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

BY E-MAIL

June 26, 2023

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

Dear Ms. Marconi:

Re: Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro)
2024 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2023-0041

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

Niagara-on-the-Lake Hydro's responses to interrogatories are due by July 17, 2023. 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,

Narisa Jotiban
Digitally signed by Narisa Jotiban
Date: 2023.06.26 16:05:30 -04'00'

Narisa Jotiban
Advisor – Electricity Distribution: Major Rate Applications & Consolidations

cc. All parties to EB-2023-0041

OEB Staff Interrogatories

2024 Electricity Distribution Rates Application
Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro)
EB-2023-0041
June 26, 2023

*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 Ontario Energy Board (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 2024 Electricity Distributor Rate Applications webpage.

1-Staff-2
Ref: Exhibit 1, page 93

Preamble:
Niagara-on-the-Lake Hydro states that it has "undertaken an internal study to analyze the impact of the electrification of transportation and the impact this would have on its ability to deliver its service. This includes assessing the impact on supplying its service territory with the increased demand as well as changes to the assets on its grid that may be necessary. This study will allow Niagara-on-the-Lake Hydro to understand the magnitude of the potential challenge."

Question(s):

a) Has the internal study in the reference been completed? If so, please provide a copy of the study or a summary of the results and analysis.

1-Staff-3
Ref 1: Exhibit 2, Appendix F, EV Analysis #1 and Appendix G, EV Analysis #2
Ref 2: Exhibit 1, Appendix 1C, Business Plan, page 20

Preamble:
In reference 1, Niagara-on-the-Lake Hydro provides EV Analysis #1 which looks at the impact of EV on its system of all residents and businesses converted to electric vehicles. Analysis #2 assesses the impact on the loading of its transformers.

In reference 2, Niagara-on-the-Lake Hydro states that “the potential impact of growth in electric vehicles is unknown.”

Question(s):

a) Based on information in reference 1 to 2, does Niagara-on-the-Lake Hydro intend to conduct a further study to assess the cost estimates and impacts of EV on its system load and distribution transformers over the next five years?

1-Staff-4
Facilitating Innovation
Ref: Exhibit 1, page 94

Preample:
In the reference, Niagara-on-the-Lake Hydro hired a consulting firm, Enviro-Scan, to measure its greenhouse gas output and suggest changes that both reduce greenhouse gases and save money. Many of these recommendations have been implemented and the measurements provide a base line for future analysis and decision-making.

Question(s):

a) Please explain what type of changes and recommendations have been implemented to reduce greenhouse gases and save money.
    a. Please provide an itemized breakdown of cost per year (both capital and OM&A) for all implemented changes.
b) Please provide the cost savings per year from the start of the implementations to date.
c) Please provide details and quantification on where any of these savings have been incorporated into the current application for 2024 rates.

1-Staff-5
Ref: Exhibit 1, pages 95 and 98-100

Preamble:
Niagara-on-the-Lake Hydro states that it collaborates with other LDCs and give examples of collaborations to support innovation, improve efficiency and mitigate costs.

Question(s):

a) Please provide details and quantification on where these collaborations have been incorporated into the current application for 2024 rates.

1-Staff-6
Ref: Exhibit 1, Appendix 1C, Business Plan, page 20

Preamble:
Niagara-on-the-Lake-Hydro states that the new green button requirements, which will go live in 2023, will have an impact on operating costs.

Question(s):

a) Has Niagara-on-the-Lake Hydro conducted any analysis to determine an estimated impact of Green Button on its operating costs?
    a. If so, please provide a summary of the analysis including estimated costs.

1-Staff-7
Ref 1: Exhibit 1, page 81

Preamble:
Regarding the liquidity ratio, Niagara-on-the-Lake Hydro states that its current ratio of 0.45 is low because loans that are booked as current liabilities are actually demand loans. These demand loans are being repaid over a 15-year term and the interest rate has been fixed via 15-year interest rate swaps.

Question(s):

a) Please recalculate Niagara-on-the-Lake Hydro's current ratio if these demand loans were excluded as current liabilities.

Exhibit 2 – Rate Base and Capital

2-Staff-8
Ref 1: Exhibit 2, DSP, Table 12, page 28,
Ref 2: APB Unit Cost Calculations: 2021 Results (xlsx) - 27 March 20237

Preamble:
The number of poles replaced due to deteriorated condition for years 2018 to 2021 have been provided in reference 1 and the total number poles replaced each year for years 2018 to 2021 have also been provided for Activity and Program based Benchmarking (APB) in reference 2.

Question(s):

a) Please explain the difference between the two set of numbers in reference 1 and reference 2.

2-Staff-9
Ref: Exhibit 2 / Section 5.3.5 & 5.4.5
2021 CDM Guidelines, Chapter 3.1

Preamble:
Niagara-on-the-Lake Hydro notes that it welcomes opportunities to provide CDM services to its customers and significantly overachieved when LDCs had responsibilities for their own CDM activities. However, Niagara-on-the-Lake Hydro concludes there are no CDM projects in the current planning process and Niagara-on-the-Lake Hydro is not applying for CDM funding through rates.

Question(s):

a) Please describe how Niagara-on-the-Lake Hydro has addressed or plans to address the requirement in OEB's CDM Guidelines for distributors to "make reasonable efforts to incorporate consideration of CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure."
b) Please describe specific changes, if any, that Niagara-on-the-Lake Hydro has made to its distribution system planning process to address the requirement.

2-Staff-10
Ref: Exhibit 2, Section 5.4.5, page 79
2021 CDM Guidelines, Chapter 3.1

Preamble:
Niagara-on-the-Lake Hydro notes they are not aware of any rate funded CDM opportunities in Niagara-on-the-Lake but to be fair to all customers, it is important to have a strong cost/ benefit analysis on potential opportunities.

Question(s):

a) Has Niagara-on-the-Lake conducted any cost benefit analysis on potential CDM opportunities? If so, please describe the process and results of the findings.

