

**BY E-MAIL**

August 5, 2026

Ritchie Murray  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Mr. Murray:

**Re: Canadian Niagara Power Inc. (Canadian Niagara Power)  
2027 Cost of Service Rate Application  
Ontario Energy Board (OEB) File Number: EB-2026-0029**

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Canadian Niagara Power Inc.'s responses to interrogatories are due by August 26, 2026.

Any questions relating to this letter should be directed to Petar Prazic at [Petar.Prazic@oeb.ca](mailto:Petar.Prazic@oeb.ca) or at 416-440-7682. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Petar Prazic  
Senior Advisor, Electricity Networks

Attach.

**OEB Staff Interrogatories**  
**2027 Electricity Distribution Rates Application**  
**Canadian Niagara Power Inc. (Canadian Niagara Power)**  
**EB-2026-0029**  
**August 5, 2026**

Please note, Canadian Niagara Power Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories 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*.

**Exhibit 1 – Administration**

**1-Staff-1**

**Updated Revenue Requirement Work Form (RRWF) and Models**

**Question(s):**

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data\_Input\_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's Electricity Distributor Rate Applications webpage.

**1-Staff-2**

**Letters of Comment**

**Preamble:**

Following publication of the Notice of Application, the OEB received 14 letters of comment. Section 2.1.7 of the Filing Requirements states that distributors will be

expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

**Question(s):**

- a) Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

**1-Staff-3**

**Customer Engagement and Investment Decisions**

**Ref. 1: Exhibit 1, Section 1.6.5, Application Specific Engagement, pp. 51-54**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.1, Distribution System Plan Overview, p. 68**

**Preamble:**

CNPI states that customers generally supported CNPI's proposed plans, but that feedback was divided for severe weather resiliency and alternative fuel vehicle investments. CNPI also states that it did not adjust the test year budget to increase severe weather resiliency beyond the draft plan and maintained its plan to replace targeted light vehicles with alternative fuel vehicles.

**Question(s):**

- a) Please explain why CNPI did not increase severe weather resiliency spending despite evidence that a modest majority of residential and large business respondents supported spending more.
- b) Please explain why CNPI maintained the alternative fuel vehicle proposal despite a modest majority of small business respondents preferring traditional fuel vehicles.
- c) Please provide any affordability analysis CNPI completed in response to customer feedback concerning lower rates, bill impacts and cost-of-living pressures.

**1-Staff-4**

**Total Cost Benchmarking**

**Ref. 1: Exhibit 1, Section 1.7.2, Total Cost Benchmarking, pp. 58-60**

**Ref. 2: CNPI 2027 Benchmarking Forecast Model**

**Preamble:**

CNPI states that it has consistently been assigned to Cohort Group 4, associated with a 0.45% stretch factor. CNPI also states that the benchmarking model forecasts a significant improvement in 2026 and 2027, but that CNPI does not have a strong level of confidence that it will move from Cohort 4 to Cohort 3.

**Question(s):**

- a) Please explain why CNPI expects the model to show improved cost performance in 2026 and 2027 despite increased rate base, capital additions and OM&A in the test year.
- b) Please identify the main controllable actions CNPI is taking to improve its PEG benchmarking performance.
- c) Has CNPI undertaken any sensitivity analysis to determine which inputs have the largest impact on its forecast benchmarking results? If yes, please provide the results.

**1-Staff-5****CEO Policy**

**Ref. 1: OEB CEO Policy 2026-01**

**Ref. 2: Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7, June 2025**

**Question(s):**

- a) Please identify any portions of the Integrated Energy Plan that CNPI considers relevant to this application.
- b) Please identify any portions related to Bill 40 or economic growth that CNPI considers relevant to this application.

**1-Staff-6****Corporate Governance**

**Ref. 1: Exhibit 1, Section 1.3.10, Corporate Organization, pp. 39-41**

**Ref. 2: Exhibit 1, Attachment 1-D, Executive and Board**

**Certifications/Confirmations****Preamble:**

CNPI states that its board has three directors, two of whom are also executive officers of Algoma Power Inc., CNPI, FortisOntario and Cornwall Electric, and one of whom is independent. CNPI also states that its board does not have a written mandate.

**Question(s):**

- a) Please explain why CNPI's board does not have a written mandate and whether CNPI intends to adopt one.
- b) Please explain how the board manages potential or actual conflicts of interest where directors or officers also serve FortisOntario or other affiliates.

#### **1-Staff-7**

##### **International Power Line and National Grid Purchases**

**Ref. 1: Exhibit 1, Section 1.3.9, Board Directive from Previous Decisions, p. 37**

**Ref. 2: Exhibit 1, Section 1.4.2, Host/Embedded Distributor and Neighbouring Utilities, pp. 45-46**

**Ref. 3: Exhibit 9, Deferral and Variance Accounts**

**Ref. 4: EB-2025-0081, Decision and Accounting Order**

##### **Preamble:**

CNPI states that in Fort Erie it can purchase power through the International Power Line (IPL) from National Grid in the United States when the typical transmission connection is unavailable for planned or unplanned outages. CNPI also states that it used the IPL to purchase power from National Grid in 2025 and reflected the impacts of those purchases in its RSVA balances, consistent with the OEB's Decision and Accounting Order in EB-2025-0081.

##### **Question(s):**

- a) Please provide the dates, duration, MWh, costs and operational circumstances for all 2025 National Grid/NYISO purchases through the IPL.
- b) Please explain how CNPI recorded these transactions in Accounts 1588 and 1589, including any foreign exchange, uplift, market charges, transmission-related charges or settlement adjustments.
- c) Please provide the calculation of the impact of these purchases on 2025 RSVA balances proposed for disposition or recovery in future proceedings.
- d) Please explain whether CNPI expects to use the IPL in 2026 or 2027 and whether any forecast effects are included in the test year application.

