

October 17, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2024 IRM Rate Application EB-2023-0040 – Responses to OEB Staff Questions

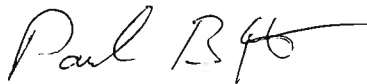
Dear Ms. Marconi:

Please find attached Niagara Peninsula Energy Inc.'s ("NPEI's") responses to OEB Staff questions in NPEI's 2024 IRM Rate Application (EB-2023-0040) and accompanying Excel model.

NPEI hereby confirms that the documents filed in support of NPEI's 2024 IRM Rate Application, including responses to OEB Staff questions and any other supporting documentation, do not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

If there are any questions, please contact Paul Blythin at (905) 356-2681 ext. 6064, or Paul.Blythin@npei.ca.

Yours truly,
NIAGARA PENINSULA ENERGY INC.



Paul Blythin, CPA, CGA
Vice-President, Regulatory Affairs & Revenue

Cc: Suzanne Wilson, Chief Operating Officer, NPEI
Kelli Benincasa, Case Manager (EB-2023-0040), OEB

Niagara Peninsula Energy Inc.
EB-2023-0040
October 17, 2023

Please note, Niagara Peninsula Energy Inc. (Niagara Peninsula Energy) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions 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

Ref: 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 proposed host RTSRs.² Any further updates to Hydro One's proposed host RTSR will be reflected in the final rate generator.

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

UTRs

Uniform Transmission Rates	Unit	2022		2023		2024
Rate Description		Jan to Mar	Apr to Dec	Jan to Jun	Jul to Dec	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

Hydro One Sub-Transmission Rates	Unit	2022		2023		2024
Rate Description		Rate	Rate	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

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

² EB-2023-0030, Hydro One's 2024 Custom IR Annual Update Application

Question:

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

Response

NPEI confirms the accuracy of the Rate Generator update for the 2024 preliminary UTRs and 2024 proposed Hydro One sub-transmission rates, as well as the resulting Retail Transmission Service Rates.

Staff Question-2

Ref: 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:

Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

Response

In its 2024 IRM Rate Generator Model, NPEI has updated Tab 3. Continuity Schedule to reflect the Q4 OEB-prescribed interest rate of 5.49%.

As stated in Section 3.1.3 of NPEI’s originally filed evidence:

“NPEI has an Embedded Distributor rate class which includes four accounts, all of which are Primary Metering Elements (“PMEs”). Due to the differences in asset ownership and retail settlement, certain rates and rate riders only apply to the Victoria and Rockway PMEs and some only to the Wellandport and Port Davidson PMEs. Please see the OEB-approved Current Tariff of Rates and Charges for the Embedded Distributor Rate Class in Appendix A.

NPEI worked with Board Staff to modify NPEI’s 2024 IRM Rate Generator Model to accommodate the Embedded Distributor rate class, in order to ensure that the 2024 Proposed Tariff of Rates and Charges reflects the appropriate rates and rate riders for the Victoria/Rockway PMEs and the Wellandport/Port Davidson PMEs.”

After updating Tab 3. Continuity Schedule to reflect the Q4 OEB-prescribed interest rate of 5.49%, NPEI again worked with Board Staff to ensure that the resulting rate rider calculations were updated appropriately in NPEI's 2024 IRM Rate Generator model.

Staff Question-3

Ref: 2024 IRM Rate Generator Model, Continuity Schedule, Tab 3

Ref: IRM Rate Generator – DVA Tabs Instructions - 2024 Rates

Ref: 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.

Questions:

- 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.

Response

a) In its Decision and Rate Order in NPEI's 2020 IRM Rate Application (EB-2019-0054), issued December 12, 2019, the OEB approved electricity distribution rates for NPEI, with an effective date of May 1, 2020.

On April 22, 2020, NPEI filed a letter with the OEB, advising that the NPEI was electing to postpone the implementation of its 2020 distribution rates in consideration of the COVID-19 emergency. The OEB issued a Vary Order on April 28, 2020 which authorized NPEI to postpone implementation of its 2020 rates to November 1, 2020.

In the Final Rate Order for NPEI's 2020 IRM Rate Application (EB-2019-0054), issued October 8, 2020, the OEB authorized NPEI to implement its 2020 rates effective November 1, 2020, including a rate rider for the recovery of forgone revenues in the amount of \$257,761 resulting from postponing rate implementation in response to COVID-19. This rate rider was in effect from November 1, 2020 to October 31, 2021.

On November 1, 2020, NPEI transferred the balance of \$257,761 from Account 1509 Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, to a sub-account of Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020). NPEI also recorded the subsequent rate rider recoveries and applicable carrying charges in sub-accounts of Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020).

The details of the amounts recorded in the sub-accounts of Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020) relating to Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, are provided in Table 1 below.

Table 1 – Impacts Arising from the COVID-19 Emergency Account Recorded in Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020)

Item	Account 1595 - Disposition and Recovery/Refund of Regulatory Balances (2020)
Amount approved for recovery in 2020 IRM Rate Application (EB-2019-0054)	257,761
Amount recovered through Rate Riders	(266,144)
Carrying Charges on Net Principal Balance (2020 - 2022)	940
Projected Carrying Charges on Net Principal Balance 2023	(423)
Residual Balance Proposed for Disposition	(7,866)

NPEI will transfer the balances shown in Table 1 above from Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020) to Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation, in accordance with the August 6, 2020 guidance.

NPEI has updated Sheet 3 Continuity Schedule in its 2024 IRM Rate Generator Model to reflect the balance that should be recorded in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation, as shown in Table 1 above.

In its 2024 IRM Rate Generator Model, on Sheet 3 Continuity Schedule, NPEI has also removed the balances shown in Table 1 above from Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2020), where they are currently recorded.

NPEI has updated Sheet 4 Billing Determinants in its 2024 IRM Rate Generator Model to reflect the OEB-approved distribution revenue requirement for each rate class from NPEI’s 2021 COS Rate Application (EB-2020-0040). For reference, NPEI has included Sheet 13 Rate Design from its OEB-approved 2021 Revenue Requirement Workform as Appendix A to these responses.

At the time of submitting these responses, one further revision to NPEI’s 2024 IRM Rate Generator Model is required, which NPEI requested of OEB Staff on October 16, 2023. NPEI has requested that OEB Staff update the allocation of Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation on Sheet 5 Allocating Def-Var Balances as indicated in Table 2 below.

Table 2 –Account 1509 Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation - Allocation of Residual Balance

Rate Class	Account 1509 Residual Balance Allocation
RESIDENTIAL SERVICE CLASSIFICATION	(5,096)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	(996)
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	(1,669)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	(23)
SENTINEL LIGHTING SERVICE CLASSIFICATION	(18)
STREET LIGHTING SERVICE CLASSIFICATION	(57)
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	(6)
Total	(7,866)

The 2024 IRM Rate Generator Model calculates the proposed rate riders for the Account 1509 Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation residual balance on Sheet 7 Calculation of Def-Var RR, as shown in Table 3 below.

Table 3 – Proposed Rate Riders for Account 1509 Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation residual balance

Rate Class	Proposed Account 1509 Residual Balance Rate Rider (\$ per Month)
RESIDENTIAL SERVICE CLASSIFICATION	(0.01)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	(0.02)
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	(0.19)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	(0.01)
SENTINEL LIGHTING SERVICE CLASSIFICATION	(0.01)
STREET LIGHTING SERVICE CLASSIFICATION	(0.00)
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	(0.13)

b) Not applicable.

Appendix A

Sheet 13 Rate Design

from

NPEI's 2021 COS Rate Application (EB-2020-0040)

OEB-Approved RRWF

