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

BY EMAIL

October 12, 2023

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

Dear Ms. Marconi:

Re: EB-2023-0009 Application for 2024 Rates

In accordance with Procedural Order NO. 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 27, 2023.

Any questions relating to this letter should be directed to Katherine Wang at Katherine.Wang@oeb.ca or at 416-440-7619. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Katherine Wang Digitally signed by Katherine Wang Date: 2023.10.12 11:52:37 -04'00'

Katherine Wang
Incentive Rate Setting & Regulatory Accounting

Encl.

OEB Staff Interrogatories
Canadian Niagara Power Inc.
EB-2023-0009

Please note, Canadian Niagara Power Inc. (CNPI) 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 Question-1
Reference:
(i) Rate Generator Model, Tab 3, Continuity Schedule

On September 12, 2023, the OEB published the 2023 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):
a) Please update Tab 3 (Continuity Schedule) to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

Staff Question-2
Reference:
(i) 2024 IRM Rate Generator Model, Continuity Schedule, Tab 3
(ii) IRM Rate Generator – DVA Tabs Instructions - 2024 Rates
(iii) OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.

2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.

3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

Question(s):

a) Please update Tab 3 (Continuity Schedule) as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
b) If this balance is not applicable, please explain.

Staff Question-3
Reference:
(i) 2024 IRM Rate Generator, Tab 11, 15 and 20

On September 28,2023 the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates[1]. The OEB determined to use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.'s (HONI) proposed host RTSRs.

OEB staff has updated CNPI's rate generator with the preliminary UTRs/and proposed host RTSR by HONI as follows:

UTRs

Uniform Transmission Rates	Unit	2022 Jan to Mar	2022 Apr to Dec	2023 Jan to Jun	2023 Jul to Dec	2024
Rate Description		Rate		Rate		Rate
Network Service Rate	kW	$ 5.13	$ 5.46	$ 5.60	$ 5.37	$ 5.76
Line Connection Service Rate	kW	$ 0.88	$ 0.88	$ 0.92	$ 0.88	$ 0.95
Transformation Connection Service Rate	kW	$ 2.81	$ 2.81	$ 3.10	$ 2.98	$ 3.21

Hydro One Sub-Transmission Rates

[1] OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

Hydro One Sub-Transmission Rates	Unit	2022		2023		2024	
Rate Description		Rate		Rate		Rate	
Network Service Rate	kW	$	4.3473	$	4.6545	$	4.5778
Line Connection Service Rate	kW	$	0.6788	$	0.6056	$	0.6056
Transformation Connection Service Rate	kW	$	2.3267	$	2.8924	$	3.0673
Both Line and Transformation Connection Service Rate	kW	$	3.0055	$	3.4980	$	3.6729

Question(s):

a) Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

Staff Question-4
Reference:

(i) 2024 IRM Rate Generator Model, Tab 3, Continuity Schedule, Tab 3 (Cell BE36 and Cell BJ36)
(ii) CNPI 2022 Settlement DVA Continuity Schedule, Tab 2a (Cell BT43) and Tab 2b (Cell BT91 and Cell BT105)
(iii) Chapter 3 of OEB filing requirements, Section 3.2.6.5

According to Chapter 3 of OEB filing requirements, when the OEB approves disposition of DVA balances, the approved amounts of the principal and carrying charges are transferred to Account 1595 for the rate year. Distributors are expected to request disposition of the residual balances in Account 1595 sub-accounts for each vintage year on a final basis.

OEB Staff noticed that the disposition amount in Account 1595 (2022) is not equal to the sum of OEB-Approved disposition for 2022.

Amount Disposed Using Account 1595	Total of Group 1 Account Approved for disposition	Total of Group 2 Account Approved for disposition	Total of Group 1 & 2 Accounts approved for Disposition	Difference between OEB approved disposition amount and actual disposition using Account 1595 (2022)
Reference 1 (a)	**Reference 2 (b)**	**Reference 2 (c)**	**(d)=(b)+(c)**	**e=(a)-(d)**
2,925,004.00	(396,918.99)	(2,487,595.14)	(2,884,514.13)	40,489.87

Question(s):

a) Please explain the difference between the total OEB-approved disposition amounts (including Group 1 and Group 2 Accounts in Reference 2) and the total disposition of $2,925,004 in Reference 1.

