

Canadian Niagara Power Inc. – Fort Erie (CNP-FE)
2009 Electricity Rate Application
Board File No. EB-2009-0223

VECC's Interrogatories

Question #1

Reference: Exhibit 1/Tab 1/Schedule 16

Please identify exactly how CNP-FE has complied with the Board Order EB-2007-0514 with respect to removing assets from rate base, updating its depreciation expense, and adjusting net fixed assets as a result of damages due to the October 2006 Natural Disaster. Please provide all specific references in the current filing that address this issue.

Question #2

Reference: Exhibit 1/Tab 2/Schedule 1, page 5, lines 10-12

Regarding "the impact of capitalization of works" that the PEG Report "does not consider,"

- a) Please confirm that the inference to be drawn is that CNP-FE undercapitalizes costs relative to its peers, thus inflating its operating expenses. If unable to so confirm, please explain.
- b) Please provide percentages of O&M costs capitalized for CNP-FE along with the average percentage of O&M costs capitalized by its peers.

Question #3

Reference: i) Exhibit 1/Tab 2/Schedule 1, page 14
ii) Exhibit 2/Tab 1/Schedule 1/Appendix A, lines 9-10

Please indicate CNP-FE's current plans regarding obtaining authorization to conduct smart metering activities and install smart meters in 2009.

Question #4

Reference: Exhibit 2/Tab 2/Schedule 1

With respect to the allocations shown under Gross Fixed Assets and Accumulated Depreciation for each year 200-2009:

- a) Was the same allocation percentage used across all four years?
- b) Was the same allocation methodology applied to each account for all four years?
- c) Please describe the allocation factor that is currently used for each account.

Question #5

Reference: Exhibit 2/Tab 3/Schedule 1/Appendix A

- a) Regarding New Service Lines (page 10), please indicate the number of new customers and number of upgrades to existing services associated with the spending in each year.
- b) Regarding New Meters (page 12), please indicate the number of new customers and number of replacements of existing meters associated with the spending in each year.
- c) With respect to Major Underground Projects (page 17), please indicate whether the project has lowered the maintenance costs for the test year. If so, please quantify the savings. If not, please explain why not.

Question#6

Reference: Exhibit 2/Tab 4/Schedule 1, page 1

With respect to Power Supply Expenses:

- a) Please provide a schedule that sets out, for each expense in 2008 and 2009, the volumes, the assumed rate, and the total costs;
- b) Please update the calculation to reflect (i) the approved wholesale transmission rates as of January 1, 2009 and (ii) the forecast cost of power as presented in the Board's RPP Price Report released on October 15, 2008.

Question #7

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
 - 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 6.
- 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 #8

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 2, lines 29-30).
 - The kWh per customer class for the Residential, GS<50 and GS>50 customer classes (for the same year) using CNP-FE's weather normalization methodology.
- b) The CNP-FE weather normalization methodology is based on the premise that that the mix of weather sensitive and non-weather sensitive loads for CNP-FE 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-FE would be the same as for the province as a whole? Are the heating and cooling degree days in CNP-FE similar to those for the province as a whole? Is the saturation of space heating and cooling appliances the same in CNP-FE as it is for the province as whole?
- c) The table on page 4 (line 14) only compares 30 years of weather data for CNP-FE 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-FE data.
- d) With respect to the table of page 4 (line 14), 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.
- Please confirm that what the table shows is that for the period 2005-2007, the heating degree days were all lower than the 30 year average while the cooling degree days were all higher.

Question #9

Reference: Exhibit 3/Tab 2/Schedule 1, page 6

- a) Please confirm whether the reference to Port Colborne at line 2 is correct.

Question #10

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 9) and GS<50 (page 9, line 16) classes. Please describe how the weather normalized Residential and GS<50 usage values were derived.
- c) What is the impact of eliminating long term load transfers on CNP-FE's customer count (page 9)?

Question #11

Reference: Exhibit 3/Tab 2/Schedule 1, pages 10-12

- a) Please breakdown the schedule provided on page 10 into two separate schedules as follows:
 - One schedule for the four largest customers in the GS>50 class, and
 - A second schedule for the balance of the customer in the GS>50 class.

Question #12

Reference:

- i) Exhibit 4/Tab 2/Schedule 5/Appendix A
- ii) Exhibit 4/Tab 2/Schedule 5/Appendix B
- iii) Exhibit 4/Tab 2/Schedule 4/Appendix B

- a) Please explain why, in 2006, although actual FTEs for CNPI exceeded the Board approved number by 7%, the allocation of FTEs to CNP-FE was less than the Board approved number by 4.6%.
- b) Please explain why in 2009, although the total CNPI FTEs are almost the same as the 2006 Board approved number (70 versus 71 or a 1.4% decrease), the allocation to CNP-FE in 2009 is 15.6% lower.

Question #13

Reference: Exhibit 4/Tab 2/Schedule 6, page 3

The tables on this page are based on the assumption that 25% of labour being capitalized.

- a) Is this assumption consistent with CNP-FE's O&M capitalization policy?
- b) Does CNP-FE know what assumptions are made for other utilities in its peer group for the purpose of calculating pension expenses?