#### **1-Staff-8**

##### **AFS-PP&E**

**Ref 1: Exhibit 1, Appendix 1-F – 2025 Audited Financial Statements, Note 2, p.308**

**Ref 2: CNPI\_2027\_Chapter 2\_ Appendix 2BA2C\_20260519, Tab 2-BA**

##### **Preamble:**

OEB staff has compiled the following table showing the difference of PP&E between reference 1 and reference 2:

|                 | 2024    |                          |         | 2025    |                          |         |
|-----------------|---------|--------------------------|---------|---------|--------------------------|---------|
| (\$K)           | Cost    | Accumulated Depreciation | NBV     | Cost    | Accumulated Depreciation | NBV     |
| Reference 1 (a) | 293,121 | 100,914                  | 192,207 | 306,603 | 106,153                  | 200,450 |
| Reference 2 (b) | 234,774 | 88,410                   | 146,363 | 249,242 | 93,309                   | 155,934 |
| Variance (a-b)  | 58,347  | 12,504                   | 45,844  | 57,361  | 12,844                   | 44,516  |

**Question(s):**

- a) Please reconcile and explain the variance identified in the table above.

**1-Staff-9**

**AFS-DVA**

**Ref 1: Exhibit 1, Appendix 1-F – 2025 Audited Financial Statements, p.300**

**Ref 2: CNPI\_2027\_DVA Continuity Schedule CoS\_1.0\_20260519, Tab 2a, 2b, Column BV**

**Preamble:**

OEB staff has compiled the following table showing the difference of DVA between reference 1 and reference 2:

| (\$K)           | Sum of 2025 DVA balances | Reference                                                                  |
|-----------------|--------------------------|----------------------------------------------------------------------------|
| Reference 1 (a) | \$18,643                 | Regulatory assets (\$20,437) - Regulatory liabilities (\$1,794) = \$18,643 |
| Reference 2 (b) | (\$4,907)                | Sum of Column BV in Tab 2a and 2b                                          |
| Variance (a-b)  | \$23,550                 |                                                                            |

**Question(s):**

- a) Please reconcile and explain the variance identified (i.e. \$23,550) in the table above.

**Exhibit 2 – Rate Base**

**2-Staff-10**

**Reliability Performance: SAIFI Variance by Cause Code**

**Ref. 1: Exhibit 1, section 1.7 Performance Measurement, pp. 54-57**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan; CNPI reliability scorecard evidence, p. 68**

**Ref. 3: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.3.2, Distributor Specific Reliability Targets, pp. 96-99**

**Preamble:**

CNPI's evidence indicates that its SAIFI performance was worse than targeted in certain years, including 2023 and 2025, with contributing causes including equipment failures, adverse weather and scheduled outages. CNPI's 2027–2031 DSP includes investments intended to improve reliability, including voltage conversion, line rebuilds, pole replacements, automation and SCADA/FLISR-related investments.

**Question(s):**

- a) Please explain the drivers of the variance between CNPI's SAIFI results for defective equipment plus human element and the applicable industry average relied on by CNPI or OEB staff.
- b) Please identify whether the variance is concentrated in any specific operating area, feeder, asset class, or work activity.

**2-Staff-11**

**Prior DSP Capital Variances, Current Capital Forecast, and Reliability Outcomes**

**Ref. 1: Exhibit 1, Table 1-6, Capital Expenditure Summary, p. 18**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.4.1, Capital Expenditure Summary, pp. 155-159**

**Ref. 3: Exhibit 2, Attachment 2-A, Distribution System Plan, Table 2-23, OEB Appendix 2-AB Capital Expenditures, p. 159**

**Ref. 4: CNPI 2027 Chapter 2 Appendices, Appendix 2-AA, Capital Projects Table**

**Ref. 5: EB-2021-0011, Settlement Proposal, Section 1.1, Capital, pp. 12-14**

**Ref. 6: EB-2021-0011, Decision and Rate Order, Findings, p. 3**

**Preamble:**

CNPI's current evidence provides a comparison of planned and actual/forecast capital expenditures from 2022 to 2026 by OEB investment category. CNPI's evidence shows net capital expenditures of approximately \$73.8 million over the 2022-2026 period compared to planned spending of approximately \$58.1 million, with material variances in System Access, System Renewal, System Service and General Plant.

In its previous cost of service application (EB-2021-0011), the OEB approved a settlement proposal that noted CNPI had exceeded its planned capital spending in non-system access categories by approximately 26% during the prior DSP period. The settlement included capital pacing adjustments and CNPI agreed to place greater emphasis on controlling overall capital spending and deferring capital projects where

appropriate. The OEB's Decision and Rate Order noted and supported provisions to level annual capital spending over the 2022-2026 period and require a review of the Short-Term Incentive Program to ensure it did not incentivize capital overspending.

**Question(s):**

- a) Please provide a project/program-level reconciliation between the capital projects included in CNPI's prior 2022-2026 DSP / Appendix 2-AA and the actual or forecast capital projects reflected in the current Appendix 2-AA.
- b) For each project or program with a cumulative variance greater than \$250,000 or 10%, please identify:
  - i. planned and actual/forecast cost
  - ii. planned and actual/forecast timing
  - iii. reason for the variance
- c) Please identify any projects from the prior DSP / Appendix 2-AA that were deferred beyond 2026, cancelled, materially reduced in scope, or replaced.
- d) Please identify any material projects undertaken during 2022-2026 that were not included in the prior DSP / Appendix 2-AA and explain why they were required.
- e) Please explain whether underspending in System Service was offset by overspending in System Access, System Renewal, or General Plant, and identify the projects or programs responsible.
- f) Please discuss how CNPI considered the 2022-2026 capital variances when developing the 2027-2031 capital forecast.
- g) Please explain whether any historical underspending, project deferrals, resource constraints, supply chain constraints or prioritization decisions contributed to the elevated SAIFI results for defective equipment or human element.
- h) Please provide CNPI's assessment of whether historical OM&A and capital spending levels were sufficient to maintain reliability performance at or better than target levels.