Staff Question – 5
Reference:

(i) GA Analysis Workform, Tab GA 2022
(ii) The OEB's letter dated October 31, 2019

Some of the principal adjustments on Tab GA 2022 of the GA analysis workform are listed below:

	Item	Amount	Explanation
2a	Remove prior year end unbilled to actual revenue differences	$ 7,000	$7k relates to the understatement of the Dec 2021 unbilled revenue accrual and billed actual (CR to be recorded in DVA in 2021), therefore record a DR adj to 2022.
2b	Add current year end unbilled to actual revenue differences	$ 258,000	$258k relates to the overstatement of the December 2022 unbilled revenue accrual and billed actual (DR to be recorded in DVA in 2022), therefore record a DR adj to 2022.
3a	Significant prior period billing adjustments recorded in current year		
3b	Significant current period billing adjustments recorded in other year(s)	$ (128,000)	GS>50 prior period billing correction (completed in 2023) for a customer. Amount is sum of GA related to billing correction of ($74,000), and the reclassification of ($54,000) to 1588 based on CT 148 true-up impact.
4a	CT 2148 for prior period corrections		
4b			Difference in Class A Global Adjustment (GA) accrued for unbilled revenue in Dec 2022 vs. IESO Class A GA
5			CT 147 accrued expense. Actual Class A GA billed to customers for Dec 2022 consumption (billed in Jan
6	Class A Global Adjustment	$ 113,000	2023) was equal to IESO billed Class A GA expense per charge type 147.
7	Correction of Gananoque RPP Settlement	$ (261,703)	Relates to RPP settlement calculation correction to Gananoque service territory for 2021 whereby the basis
8			of the GA component of the settlement calculation (and reclass to 1588 entries) was overstated because
9			the non-RPP GA Deferral Recovery amount was included. Correction is DR to 1589 and $Nil impact to 1588
10			in 2021 (reverse in 2022) because the difference is due back to the IESO via RPP settlements.

Question(s):

a) For adjustment item #2b, please explain why the unbilled revenue in Dec 2022 was overstated by a large amount of $258,000, especially given that CNPI bills its customers based on calendar month.
b) For adjustment item #3b regarding a significant current period billing adjustment of $128,000, please explain which period this billing correction is related to.
c) CNPI stated that the amount of adjustment #3b of ($128,000) is sum of GA related to billing correction of ($74,000) and the reclassification of ($54,000) to Account 1588 based on CT 148 true-up impact.
   i) Please explain if and when CNPI has settled this adjustment with the IESO for the RPP portion of the adjustment of (54,000).
   ii) Please explain the method used to prorate the billing adjustment of (128,000) into RPP and Non-RPP portions.
d) For adjustment item #6 Class A adjustment of $113,000, please clarify how the difference in class A unbilled revenue and IESO expense would impact Account 1588 that is the variance account to record and track the variance for Class B customer GA.

Staff Question-6
Reference:

(i) OEB letter issued on October 31, 2019 – "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition"
(ii) GA Analysis Workform Tab GA 2022

Reference 1 states that "Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB
- the degree to which other distributors are making similar errors"

Reference 2, on GA Analysis Workform CNPI mentions that, "the adjustment of $(261,703) relates to RPP settlement calculation correction to Gananoque service territory for 2021, whereby the basis of the GA component of the settlement calculation (and reclass to 1588 entries) was overstated because the non-RPP GA Deferral Recovery amount was included. Correction is DR to 1589 and $Nil impact to 1588 in 2021 (reverse in 2022) because the difference is due back to the IESO via RPP settlements."

Question(s):

a) Given the Account 1589 balance was last disposed on a final basis as at 2021 year end, please provide CNPI's consideration regarding the rates retroactivity issues raised in the OEB's Oct 31, 2019 letter in Reference 1.
b) Please also comment on the four factors outlined in Reference 1.
c) Please confirm that the identified error did not have impact on the RPP settlements with the IESO. If not, please explain.
d) Please explain how CNPI identified the error in Reference 2 and explain the nature of the adjustment in detail.
e) Please describe CNPI's procedures that have been implemented to prevent mistakes like those mentioned in Reference 2.

