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August 21, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

VIA E-MAIL and Mail

RECEIVED

2 AUG 31 2012

Dear Ms. Walli:

ONTARIO ENERGY BOARD
OFFICE OF THE BOARD SECRETARY

Re: Canadian Niagara Power Inc.
2013 Distribution Rate Application (EB-2012-0112)
Issues for Technical Conference

Set out below are the Issues that the Vulnerable Energy Consumers Coalition (VECC) plans on addressing at the August 29th Technical Conference:

- Issue 3 - Sub-Issues 3.1, 3.2, 3.3 and 3.4
- Issue 7 - Sub-Issues 7.1, 7.2, 7.3 and 7.4
- Issue 8 - Sub-Issues 8.1 and 8.3
- Issue 9 - Sub-Issues 9.1 and 9.2

To further assist the Applicant in preparing for the Technical Conference, attached are the specific questions that VECC has identified to date.

Thank you.

Yours truly,


Michael Janigan
Counsel for VECC
Encl.

cc. CNPI - Douglas R. Bradbury – doug.bradbury@cnpower.com
List of Intervenors – via email

EB-2012-0112

OEB BOARD SECRETARY	
File No:	SubFile: 99
Panel	CS, PC
Licensing	BA
Other	LD
00/04	TRIM

CANADIAN NIAGARA POWER INC. (CNPI)
2013 DISTRIBUTION RATE APPLICATION (EB-2012-0112)
VECC'S TECHNICAL CONFERENCE QUESTIONS

3. LOAD FORECAST AND OPERATING REVENUE

3.1 Is the load forecast methodology including weather normalization appropriate?

1. Reference: OEB #17

Preamble: CNPI concern regarding the use of wholesale purchase models developed using regression analysis appears to be primarily with the assignment of the results to customer classes.

Question:

- a) Using the equation developed for EOP please provide a forecast for 2013 purchases and, based on the average historical losses over 2008-2011, convert this result to billed energy.
- b) Was a wholesale model estimated for Fort Erie? If yes, please provide the model and its associated statistics.
- c) Using this model for Fort Erie, please provide a forecast for 2013 purchases and, based on the average historical losses over 2008-2011 convert this result to billed energy.
- d) For Port Colborne, please substantiate the comment that the industrial load varies widely from year to year.
- e) For Port Colborne, was a model estimated for power purchases based on purchase data excluding the large industrial load? If yes, please provide the model and associated statistics.
- f) Please use the model provided in response to part (e) to forecast 2013 power purchases and billed energy. Please compare the results with CNPI's forecast for the same customer classes (i.e. all excluding large industrial).

3.2 Are the proposed customer/connections and load forecasts (both kWh and kW) for the test year appropriate?

2. Reference: VECC #1

Question:

- a) Please reconcile the customer count reported here for Port Colborne's GS>50 class with that provided in the Application in Table 7 of the Elenchus Load Forecast Report. In principle, the values in the IR response should be one less than those in Table 7. However, the only year for which this is the case is 2010.

3. Reference: VECC #8

Question:

- a) Please explain more fully how the removal of meters due to the implementation of smart meters leads to an increase in customer count.

3.3 Is the impact of CDM appropriately reflected in the load forecast?

4. Reference: VECC #9

Question:

- a) Please confirm that the 7,651,135 kWh cumulative energy savings shown for Fort Erie/Gananoque for 2013 consists of:
 - i. Savings in 2011 due to 2011 programs,
 - ii. Savings in 2012 due to 2011 and 2012 programs, and
 - iii. Savings in 2013 due to 2011, 2012 and 2013 programsIf not, please explain what it represents.
- b) What are the forecast savings in 2013 from CDM programs implemented in 2011, 2012 and 2013?
- c) With respect to the response to part (d), how does CNPI propose to address the requirements of the OEB's Report?

3.4 Is the test year forecast of other revenues appropriate?

5. Reference: Energy Probe #38

Question:

- a) Please explain the increase in both Rent from Electric Property (#4210) and Other Electric Revenues (#4220) in the first half of 2012 relative the first half of 2011.