2-Staff-11
Ref: Chapter 2 Appendix 2-C

Preamble:
In the Chapter 2 Appendix 2-C, the calculated depreciation includes an "Adjustment" column (column R), where adjustments to depreciation are $29k and -$135k in 2019 and 2020, respectively. The adjustment to Account 1850 Line Transformers in 2020 also results in a variance between depreciation calculated in Appendix 2-C and depreciation in Appendix 2-BA of -$18k.

Question(s):

a) Please explain what this adjustment column represents and why the variance in Account 1850 is appropriate.

2-Staff-12
Ref 1: Exhibit 2, page 37
Ref 2: Exhibit 2, Appendix 2B

Preamble:
For self-constructed assets, Niagara-on-the-Lake Hydro uses a burden rate of 50% over base wages of employees to cover benefits and direct employee related costs. These burden rates were increased effective January 1, 2023 due to increased employee benefit costs. No other overhead is allocated to capital.

Question(s):

a) In reference 1, it states that only payroll burden is allocated to capital. Pages 9 to 10 of the capitalization policy in Appendix 2B discusses payroll, truck and store

burdens and notes that these burdens are capitalized when directly attributable to bringing and PP&E to the location and condition necessary for it to be capable of operating in the manner intended by management. Please clarify whether truck and store burdens are allocated to capital as well.

a. If truck and store burdens are allocated as well, please provide the original burden rates, the updated burden rates, the variances and the reason for the changes.

b) Please indicate the payroll burden before the increase, the rate increase and the resulting increase in capitalized amount.
c) Please provide the payroll burden rate for the last five years up to 2024.
d) Please explain how Niagara-on-the-Lake Hydro assesses the appropriateness of its burden rates.

2-Staff-13
Ref 1: Exhibit 2, page 37

Preamble:
In the reference it states that Niagara-on-the Lake Hydro uses the same rate for allocating costs to capital as it uses to charge customers for work performed on its behalf. Customers are also charged a mark-up of 20% on labour and 10% on materials and truck time. These additional amounts are included in Other Revenue and are not capitalized.

Question(s):

a) Please clarify the nature of the costs that are allocated to capital and how it relates to work performed on customers' behalf.
b) Please confirm that the additional amounts included in Other Revenue are the mark-up of 20% on labour and 10% on materials. If not, please explain what these additional amounts are.

2-Staff-14
Ref 1: Distribution System Plan, pages 4, 15, and 26
Ref 2: Distribution System Plan, Appendix F - EV Analysis #1
Ref 3: Distribution System Plan, Appendix G - EV Analysis #2
Ref 4: Distribution System Plan, Appendix A – HONI Needs Assessment Report

Preamble:
Niagara-on-the-Lake Hydro states that it has analyzed what the impact of a sudden increase in electric vehicles might mean and is making adjustments. Niagara-on-the-Lake Hydro also states that the use 100kVA pad mounted transformers has resulted in a system better prepared for the widespread adoption of EVs. Adaptation actions

include investing in upgrading local transformers and monitoring the installation of EV chargers. Niagara-on-the-Lake Hydro states that it is not expected that much wiring would need to be upgraded.

Question(s):

(a) What analysis has Niagara-on-the-Lake Hydro performed to evaluate the impact on primary underground cables (that supply the residential padmount transformers) ampacity ratings with increasing load factor due to daytime and overnight charging consumption/demand?
(b) How does Niagara-on-the-Lake Hydro intend to monitor installation of EV chargers within its service territory?
(c) How has EV penetration been factored into load growth demand (kW) and consumption (kWh) expectation over the forecast period? Please provide the expected peak demand for each of the transformer stations over the forecast period if different from the figures provided in the HONI Needs Assessment Report dated May 24, 2021.

2-Staff-15
Ref 1: Distribution System Plan, pages 11 and 50

Preamble:
Niagara-on-the-Lake hydro states that locate services were brought inhouse in 2020 due to performance issues with the service provider and that this was done in collaboration with the Town of Niagara-on-the-Lake.

Question(s):

(a) Please provide the relevant report/business case that documents the terms and conditions, including how costs are apportioned between the Niagara-on-the-Lake Hydro and the Town for the Locate Technician.

2-Staff-16
Ref 1: Distribution System Plan, pages 5, 11, 13, 56 and 60

Preamble:
Niagara-on-the-Lake Hydro states that it has hired its own underground crew and procured equipment as it has been unable to source sufficient contract support to efficiently manage its capital underground program.

Question(s):

a) Did Niagara-on-the-Lake Hydro develop a report/business case that evaluated the various options (external contract, internal resources and equipment, etc.) to address underground excavation issues? If so please provide.
b) Did Niagara-on-the-Lake Hydro attempt to outsource this service through a competitive bid process (ie. annual work needs to allow for contractor unit cost submissions)? If so, what were the results?

2-Staff-17
Ref 1: Distribution System Plan, pages 10, 23, 27, 38 and 64

Preamble:
Niagara-on-the-Lake Hydro states that by 2024, all the major pockets of the rural areas will have been converted from 4kV to 27.6kV except for firelanes. The firelanes will become the focus starting in 2024. Firelane roads are privately owned. New 27.6kV plant replacing existing 4kV plant will have a new more suitable path compared to the 4kV path given the growth in the firelanes. New 27.6kV lines in the firelanes will require easements.

Question(s):

a) Please provide the material investment summary for the firelane projects as per the OEB Chapter 5 Filing Requirements, Section 5.4.1.1 Material Investments - Section A - General Information on the project/program and Section B. Evaluation criteria and information requirements for each project/program.
b) Does the plant in the firelanes supply multiple customers or just the owner of the firelane? More detail is required to understand the nature of the work being proposed.
c) Are the conversion costs bourne 100% by Niagara-on-the-Lake Hydro or is the property owner responsible for some portion of the line replacement cost?
d) What actions will Niagara-on-the-Lake Hydro undertake if firelane property owners do not approve of 27.6kV line proposals? Is maintaining status quo (4kV supply) through local poletop transformation (27.6kv to 4kV) an option?

2-Staff-18
Ref 1: Distribution System Plan, pages 12-13

Preamble:
Niagara-on-the-Lake Hydro states that cost savings are achieved through reduced unplanned maintenance and repairs, reduced line losses and reduced outages.