Staff Question-7
Reference:

(i) CNPI 2024 IRM GA Analysis Workform, Tab 4, Principal Adjustments, Note 9

Question(s):

a) CNPI presented principal adjustments for GS>50 prior period billing correction for a customer in Account 1588 on GA Analysis workform. Please discuss the nature of these correcting entries.
b) Also, please elaborate on Item #7 related to correction to a 2022 IESO CT142 submission in 2023 under "Total Reversal Principal Adjustment" in Account 1588.

Staff Question-8
Reference:

(i) Manager's Summary, Section 1.9.1, Z-Factor Costs, Table 9, Pg. 30
(ii) Manager's Summary, Section 1.9.1, Z-factor Claim, Table 10, Pg. 31
(iii) CNPI 2024 IRM Z-factor calculation workbook

CNPI has mentioned that the total storm and subsequent restoration related costs include $955,000 in capital and $975,000 in operating costs. It further states that the capital costs are primarily related to work required to replace broken poles and conduct other work which would normally be capitalized under CNPI's typical capitalization practices. The table below is provided to display a summary of costs related to the storm.

Category	Amount
Capital	$866,568
Capital (Regular-Time Labour)	$88,548
O&M (Regular-Time Labour)	$82,906
O&M (Recorded in Acct 1572)	$892,114
Total Storm Costs	**$1,930,136**

Question(s):

a) Please discuss in detail whether the total capital amount of $866,568 includes costs in addition to poles repairment/replacement.

b) If yes, please provide a breakdown of all types of Asset/Equipment in the following format:

Values in CA$

Asset/Equipment	Quantity	Repaired/Replaced	Estimated Net Asset Value	Use ful Life

c) The useful life used to calculate depreciation expense in Reference 3 is 45 years. Please clarify how CNPI has come up with this number, considering that there are additional capital items included in the overall cost of capital. Please confirm if the 45 years useful life is within the useful life range in the Kinectrics Report issued by the OEB in 2010.

d) Please confirm that CNPI has written off damaged poles/assets from its books and that their depreciation expense will no longer be recognized during the course of their useful life listed in 2022 Cost of Service application.

e) Please confirm that the upgrades to the existing assets due to the weather event have **NOT** been classified as rebuild/replaced in part (b).

f) Please confirm that the Z-factor claim does not include repair/upgrade cost of the current assets that are not impacted by the storm.

g) Please confirm if there are changes expected to CNPI's future investment plans as a result of replacing damaged assets caused by the storm event. If yes, please explain the changes. If no, please explain why not.

Staff Question-9
Reference:
(i) Manager's Summary, Section 1.9.1, Z-Factor Costs, Table 9, Pg. 30
(ii) Manager's Summary, Section 1.9.1, Z-factor Claim, Table 10, Pg. 31

Question(s):

a) Please discuss CNPI's policy for capitalization of labour charges and how the capitalized labour cost of $88,548 is directly related to the restoration work.
b) Please provide the breakdown of the costs in the format presented below:

All amounts in CA$

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				

c) Please provide additional information to illustrate that these costs are incremental to what underpins rates as well as CNPI's internal budget associated with these events.
d) Please elaborate on the nature of non-labour O&M cost and how it is directly associated with the Z-factor event.
e) 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.
f) Please indicate the cost categories and dollar amounts that have not been audited in relation to the restoration of power after the windstorm. Also, please indicate when these costs will be audited.

Staff Question-10
Reference:
(i) 2024 IRM Application, Attachment "F", Pg. 141

In Reference 1, CNPI had provided a list of third parties that supported the restoration process through mutual assistance agreements.

Question(s):

a) Please clarify if the terms and conditions of the agreement were uniform and standard across the contractors.
b) If yes, please provide a summary of the standard agreement in place with the parties to support the restoration of the services.
c) Please provide a separate schedule showing a breakdown of the invoices from each third-party contractor based on labour, material and other overhead charges.
d) Please clarify if the invoiced costs from those 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 Question-11
Reference:

(i) Manager's Summary, Pg. 33

CNPI mentioned that it has developed a 3-year cycle to its vegetation management program, including tree trimming standards designed for CNPI's service territory. In addition, CNPI undertakes regular vegetation management in order to mitigate tree-caused outages and damage from weather-related events.

