PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS

2023 Cost of Service Rate Application

Niagara-on-the-Lake Hydro Inc. (NOTL Hydro)

EB-2023-0041

Please see Niagara-on-the-Lake Hydro responses below in blue.

VECC-52

REFERENCE: *Application Load Forecast Model, Tab 3*
IRR Load Forecast Model, Tab 3

a) It is noted that the actual July to December 2022 monthly customer counts for the GS>50 class have been revised in the IRR Load Forecast Model. Please confirm that these revisions represent corrections to the values originally provided in the Application's Load Forecast Model?

Confirmed

VECC-53

REFERENCE: *Application Load Forecast Model, Tab 1*
IRR Load Forecast Model, Tabs 1 and 12c

a) Tab 12c in the IRR Load Forecast Model refers to rows in Tab 1 that are: hidden" and protected such that they cannot be accessed, Please confirm that the values in Row 14-37 of Tab 1 of the IRR Load Forecast Model are the same as those in Tab 1 of the Application's Load Forecast Model. If not, please provide a revised version of the IRR Load Forecast Model where these rows are accessible.

Confirmed, the values are the same.

VECC-54

REFERENCE: *Application Load Forecast Model, Tab 8*
IRR Load Forecast Model, Tab 8
VECC 38

a) In the Application the 2024 kWh for the Large Uses customer assumed a 90% load factor whereas in the IRR Load Forecast a 100% load factor was used. What was the basis for the change?

This customer is now operational and NOTL Hydro has observed that the load factor is very close to 100%.

VECC-55

REFERENCE: 3-VECC 17 d)

PREAMBLE: The interrogatory asked for the results of analysis undertaken to include a "COVID" variable in the purchased power regression model. The response states: "NOTL Hydro attempted to insert a dummy variable to identify when provincial mandates or other measures were in place, but the dummy variable was not significant. NOTL Hydro did not retain these iterations."

a) Please re-construct and provide the iteration described in the response.

NOTL Hydro is unable to re-construct the exact iterations as they were completed in the late summer of 2022. By adding a dummy variable of 1 to each month from March 2020 to March 2022 in the current version of the load forecast, the variable is statistically significant with a t-stat over negative 5. The results of the regression analysis are shown below.

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.972949941							
R Square	0.946631588							
Adjusted R Square	0.944168431							
Standard Error	535338.9117							
Observations	137							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	6	6.60842E+14	1.1014E+14	384.3163099	3.72538E-80			
Residual	130	3.72564E+13	2.86588E+11					
Total	136	6.98098E+14						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-12096797.81	1944178.637	-6.222060865	6.23495E-09	-15943122.73	-8250472.892	-15943122.73	-8250472.892
HDD	3585.147568	330.6852424	10.8415711	6.63289E-20	2930.926364	4239.368772	2930.926364	4239.368772
CDD	39856.72821	1505.263296	26.47824358	3.23151E-54	36878.7448	42834.71162	36878.7448	42834.71162
# Customers	1281.600459	90.14739839	14.21672152	2.96782E-28	1103.254612	1459.946306	1103.254612	1459.946306
Day per Month	483043.262	57895.26139	8.343398932	9.14287E-14	368504.4113	597582.1127	368504.4113	597582.1127
Spring/Fall Flag	886254.6994	119562.1421	7.412502684	1.40845E-11	649715.3002	1122794.099	649715.3002	1122794.099
COVID	-801469.0759	136044.565	-5.891224511	3.09624E-08	-1070616.978	-532321.1743	-1070616.978	-532321.1743

VECC-56

REFERENCE: 8-Staff 51

a) The response states: "This proposal is based on the rates as submitted in the original application and may not be feasible once the decision phase of this application is reached." Under what circumstances would the proposed mitigation not be "feasible"?

As stated, the proposal is based on the application as submitted to mitigate the impact to the customer. If the impact to the customer is lessened, then the mitigation may no longer be necessary. NOTL Hydro does not have a pre-determined circumstance at which this would be the case as the potential circumstances can vary significantly. It is likely that if there is a settlement then the proposal would stand.

VECC-57

Ref: 1-VECC-5

a) NOTL provides its criteria for replacement of each vehicle type. Please explain why vehicle usage (km/hours) is not a criterion.

Vehicle usage (km/hours) was implied in the age response and is also a determinant in assessing vehicle worthiness.

b) Please provide the km for each vehicle.

Digger Derrick: 40,939 km
Single Bucket: 72,972 km

c) Please provide the hours of usage for each vehicle to be replaced in 2023 and 2024.

Digger Derrick: 4,030 hours
Single Bucket: 5,877 hours

VECC-58

Ref: 2-SEC-9 (e)

The response indicates the investments in the building could have been deferred but were felt to be needed for safety reasons. Please explain the safety reasons.

Safety reasons include:

- **Most of the wire and transformer inventory is currently stored outside. There have been recent attempts to break into the NOTL Hydro compound to steal inventory. Being able to store this expensive and scarce resource inside a garage would make it more secure.**
- **The wire is also exposed to the elements outside which can lead to deterioration while it is on the spools.**
- **NOTL Hydro's vehicle fleet has expanded beyond the safe capacity of the garage. In the summer it is safe to leave the vehicles outside but that will not be the case in the winter. Storing the vehicles outside would require the removal of snow and ice before they can be safely operated. It could lead to performance issues, especially with the diesel trucks. Most importantly, it would delay response times in an outage or emergency.**
- **Vehicles were already double parked in the garage before the recent increases in the fleet. Jockeying vehicles in this manner in a garage is dangerous. NOTL Hydro is aware of a serious safety incident at another Ontario LDC due to this.**

VECC-59

Ref: 2-SEC-12 (c)

In the determination of the asset condition, NOTL indicates that for poles, pole testing is used. Please describe the pole testing performed by NOTL and if it aligns with any specific industry standard.