Question(s):

a) Please provide the amount of annual O&M savings due to the plan over the forecast period for each of the above factors.

2-Staff-19
Ref 1: Distribution System Plan, page 63
Ref 2: Distribution System Plan, Table 21, page 43,

Preamble:
Niagara-on-the-Lake Hydro states that meter expenditures are forecast to be higher in 2024 due to ongoing meter reverification requirements and then revert to normal levels.

Questions:

a) What are the “normal levels” of meter reverification requirements over the 2025 – 2028 period? How much of the budgeted meter capital costs is for reverification and replacements versus additional meters for new connections for the forecast years?
b) Do Niagara-on-the-Lake’s meters have “last gasp” functionality to enhance operational awareness of power outage situations and does Niagara-on-the-Lake Hydro currently make use of this function?
c) When does Niagara-on-the-Lake Hydro forecast the large-scale replacement of meters due to failures and end of life will occur?

2-Staff-20
Ref 1: Distribution System Plan, page 14

Preamble:
Niagara-on-the-Lake Hydro states that a crypto currency miner is establishing operations in Niagara-on-the-Lake Hydro service territory with up to 50MW of load.

Question(s):

a) Please advise the maximum amount of connected load through a customer owned substation that Niagara-on-the-Lake Hydro will accept to connect to its 27.6kV system.

2-Staff-21
Ref 1: Distribution System Plan, page 17

Preamble:
In 2023 Niagara Region plans to widen part of Niagara Stone Road. Niagara-on-the-Lake Hydro plans to bury its line along part of that road.

Question(s):

a) What is the total cost of the project for Niagara-on-the-Lake Hydro to remove the overhead plant and bury it?
b) What is the cost difference between undergrounding the overhead line versus relocating the pole line and framing for 27.6kv?
c) What amount of compensation will Niagara-on-the-Lake Hydro receive from Niagara Region for relocating its plant as per the Public Service Works on Highways Act?

2-Staff-22
Ref 1: Distribution System Plan, page 18

Question(s):

a) Please summarize objectives for continuous improvement that Niagara-on-the-Lake Hydro set out in the previous DSP
b) Have the objectives in the previous DSP been achieved?
c) If not, how has this affected the current DSP?

2-Staff-23
Ref 1: Distribution System Plan, pages 18 and 20

Preamble:
Chapter 7 of the OEB's Distribution System Code outlines the OEB's expectations regarding Service Quality Requirements (SQR) for Electricity Distributors. In the DSP, Niagara-on-the-Lake Hydro has provided SAIFI and SAIDI statistics for the historical period.

Question(s):

a) Table 8 shows SAIFI and SAIDI statistics by feeder. Are there any outages related to the F3 feeder which is not shown?

2-Staff-24
Ref 1: Distribution System Plan, page 20
Ref 2: Distribution System Plan – Appendix D – Asset Management Plan

Preamble:
Niagara-on-the-Lake Hydro states that "vegetation maintenance is conducted on a three-year cycle. Vegetation is cut back to the 3m limit of approach near primary circuits."

Historical outage statistics indicate that tree related outages account for approximately 15 – 20% of total outages (excluding LOS and MEDs).

Question(s):

a) Does Niagara-on-the-Lake Hydro perform any additional out of cycle vegetation management for faster growing tree species that the 3-year cycle cannot accommodate?
b) Has Niagara-on-the-Lake Hydro reviewed the root causes of the tree related outages and considered any additional measures (i.e. "blue sky" approach, hazard tree removal, etc.) that would mitigate the number and impacts of vegetation related outages?

2-Staff-25
Ref 1: Distribution System Plan, page 20

Preamble:
Table 20 shows an increasing trend in outages related to Foreign Interference.

Question(s):

a) What are the causes of Foreign Interference in each of the historical years?
b) Please describe any measures Niagara-on-the-Lake Hydro had determined can be taken to mitigate/reduce the number of outages related to foreign interference?

2-Staff-26
Ref 1: Distribution System Plan, page 25

Preamble:
The Chapter 5 filing requirements state that a distributor must provide an overview of its planning process that has informed the preparation of the distributor's five-year capital expenditure plan.

Question(s):

a) Please provide an overview of the Niagara-on-the-Lake Hydro planning process (flowchart or steps, etc.) that has been used to develop its capital expenditure plan.
b) Please provide a summary of the data used in the planning process to identify, select, prioritize, optimize and pace the execution of investments over the term of the DSP.

2-Staff-27
Ref 1: Distribution System Plan, pages 25-26 and 32-33
Ref 2: Distribution System Plan – Appendix D – Asset Management Plan

Preamble:
Niagara-on-the-Lake Hydro states that in 2021 it "developed and approved a Rotating Asset Management Plan which summarizes the steps Niagara-on-the-Lake Hydro takes to monitor the condition of its assets and the process by which this information leads to actions taken." Assets rated "Immediate" are replaced within a few days so will not appear on any asset condition tables.

Niagara-on-the-Lake Hydro states that "asset management is one of the factors taken into account when determining the capital expenditure plan. Others include the voltage conversion program, local initiatives, customer needs as they relate to the grid (as opposed to direct connection needs) and budgetary restrictions."

Question(s):

a) Which budget line in the forecast budget do the anticipated costs for Immediate asset replacement appear?
b) What are the annual forecast costs for Immediate asset replacement needs?
c) Please provide the asset life optimization policies, processes and tools that are applicable to the 2024 DSP.
d) Are there factors other than visual inspections that are used to determine the condition of underground primary cables?

2-Staff-28
Ref 1: Distribution System Plan, pages 27-31
Ref 2: Distribution System Plan – Appendix D – Asset Management Plan

Preamble:
Niagara-on-the-Lake Hydro utilizes 7 distribution feeders to supply its customers.

Questions:

a) Please provide the normal (planning) and emergency loading limits for each of the 27.6kV distribution feeders.
b) Please provide the 2022 peak demand load for each of the 27.6kV distribution feeders.