**2-Staff-12**

**Safety Incidents 2024**

**Ref. 1: Exhibit 1, Section 1.7.1, Performance Measurement / Scorecard Results and Analysis, pp. 54-57**

**Ref. 2: CNPI 2024 Scorecard and MD&A, Public Safety / Serious Electrical Incident Index, p. 1**

**Ref. 3: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.3.2, Distributor Specific Reliability Targets, pp. 96-99**

**Preamble:**



CNPI's evidence states that there were two serious electrical incidents in 2024, with no harm, and indicates that the incidents were caused by unsafe tree cutting.

**Question(s):**

- a) Please provide further details regarding the two serious electrical incidents in 2024, including:
  - i. date and location
  - ii. nature of the incident
  - iii. whether CNPI employees, contractors, customers or members of the public were involved
  - iv. whether any ESA, Ministry of Labour or other external reporting was required
  - v. whether any enforcement, inspection findings or recommendations resulted
- b) Please explain why the incidents were classified as "serious electrical incidents" if no harm occurred.
- c) Please provide copies or summaries of any root cause analyses, incident investigation reports, lessons learned, or corrective action plans.
- d) Please identify whether the incidents revealed deficiencies in:
  - i. public safety communications
  - ii. vegetation management practices
  - iii. contractor oversight
  - iv. field procedures
  - v. asset condition
  - vi. resourcing
- e) Please explain whether any proposed 2027 OM&A or capital spending is intended to address the causes or contributing factors associated with the 2024 incidents.

**2-Staff-13**

**Training, Work Practices and Resourcing**

**Ref. 1: Exhibit 1, Table 1-9, Compensation Summary, p. 21**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.1, Distribution System Plan Overview, p. 68**

**Ref. 3: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.3.2, Distributor Specific Reliability Targets, pp. 96-99**

**Preamble:**

CNPI's compensation evidence indicates FTE levels increased from 68 Board-approved

FTEs in 2022 to 73 FTEs in the 2027 Test Year. CNPI's evidence also indicates that safety, employee engagement, reliability and asset renewal are strategic objectives.

**Question(s):**

- a) Please provide annual safety and technical training hours for 2020–2025 and forecast training hours for 2026 and 2027, separated between:
  - i. line staff
  - ii. control room/operators
  - iii. engineering/planning staff
  - iv. contractors
  - v. management/supervisory staff
- b) Please identify any changes in safety training, field procedures, switching protocols, job planning, or contractor management implemented after the 2024 safety incidents or human element-related outages.
- c) Please provide CNPI's annual contractor usage for field work from 2020–2025 and forecast contractor usage for 2026 and 2027.
- d) Please explain whether increased capital work volumes, storm response, connection requests, or resource constraints have affected safety risk or human element outage risk.
- e) Please explain how the proposed 2027 staffing level and OM&A budget are sufficient to support CNPI's planned capital program while maintaining safe work practices and reliability performance.

**2-Staff-14**

**Vegetation Management and Public Safety Linkage**

**Ref. 1: Exhibit 2, Attachment 2-A, Distribution System Plan**

**Ref. 2: CNPI 2024 Scorecard.**

**Preamble:**

CNPI's evidence indicates that tree contacts and adverse weather are material outage drivers and that the 2024 serious electrical incidents were associated with unsafe tree cutting. CNPI's reliability initiatives include vegetation management and asset hardening.

**Question(s):**

- a) Please describe CNPI's vegetation management cycle, including whether the entire system is trimmed on a fixed cycle, risk-based cycle, or other approach.
- b) Please explain whether CNPI has changed or proposes to change its vegetation management practices in response to:
  - i. reliability performance

- ii. adverse weather risk
- iii. the 2024 serious electrical incidents
- c) Please identify any incremental 2027 revenue requirement impact associated with changes to vegetation management practices.

## **2-Staff-15**

### **Liquidity - Segmented versus Consolidated Current Ratio**

**Ref. 1: Exhibit 1, Section 1.8, Financial Information, p. 69**

**Ref. 2: Exhibit 1, Attachment 1-F, 2025 Audited Financial Statements, Statement of Financial Position, p. 5**

**Ref. 3: Exhibit 1, Attachment 1-F, 2025 Audited Financial Statements, Notes to Financial Statements, Liquidity Risk / Credit Facilities, pp. 24-25**

### **Preamble:**

CNPI's evidence reports low segmented liquidity ratios, including current ratios of approximately 0.23 for the distribution segment, while consolidated liquidity appears materially higher. CNPI's financial statements indicate current assets of approximately \$19.1 million and current liabilities of approximately \$59.0 million in 2025, implying a current ratio of approximately 0.32. The evidence also indicates that liquidity risk is mitigated through credit facilities and parent company support.

### **Question(s):**

- a) Please explain whether the low segmented current ratio has affected CNPI's ability to:
  - i. execute capital projects;
  - ii. maintain planned OM&A activities;
  - iii. respond to storms or emergency events;
  - iv. access financing; or
  - v. maintain service quality, reliability or safety performance.
- b) Please explain whether CNPI expects the segmented current ratio to improve, deteriorate or remain stable during the 2027–2031 DSP period.

