

IN THE MATTER OF the *Ontario Energy Board Act, 1998, S.O. 1998, c.O.15, Sch. B;*

AND IN THE MATTER OF an Applications by Canadian Niagara Power Inc. for an Order or Order setting just and reasonable rates commencing May 1, 2009.

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

General Questions

1. Please confirm that the Applicants have 7 secondary schools, 23 elementary schools, and three other school buildings in their combined franchise area. Please confirm that all of the school buildings are in either the GS<50 or GS>50 rate class.
2. Please confirm that the attached Excel spreadsheet entitled “Combined Revenue Requirement and Deficiency” correctly sets out the combined distribution revenue requirement and deficiency for Canadian Niagara Power (subject to the correct treatment of the lease payments to Port Colborne Hydro Inc., in respect of which there are further questions, below), or provide corrected data in Excel format. Please confirm that the calculation sheets for each of the three franchise areas are also correct, or provide corrected data in Excel format.
3. [FE-Ex.4/3/6] Please reconcile the 2007 implied pre-tax income arising out of the above-mentioned attached Excel spreadsheet (\$798,675, being the indicated return on equity less the indicated deficiency) with the pre-tax income of \$3,529,198 on the T2S1 forming part of the 2007 income tax return.
4. [FE-Ex. 1/1/6/page 2] Please calculate the combined PEG Benchmarking ranking of Canadian Niagara Power including all three franchise areas, first on the basis of the OM&A treatment used by the Applicant, and then on the basis that the lease payments to Port Colborne are not included in OM&A.
5. [FE-Ex.2/1/1/AppD/page 2] Please provide a copy of the most recent CNPI five year plan, including forecast, budgets, and strategic update, as described in the evidence.

6. [FE-Ex.2/3/3/page 1] Please provide details showing how the fully loaded labour rate is calculated. Please provide a total of capitalized amounts for the Test Year, broken down into component parts.
7. [FE-Ex.1/3/1/AppA/page 12] Please provide a copy of the \$30 million third party senior unsecured note dated August 14, 2003. If there is more than one note, and they are identical, please provide only one sample. Please advise what, if any, related transactions occurred contemporaneously or as part of a series with the issuance of that indebtedness, whether involving the Applicant or any of its affiliates.
8. Please provide a copy of the Services Agreement dated July 23, 2003 referred to in Schedule 3 to the Applicant's Distribution Licence ED-2002-0572. Please provide copies of all amendments to that agreement, and the Board approvals of those amendments.
9. [FE-Ex. 4/2/4/App A] Please provide a detailed schedule showing which services are actually provided by each affiliate to each other affiliate, and the amount charged for each such service.
10. [FE-Ex.4/2/4/App.b] With respect to the BDR study:
 - (a) Please provide a copy of the agreement between the Applicant and the consultant, together with copies of any RFP, terms of reference, or other document describing the purpose, scope, goals, and/or restrictions related to the study.
 - (b) Please provide a copy of the study carried out by BDR in 2005 with respect to the Applicant.
 - (c) P. 2 Please advise whether FortisOntario, Fortis Properties, Cornwall Electric and CNP Transmission were included in the study, and if so, what specific actions the consultant took to review the allocations between the distribution businesses that are the subject of this application, and those businesses.
 - (d) P.3 Please explain why the study did not include comments or opinion on a) the overall level of costs, b) operational synergies from sharing resources, or c) correctness of the calculations. Please confirm that, contrary to FE Ex.1/2/1, page 4, BDR did not "confirm the computations used for the allocation of shared costs".
 - (e) P.4 Please provide support and/or references for the statement that the same principles are appropriate for cost allocation between rate classes as for cost allocation between affiliates and/or business units. Please provide specific citations to authorities that support that premise.
 - (f) P.4 For each of the cost categories that are the subject of the study, please provide a table showing the category, the allocator for affiliate/business unit allocation, and the allocator for rate class cost allocation.
 - (g) P.12 Please provide the first chart on this page for the 2007 Historical Year, the 2008 Bridge Year and the 2009 Test Year, replacing the FTE's with dollars of total compensation. Where

the column “Employee Count” is less than 3, remove that line and aggregate all of those removed lines into a new line, “All Other”, so that the totals at the bottom still refer to the correct aggregate number of staff.

