139 in December which is different from the Hydro One's line connection service rate of \$0.8128 from January to November (cells I38 to I48). Please explain why the line connection service rate in December is different from other months. Please update the evidence as needed.

Staff-4

Ref 1: Rate Generator Model, Tab 17. Regulatory Charges, Cell D33

Ref 2: Rate Generator Model, Tab 20. Bill Impacts, Cells I100, I156 and I548

Preamble:

On September 8, 2022, the Ontario Energy Board issued its Decision and Order² which approved the smart metering charge (SMC) to be levied and collected by the Independent Electricity System Operator, in its capacity as the Smart Metering Entity, effective January 1, 2023. The new SMC is \$0.42 per smart meter per month, a reduction from the previous interim SMC of \$0.43 per smart meter per month.

In Reference 1, staff has updated the data in cell D33 to reflect the approved SMC of \$0.42 shown below:

Smart Meter Entity Charge (SME)		
Smart Meter Entity Charge (SME)	\$	0.42

In Reference 2, staff has updated the data in cells I100, I156 and I548 to reflect the approved SMC of \$0.42.

Question:

- c) Please confirm that the model attached to these interrogatories reflects this update.

Staff-5

Ref: Manager's Summary, p.9

Preamble:

In the Manager's Summary, CNPI stated that it is requesting disposition of its Group 1 Deferral and Variance account (DVAs) balances but has not stated whether it is requesting final or interim disposition of its Group 1 DVAs.

Question:

- a) Please clarify whether CNPI is seeking final or interim disposition of its Group 1 DVAs in the current proceeding. Please provide the reasons if CNPI is requesting the interim disposition of its Group 1 DVAs.

² [Decision and Order](#) (EB-2022-0137)

Staff-6

Ref 1: Manager's Summary, pp.11-12

Ref 2: GA Analysis Workform

Preamble:

In Reference 1, CNPI noted that there was a correction to 2021 for the GA component of RPP settlement (reclass of Account 1588 entries). The GA component of RPP settlement was overstated as the GA Deferral Recovery amount was included in the underlying calculations. The correcting entry was a debit to Account 1589 and no impact on Account 1588 as the difference is due back to the IESO through RPP settlements.

Questions:

- a) Please confirm that the GA Deferral Recovery amount which should be reflected as charge type 6148 and included in Account 1589, was erroneously included in the RPP GA component of RPP settlements. If not confirmed, please further clarify the nature of the error, and provide the erroneous and correcting journal entries.
- b) Please explain what is meant by reclassing the GA component of RPP settlements to Account 1588.
- c) CNPI noted the error has no impact to Account 1588 as the overstatement of the GA component of RPP settlement will be due back to the IESO through RPP settlements. It appears that the error was corrected in 2022 (as the related Account 1589 principal adjustment for 2021 was recorded in the general ledger in 2022 per the GA Analysis Workform principal adjustment tab in Reference 2. Please explain whether the error has a timing impact on Account 1588 as the GA component of RPP settlement was overstated in 2021, but not corrected with the IESO until 2022.
 - a. If yes, please explain why a principal adjustment for Account 1588 was not included in 2021.
 - b. If no, please explain why there is no timing difference impact on Account 1588.
 - c. Please revise the evidence and reassess Account 1588 tab and GA 2021 tab as needed.

Staff-7

Ref 1: Manager’s Summary, Table 5, p.14

Ref 2: Manager’s Summary, Table 6, p.14

Preamble:

CNPI provides the summary of storm costs in Reference 1 and the summary of the Z-factor claim in Reference 2.

Questions:

- a) Based on the data in Reference 1, please provide the breakdown of the storm costs in the following format:

Cost Category	Capital Cost \$	O & M Cost (Regular- Time Labour) \$	O & M Cost (Recorded in Account 1572) \$	Total Cost \$
CNPI Labour (Regular)				
CNPI Labour (Overtime)				
Materials				
LDC Mutual Aid Costs				
Contracted Services - Line Services				
Contracted Services - Excavation and Tree Removal				
Other				
Total				

- b) Please confirm that the costs included in the Z-factor claim in Reference 2 are incremental costs (outside of the base upon which rates were derived).
 - a. Please provide additional information to illustrate that these costs are incremental to what underpins rates.
- c) Please confirm that the Z-factor claim is directly related to the Z-factor event and if the windstorm event had not occurred, CNPI would not have incurred any of the costs.
- d) Please indicate the cost categories and dollar amounts that have not been audited in relation to the restoration of power after the windstorm.
 - a. Please indicate when all the costs will be audited.

Staff-8

Ref: Manager's Summary, p.14

Questions:

- a) Please provide a breakdown of all CNPI's internal labour costs applicable for the affected period in the following format:

Department	Number of Eligible Employees	Number of Regular Hours Worked	Total Regular Time Payments (\$)	Number of Overtime Hours Worked	Total Overtime Payments (\$)
Management					
Other Non-Union Employees (Health and Safety)					
Sub-Total Non-Union					
Union Employees:					
Operations					
Other					
Sub-Total Union					
Total Internal Labour for Affected Parties					
Total Z-Factor O&M Labour Costs					
Total Non-Z-Factor O&M Labour Costs					
Total Non-Z-Factor Capital Labour Costs					

- b) Please provide CNPI's policy with respect to overtime for its non-union employees and management.
- c) Please describe whether the Z-factor labour costs included payments made to union employees at regular rates of pay for work on pre-scheduled vacation days.

Staff-9

Ref 1: Manager's Summary, p.17

Ref 2: Schedule F

Preamble:

In Reference 1 and Reference 2, staff notes that CNPI relied partially on support through a mutual assistance agreement with Welland Hydro and third-party contractors in the restoration effort.

