

Canadian Niagara Power Inc. – Gananoque (CNP-EO)
2009 Electricity Rate Application
Board File No. EB-2009-0222

VECC's Interrogatories

Question #1

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please confirm whether the rates used to determine the 2009 revenues by customer class:
 - Excluded the smart meter rate adder
 - Included/excluded the LV cost adder
 - Were reduced to reflect the transformer ownership allowance, where appropriate.
- b) Please reconcile the Distribution revenues reported here for 2009 with the Base Revenue Requirement reported at Exhibit 9/Tab 1/Schedule 1, page 7.
- c) Please reconcile the Distribution Revenues reported here for 2009 (by customer class) with those reported in the Rate Design Model (Reconciliation of 2009 Rates tab).

Question #2

Reference: Exhibit 3/Tab 2/Schedule 1, pages 2-5

- a) Please provide a schedule that sets out:
 - the kWh per customer for the Residential, GS<50 and GS>50 customer classes based on the Hydro One Weather Normalized data (per page 3, lines 28-29).
 - The kWh per customer class for the Residential, GS<50 and GS>50 customer classes (for the same year) using CNP-EO's weather normalization methodology.
- b) The CNP-EO weather normalization methodology is based on the premise that that the mix of weather sensitive and non-weather sensitive loads for CNP-EO is a reasonable subset of the overall IESO controlled grid. For weather sensitive load, the IESO normalization methodology captures the weather impacts across the entire province and, in doing so, reflects not only the weather across the

entire province and reflects the amount of weather sensitive load (e.g., space heating and space cooling) in each customer class.

- Why is it reasonable to assume that, for weather sensitive loads, the weather adjustment for CNP-EO would be the same as for the province as a whole? Are the heating and cooling degree days in CNP-EO similar to those for the province as a whole? Is the saturation of space heating and cooling appliances the same in CNP-EO as it is for the province as whole?
- c) The table on page 5 only compares 30 years of weather data for CNP-EO with that for the years 2005, 2006 and 2007. Please explain how this comparison supports applying the weather correction factor derived from the IESO provincial data to the CNP-EO data.
- d) With respect to the table of page 4, the impact of a heating degree day on electricity load will be different than the impact of a cooling degree day (i.e., each will depend respectively on the extent of installation of electric space heating and cooling equipment).
- Please explain why it is reasonable to compare the sum of the mean heating and cooling days.

Question #3

Reference: Exhibit 3/Tab 2/Schedule 1, pages 8-10

- a) Please provide the Residential and GS<50 customer counts for each year from 2002 to 2007.
- b) The Application makes reference to 'normalized average use per customer' for the Residential (page 8, line 10); GS<50 (page 9, line 18) and GS>50 (page 11, lines 1-2). Please describe how the weather normalized usage values were derived.

Question #4

Reference: Exhibit 8/tab 1/Schedule 1, pages 2-3

- a) Please confirm that the OEB's Cost Allocation Review Report directed that Miscellaneous Revenues be allocated based on weighted number of bills. If this is not the case, what is CNP-EO's understanding of the approach to be used?
- b) What allocator was used to produce the results for Miscellaneous Revenues shown on page 2? Please explain why some values are negative while others are positive.

- c) Please complete the following table (with the GS<50 TOU customers reclassified as GS>50 customers):

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (where applicable)	Cost Allocation Filing		2009 Application	
	Number	% of Total	Number	% of Total

- d) Based on the results from part (c), please comment on the appropriateness of assuming that the revenue requirement proportions from the Updated 2006 Cost Allocation study can be used for setting 2009 rates..

Question #5

Reference: Exhibit 8/Tab 1/Schedule 2, pages 1-3

- a) Please describe for which customer classes bill impact considerations (page 2, lines 6-11) precluded moving the revenue to cost ratios to within the ranges set by the Board and what the proposed bill impacts are for these customers.