2-Staff-29
Ref 1: Distribution System Plan, pages 27-31
Ref 2: Distribution System Plan – Appendix D – Asset Management Plan

Preamble:
Niagara-on-the-Lake Hydro has provided condition assessments for poles, distribution transformers and wires. Niagara-on-the-Lake Hydro states that regular maintenance of its transformer stations is outsourced to a third party with expertise in transmission stations. There is no condition assessment provided for the transformer stations and metering equipment.

Question(s):

a) Please provide condition assessments for the transformer stations and metering equipment.
b) In Table 17, Niagara-on-the-Lake Hydro states that wire age 25 years or more includes installation dates of 2001 and earlier. Should the table entry read that installation dates be 1997 and earlier?

2-Staff-30
Ref 1: Distribution System Plan, page 32

Preamble:
Niagara-on-the-Lake Hydro states that it generally tries to reinvest in a manner that matches the lifecycle of the assets based on their depreciation. Depreciation is directly related to the age of the asset.

Question(s):

a) Is Niagara-on-the-Lake Hydro stating that age is the key determinant with respect to asset replacement as opposed to asset condition?

2-Staff-31
Ref 1: Distribution System Plan, pages 20 and 38

Preamble:
Niagara-on-the-Lake Hydro states that climate change will create hotter summers and colder winters though these will vary from year to year. One of the largest contributors to outages in 2022 was adverse weather.

Question(s):

a) Has Niagara-on-the-Lake Hydro determined or studied what the impact of increased extreme weather events will have on its distribution system?

2-Staff-32
Ref 1: Distribution System Plan, pages 28, 43 and 61

Preamble:
Tables 21 and 28 provide the Niagara-on-the-Lake Hydro historical and forecast capital expenditures by major category and program.

Question(s):

a) Why do the numbers for 2019 – 2022, 2026 in Table 21 differ from the numbers in Table 28?
b) For the System Access category, please provide the annual historical and forecast number of Subdivisions, Customer Projects, New Connections underground, New Connections overhead and Meters.
c) For the System Renewal category, please provide annual forecast number of pole replacements.
d) For the System Renewal category, please provide annual historical and forecast number of transformers, wire and any other Niagara-on-the-Lake equipment specific replacement programs covered by the Overhead and Underground spending categories.
e) For the System Service category, please provide annual historical and forecast numbers for switches any other Niagara-on-the-Lake equipment specific programs covered by the SCADA/switches/Smart Grid spending category.
f) For the General Plant category, please provide the relevant business cases/condition assessments for historical and forecast fleet expenditures.
g) For all material expenditures in the forecast period please provide information on the investment per Chapter 5 Section 5.4.1.1 Material Investments - A. General Information on the project/program and B. Evaluation criteria and information

requirements for each project/program. A summary sheet per project/program containing the above information would be beneficial.

2-Staff-33
Ref 1: Distribution System Plan pages 11, 13, 50, 68 and 82

Preamble:
Niagara-on-the-Lake Hydro states that it "is considering whether to bring boring and/or vacuuming in-house but no decision has been made. The purchase of a boring machine in 2026 is provided as a placeholder."

Question(s):

a) What investments were deferred to allow for this placeholder investment to be prioritized in the 2026 forecast year? Note that Table 21 includes no expenditure for this amount.

Exhibit 3 – Customer and Load Forecast

3-Staff-34
Ref 1: Exhibit 3, page 6
Ref 2: Load Forecast Model, sheet 4. Customer Growth

Preamble:
In the load forecast model, sheet 4, row 28, adjusted customer connection counts are provided. The formula references hidden sheet 12c. Monthly Customer Forecast.

Niagara-on-the-Lake Hydro notes that growth in residential customer count is slowing. Some customer growth is attributed to a small development near Virgil.

Question(s):

a) Please provide full details on how the customer numbers for all rate classes for 2024 were derived.
b) Please explain the methodology proposed for use, and why it is suitable as opposed to alternative solutions such as geometric mean of a more representative historic period.
c) Please comment on the expected causes of the decrease in growth rates in recent years, and how COVID-19 may have impacted that.
d) Please provide the number of customer connections expected due to the development near Virgil.

e) Is growth in any other rate class expected resulting from the development near Virgil?
f) Is Niagara-on-the-lake expecting any other developments to result in new connections in 2023 or 2024?

3-Staff-35
Ref 1: Load Forecast Model, sheet 7. Weather Sensitive Class
Ref 2: Load Forecast Model, sheet 8. KW and Non-Weather Sensitive

Preamble:
In the first reference a ratio of rate class energy use to wholesale purchases is calculated for 2022, and that ratio is used to estimate normalized energy usage for 2023 and 2024. In the second reference, energy consumption per customer is calculated for 2022, and that energy use per customer is used to estimate rate class energy usage for 2023 and 2024.

OEB staff notes that in years with extreme weather, rate classes with weather sensitive loads would normally be expected to require more energy, while rate classes without weather sensitive loads would not. Therefore, the proportion of wholesale purchases required by a rate class would normally be weather dependent.

Question(s):
a) For the weather sensitive rate classes, why does Niagara-on-the-Lake Hydro propose to use a single historic year to estimate rate class energy requirements relative to wholesale purchases?
b) Please explain how the approach used normalizes for differences in weather sensitivity between rate classes.
c) For the non-weather sensitive rate classes, why does Niagara-on-the-Lake Hydro propose to use a single historic year to estimate energy use per customer?

3-Staff-36
Ref: Exhibit 3, page 11

Preamble:
The Large Use rate class forecast was designed assuming a load of 5,000 kW per month, consistent with the variance account. Niagara-on-the-Lake Hydro states that there is a new Large Use customer that has recently commenced operations and that it has been authorized by the IESO for up to 50 MW.

Question(s):

a) Please provide any updates available on the actual or expected use of the large use customer.

Exhibit 4 – Operations, Maintenance & Administration

4-Staff-37
Ref 1: Exhibit 4, Table 4.15, page 19
Ref 2: Exhibit 4, Table 4.12 / Chapter 2, Appendix 2-JD

Preamble:
Table 4.15 in reference 1 shows that Niagara-on-the-Lake Hydro's 2019 actual OM&A expense was $158,984 (6%) above the 2019 OEB-approved OM&A.