## **2-Staff-16**

### **Interrelationship Between Reliability, Safety and Financial Constraints**

**Ref. 1: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.1, Distribution System Plan Overview, p. 68**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.3.2, Distributor Specific Reliability Targets, pp. 96-99**

**Ref. 3: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.4.1, Capital Expenditure Summary, p. 155, p. 159**

**Preamble:**

CNPI's application links its proposed 2027–2031 investments to reliability improvement, safety, asset renewal, system modernization and resilience. The evidence also indicates low segmented liquidity ratios and reliance on credit facilities/parent support to manage liquidity risk.

**Question(s):**

- a) Please explain whether any reliability, safety or asset renewal work was deferred due to financial constraints, liquidity management, debt capacity, or rate impact considerations.
- b) Please identify any capital or OM&A projects that CNPI considers necessary to address reliability or safety risks but that were not included in the 2027 Test Year or 2027–2031 DSP.
- c) Please explain how CNPI balanced affordability, liquidity, safety and reliability considerations in developing the proposed 2027–2031 DSP.

**2-Staff-17****Depreciation – two exceptions useful life**

**Ref 1: Exhibit 2, Section 2.2.2, useful lives outside Kinectrics range, p. 28**

**Ref 2: CNPI\_2027\_Chapter 2\_ Appendix 2BA2C\_20260519, Tab 2-C**

**Ref 3: CNPI\_2027\_Chapter 2\_ Appendix\_20260519, Tab 2-BB**

**Preamble:**

In reference 1, CNPI stated that it proposed a 5-year useful life for smaller pieces of equipment, and a 9-year useful life under leasehold improvements for two large, planned projects (garage and control room upgrades within Fort Erie service center) of which component amounts have been categorized as leasehold improvements.

In reference 2, OEB staff notes that CNPI added UsoA 1940A (i.e. Tools, Shop & Garage Equipment- 5 years) from 2024 and UsoA 1910A (i.e. Leasehold Improvements (9 Yrs)) from 2027.

Per reference 3, OEB staff has compiled Table (A) as below, showing the difference of useful life of UsoA 1940 & 1910 between what was approved in last COS<sup>[\[1\]](#)</sup> and what is included in the current application.

Table (A) Comparison of Useful Life and Depreciation Rate of UsoA 1940 & 1910

| UsoA | OEB approved Useful Life in last COS | OEB approved Rate in last COS | Proposed Useful Life | Proposed Rate |
|------|--------------------------------------|-------------------------------|----------------------|---------------|
| 1940 | 10                                   | 10%                           | 5-10                 | 0%            |

|      |   |     |     |    |
|------|---|-----|-----|----|
| 1910 | 5 | 20% | 5-9 | 0% |
|------|---|-----|-----|----|

OEB staff notes CNPI proposed 0% depreciation rate for six UsoA: 1910, 1910A, 1611, 1611A, 1940, 1940A in reference 3.

**Question(s):**

- Please explain why the proposed depreciation rate is 0% for six UsoA noted above in reference 3 in this application and update the depreciation rate of these six accounts as applicable.
- Based on the updated depreciation rate in a) above, please quantify the revenue impact of the service life change CNPI added for UsoA 1940A & 1910A per Table (A) above in the following format:

|                                                   | 2027 Test Year<br>Capital<br>Additions | 2027 Test Year<br>Accumulated<br>Depreciation<br>Additions | Amount included<br>in 2027 Revenue<br>requirement<br>(RRWF) |
|---------------------------------------------------|----------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|
| <b>UsoA 1940A</b>                                 |                                        |                                                            |                                                             |
| 10 years at 10% (OEB approved<br>in last COS) - a |                                        |                                                            |                                                             |
| 5-10 years at XX% (proposed) - b                  |                                        |                                                            |                                                             |
| <b>UsoA 1910A</b>                                 |                                        |                                                            |                                                             |
| 5 years at 20% (OEB approved in<br>last COS) - c  |                                        |                                                            |                                                             |
| 5-9 years at XX% (proposed) - d                   |                                        |                                                            |                                                             |
| <b>Variance (a-b+c-d)</b>                         |                                        |                                                            |                                                             |

**2-Staff-18**

**Asset Renewal and Replacement Strategy**

**Ref 1: Exhibit 2, 2.2.2, Useful Lives Outside Kinectrics Range, p. 28**

**Preamble:**

CNPI states:

“These rates generally have not changed since CNPI’s 2013 Cost of Service application. Two exceptions are the proposed introduction of: a 5-year useful life for smaller pieces of equipment, and a 9-year useful life under leasehold improvements for two large, planned projects (garage and control room upgrades within Fort Erie service center) of which component amounts have been categorized as leasehold improvements.”

**Question(s):**

- (a) Please provide a comprehensive list of the specific "smaller pieces of equipment" for which CNPI is proposing a five-year Technical Useful Life (TUL).
- (b) Please clarify the criteria used to determine whether specialized equipment within these leasehold improvements has the potential to remain operationally effective beyond the 9-year period.

## **2-Staff-19**

**Ref 1: Exhibit 2, 2.2.2, Useful Lives Outside Kinectrics Range, p. 28**

### **Preamble:**

CNPI states that:

"For overhead primary conductor, this is 5 years less than the Kinectrics minimum of 50 years, matching the useful life of 45 years for poles in recognition that there are often inherent efficiencies in replacing conductor at the same time as the associated poles."

### **Question(s):**

- (a) Please explain why CNPI has chosen to reduce the conductor useful life to 45 years rather than extending the pole useful life to 50 years to align with the Kinectrics conductor minimum.
- (b) Please provide a cost-benefit analysis comparing:
  - i. synchronized pole and conductor replacement at 45 years;
  - ii. retaining conductors to at least 50 years; and
  - iii. where condition permits, extending pole life to 50 years.