Question(s):

a) Please discuss in detail the budget reserved for vegetation management programs.
b) Please provide the 2022 budget and actual amounts for capital and O&M expenses related to vegetation management and system renewals. Discuss any budget versus actuals variance.
c) Please explain how storm restoration or other emergency response/maintenance costs are normally considered in CNPI's budgeting process.

Staff Question-12
Reference:

(i) EB-2022-0019, CNPI 2023 IRM Application, CNPI Reply Submission, Pg. 9

In its response to VECC's comments, associated with its 2023 IRM application, regarding its risk assessment and risk mitigation related to storm damages, CNPI set out a list of following measures aimed at mitigating risks:

- Accelerated voltage conversion projects.
- Accelerated distribution automation.
- Exploring changes to design criteria and standards to enable storm hardening and system redundancy.
- Focusing efforts in in areas of higher likelihood of storm damage.

Question(s):

a) Please confirm that the costs associated with the measures listed above are not embedded in the current Z-factor claim.
b) Please explain how CNPI's risk mitigation measures are sufficient for their electricity distribution infrastructure to withstand extreme weather conditions.

Staff Question-13
Reference:

(i) Manager's Summary, Pg. 30

CNPI has mentioned that it was able to restore power to most customers by December 27, 2023. Some customers requiring repairs and/or ESA approvals at their premises may have been affected for a longer period. Additionally, CNPI continued its efforts to repair and replace damaged assets into 2023, after the critical repairs and customer restoration was complete.

Question(s):

a) Please provide a copy of the outage map of CNPI's service territory displaying storm affected outage service areas.
b) Please provide a copy of CNPI's Power Restoration Plan that was activated in response to the storm.
c) Discuss any deviation from the restoration plan during the event.
d) Please clarify if the continued efforts to repair and replace damaged assets into 2023 is part of the total Z-factor claim in CNPI's 2024 IRM application.
e) Please confirm if there are any ongoing repair activities pertaining to the z-factor claim. If yes, please identify and discuss their impact on the z-factor claim.

Staff Question-14
Reference:

(i) Electricity Distribution Rates Application, Attachment "F", Pg. 138

It is mentioned in Reference 1 that CNPI has a Business Continuity Plan that is periodically updated and reviewed at the management level. The plan is designed to assist in the response to natural disasters, accidents, major outages, environmental disasters, municipal emergencies and cyber attacks. This plan is available to all staff both via CNPI's corporate intranet, and hard copy. For major outages, this plan covers responsibilities and procedures for all outage restoration and communication efforts, consolidates contact information for internal staff and key external agencies.

In addition to the Business Continuity Plan, CNPI also has an internal procedures document that outlines roles and responsibilities during a major event. This document is a living document that focuses on direct current assignments for roles and responsibilities during Major Outages that the management team can follow on a daily basis during a major outage.

Question(s):

a) Please discuss updates in business continuity plan after the last Z-factor claim was made in 2023 IRM application. Please explain if there has not been any updates made to the business continuity plan after last year's Z factor claim.
b) Please discuss how these updates have improved the ability to resist severe weather conditions.
c) Please provide a copy of "internal procedures document" and elaborate on how it was implemented during December 2022 severe weather event that led to the Z-factor claim.
d) Please illustrate the effectiveness of CNPI's continuity plan to reduce the financial impact of weather-related events by providing historical data and trend analysis. Also, please discuss any steps taken to ensure the effectiveness the continuity plan.

Staff Question-15
Reference:

(i) CNPI 2023 Application Interrogatory Responses (EB-2022-0019), Pg. 28

In its interrogatory response of 2023 application to the question related to bill impact mitigation strategies to assist its customers, CNPI responded that it has not considered any bill mitigation strategies to assist its customers in being able to absorb the bill impact caused by Z-factor related rate rider.

Question(s):

a) Please confirm if anything has changed with regards to developing the mitigation strategies since CNPI's last filing. Please provide the details of the changes, if any.

Staff Question-16
Reference:

(i) IRM Online Platform

Question(s):

a) Please describe your experience and provide any feedback related to the IRM online platform as well as the over-all process.