11. [FE-Ex.4/2/4/App.C] Please provide a copy of the full appraisal.
12. [FE-Ex.1/1/15] Please confirm that the agreement with Grimsby will result in fees to FortisOntario, either in money or money’s worth, to use the FortisOntario CIS system, that will exceed the incremental cost to provide that service. Please quantify the reduction in cost-based charged to CNP for CIS services resulting from the Grimsby agreement.
13. [FE-Ex.4/2/5/page 2] Please provide a copy of the Short Term Incentive Plan, and the actual corporate targets for each of the Historical, Bridge and Test Years.
14. [FE-Ex.2/1/1/AppC/page 5] Please provide a copy of the internal review of SAP options.
15. [FE-Ex.4/3/2/page 1] Please provide the detailed calculation of the Test Year forecast of Utility Income before Taxes of \$1,802,000 for CNP-Transmission, including a calculation of rate base and return on equity.
16. [FE-Ex.1/3/1/AppA/page 11] Please provide details of the services provided by the Applicant to Cornwall Electric for which it was paid \$1,549,000 in 2007, and the services provided by Cornwall Electric to the Applicant for which the Applicant paid \$329,000 in 2007. Please provide an income statement, in regulatory format, for Cornwall Electric, for the Historical Year, the Bridge Year, and the Test Year.
17. [FE-Ex.1/3/1/AppA/page 11] Please provide a detailed schedule showing the services provided to the Applicant from FortisOntario for which the Applicant paid \$3,134,000 in 2007, the total costs of FortisOntario related to those functions, the percentage and amount allocated to the Applicant, and the allocators used to so allocate. Please provide a similar schedule for the Test Year.
18. [FE-Ex.6/1/1/page 3] Please provide a copy of the promissory note from CNPI to FortisOntario. Please advise the range of actual market rates for Fortis debt at the time the promissory note was issued.
19. Please explain why the Applicants are not seeking leave of the Board in this application to harmonize Port Colborne rates along with Fort Erie and Gananoque rates. Please calculate the harmonized rates that would apply if Port Colborne were included in the harmonization plan.
20. [FE-Ex.4/2/8/page 1] Please confirm that the Applicant is not proposing to harmonize the loss factors for EOP and Fort Erie. If that is confirmed, please provide the rationale for that decision.
21. Please provide a table of all differences in proposed harmonized rates between EOP and Fort Erie, and provide an explanation for each.

22. [Dx Model – Harmonized Rates] Please confirm that the Applicant’s Dx Rate Model establishes rates by
- (a) fixing the percentage of revenue requirement to be allocated to all classes except GS>50, using judgment, and then
 - (b) allocating all of the remaining revenue requirement to the GS>50 class, and calculating the revenue to cost ratio of that class accordingly.
23. [Dx Model – Harmonized Rates] Please confirm that if streetlighting is moved halfway to the 70% minimum revenue to cost ratio, and residential is adjusted upward toward unity in order to keep the GS > 50 class at a 120% revenue to cost ratio, the proposed harmonized rates for GS>50 would be \$117.19 per month fixed charge, plus \$6.3908 per KW volumetric.

Questions with Respect to Port Colborne

24. [Ex.1/Tab 1/Sched.1/App.A] Please file copies of the Master Implementation Agreement and Lease Agreement dated July 19, 2001, and any amendments thereto. Please confirm that the documents filed constitute all of the agreements between Port Colborne Hydro Inc. and Canadian Niagara Power Inc. If that is not the case, please file all other agreements between the parties including, without limiting the generality of the foregoing, any documents granting or amending any option to Canadian Niagara Power Inc. to purchase or acquire any asset or asset from Port Colborne Hydro Inc.
25. [1/1/1/A] Please provide the following financial information with respect to Port Colborne Hydro Inc. for the Historical Years 2004 through 2007, the Bridge Year 2008, and the Test Year 2009:
- (a) Audited (or unaudited, if the statements were not audited) financial statements for historical years;
 - (b) Budget and/or forecast income statements and year end balance sheet for the Bridge Year and the Test Year;
 - (c) Rate base continuity chart (in the form set out in Exhibit 2, Tab 2, Schedule 1, page 1-4, but commencing with 2002 and continuing until 2009).
 - (d) Calculation of cost of capital (in the form set out in Exhibit 6, Tab 1, Schedule 1, page 1-4);
 - (e) Calculation of deficiency or sufficiency (in the form set out in Exhibit 7, Tab 1, Schedule 1, page 2).
26. [1/1/1/A] Please confirm that the attached document entitled “Financial Report, City of Port Colborne” is the most recent audited financial statements of the City of Port Colborne, and that the City of Port Colborne is the sole owner of Port Colborne Hydro Inc.