The analysis should demonstrate whether the claimed efficiencies outweigh the lost conductor asset value and any added reliability or maintenance risks.

## **2-Staff-20**

**Ref 1: Exhibit 2, 2.2.2, Useful Lives Outside Kinectrics Range, p. 28**

### **Preamble:**

CNPI states:

"A 30-year useful life is used for all industrial, large commercial, and wholesale meters, as well as all associated components. For Current and Potential Transformers, this is 5 years less than the Kinectrics minimum."

### **Question(s):**

- (a) Similar to the synchronization logic used for poles and conductors, please explain why CNPI is decreasing the TUL for CTs and PTs by 5 years instead of

evaluating an extension of the meter useful life to 35 years. Provide the same cost-benefit analysis.

## **2-Staff-21**

**Ref 1: Exhibit 2, 2.2, Depreciation, Amortization and Depletion p. 29**

### **Preamble:**

CNPI states:

“Total 2023 asset disposals are primarily driven by approximately \$216K from the disposal of a mobile substation that was scrapped before being fully depreciated and approximately \$121K related to SAP computer software fees that were retired and transferred to an expense account. [...] Total 2025 asset disposals were primarily driven by approximately \$499K from the disposal of a transformer at Substation 12 that was removed from service, and approximately \$566K related to the disposal of poles, conductors and devices that were scrapped before being fully depreciated.”

### **Question(s):**

- (a) Please provide the specific reasons why the mobile substation disposed of in 2023 was scrapped prior to being fully depreciated (e.g., catastrophic failure, failed inspection, or obsolescence).
- (b) For the \$566K in poles and conductors scrapped in 2025, please clarify if these assets were retired due to storm damage, or if they were identified as having "Very Poor" Health Index ratings during an Asset Condition Assessment (ACA).
- (c) Please provide the original in-service years and the remaining net book value at the time
- (d) Please confirm whether any salvage value, scrap proceeds, or other recovery amounts were received in connection with:
  - i. the mobile substation disposed of in 2023
  - ii. the Substation 12 transformer disposed of in 2025
  - iii. the poles, conductors and devices disposed of in 2025.
- (e) For each item identified in part (d), please provide:
  - i. the gross proceeds received
  - ii. the accounting treatment applied
  - iii. the account in which the proceeds were recorded
  - iv. whether the proceeds were reflected in Other Revenue, capital costs, or any deferral and variance account

## **2-Staff-22**

**Ref 1: Exhibit 2, 5.2, Distribution System Plan, p. 82**

## **Ref 2: Exhibit 2, 5.2, Distribution System Plan, p. 96**

### **Preamble:**

CNPI states that SAIFI performance in 2025 was influenced by two weather events in November and December that did not meet the Major Event Day (MED) threshold but *"contributed most of the overage compared to SAIFI target"*. Additionally, CNPI noted an increase in planned outages in 2025 due to voltage conversion work, specifically Delta-to-Wye projects. CNPI further asserts that *"newer assets are better able to withstand extreme conditions"* and that investments in automation will mitigate restoration efforts.

### **Question(s):**

For each of the November and December 2025 events, please:

- (a) Quantify the SAIFI contribution and identify the principal outage causes and failed asset types;
- (b) Provide the age and condition of the failed assets, where available; and
- (c) Discuss whether the failures were primarily attributable to extreme weather, deteriorated asset condition, or a combination of both, including whether the proposed pole-replacement or automation investments would likely have prevented or reduced the interruptions.

## **2-Staff-23**

### **Ref 1: Exhibit 2, 5.3.2, Overview of Assets Managed, p.**

### **Preamble:**

CNPI states:

*"The ACA process has also identified ~1600 poles with missing data and for which condition is not known. These poles are targeted for data improvement. The unknown status of these poles is a risk item for planning purposes and anywhere from 200 to all 1600 may require renewal in the forecast period."*

### **Question(s):**

- (a) Please explain how the lower bound of 200 was determined for this range?
- (b) State the number of poles CNPI is actually planning and budgeting to replace during the forecast period, including the associated forecast cost.
- (c) Please confirm if an extrapolation or probabilistic assessment was considered for estimating the replacement numbers for the EOP area?

## **2-Staff-24**



**Ref 1: Exhibit 2, 5.3.3, Asset Lifecycle Optimization Policies and Practices, p. 129**

**Ref 2: Exhibit 2, DSP Attachment B: Material Investments, p. 293**

**Preamble:**

CNPI states that near end-of-life transformers are replaced during otherwise planned work to avoid the higher cost of a future standalone replacement. CNPI also states that, when a transformer fails, it can generally restore service within approximately 2 to 4 hours.

**Question(s):**

- (a) Explain the expected consequences of a pole-top transformer failure, including outage, safety, environmental, and operational impacts.
- (b) Provide the economic basis for proactively replacing near end-of-life transformers during planned work rather than operating them to failure, including the incremental replacement cost, avoided failure cost, and criteria used to identify transformers for proactive replacement.

**2-Staff-25**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, p. 159**

**Preamble:**

CNPI's 2025 fleet expenditures were \$1.235 million, approximately 167% above the \$0.462 million forecast in its previous DSP. CNPI also proposes an approximately 150% increase in Fleet Renewal expenditures in the current application from their previous spend.

**Question(s):**

- (a) Provide a vehicle-by-vehicle reconciliation of fleet replacements completed or accelerated during the previous DSP period against those included in the current DSP forecast.
- (b) Confirm that the current forecast excludes vehicles already replaced or upgraded during the previous DSP period. Identify and explain any vehicle or expenditure appearing in both periods.