Question #6

Reference:

- i) Exhibit 8/Tab 1/Schedule 2, page 3
- ii) Exhibit 9/Tab 1/Schedule 1, page 9, lines 22-30
- iii) CNP-FE's Rate Design Model – Cost Allocation Review Tab

- a) Please confirm that for purposes of the Cost Allocation Informational Filing:
 - The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
 - The Costs include the cost of the Transformer Ownership Allowance
 - The cost of the Transformer Ownership Allowance is allocated to all customer classes
- b) In reference (iii) the transformer allowance is allocated directly to the GS>50 class. If the response to part (a) is yes, please explain why in reference (iii) the Cost Allocation Revenue Requirement used to derive the Revenue Requirement wasn't adjusted to remove the allocation of the transformer ownership allowance.
- c) Please confirm that (per Exhibit 9, Tab 1, Schedule 1, page 9), CNP-EO is proposing to allocate the cost of the Transformer Ownership Allowance to just the GS>50 class.
- d) Please provide the results of an alternative cost allocation run (based on the informational filing data) which is consistent with CNP-EO's proposed treatment of the Transformer Ownership Allowance where:
 - The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
 - The Costs allocated exclude the "cost" of the Transformer Ownership Allowance.

(Note: For purposes of the response please just file the revise Output Sheet O1)

Question #7

Reference: Exhibit 9/Tab 1/Schedule 1 (including Appendix A)

- a) With respect to pages 13-14, please provide a schedule that sets out the allocation of revenues by customer class based on:
 - i. The 2006 approved EDR (i.e., as discussed in the application)
 - ii. The 2009 billing determinants at 2008 rates (Note: The rates used should exclude any smart meter rate adder and LV charge. However, the rates and revenues should capture the reduction due to the transformer ownership allowance)
- b) With respect to page 16 (line 18), please confirm that the 48.71% represents the residential share of revenue based on 2008 rates/2009 billing determinants. If not, how was it determined?
- c) With respect to page 21, please explain why the bill impact for USL is significantly higher using the EDR Approved rates (15.8%) than under a 100%

R/C ratio when the R/C ratio is only 65.94% in the EDR-based calculation. A lower R/C ratio should yield lower bill impacts.

Question #8

Reference: i) Exhibit 8/Tab 1/Schedule 2, pages 1-3
ii) Exhibit 9/Tab 1/Schedule 1, Appendix A-Cost Allocation Review Tab

- a) Please confirm whether or not CNP-EO's Cost Allocation Informational filing included LV Costs as part of the revenue requirement. If yes, please indicate where in the Cost Allocation Informational filing this cost is accounted for.
- b) If the response to part (a) is no, why – in Appendix A - are LV costs included in the revenue requirement (i.e., \$2,455,575) that is being allocated using the percentages derived from the Cost Allocation Revenue Requirement?

Question #9

Reference: Exhibit 9/Tab 1/Schedule 1, Appendix A

- a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
 - Consume less than 100 kWh per month
 - Consume 100 -> 250 kWh per month
 - Consume 250 -> 500 kWh per month
 - Consume 500 -> 750 kWh per month
 - Consume 750 -> 1000 kWh per month

Question #10

Reference: Exhibit 1/Tab 1/ Schedule 1, p. 4

- a) The impact on a residential customer using 1,000 kWh per month is stated to be a 9.4% increase. Please provide the corresponding increase in the distribution component of the total bill.

Question #11

Reference: Exhibit 1/Tab 2/ Schedule 1, p. 6

- a) The Application states that 4 of the 6 industrial customers “have either closed or announced closings to take place prior to 2009.” Please provide an update as to actual closings and announced closings to date.

Question #12

Reference: Exhibit 1/Tab 2/ Schedule 1, p. 6

- a) Does the Company expect that if the recent decline in the value of the Canadian dollar (against the US dollar) persists, there will be increased customer growth and kWh consumption as a result of higher numbers of US tourists in the service area?

Question #13

Reference: Exhibit 1/Tab 2/ Schedule 1, p. 7

- a) Please explain how the forecast customer growth of 0.3% per year was estimated.

Question #14

Reference: Exhibit 1/Tab 2/ Schedule 2

- a) Please provide the current financial forecast for the next twelve months and five years and the previous five-year forecast (i.e., prepared last year.)

Question #15

Reference: Exhibit 1/Tab 2/ Schedule 4

- a) Please add one additional column to the Table in this Schedule showing 2006 Board approved amounts.