27. [1/1/1/A] Please provide any valuation reports or other documents setting out the value (at any time from 2001 to date) of all or any of the assets of Port Colborne Hydro Inc. currently being used directly or indirectly in the distribution of electricity in Port Colborne.
28. [1/1/14/A, page 3] Please confirm that the current annual lease payments from Canadian Niagara Power Inc. to Port Colborne Hydro Inc. are \$1,528,200. If that is not the case, please provide the revised figure, and describe any adjustments since the original payment amounts. Please describe in detail any other payments expected to be made in any of the years 2009 through 2012 between any of Canadian Niagara Power Inc. (including its affiliates), Port Colborne Hydro Inc. (including its affiliates), and the City of Port Colborne (including its affiliates).
29. [1/1/1/A/App.A] Please advise if the Lease has been mortgaged or charged. If it has, please provide the loan agreement, the commitment letter, and any valuation of the lease prepared by the borrower, the lender, or any other party.
30. [1/2/1/page 4] Please recalculate the PEG Benchmarking rankings of CNP Port Colborne on the assumption that the Lease is not included in OM&A.
31. [2/1/1/page 2] Please confirm that this table represents all of the capital expenditures relating to the distribution of electricity in Port Colborne, and, without limiting the generality of the foregoing, Port Colborne Hydro Inc. has not made in the relevant period, and does not expect to make in the future period, any such capital expenditures.
32. [2/3/1/A and 2/3/2/page 1] Please confirm that the cost of the Beach Road DS is forecast to be \$1,616,383, before deduction of the \$830,000 contribution from Sherkson Shores Resort, for a net cost to ratepayers of \$786,383. Please explain why the CIAC in 2009 is forecast to be \$405,000 instead of something in excess of \$830,000.
33. [2/4/2/page 1] Please confirm that the Applicants have included the rent payable by CNP to Port Colborne Hydro Inc. in the working capital calculation. Please confirm that the impact of that inclusion is to increase the working capital by approximately 9.5%.
34. [2/1/1/page 1 and 7/1/1/page 2] Please recalculate rate base on the assumption that the assets leased from Port Colborne Hydro Inc. and used in the distribution business are included in rate base. Please recalculate the deficiency/sufficiency with that new rate base, adjusting the, depreciation, cost of capital and PILs accordingly, and removing from operating expenses the lease payments to Port Colborne Hydro Inc.
35. [9/1/1/page 6] Please advise the actual revenue for Port Colborne Hydro Inc. in 2004 (calculated consistent with the last line of the chart on this page), and calculate the annual compounded rate of increase in revenue from 2004 to the proposed 2009 Base Revenue Requirement with Transformer Allowance Add Back.
36. [9/1/1/page 16 and 17] With respect to proposed rates:

- (a) Please confirm that an elementary school using an average of 15,000 kwhr. per month pays annual distribution charges at current rates of \$2,049.84, and the Applicant is proposing to increase that by 55.4% to \$3,185.52 at the proposed revenue to cost ratio of 89.39%. Please confirm that if rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$3,556.08, an increase of 73.5% from the current bill.
 - (b) Please confirm that the same elementary school, if in the Fort Erie franchise area next door, would pay, at proposed rates, annual distribution charges of \$4,360.08 at proposed rates, at the proposed revenue to cost ratio of 120.0% after harmonization, and if rates there were set at a 1:1 revenue to cost ratio, the annual bill would be \$3,633.96.
 - (c) Please confirm that a secondary school using an average of 50 KW per month pays annual distribution charges at current rates of \$8,882.28, and the Applicant is proposing to increase that by 9.5% to \$9,729.12 at the proposed revenue to cost ratio of 135.58%. Please confirm that if rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$7,241.10, a decrease of 22.7% from the current bill.
 - (d) Please confirm that the same secondary school, if in the Fort Erie franchise area next door, would pay, at proposed rates, annual distribution charges of \$6,614.52 at proposed rates, at the proposed revenue to cost ratio of 152.66% after harmonization, and if rates there were set at a 1:1 revenue to cost ratio, the annual bill would be \$4,402.62.
 - (e) Please provide a brief explanation of the substantial differences in allocated costs borne by these hypothetical customers, and the resulting substantial differences in their overall cost of distribution.
37. [9/1/1/App.A] Please confirm that the volumetric rates that the Applicants would propose for GS>50 KW class if the monthly fixed charge for the customers in the class were set at \$197.15, the upper bound of the Board's range, would be \$4.3801, and if they were set at \$236.58, 120% of that upper bound, would be \$4.2789. Please confirm that at those rates, the hypothetical secondary school described above would have an annual distribution bill of \$4,993.86 (at the lower fixed charge), or \$5,406.30 (at the higher fixed charge), in both cases substantially lower than the proposed annual bill of \$9,729.12. Please confirm that, if in the future the Applicant determines to harmonize Port Colborne rates with those of Fort Erie and Gananoque, fixed charges in compliance with the current Board guidelines would reduce any rate shock at that time.
38. [9/1/5] Please confirm that the following table correctly calculates the proposed increases in distribution charges (monthly and volumetric before rate riders) for the described customers:

Summary of Changes to Base Distribution Bills - As Filed						
Rate Class	Profile		2008	2009	Change	%
Residential	100	kWh	\$208.80	\$230.40	\$21.60	10.34%
	250	kWh	\$236.52	\$272.88	\$36.36	15.37%
	500	kWh	\$282.72	\$343.68	\$60.96	21.56%
	750	kWh	\$328.92	\$414.48	\$85.56	26.01%
	1,000	kWh	\$375.12	\$485.28	\$110.16	29.37%
	1,500	kWh	\$467.52	\$626.88	\$159.36	34.09%
	2,000	kWh	\$559.92	\$768.48	\$208.56	37.25%
GS<50 KW	1,000	kWh	\$487.44	\$581.52	\$94.08	19.30%
	2,000	kWh	\$599.04	\$767.52	\$168.48	28.13%
	5,000	kWh	\$933.84	\$1,325.52	\$391.68	41.94%
	10,000	kWh	\$1,491.84	\$2,255.52	\$763.68	51.19%
	15,000	kWh	\$2,049.84	\$3,185.52	\$1,135.68	55.40%
GS>50 KW	60	kW	\$9,170.09	\$10,115.26	\$945.17	10.31%
	100	kW	\$10,321.32	\$11,659.80	\$1,338.48	12.97%
	350	kW	\$17,516.52	\$21,313.20	\$3,796.68	21.67%
	1,400	kW	\$47,736.36	\$61,857.48	\$14,121.12	29.58%
	2,800	kW	\$88,029.48	\$115,916.52	\$27,887.04	31.68%

Questions with Respect to Fort Erie

39. [10/1/3/page 15 and 17] With respect to proposed rates:

- (a) Please confirm that an elementary school using an average of 15,000 kwhr. per month pays annual distribution charges at current rates of \$4,206.72, and the Applicant is proposing to increase that by 3.7% to \$4,360.08 at the proposed revenue to cost ratio of 120.0%. Please confirm that if harmonized rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$3,633.96, a decrease of 13.6% from the current bill.
- (b) Please confirm that a secondary school using an average of 50 KW per month pays annual distribution charges at current rates of \$5,742.12, and the Applicant is proposing to decrease that by 15.2% to \$6,614.52 at the proposed revenue to cost ratio of 152.66%. Please confirm that if hamonized rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$4,402.62, a decrease of 23.3% from the current bill.