Question #14

Reference:

- i) Exhibit 4/Tab 2/Schedule 2
- ii) Exhibit 4/Tab 1/Schedule 1, page 2

- a) Is the \$18,967 regulatory expense recovery included in Account No. 5655? If so, why are there no regulatory savings expected in 2009 compared to 2008?
- b) If the regulatory expense recovery is not in Account 5655, please indicate where it is.

Question #15

Reference:

- i) Exhibit 4/Tab 2/Schedule 2
- ii) Exhibit 4/Tab 2/Schedule 3/Appendix A, page 3

Please explain the variance between 2006 Board Approved costs and 2006 Actual costs for Maintenance of Meters in Account No. 5175.

Question #16

Reference: Exhibit 4/Tab 2/Schedule 4, page 4

- a) For each year 2006-2009 inclusive, please provide the total corporate services costs of FortisOntario that were allocated and the percentage allocated to CNP-FE.
- b) For each year 2006-2009 inclusive, please provide the total corporate services costs of Fortis Inc. that were allocated and the percentage allocated to CNP-FE.
- c) For each year 2006-2009 inclusive, please provide the total interest expense costs from FortisOntario that were allocated and the percentage allocated to CNP-FE.
- d) For each year 2006-2009 inclusive, please provide the total interest expense costs from Cornwall Electric that were allocated and the percentage allocated to CNP-FE.

Question #17

Reference: Exhibit 4/Tab 2/Schedule 5

- a) Please provide the total incentive payments for 2006 and 2007 and indicate the amount that was deemed to be “primarily shareholder related.”

Question #18

Reference: Exhibit 8/tab 1/Schedule 1

- a) With reference to the comment on page 3 that CNP-FE's customer profile has not changed significantly, please complete the following table:

- 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

- b) Based on the results from part (a), 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 #19

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

- a) Please explain why CNP-FE is proposing to move the Revenue to Cost ratio for USL further away from 100% (i.e. from 56.76% to 56.35%).
- b) Please explain why the revenue to cost ratio for Street Lighting is only being increased by 22% when the ratio for Sentinel Light (which is closer to 100% to start) is being increased by 42% (i.e., $53.09/37.35 = 42\%$ increase).

Question #20

Reference:

- i) Exhibit 8/Tab 1/Schedule 2, page 3
- ii) Exhibit 9/Tab 1/Schedule 1, page 9, lines 2-6
- 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 (2nd column) used to derive the Revenue

Requirement by customer class 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-FE 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 January 2007 informational filing data) which is consistent with CNP-FE'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 #21

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

- a) With respect to page 10-11, 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. However, the rates and revenues should capture the reduction due to the transformer ownership allowance)
- b) With respect to page 14, please confirm that the 50.13% represents the residential share of revenue based on 2008 rates/2009 billing determinants. If not, how was it determined?
- c) With respect to page 17, please explain why the bill impact (9.3%) for USL is significantly higher under the proposed rates than for the class allocation consistent with the 2006 approved EDR, when the revenue to cost ratio is actually slightly less.

Question #22

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

Note: The following questions are with respect to CNP's Harmonized Cost Allocation and Harmonized Rate Design for CNP-FE and CNP-EO

Question #23

Reference: Harmonized Cost Allocation Model Run

- Please confirm whether for purposes of the Model Run:
 - 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
- Please confirm that in the Current Applications the cost of the Transformer Ownership Allowance is allocated to just the GS>50 class.
- Please provide the results of an alternative Harmonized cost allocation run (based on the informational filing data) which is consistent with CNP'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 #24

Reference: Harmonized Cost Allocation Model Run
Harmonized Rate Design Model

- Please provide a schedule that sets out the Revenue to Cost Ratios by customer class (using the Harmonized Cost Allocation results and Rates) based on:
 - The Harmonized 2006 EDR Cost Allocation, and
 - The proposed 2009 Harmonized Rates.
 In the latter case, please show how the ratios were derived.

- b) Please discuss the principles and factors considered in establishing the proposed revenue to cost ratios associated with the 2009 harmonized rate proposal.
- c) The CNP-EO Application expressed concerns about the allocation of Miscellaneous Revenues as done in the Cost Allocation Informational filing and makes an adjustment before deriving the non-harmonized CNP-EO rates. Was a similar adjustment made to the miscellaneous revenues in the Harmonized Cost Allocation Model run? If not, why not?

Question #25

Reference: Harmonized Cost Allocation Model Run
Harmonized Rate Design Model

- a) Please confirm that the Harmonized Rate Model uses the revenue requirement distribution from the 2006 EDR based Cost Allocation to establish the 100% revenue to cost ratio allocation (per the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs).
- b) Please complete the following table based on the aggregated CNP-FE and CNP-EO customer base:

- 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

- c) Based on the results from part (b), please comment on the appropriateness of assuming that the revenue requirement proportions from the Harmonized 2006 Cost Allocation study can be used for setting 2009 rates.
- d) Please provide a schedule that shows the total revenue revenues by customer class, for CNP-FE and CNP-EO, based on 2009 billing determinants and 2008 rates. (Note: The rates used should exclude any smart meter rate adder and any LV charge. The rates and revenues should also capture the reduction to du the transformer ownership allowance.)
- e) Please explain why the LV Charges applicable to the CNP-EO service area were not folded into the harmonized rates.
- f) Please explain why the Retail Transmission Rates were not harmonized for the two service areas.