**2-Staff-26**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, p. 342**

**Ref 2: Exhibit 2, 5.5.2, Implementation plan for 34.5 kV System, p. 670**

**Preamble:**

In Ref 1 CNPI states that wood pole trends are worsening. However in Ref 2 CNPI states that due to different methodologies, the data from the 2025 and 2021 ACAs are not directly comparable.

**Question(s):**

- (a) Please reconcile the statement of worsening trends with this statement about ACA's not being directly comparable.
- (b) Please provide the background in support of the statement that wood pole trends are worsening.

**2-Staff-27**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, p. 343**

**Preamble:**

CNPI has rejected a run-to-failure approach on the basis that it could increase emergency replacement costs, operational disruptions, and public safety risks. However, the evidence does not quantify CNPI's historical experience with emergency pole replacements or demonstrate the magnitude of the identified risk. The following question seeks supporting data on the frequency, cost, and operational impact of emergency pole replacements.

**Question(s):**

- (a) Has CNPI historically had many emergency replacements? Please quantify the magnitude of this issue.

**2-Staff-28**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, pp. 360-361**

**Preamble:**

CNPI states that the proposed Fort Erie Service Centre garage reconfiguration is required because the replacement vehicles planned for its large-vehicle fleet will exceed the capacity of the existing indoor parking area. However, the evidence does not indicate whether CNPI considered procuring vehicles with dimensions compatible with the existing garage or evaluated the operational and cost trade-offs of doing so.

**Question(s):**

- (a) Did CNPI have the option to procure large vehicles that were not longer, and could fit in its existing garage?
- (b) The alternatives analysis seems to suggest that the only alternatives considered were "do nothing" and the proposed reconfiguration. Were other alternatives

considered - for example, the addition of another structure outside of the garage for storage of one or more trucks, to free up more space in the garage?

**2-Staff-29**

**Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment, p. 462**

**Preamble:**

CNPI relies on a Kinetrics typical useful life of 45 years when describing the age profile and condition of its wood pole population. However, the same study identifies a maximum useful life of 75 years, and the evidence does not explain how these two benchmarks were applied when assigning numerical condition grades based on pole age.

**Question(s):**

- (a) Please discuss how TUL and Max UL were considered in assigning a numerical grade on the basis of pole age.

**2-Staff-30**

**Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment, p. 464**

**Preamble:**

CNPI calculated valid Health Index results for 77% of Niagara wood poles, while the remaining 23% were assigned an extrapolated condition distribution based on the known population. However, the evidence does not describe whether the poles with unknown Health Index results are geographically or operationally representative of the poles with known results.

**Question(s):**

- (a) Discuss whether or not there is a pattern to the "unknown" population. E.g., is it evenly distributed across the service area? Localized to one region?
  - i. Discuss whether extrapolation from the known to unknown HI pole populations is valid.

**2-Staff-31**

**Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment, pp. 460-461**

**Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment, p. 464**

**Preamble:**

CNPI describes using the following methodology algorithm to determine the health index of wood poles:

Table 4-1: Niagara Wood Pole HI Algorithm

| Degradation Factor | Weight | Ranking   | Numerical Grade | Max Score |
|--------------------|--------|-----------|-----------------|-----------|
| Service Age        | 15     | A,B,C,D,E | 4,3,2,1,0       | 60        |
| Pole Treatment     | 3      | A,E       | 4,0             | 12        |
| Pole Strength      | 20     | A,B,C,D,E | 4,3,2,1,0       | 80        |
| Surface Decay      | 2      | A,C,D,E   | 4,2,1,0         | 8         |
| Woodpecker Damage  | 1      | A,B,C,D,E | 4,3,2,1,0       | 4         |
| Insect Infestation | 1      | A,C,E     | 4,2,0           | 4         |
| Mechanical Damage  | 2      | A,C,E     | 4,2,0           | 8         |
| Cracking           | 2      | A,C,E     | 4,2,0           | 8         |
| Total Score        |        |           |                 | 184       |

Table 4-2: EOP Wood Pole HI Algorithm

| Degradation Factor | Weight | Ranking   | Numerical Grade | Max Score |
|--------------------|--------|-----------|-----------------|-----------|
| Service Age        | 15     | A,B,C,D,E | 4,3,2,1,0       | 60        |
| Wood Rot           | 3      | A,C,E     | 4,2,0           | 12        |
| Remaining Strength | 20     | A,B,C,D,E | 4,3,2,1,0       | 80        |
| Woodpecker Damage  | 1      | A,C,E     | 4,2,0           | 4         |
| Insect Infestation | 1      | A,B,C,E   | 4,3,1,0         | 4         |
| Mechanical Damage  | 2      | A,B,C,D,E | 4,3,2,1,0       | 8         |
| Cracking           | 2      | A,C,E     | 4,2,0           | 8         |
| Total Score        |        |           |                 | 176       |

CNPI reports an average Data Availability Index (“DAI”) of 63% for Niagara wood poles, indicating that the degradation-factor data used to calculate individual Health Index (“HI”) scores are incomplete for a significant portion of the asset population. As shown in Table 4-3, data availability varies materially by degradation factor, from 20% for insect infestation and mechanical damage to 82% for service age.

| Degradation Factor | Niagara Assets with Data |
|--------------------|--------------------------|
| Service Age        | 82%                      |
| Pole Treatment     | 27%                      |
| Pole Strength      | 63%                      |
| Surface Decay      | 37%                      |
| Woodpecker Damage  | 69%                      |
| Insect Infestation | 20%                      |
| Mechanical Damage  | 20%                      |
| Cracking           | 57%                      |

### Question(s):

- (a) What assumptions were made when calculating an HI if one factor (e.g. age) was available, but others (e.g. strength) were not? If only age was available, would the entire HI be based solely on age?