7. COST ALLOCATION

7.1 Is the proposed CNPI – Fort Erie/Gananoque cost allocation appropriate?

6. Reference: VECC #15 a), #14 and #17 a)

Question:

- a) Please explain the basis for the change in weighting factors used for Services and Billing & Collecting as between 2009 and 2013.

7. Reference: VECC #15 b)

Question:

- a) Please explain why for both the Residential and GS<50 classes the number of meters in Sheet I7.1 is less than the number of customers forecast in Exhibit 3. It is noted that the two values are equivalent for the GS>50 class.

7.2 Is the proposed CNPI – Port Colborne cost allocation appropriate?

8. Reference: VECC #17 b)

Question:

- a) Please explain why for the Residential and GS<50 classes the number of meters in Sheet I7.1 does not equal the number of customers forecast in Exhibit 3. It is noted that the two values are equivalent for the GS>50 class.

7.3 Are the proposed revenue to cost ratios for each of the CNPI – Fort Erie/Gananoque rate classes appropriate?

9. Reference: Energy Probe #68

Question:

- a) With respect to Energy Probe #68 b), CNPI is not proposing to increase the Sentinel Lighting revenue to cost ratio in either service area. Why is this the case when the class' overall ratio arising from the harmonized Cost Allocation is below the Board's target range (see Exhibit 8, Tab 4, Schedule 1, page 4)?

7.4 Are the proposed revenue to cost ratios for each of the CNPI – Port Colborne's rate classes appropriate?

10.Reference: VECC #20 a)
Exhibit 8, Tab 4, Schedule 1, page 4

Question:

- a) The CNPI proposal is to increase the Residential ratio for Fort Erie/Gananoque and maintain the current ratio for Port Colborne. Please confirm that the resulting revenues will be greater than those shown in Exhibit 8, Tab 4, Schedule 1 for the combined class and that the resulting revenue to cost ratio for the class will be greater than the 91.27% shown in the same reference.
- b) If the objective is to harmonize rates, why couldn't CNPI maintain the same overall revenue to cost ratio for the combined Residential class (91.27% - well within the Board's policy range) by offsetting any increase in Residential revenues from Fort Erie/Gananoque with a decrease in the Residential revenues (i.e., a decrease in the revenue to cost ratio) for Port Colborne as it moves to harmonize the rates?
- c) In general, if the objective is to harmonize the rates for a particular customer class (as opposed to adjusting its overall revenue to cost ratio) why can't the rates for the individual service areas be adjusted so to be better aligned while maintaining the same overall revenues for the combined class?

8. RATE DESIGN

8.1 Are the proposed fixed-variable splits for each class appropriate?

11.Reference: VECC #23 a)

Question:

- a) The response indicates that the proposed fixed monthly rate for Fort Erie/Gananoque's GS<50 class is \$23.66 per Exhibit 8, Tab 2, Schedule 1. Please confirm if this is correct or whether the proposed rate is actually \$24.66 as set out in Exhibit 8, Tab 2, Schedule 8.

8.2 Are the proposed retail transmission service rates appropriate?

8.3 Are the proposed LV rates appropriate?

12.Reference: VECC #28 a)

Question:

- a) In the first full paragraph on page 2, please confirm that the first sentence should end "is connected to a distribution line on which Low Voltage charges apply".

13.Reference: VECC #28 b)
Energy Probe #72

Question:

- a) Is the GS>50 stand-by customer that utilizes the distribution line which triggers LV costs Jungbunslauer? If yes, has the loss of this customer for 2013 been taken into account in the determination of the LV rates for Port Colborne?