Question #16

Reference: Exhibit 1/Tab 3/ Schedule 2, p.1

- a) Given the low customer growth expected, why are customer deposits expected to increase by 14.9% in 2009 over 2008?
- b) Please confirm that the amount due to affiliated parties in 2009 is expected to increase by 7.6% over 2008 (which was 4.8% above 2007).

Question #17

Reference: Exhibit 2/Tab 1/ Schedule 1, Appendix B

- a) Does the Company expect to attain or exceed reliability performance as measured by the three-year averages of SAIDI and of SAIFI in 2008 and in the test year?

Question #18

Reference:

- i) Exhibit 1/Tab 2/Schedule 4
- ii) Exhibit 2/Tab 1/Schedule 3
- iii) Exhibit 2/Tab 2/Schedule 3

- a) If the rate base for 2008 and 2009 excludes the \$1.4M write up, please explain why the difference between the NBV of fixed assets and the rate base narrows considerably in 2008 and 2009.
- b) If the rate base for 2008 and 2009 does not exclude the \$1.4M write up, please explain why not.

Question #19

Reference:

- i) Exhibit 2/Tab 2/Schedule 1
- ii) Exhibit 2/Tab 3/Schedule 1/Appendix A, p. 12

- a) Regarding the truck purchased in 2008 and the derrick purchased in 2009, please indicate (i) whether the equipment that was replaced had any salvage value or the disposal resulted in any revenues for the Company, and (ii) how depreciation and rate base were adjusted to reflect the equipment that was replaced.

Question #20

Reference: i) Exhibit 2/Tab 3/Schedule 1/Appendix B, pp 5-9
ii) Exhibit 4/Tab 1/Schedule 1. P. 3

- a) Please confirm that the SAP improvements described in the first exhibit referenced are being performed by the vendor or an external provider i.e., not by in-house personnel. If unable to so confirm, please explain why the costs are capitalized.

Question#21

Reference: i) Exhibit 2/Tab 4/Schedule 1, page 1
http://www.oeb.gov.on.ca/OEB/Documents/EB-2004-0205/rpp_price_report_20081015.pdf

- a) Please provide an update of the working capital calculation that reflects the most recent OEB Regulated Price Plan Report (page 5) dated October 15, 2008.

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\$50.16/MWh per the

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Question#22

Reference: Exhibit 4/Tab 2/Schedule 4, pp 4-5

- a) There is a 79.3% difference between 2006 actual and 2006 Board approved affiliate charges for administrative services that is attributed to "salary increases and the allocations of additional staffing resources." For 2006-2009 inclusive, please provide the total number of staff engaged in providing this service, total salary costs, and the number of said staff that are allocated to CNPI-Gananoque.

Question#23

Reference: Exhibit 4/Tab 2/Schedule 5, pages 3-5

- a) Please confirm that cost reductions under an IRM plan will only benefit ratepayers if the cost reductions are maintained when the term of the plan expires and the utility's costs are rebased.
- b) Please indicate, for President & CEO, Vice-Presidents below 1400 Hay Points, and Other Management, where the actual 2006 and 2007 incentive payments were with respect to the target payouts, i.e., below it, at the target payouts, above the target payouts but below the normal maximum, at the normal maximum, or above the normal maximum.

Question#24

Reference: i) Exhibit 4/Tab 2/Schedule 5/Appendix A
ii) Exhibit 4/Tab 2/Schedule 5/Appendix B

Preamble: In Appendix A, the 2006 Board Approved allocation of FTEs to CNPI-Gananoque is 8.74 while the 2006 actual is 10.05, an increase of 15.0%; for the 2009 test year, the allocation to CNPI-Gananoque is 9.89, a decrease from 2006 actual but still 13.2% above the 2006 Board approved.

Appendix B, however, indicates that the total CNPI FTEs approved by the Board for 2006 was 71, while the 2006 actual was 76, an increase of 7.0%; for the 2009 test year, the total FTEs for CNPI is 70, or 1.4% below the 2006 Board approved number.

- a) Please explain why the percentage allocation of FTEs to CNPI-Gananoque varies year by year.
- b) Please provide the allocation factors used to allocate the FTEs among all of the regulated affiliates for each year 2006-2009.