OEB staff observes that the difference stems from the substantial increases in Account 5130 Maintenance of Overhead Services ($57,334)[1], Account 5655 Regulatory Expenses ($100,325)[2] and Account 5675 Maintenance of General Plant ($277,553)[3] as well as increases in Account 5160 Maintenance of Line Transformers ($25,735)[4] and Account 5165 Maintenance of Street Lighting and Signal Systems ($16,549)[5]. These increases are partially offset by other cost reductions.

OEB staff notes that the 2019 OEB-approved amount for Account 5675 is shown as a negative value in Appendix 2-JD which results in a larger variance between the 2019 actual and the 2019 OEB-approved.

Question(s):

a) Please explain in detail the 2019 actual to OEB-approved budget variances.
    a. Please explain the increases in Accounts 5130, 5675, 5160, and 5165 including why the 2019 OEB-approved amount in Account 5675 shows as a negative value.

[1] Part of OM&A maintenance expense
[2] Part of OM&A administrative and general expense
[3] Ibid.
[4] Part of OM&A maintenance expense
[5] Ibid.

4-Staff-38
Ref: Exhibit 4, Tables 4.12, page 17 / Chapter 2 Appendix 2-JD

Preamble:
The 2024 OM&A amount of $328,770 in Account 5675 represents an increase of $131,100 (66%) compared to the 2019 actual amount of $197,670. The biggest year-over-year- increase is $122,203 (62%) which occurred in 2020.

Question(s):

a) Please provide an itemized breakdown of cost per year and explain the main drivers for the increases in Account 5675 from 2019 to 2024.

4-Staff-39
Ref 1: Exhibit 4, Table 4.11, page 15 / Chapter 2, Appendix 2-JB
Ref 2: Exhibit 4, Table 4.6, page 8

Preamble:
In reference 1, Niagara-on-the-Lake Hydro presents the inflation driver of the historical OM&A on the second line of Table 4.11. OEB staff understands that these inflation values are derived by applying the annual adjusted inflation numbers (OEB inflation minus stretch factor in reference 2) to the preceding year's **actual** OM&A expenditures. Table 1 below demonstrates the derivation.

Table 1

Line No.		2019	2020	2021	2022	2023	2024	Total
1	Total Actual OM&A	$2,830,352	$2,952,740	$3,161,111	$3,314,505	$3,410,378	$3,571,884	
2	Adjusted Inflation	-	1.0170	1.0190	1.0300	1.0355	1.0485	
3	OM&A Based on Adjusted Inflation (1)	-	$2,878,468	$3,008,842	$3,255,944	$3,432,170	$3,575,781	
4	Inflation Impact (2)	-	$48,116	$56,102	$94,833	$117,665	$165,403	$482,120

Notes: (1) Line 3 = Line 1 in previous year x current year adjusted inflation
(2) Line 4 = Line 3 in current year - Line 1 in previous year

Question(s):

a) Please provide an annual inflation estimate using the 2019 actual OM&A as the base and escalating each year thereafter using the adjusted inflation value.

4-Staff-40
Ref: Exhibit 4, Table 4.11, page 15 / Chapter 2, Appendix 2-JB

Preamble:
Niagara-on-the-Lake Hydro states in the application that it has experienced several cost increases due to regulatory and OEB requirements such as moving all meters to smart meters by 2020.

Question(s):

a) From the OM&A Cost Driver Table 4.11 in the reference, please indicate all costs that have arisen as a result of new regulatory and OEB requirements since the 2019 rebasing. Please include any additional cost items that are not represented in reference (if applicable).

4-Staff-41
Ref 1: Exhibit 4, Table 4.12, page 17 / Chapter 2 Appendix 2-JD
Ref 2: Exhibit 4, pages 19-26

Preamble:
In reference 1, OM&A cost for Account 5315 Customer Billing has increased significantly ($219,477 or 77%) in the 2024 Test Year compared to the 2019 Actual. In addition, OM&A cost for Account 5320 Collecting has increased sharply by $36,803 (or 60%).

In reference 2, Niagara-on-the-Lake Hydro states that the main drivers of Billing and Collecting in 2020 compared to the 2019 actual included Utilismart cost increases and UCS costs increases. In addition, inflation (including the wage increase of 5% in 2023), customer growth which will increase billing costs, certain costs which are known to be rising faster than inflation such as stationary supplies, and a new customer facing system (Silverblaze) contributed to the Billing and Collecting cost increases over the 2019 to 2024 period.

Question(s):

a) Please provide a further breakdown of costs for Account 5315 Customer Billing and Account 5320 Collecting and indicate the main drivers of costs each year from 2019 actual to 2024.
    a. Please prepare a table for each account using the following cost categories:
        - Utilismart service
        - UCS
        - Silverblaze

- Stationary/supplies
- Printing
- Postage
- Salaries and wages
- Lega fees
- Other (please indicate the type of costs)

b) In reference 2, Niagara-on-the-Lake Hydro states several factors that will continue to increase Billing and Collecting costs. Please discuss how Niagara-on-the-Lake Hydro intends to mitigate increasing costs in Billing and Collecting OM&A.

4-Staff-42
Ref: Exhibit 4, Tables 4.12, page 17 / Chapter 2 Appendix 2-JD

Preamble:
OEB staff notes that Account 5610 Management Salaries and Expenses shows a significantly year-over-year increase of 164% ($26,947) in 2020.

Question(s):
a) Please explain the increase including the main drivers.

4-Staff-43
Ref 1: Exhibit 4, Table 4.12, page 17 / Chapter 2, Appendix 2-JD
Ref 2: Exhibit 4, page 21

Preamble:
In reference 1, OEB staff notes that Account 5605 Executive Salaries and Expenses and Account 5610 Management Salaries and Expenses increased by 35% ($48,080) and 111% (133,143) respectively in 2021 compared to 2020.