40. [10/1/3] Please confirm that the following table correctly calculates the proposed increases in distribution charges (monthly and volumetric before rate riders) for the described customers:

Summary of Changes to Base Distribution Bills - As Filed						
Rate Class	Profile		2008	2009	Change	%
Residential	100	kWh	\$249.36	\$233.52	(\$15.84)	-6.35%
	250	kWh	\$262.32	\$260.52	(\$1.80)	-0.69%
	500	kWh	\$283.92	\$305.52	\$21.60	7.61%
	750	kWh	\$305.52	\$350.52	\$45.00	14.73%
	1,000	kWh	\$327.12	\$395.52	\$68.40	20.91%
	1,500	kWh	\$370.32	\$485.52	\$115.20	31.11%
	2,000	kWh	\$413.52	\$575.52	\$162.00	39.18%
GS<50 KW	1,000	kWh	\$477.12	\$529.68	\$52.56	11.02%
	2,000	kWh	\$743.52	\$803.28	\$59.76	8.04%
	5,000	kWh	\$1,542.72	\$1,624.08	\$81.36	5.27%
	10,000	kWh	\$2,874.72	\$2,992.08	\$117.36	4.08%
	15,000	kWh	\$4,206.72	\$4,360.08	\$153.36	3.65%
GS>50 KW	60	kW	\$6,610.90	\$7,581.96	\$971.06	14.69%
	100	kW	\$10,086.00	\$11,451.72	\$1,365.72	13.54%
	350	kW	\$31,805.40	\$35,637.72	\$3,832.32	12.05%
	1,400	kW	\$123,026.88	\$137,218.92	\$14,192.04	11.54%
	2,800	kW	\$244,655.52	\$272,660.52	\$28,005.00	11.45%

Questions with Respect to Eastern Ontario Power

41. [FE-Ex.10/1/3/page 15 and 17] With respect to proposed rates:

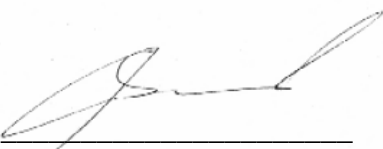
- (a) Please confirm that an elementary school using an average of 15,000 kwhr. per month pays annual distribution charges at current rates of \$3,166.44, and the Applicant is proposing to increase that by 46.2% to \$4,630.08 at the proposed revenue to cost ratio of 120.0%. Please confirm that if harmonized rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$3,903.96, an increase of 23.3% from the current bill.
- (b) Please confirm that a secondary school using an average of 50 KW per month pays annual distribution charges at current rates of \$11,293.62, and the Applicant is proposing to decrease that by 40.8% to \$6,683.46 at the proposed revenue to cost ratio of 152.66%. Please confirm that if hamonized rates were set at a 1:1 revenue to cost ratio, and assuming the proposed fixed/variable split, the annual bill would be \$4,471.56, a decrease of 60.4% from the current bill.

42. [10/1/3] Please confirm that the following table correctly calculates the proposed increases in distribution charges (monthly and volumetric before rate riders) for the described customers:

Summary of Changes to Base Distribution Bills - As Filed						
Rate Class	Profile		2008	2009	Change	%
Residential	100	kWh	\$204.60	\$234.00	\$29.40	14.37%
	250	kWh	\$217.74	\$261.72	\$43.98	20.20%
	500	kWh	\$239.64	\$307.92	\$68.28	28.49%
	750	kWh	\$261.54	\$354.12	\$92.58	35.40%
	1,000	kWh	\$283.44	\$400.32	\$116.88	41.24%
	1,500	kWh	\$327.24	\$492.72	\$165.48	50.57%
	2,000	kWh	\$371.04	\$585.12	\$214.08	57.70%
GS<50 KW	1,000	kWh	\$579.24	\$547.68	(\$31.56)	-5.45%
	2,000	kWh	\$764.04	\$839.28	\$75.24	9.85%
	5,000	kWh	\$1,318.44	\$1,714.08	\$395.64	30.01%
	10,000	kWh	\$2,242.44	\$3,172.08	\$929.64	41.46%
	15,000	kWh	\$3,166.44	\$4,630.08	\$1,463.64	46.22%
GS>50 KW	60	kW	\$11,716.44	\$7,664.69	(\$4,051.75)	-34.58%
	100	kW	\$13,407.72	\$11,589.60	(\$1,818.12)	-13.56%
	350	kW	\$23,978.22	\$36,120.30	\$12,142.08	50.64%
	1,400	kW	\$68,374.32	\$139,149.24	\$70,774.92	103.51%
	2,800	kW	\$127,569.12	\$276,521.16	\$148,952.04	116.76%

Respectfully submitted on behalf of the School Energy Coalition this 23rd day of October, 2008

SHIBLEY RIGHTON LLP

Per: 
Jay Shepherd