### 2-Staff-32

Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment p. 531

**Preamble:**

CNPI states:

*“BBA noticed that there was a lack of consistency in the data collected between assets of the same class. An example of this is wood poles, which have inspection results from three different contractors. Between these contractors only one collected visual inspection results and each had a different methodology for collecting remaining strength. Additionally for power transformers, circuit breakers, and station reclosers only a few assets in each of these classes has visual and testing data while the rest do not.”*

**Question(s):**

- (a) How were the results from the three separate wood pole inspection contractors normalized?

**2-Staff-33**

**Customer Justification and Value**

**Ref 1: Exhibit 2, Distribution System Plan Overview, p. 68**

**Ref 2: Exhibit 2, DSP ATTACHMENT -B: MATERIAL INVESTMENTS, p. 269**

**Ref 3: Exhibit 2, 5.5.3, Implementation plan for 8.3kV System, p. 638**

**Preamble:**

CNPI proposes approximately 17 SCADA-controlled devices at an estimated cost of \$1.885 million to improve outage frequency and duration.

**Question(s):**

- (a) Explain how the proposed device locations were prioritized, including the feeder reliability issues, customer impacts, and cost-effectiveness considered for each location.
- (b) Quantify the expected SAIDI and SAIFI improvements and explain whether the automation investments are expected to defer or reduce any planned system renewal work.

**2-Staff-34**

**Ref 1: Exhibit 2, 5.2.1, Distribution System Plan Overview, p. 68**

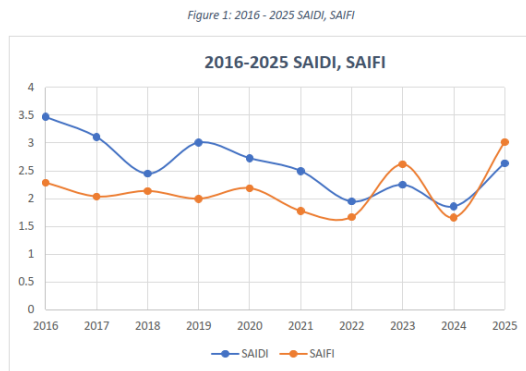
**Ref 2: Exhibit 2, 5.2.3.2, Distributor Specific Reliability Targets, p. 96**

**Ref 3: Exhibit 2, 5.3.3, DSP Attachment C: Reliability Report, pp. 390-391**

**Preamble:**

CNPI states that its proposed modernization investments are expected to reduce SAIDI and SAIFI and support its 2027 reliability targets (~2.28 and ~ 2.00). Historical performance, excluding the 2023 and 2025 outliers, has trended downwards and even exceeded those targets in 2022 and 2024.

Ref 3:



**Question(s):**

- (a) Explain the need for and cost-effectiveness of the proposed modernization investments given CNPI's historical reliability performance, including the incremental SAIDI and SAIFI improvements expected.
- (b) Describe the customer feedback or other evidence demonstrating customer support for these investments.

**External Resilience and Strategic Risk**

**2-Staff-35**

**Ref 1: Exhibit 2, 5.2.1, Distribution System Plan Overview, p. 68**

**Preamble:**

CNPI states:

*“the acceleration of voltage conversion, distribution automation, and other capital investments in recent years is expected to reduce the outage impacts of severe weather events, as newer assets are better able to withstand extreme conditions.”*

**Question(s):**

- (a) Identify the principal causes and modes of outages during severe weather events, including momentary interruptions from vegetation or debris contact, equipment failures, pole failures, and other relevant causes.

**2-Staff-36**

**Ref 1: Exhibit 2, 5.2.1, Distribution System Plan Overview, p. 68**

**Preamble:**

CNPI states:

*“CNPI is evaluating updates to its design criteria and standards, with a focus on incorporating storm-hardened designs (where appropriate in higher risk areas) and additional system redundancy into capital planning.”*

**Question(s):**

- (a) Identify the areas CNPI considers to be at higher risk and explain the criteria, data, and methodology used to designate those areas for storm-hardening or additional system redundancy.

**2-Staff-37**

**Ref 1: Exhibit 2, 5.2.3.2, Distributor Specific Reliability, p. 98**

**Preamble:**

CNPI is improving the automation of the second power transformer at the Gananoque Main Substation. This enhancement will reduce switching time between the two transformers and improve system reliability under contingency conditions.

**Question(s):**

- (a) Over the historical period for which information is available, how often has an outage of a transformer at the Gananoque Main Substation resulted in customer outages?
- (b) For each such event, please provide the date, cause, number of customers affected, duration of the customer outage, and the time required to transfer load to the alternate transformer.

**2-Staff-38**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, p. 324**

**Preamble:**

CNPI identifies Option B, the phased 10-year replacement approach, as its preferred and most cost-effective alternative, with an estimated five-year cost of approximately \$5.09 million. However, the evidence does not provide a comparative economic analysis of Options A, B, and C, including lifecycle costs, re-sealing failure risk, expected meter life, and resource requirements.

**Question(s):**

- (a) Provide the comparative economic analysis of Options A, B, and C supporting CNPI's conclusion that Option B is the most cost-effective approach. Include lifecycle costs, replacement and re-sealing volumes, resource requirements, implementation risks, and key assumptions.
- (b) Given that successful re-sealing may extend a meter's useful life by up to six years, provide CNPI's experience, or available industry evidence, regarding re-sealing success and failure rates and explain how these rates were reflected in the analysis.