In reference 2, Niagara-on-the-Lake Hydro states that in 2021 executive costs were no longer capitalized to the degree of 2019 and 2020 as the transformer project was completed.

Question(s):
a) Please confirm that the increases in the accounts noted in reference 1 are due to the explanation in reference 2. If not, please provide an explanation.
b) Please provide the executive cost and hours allocated between OM&A and capital from 2019 to 2024.

a. Please include variances showing hours allocated between capital and labour for management and the dollar breakdown of OM&A and capital costs.

4-Staff-44
Ref 1: Chapter 2, Appendix 2-N
Ref 2: Exhibit 4, page 34-38
Ref 3: Exhibit 6, page 18
Ref 4: Chapter 2, Appendix 2-H
Ref 5: Filing Requirements, Chapter 2, 2.4.3.2 Shared Services and Corporate Allocation and 2.6.3 Other Revenue

Preamble:
In reference 2, Niagara-on-the-Lake Hydro states that "The full costs of shared services and corporate cost allocations are not booked to Other Revenue but are all credited against the OM&A costs. The mark-up on those costs is booked to Other Revenue.

In reference 3, Niagara-on-the-Lake Hydro states that "most of the revenue from affiliates has been booked to offset costs so reduces OM&A and has not been booked to other revenue. The one exception is the mark-up on services to cover overhead costs which is included in Revenue from Jobs as described above".

The filing requirements in reference 5 indicates requirements including Other Revenue accounts that distributors must provide in Appendix 2-H and a reconciliation of the revenue arising from Appendix 2-N (reference 1) with the amounts included in Other Revenue in section 2.6.3 (Other Revenue). These include any revenue from affiliate transactions, shared services, or corporate cost allocations as described in section 2.4.3.2, accounts related to affiliate revenue and affiliate expense, and revenues and expenses from affiliate transactions which should be recorded in Account 4375 and Account 4380 respectively.

Reference 5 also states that costs that are included in a distributor's OM&A must be excluded from the account balances incorporated into Appendix 2-H – Other Operating Revenue (i.e., excluded as offsets to the revenue requirement) and vice versa. Costs that are included in a distributor's OM&A must also be excluded from Appendix 2-N – Shared Services and Corporate Cost Allocation.

Question(s):
a) The dollar amounts allocated for Corporate Cost Allocation in 2024 in Appendix 2-N (reference 1) appear to be missing. Please complete the table below.

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Niagara-on-the-Lake Hydro Inc	*Energy Services Inc*	Administrative Expenses- Mtce. General Plant, Property Taxes, Property Insurance	Cost-Base	3.54%	
Niagara-on-the-Lake Hydro Inc	*Energy Services Inc*	Board Of Directors-Payroll	Cost-Base	28.57%	

b) Please confirm whether the costs of shared services and corporate cost allocations in reference 2 and reference 3 are booked or not booked to Other Revenue in Appendix 2-H (reference 4).
   a. If applicable, please indicate the account(s) in Appendix 2-H that these costs are booked under.
c) Please confirm that Niagara-on-the-Lake Hydro only booked the mark-up on services to cover overhead costs to Other Revenue in Appendix 2-H.
   a. If applicable, please indicate the account(s) in Appendix 2-H that these costs are booked under.
d) Please explain why the approach that Niagara-on-the Lake Hydro explains in reference 2 and reference 3 appears to deviate from the requirements in reference 5.

4-Staff-45
Ref: Exhibit 4, pages 7, 31-32 and page 34

Preamble:
Niagara-on-the-Lake Hydro states that the Locator was hired by Niagara-on-the-Lake Hydro but all his time and costs are charged on a full cost basis to the affiliate company. Niagara-on-the-Lake Hydro benefits due to the coverage of some overhead costs. Also, Niagara-on-the-Lake states that “the charges for the locate services are lower than those charged by the previous outside provider. By sharing the locates and billing services, Niagara-on-the-Lake Hydro is able to staff these functions at levels it otherwise would not be able to. This is beneficial to customers from a cost perspective.”

Question(s):
a) Please provide cost savings per year since bringing the locator in house.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-46
Ref 1: Exhibit 6, p. 10
Ref 2: PILs model

Preamble:
Niagara-on-the-Lake Hydro's 2022 tax returns were not finalized at the time of filing this rate application but will be filed when the tax return have been received and filed with the Ministry of Finance.

Question(s):

a) Please provide the finalized 2022 tax return.
b) Please confirm that the ending UCC in the tax return agrees to the ending historic year UCC in tab H8 of the PILs model. If not confirmed, please identify and explain any differences, and revise the evidence as needed.

6-Staff-47
Ref 1: PILs model
Ref 2: Chapter 3 Filing Requirements for 2023 Edition for 2024 Rate Applications, June 15, 2023

Preamble:
As stated in its 2022 Fall Economic Statement, the Province of Ontario plans to parallel the federal change in the Small Business Deduction (SBD) phase-out that was first announced in the 2022 federal budget.[6] The SBD will not be reduced to nil until a Canadian-Controlled Private Corporation and its associated corporations have a combined taxable capital of $50 million. This change is effective for tax years beginning after April 6, 2022.

Tab T0 of the PILs model provides the PILs calculation. Per the PILs model, Niagara-on-the-Lake Hydro is eligible for the small business deduction. Due to the timing of Niagara-on-the-Lake Hydro's filing of this application, Niagara-on-the-Lake Hydro used the 2023 version of the PILs model, which does not reflect the federal change in small business deduction phase out rules.

[6] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/provincial-territorial-corporation-tax/ontario-provincial-corporation-tax/ontario-small-business-deduction.html

Question(s):

a) Please update PILS using the 2024 PILs model.
b) Please confirm that any impacts from the small business decision phase out for 2022 and 2023 will be recorded in Account 1592 – PILs and Tax Variances, as per the Chapter 3 Filing Requirements.

Exhibit 7 – Cost Allocation

7-Staff-48
Ref: Exhibit 7, pages 5-6

Preamble:
New billing and collecting weighting factors are proposed due to Utilismart meter reading expenses for the GS 50 – 4,999 kW, Large User, and Street Lighting rate classes.