Pole testing at NOTL Hydro is done in a variety of ways including visual inspection, hammer tests and Pollux pole core testing.

SEC-29

[IRR 1-SEC-1a] The IRR notes that Appendix 2-AB is based on when items are completed and capitalized for accounting purposes, e.g., in-service additions. Please provide a copy of Appendix 2-AB that shows capital expenditures.

Please refer to Exhibit 2, Appendix 2A Table 28 on page 61.

SEC-30

[IRR 1-SEC-a, 1-VECC-4 and 2-VECC-9] 2-VECC-9 shows $0 for Work in Progress for 2023 and 2024. 1-VECC-4 shows $878k expenditure for vehicles in 2023 and $423k and $455k capitalized in 2023 and 2024 respectfully, indicating that $455k will be CWIP in 2023. Please reconcile and update as required.

The $878k was for two separate trucks. Both were originally supposed to be received in 2023 however one was delayed and will be received in 2024. No CWIP impact and no update is required.

SEC-31

[IRR 1-SEC-1b APPENDIX-1A]
NOTL Hydro states in Appendix-1A with respect to the increase in Operating expenses, 'The increase has been driven by inflation, new requirements (industrial smart meters, locates, cyber security) and the loss of CDM. Please explain why the loss of CDM is causing 2024 OM&A to increase and by how much.

Please see pages 9-12 of Exhibit 4 of the submission for a detailed response to this question.

SEC-32

[IRR 2-SEC-10] How many customers will be affected by the planned voltage conversions on each of the firelanes, in each year?

Not all the firelanes require voltage conversion, some just require upgraded infrastructure due to age, asset deterioration and unsuitable line locations. The number of customers affected in each firelane with a voltage conversion is as follows:

Firelane 12 *including 12a and 12b:*	**26**
Firelane 4:	**10**
Firelane 11 *including 11a and 11b:*	**34**
Firelane 14:	**24**
Firelane 14*A/B/C/D/E/F:*	**37**

QUESTION 1:

Ref: 2-Staff-12 IRR

The response states that at each, year-end Niagara-on-the-Lake Hydro compares the amount booked to the burden accounts against the actual benefit and truck costs incurred. Any difference is trued-up to the appropriate jobs at that time.

a) Please further explain how actual benefit and truck costs split between OM&A and capital is determined (i.e. are the burden rates updated based on information in the current year?).

Benefit costs are trued up based on payroll amounts for each job both capital and OM&A. Truck costs are trued up based on hours or truck time charged to each job.

QUESTION 2:

Ref: Appendix 2-AA Capital Projects

a) In 2024, what are the specific Underground projects that the $500k covers?

Garrison Village underground direct bury cable replacement.

QUESTION 3:

Ref: 2-Sec-12 IRR

a) Only 0.5 km of underground primary cable listed as "unknown". Remainder is "Good". Why is Niagara-on-the-Lake Hydro proposing to replace 1.5 km of underground cable in 2024?

The scope of the project in Garrison Village calls for 1.5 km of cable replacement.

b) Niagara-on-the-Lake Hydro is proposing to replace 6.7 km of primary underground cable in the 2024-2028 period. Only 2.1 km in "good" or "unknown" condition. Is Niagara-on-the-Lake Hydro proposing to replace cable currently in "Excellent" condition during this period?

Clarification to the response to 2-SEC-12. The Garrison Village project planned for 2024 is the only project involving a replacement of existing underground cable.

The projects slated for 2025 to 2028 are overhead to underground conversions in Old Town. The quantities listed in those years are an estimate of new underground primary cable to be installed. There is no underground primary cable being replaced. New underground primary cable will be installed to replace aging overhead primary circuits.

QUESTION 4:

Ref 1: 6-Staff-46, Appendix 6-Staff 36A
Ref 2: IRR PILs Workform

In Appendix 6-Staff-36A, Niagara-on-the-Lake Hydro's 2022 tax return was provided. Schedule 1 of the tax return shows a tax loss of $866,334. Schedule 4 of the tax return shows $866,334 of "Loss incurred in current year", and $866,334 "Loss carried back Parts I & IV", and an ending balance of $0.

a) Please indicate which year(s) the tax loss carry-forward was carried back to.

$866,334 of loss was carried back and applied as follows:
2020 - $446,381
2019 - $419,953

b) If the tax loss carry-forward was not fully applied to prior tax year(s), please explain why the tax loss carry-forward is not shown in tab H4 of the PILs Workform and applied to the bridge and test year taxable income in the PILs Workform.

N/A Ending non-capital loss balance available for carry-forward is $nil.

c) In Schedule 1 of the tax return, there is a deduction of $1,400,352 for regulatory adjustment. Please explain the nature of the regulatory adjustment.

The accounting net income for the year includes $1,400,352 of movement related to the regulatory accounting (see Note 9 of the financial statements). As this is an accounting adjustment, for tax, the income inclusion has been removed by way of a Schedule 1 deduction.