Questions:

- a) Please provide a copy of the mutual assistance agreement with Welland Hydro. If a copy of the agreement is not available, please describe any standard arrangements in place with Welland Hydro regarding payment for service in emergencies.
- b) Please provide a separate schedule showing a breakdown of the invoice from Welland Hydro and each third-party contractor's invoice based on labour, materials, accommodations, meals, vehicles, and other including an explanation.
- c) Please clarify if the invoiced costs from Welland Hydro and other third-party contractors are based on regular labour rates or premium rates, given the timing of the engagement, its urgency, or the amount of notice provided.

Staff-10

Ref: Manager's Summary, pp. 13-18

Preamble:

CNPI did not indicate if it had assisted neighboring communities once the power was restored to its customers.

Questions:

- a) Please confirm if CNPI assisted other local distribution companies (LDCs).
- b) If CNPI did assist other LDCs, did it charge a premium to assist other LDCs?

Staff-11

Ref: Schedule F

Preamble:

In Schedule F, CNPI states that it has a Business Continuity Plan that is designed to assist in the response to natural disasters, accidents, major outages, environmental disasters, municipal emergencies, and cyber attacks.

Question:

- a) Please discuss any deviations from CNPI's Business Continuity Plan.

Staff-12

Ref: Manager's Summary, pp.13-14

Preamble:

In its application, CNPI indicated the requirement to replace a significant number of poles during restoration efforts. The associated capital cost identified in the application is \$318,800.

Questions:

- a) Has all restoration work been completed? If not, please describe the work that remains from the storm, and provide the estimated costs.
- b) Please explain how CNPI differentiates between any asset replacement required as a result of the storm and any asset replaced as part of the regular pole replacement program.
 - a. Please provide the conditions of the poles replaced due to the storm.
- c) Please provide the total pole replacement cost and the number of poles replaced due to the storm.
- d) Please list the number of overhead transformers replaced, by kVA size, and explain if those costs are included in the pole replacement costs. If the cost of replacing overhead transformers was not included in the pole replacement costs above, please provide the costs for the replacements.
- e) What was CNPI's budgeted cost for the pole replacement in 2021?
- f) What was CNPI's actual pole replacement costs in 2021. Please explain the variance from the answer for e).

Staff-13

Ref 1: Manager's Summary, pp.13-15

Ref 2: OEB's Decision and Order (EB-2020-0008), p.14

Preamble:

One component of CNPI's Z-factor claim of \$157,900 in Reference 1 is a revenue requirement of \$21,000 associated with capital expenditures of \$318,800. CNPI is requesting to recover the Z-factor costs through rate riders for a period of 12 months from January 1, 2023 to December 31, 2023.

In CNPI's past Z-factor claim as part of its 2021 IRM application (Reference 2), CNPI sought to recover only OM&A costs associated with a severe windstorm in October/November 2019. CNPI did not seek to recover any capital-related costs associated with the windstorm as it intended to recover the capital costs in the normal course through 2021 rate base and its cost-based rate application in the 2022 rate year.

Questions:

- a) Is CNPI aware of any precedent of a Z-factor claim that includes a revenue requirement due to incremental capital expenditures? If so, please provide the reference (EB #).
- b) Please explain why CNPI has applied to recover the \$21,000 for the revenue requirement associated with \$318,800 capital expenditures in this application.
- c) Please confirm that CNPI is requesting a recovery of \$21,000 only for the 2023 rate year and not annually until its next rebasing application (which is expected in 2027).
- d) Has CNPI deferred any planned capital projects due to the costs of the windstorm? Please provide an explanation.

Staff-14

Ref: Schedule F

Preamble:

In Schedule F, CNPI describes the wind gusts of up to 130 km/hr which caused trees to fall onto and damage CNPI line infrastructure, resulting in outages.

Questions:

- a) Please provide CNPI's annual budgeted and actual amounts for its vegetation management program for the period 2017 to date.

- b) Does CNPI have an assessment program to determine trees that could potentially cause damage to its line infrastructure due to severe weather events? If not, please explain why.

Staff-15

Ref 1: Manager's Summary, p.16

Ref 2: OEB's Decision and Rate Order (EB-2020-0008), p.17

Preamble:

In Reference 1, CNPI stated that due to the infrequent and extreme nature of such events, CNPI has not planned or budgeted for such events, and as such, the costs of this extreme and unusual event are incremental to the costs underpinning CNPI's rate at the time of the storm.

In the OEB's Decision and Rate Order for CNPI's Z-factor claim for the windstorm in October/November 2019 (Reference 2), the OEB noted that a programmatic approach to "storm-hardening" an LDC's service territory also falls within the realm of prudent utility practice. While no amount of storm-hardening could have fully offset the severity of the windstorm experienced by Canadian Niagara Power on October 31, 2019, a storm-hardened system could have mitigated the impact. The OEB also found that CNPI did not allocate sufficient O&MA dollars to better deal with outages and storm response, nor plan or budget for such weather events. The OEB encouraged CNPI to engage in better risk assessment and risk management, particularly in light of the increasing severity of weather events in recent years.

Questions:

- a) Has CNPI taken any steps since the October/November 2019 windstorm to improve its risk assessment and risk management in light of increasing extreme weather events? If so, please describe.
- b) Please provide CNPI's annual budgeted and actual amounts for capital expenditures and OM&A related to emergency response which are included in base distribution rates for the period 2017 to date.

Staff-16

Ref: Manager's Summary, pp.13-18

Questions:

In light of current economic conditions (i.e. high inflation and rising interest rates) it may have on CNPI's customer base, please explain whether CNPI has:

- a) performed an assessment on its customers' current ability to pay for an incremental amount related to the Z-factor, given the current economic environment?
- b) considered any other bill impact mitigation strategies to assist its customers in being able to absorb this incremental amount?