Question(s):

a) Please provide any quantitative analysis performed to support the proposed weighting factors.

7-Staff-49
Ref: Exhibit 7, pages 10-12

Preamble:
Niagara-on-the-Lake Hydro states that it developed load profiles based on 2021 historic data and observed that it resulted in higher allocations to the residential rate class. It indicates that it believes that the results were distorted due to the pandemic.

Table 7.6 Niagara-on-the-Lake Hydro Load Profile Results contains information that is duplicated in Tables 7.4 and 7.5.

Question(s):

a) Please provide a table similar to Table 7.6 that provides the results from using the load profiles based on the 2021 historical year.
b) Since the application was filed April 2023, please comment on the availability and suitability of 2022 historical data for derivation of load profiles.
c) Please provide an explanation for why Niagara-on-the-Lake Hydro thinks the load profiles from 2004 are still appropriate to use for allocating costs in 2024.

7-Staff-50
Ref 1: Exhibit 7, pages 10-11
Ref 2: Cost Allocation Model, sheet I6.2 Customer Data

Preamble:
The revenue-to-cost ratio for the Street Lighting class is 141.18%, which is above the ceiling of 120%. The only rate class with a revenue-to-cost ratio below 100% is Residential, so following OEB policy, any decreases to Street Lighting would result in offsetting increases to Residential. Niagara-on-the-Lake Hydro proposes to not adjust any revenue-to-cost ratios. It states that:

> "Streetlights are owned by the Town of Niagara-on-the-Lake. The Town of Niagara-on-the-Lake owns 100% of Niagara-on-the-Lake Hydro so effectively the residential customers own 100% of Niagara-on-the-Lake Hydro. All we would be doing is adjusting costs between the Town and their ratepayers who also pay the costs of the Town. It is circular so making this rebalancing has no effective impact."

The cost allocation model indicates that there are 5 Street Lighting customers.

Question(s):
a) Please confirm that Niagara-on-the-Lake Hydro has consulted with its street lighting customers on this proposal, and that they are agreeable.
b) Please confirm that all 5 street lighting customers are the Town of Niagara-on-the-Lake or explain why this approach would be appropriate for other entities if not.
c) Please provide the rate and bill impacts to the Street Lighting and Residential rate classes that would result from adjusting the Street Lighting revenue-to-cost ratio to 120% and allocating the reduced revenue responsibility to the Residential class.

Exhibit 8 – Rate Design

8-Staff-51
Ref: Exhibit 8, pages 3-4

Preamble:
The calculated bill impacts are proposed to be mitigated by spreading the increase in distribution rates over two years.

Question(s):

a) Please provide the total bill impacts that would result from taking the full increase in 2024.
b) Has Niagara-on-the-Lake Hydro considered other means of mitigation such as spreading disposition of DVA accounts over two years?
    a. Why is the proposed mitigation preferred?
c) Please confirm that the proposed mitigation combined with an IRM adjustment will result in larger bill impacts in 2025.

8-Staff-52
Ref: Exhibit 8, pages 5-6

Preamble:
The existing fixed charges are above the cost allocation model ceiling rates in the GS < 50 kW, GS 50 – 4,999kW, Large Use, and Street Lighting rate classes. The fixed charge is proposed to increase for all rate classes by maintaining the fixed to variable proportions.

Question(s):

a) Please provide the variable rates that would result from leaving the fixed charges at their current levels for the rate classes where the fixed charges are already above the ceiling.

8-Staff-53
Ref 1: Exhibit 8, page 10
Ref 2: Exhibit 3, page 4

Preamble:
The Large Use RTSRs are proposed to be set to the UTR rates and are proposed to automatically adjust to the UTR rates any time the UTR rates are adjusted. Niagara-on-the-Lake Hydro expects the single Large Use customer to operate on a 24/7 basis. This implies that it is expected to be operating at full capacity when the system is on peak.

Question(s):

a) If the expected new customer or any additional future large use customers operate in a way that is materially different from what is expected for this customer, will Niagara-on-the-Lake Hydro revisit the approach of setting the Large Use RTSRs to match the UTRs?
b) If the request for automatic adjustment is denied, what approach would Niagara-on-the-Lake Hydro take setting the Large Use RTSRs?

8-Staff-54
Ref: Exhibit 8, pages 12-13

Preamble:
Eight specific service charges are proposed to be updated to reflect costs of providing the services.

Question(s):

a) What consultation did Niagara-on-the-Lake Hydro undertake with its customers in respect of the proposed updates to specific charges?
b) How were the hourly rates for the required resources determined?
c) How were the hours required to perform each service determined?

8-Staff-55
Ref 1: Exhibit 8, page 15
Ref 2: Chapter 2 Appendix 2-R

Preamble:
The proposed loss factor calculation includes a supply facility loss factor of zero.

Question(s):

a) Please explain where losses in the transmission network would be captured.
b) For each of the years 2018-2022 please provide the total energy required to be generated to supply the customers. This should include total wholesale energy purchases plus any embedded generation purchases.
c) For each of the years 2018-2022 please provide the metered energy received onto Niagara-on-the-Lake Hydro's distribution system.

Exhibit 9 – Deferral & Variance Accounts

9-Staff-56
Ref 1: DVA Continuity Schedule
Ref 2: Exhibit 9, pages 4 and 7

Preamble:
The discrepancies in the table below are noted for the Account 1595 sub-accounts' December 31, 2022 balances.

	DVA Continuity Schedule	Exhibit 9 Tables 9.1 and 9.3
1595 (2018)	Not provided	$57,251
1595 (2019)	$52,610	$12,720
1595 (2020)	$8,839	$52,610
1595 (2021)	-$35,951	$8,840
1595 (2022)	$0	-$35,952

Question(s):

a) Please provide the correct balances for each sub-account and update the evidence as needed.