9. RATE HARMONIZATION

9.1 Is CNPI's proposed rate harmonization appropriate?

14.Reference: Board Staff #65
VECC #30 a)

Preamble: While the referenced Board Staff IR is categorized under Issue 9.2, this question may be more appropriately considered under Issue 9.1

Question:

- a) The Board's practice has been to only implement during the IRM period rate design adjustments that have been approved during a cost of service based proceeding. Please complete the portion of the Table set out in the Board Staff IR that shows the anticipated movement in the fixed-variable splits for each customer classes in each of the two service areas through to 2016. Please also show the target fixed-variable split for each customer class (i.e., the applicable/appropriate split for when the rates across the two service areas are fully aligned) based on CNPI's current views.
- b) Please outline the principles used to establish the target fixed-variable split for each class. Also, if not the case, please explain why the results as set out in Exhibit 8, Tab 4, Schedule 1 are not the basis for the target fixed variable splits.

15.Reference: Energy Probe #74, #75 and #76
Preface to Cost Allocation, Rate Design and Rate
Harmonization Interrogatories

Preamble: While the relevant responses are categorized under Issue 9.2, this question may be more appropriately considered under Issue 9.1

Question:

- a) Does CNPI consider the bill impacts arising from Energy Probe #76 to be acceptable? If not, for which service areas/customer classes does CNPI consider there to be a problem?
- b) The response to Energy Probe #76 suggests that the issue of cost transference between customers in the same rate class but different service areas is different than bill impacts (i.e. bill impacts may be acceptable while the degree of cost transference is not). However, since cost transference between service areas will result in bill

impacts, why can't the bill impact measure be used to also judge the acceptability of cost transference?

- c) What "measure" has CNPI used to determine that the \$380,000 cost transference between Fort Erie/Gananoque customers and Port Colborne customers for 2013 is unacceptable?
- d) Please confirm that if rates are harmonized such cost transferences will occur.

16.Reference: VECC #32 a)

Question:

- a) The original question was with respect to the dollars associated with the fixed component of the Residential rates for Fort Erie/Gananoque based on the existing fixed-variable split. In principle the amounts associated with the existing fixed-variable split should not change regardless of the proposal. As a result, since the total Residential revenue is the same in both cases (\$6,931,683) the fixed component based on the existing split should also be the same. Please review the response and revise. Is the answer the fact that the referenced column in one of the two tables is not based on the existing fixed-variable split?
- b) The same issue exists with respect to the Residential rates for Port Colborne in that the fixed component at existing rates shown in Exhibit 8, Tab 3, Schedule 1, page 5 (\$1,789,511) does not match that shown in Exhibit 8, Tab 3, Schedule 9, page 1 (\$1,881,156). Please review and reconcile.

9.2 Is the combined cost allocation supporting CNPI's phased-in rate harmonization appropriate?

17.Reference: Board Staff #64

Question:

- a) The Board's practice has been to only implement during the IRM period revenue to cost ratio adjustments that have been approved during a cost of service based proceeding. Please complete the table based on CNPI's current views. At minimum what is CNPI's view as to what the Target Ratio should be for each harmonized customer class based on the current cost allocation results for 2013?

18.Reference: VECC #33 d)

Question:

- a) The response to part (d) suggests that the revenue to cost ratios presented in Exhibit 7, Tab 3, Schedule 1 (Appendix 2-O) are based the results of the separate revenue to cost ratios proposed for Fort Erie/Gananoque and Port Colborne. However, for the individual customer classes, neither the costs allocated, the status quo revenue nor the proposed revenues set out there match the sum of the values from Exhibit 7, Tab 1, Schedule `1 and Exhibit 7, Tab 2, Schedule 1. Please confirm how the values in Exhibit 7, Tab 3, Schedule 1 were determined for Column 7A, Column 7C and Column 7D. Note: The following table illustrates the inconsistencies for the Residential Class.

Residential Class	Costs Allocated (Column 7A)	Status Quo Rate Revenue (7C)	Proposed Rates (7D)
FE/EOP Ex 7, T 1, Sc 2	\$8,593,422	\$6,783,330	\$6,931,683
Port Colborne Ex 7, T 2, Sc 2	\$3,603,206	\$3,447,955	\$3,447,955
Total	\$12,196,628	\$10,231,285	\$10,379,638
Combined per Ex 7, T 3, Sc 1	\$12,176,260	\$10,226,386	\$10,581,459

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