9-Staff-57
Ref 1: DVA Continuity Schedule
Ref 2: Exhibit 9, page 7
Ref 3: Exhibit 1, page 56 – Audited Financial Statements

Preamble:
Note 9 of Niagara-on-the-Lake Hydro's audited financial statements provides regulatory balances as at December 31, 2022. Table 9.3 in Exhibit 9 also provides Reporting and Record Keeping Requirements (RRR) balances for deferral and variance accounts as at December 31, 2022.

	Audited Financial Statements - Total Regulatory Debits and Credits			**Exhibit 9 Table 9.3**	**Difference**
Settlement variances	$1,030,671		Group 1 accounts	$1,106,664	
Other regulatory accounts	$361,871		Group 2 accounts, including Account 1576 and LRAMVA	$314,061	
Total	**$1,392,542**		**Total**	**$1,420,725**	**$28,183**

Question(s):

a) Please reconcile the balances in the audited financial statements to that in Table 9.3 as shown in the table below.

9-Staff-58
Ref 1: Exhibit 9, pages 4 and 10
Ref 2: Chapter 2 Filing Requirements - 2023 Edition for 2024 Rate Applications, December 15, 2022
Ref 3: Accounting Order for the Establishment of a Deferral Account to Record Impacts Arising from Implementing the Customer Choice Initiative Ontario Energy Board File No. EB-2020-0152, Sept 16, 2020

Preamble:
The debit balance of $18,658 in Account 1508, Sub-account Customer Choice Initiative Costs is requested for disposition. In addition, in Table 9.1, the sub-account is proposed to be continued.

Question(s):

a) In the accounting order for Account 1508, Sub-account Customer Choice Initiative Cost, it states that the OEB will assess any claimed costs recorded in the sub-account at the time the sub-account is requested for disposition, subject to the causation, materiality and prudence criteria. Per the Chapter 2 Filing Requirements, a deferral and variance accounts materiality threshold of $50,000 would apply to Niagara-on-the-Lake Hydro. Please explain why the sub-account is requested for disposition when it does not meet the materiality threshold. Please update the evidence as needed.
b) Please explain whether Niagara-on-the-Lake Hydro has incorporated its annual support fee in the test year OM&A.
    a. Please explain why the sub-account is proposed to be continued.

9-Staff-59
Ref 1: Exhibit 9, pages 4 and 11
Ref 2: OEB's February 9, 2016 Letter, Revisions to the Ontario Energy Board Cost Assessment Model
Ref 3: Chapter 2 Filing Requirements - 2023 Edition for 2024 Rate Applications, December 15, 2022

Preamble:
Per the OEB's letter in reference 1, Account 1508, Sub-account OEB Cost Assessment was established to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016.

Question(s):

a) Table 9.7 provides the calculation of the OEB Cost Assessment sub-account balance for a debit of $16,322. Variances are calculated from Q1 2018 to Q1 2020, and Q2 2022 to Q4 2022. Please explain why there are variances from Q2 2022 to Q4 2022 when the account should only be recording variances pertaining to the 2016 cost assessment model, which would have been reflected in Niagara-on-the-Lake Hydro's 2019 cost of service rate application. Please revise the evidence as needed.
b) In the OEB's letter in reference 1, it states that any disposition of deferral and variance account balances must meet any OEB default or company-specific materiality thresholds. Per the Chapter 2 Filing Requirements, a deferral and variance accounts materiality threshold of $50,000 would apply to Niagara-on-the-Lake Hydro. Please explain why the sub-account is requested for disposition when it does not meet the materiality threshold. Please update the evidence as needed.
c) Per the OEB's letter in reference 1, regulated entities are to cease recording amounts in these accounts when their rates are rebased/reset, incorporating an updated forecast of cost assessments. In Table 9.1, Account 1508, Sub-account OEB Cost Assessment is proposed to be continued. Given that Niagara-on-the-Lake Hydro has rebased and incorporated the 2016 cost assessment model in rates, please explain why the sub-account is proposed to be continued. Please revise the evidence as needed.

9-Staff-60
Ref: Exhibit 9, pages 16-17

Preamble:
Niagara-on-the-Lake Hydro is requesting a debit amount of $145,840 in Account 1576 Accounting Changes Under CGAAP. The balance is a residual amount between the approved balance and the rate riders collected. The OEB has not provided guidance that indicates residual balances are to be requested for disposition and has not historically done so.

Question(s):

a) Please explain why Niagara-on-the-Lake Hydro is requesting disposition of this residual balance.
b) Please explain why the residual balance is large given that the amount represents a residual balance.

9-Staff-61
Ref: Exhibit 9, Appendix 9A

Preamble:
In the draft accounting order for the Large Use Customer Revenue Variance Account, it states that Niagara-on-the-Lake Hydro will be requesting disposition of this account annually.

In addition, the journal entry to record the revenue variance is

Dr./Cr.	Account 1508, Sub-account Large Use Customer Revenue Variance Account
Cr./Dr.	Account 4310 – Regulatory Credit/Account 4305 – Regulatory Debit.

Upon approved disposition, the journal entry to record rate riders includes a reallocation between

Dr./Cr.	Account 4080 – Distribution Revenue.
Cr./Dr.	Account 4310 – Regulatory Credit /4305– Regulatory Debit.

Question(s):

a) Please provide Niagara-on-the-Lake Hydro's views on disposing this account at next rebasing instead of annually. Please comment on whether Niagara-on-the-Lake Hydro would experience any cash flows issues if the account was disposed at next rebasing.
b) For the first journal entry noted above, please explain why the offsetting entry to Account 1508 is to Account 4310/Account 4305 and not directly to Account 4080.
    a. Please explain Niagara-on-the-Lake Hydro's views on revising the first journal entry to debit/credit Account 1508 and credit/debit Account 4080.

9-Staff-62
Ref: DVA Continuity Schedule

Preamble:
In the DVA Continuity Schedule, Niagara-on-the-Lake Hydro is requesting disposition of a debit amount of $455,549 in Account 1580 – RSVA Wholesale Market Service Charge and a debit amount of $327,109 in Account 1584 – RSVA Retail Transmission Network Charge as at December 31, 2022. These amounts have increased significantly when compared to the prior two years.

Question(s):

a) Please explain the large balances in these two accounts.