**2-Staff-39**

**Ref 1: Exhibit 2, DSP Attachment D: Asset Condition Assessment, p. 675**

**Preamble:**

CNPI states that its Distribution Automation ("DA") pilot was implemented in Port Colborne around 2021 and that it intends to continue deploying DA across its service territory to improve system visibility, control capabilities, and the integration of distributed energy resources and electric vehicles. However, the evidence does not describe the operational outcomes of the pilot or quantify any improvements in reliability, outage duration, restoration performance, or other system benefits.

**Question(s):**

- (a) What were the results of the Port Colborne pilot? Were material increases in reliability noted? Please discuss.

**2-Staff-40**

**Capital Spending Pacing and Financial Reconciliation**

**Ref 1: Exhibit 2, 5.2.3.2, Distributor Specific Reliability, p. 99**

**Preamble:**

CNPI states that its Asset Management Process continues to evolve to provide improved investment guidance and greater rigour of assessment. One pillar CNPI identified is continuing investment in assets classified as "Very Poor" and "Poor" to improve asset health.

**Question(s):**

- (a) Please explain how CNPI considers an asset's Health Index together with its probability and consequence of failure when prioritizing investments.
  - i. Include impacts on customers, safety, and reliability.



- ii. Please confirm whether a “Very Poor” or “Poor” Health Index automatically results in replacement and how other risk impacts may support asset renewal advancement or deferral.

## **2-Staff-41**

**Ref 1: Exhibit 2, 5.3.1, Planning Process, p. 103**

### **Preamble:**

The Asset Condition Assessment prepared to support this DSP provides a point-in-time summary of the condition of CNPI’s assets. CNPI’s regular inspection and maintenance programs, with intervals ranging from monthly to multi-year, will identify changes in asset condition over time.

### **Question(s):**

- (a) Please provide any available historical Asset Condition Assessment results or other information showing trends in the overall condition or Health Index distribution of each asset class over time.
- (b) For each asset class, please identify whether its overall condition has improved, deteriorated, or remained generally stable, and explain the principal causes of the observed trend.
- (c) Please explain how CNPI determines the appropriate target condition or Health Index distribution for each asset class and how it assesses whether continued improvement beyond that target may indicate over-investment relative to other asset classes or system needs.
- (d) Please explain how historical asset-condition trends are incorporated into CNPI’s investment prioritization and pacing decisions.

## **2-Staff-42**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Process, p. 155**

### **Preamble:**

CNPI states:

*“In its DSP, CNPI forecasted \$650k in Distribution Automation and Reliability. This included \$200k in Fault Indication/Protection and Controls, and \$450k in Distribution Automation projects. CNPI did not make any investments in these categories in 2023, however some elements of distribution automation were incorporated into CNPI’s Voltage Conversion work, and are included in the actuals for those projects.”*

### **Question(s):**

- a) Given CNPI's historical deferral and underspending on Distribution Automation, explain why these investments are now a priority and whether a more gradual pacing of expenditures was considered.

## **2-Staff-43**

**Ref 1: Exhibit 2, 5.4.1, Capital Expenditure Summary, p. 181**

### **Preamble:**

CNPI states:

*"In its 2027 Test Year forecast, CNPI has also included an added input price increase assumption of 10% to account for uncertainty related to possible economic impacts from the developing tariff/trade war (including the impact of any buy local, buy Canadian initiatives)."*

### **Question(s):**

- (a) Please quantify the impact on the 2027 Test Year capital budget and the resulting revenue requirement if the 10% input price contingency was removed, in the context of it being a speculative assumption layered on top of a 2.5% compounding inflation rate.

## **2-Staff-44**

### **Non-Wires Solution Pre-Assessments**

**Ref 1: Exhibit 2, Section 5.3.5, Table DSP-39, p.137**

### **Preamble:**

Per the OEB's [Non-Wires Solutions Guidelines for Electricity Distributors](#) and [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#) (BCA Framework), electricity distributors are to document their consideration of non-wires solutions when making investment decisions on electricity system needs with an expected capital cost of \$2 million or more as part of distribution system planning, excluding general plant investments. Further, a distributor should first conduct a pre-assessment to identify whether there is a reasonable expectation that a non-wires solution may be a viable approach to meeting an identified need.

CNPI provided its non-wires solution benefit-cost analysis initial screening process in Ref 1. CNPI noted that its initial screening process was applied to its Ridgeway Area System Improvement Project.

### **Question(s):**

- a) Please confirm whether application of CNPI's initial screening process is intended to satisfy the pre-assessment requirements of the BCA Framework.
- b) Please provide the pre-assessments which document the consideration of non-wires solutions for all other proposed projects, excluding general plant, included in CNPI's Distribution System Plan that have an expected capital cost of \$2 million or more.
- c) Please explain why a feasible isolated microgrid for a given project location is required for Type 1 (eliminate asset replacement need) non-wires solutions to pass CNPI's initial screening process.

## **2-Staff-45**

### **Ridgeway Area System Improvement Project Non-Wires Solution Benefit-Cost Analysis Methodology**

**Ref 1: Exhibit 2 / Appendix J-B / Benefit-Cost Analysis MS Excel Spreadsheet**

**Ref 2: Benefit-Cost Analysis Framework for Addressing Electricity System Needs, May 16, 2024**

#### **Preamble:**

CNPI calculated its DST Ratios by dividing the calculated benefits of a given solution option by the calculated costs of the same solution option. However, the OEB's Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework) requires DST Ratios to be calculated as the quantified stream of benefits, including but not limited to Distribution Capacity (Deferral or Avoidance Benefit) divided by the quantified stream of costs, including but not limited to non-wires solution acquisition and OM&A costs. The BCA Framework outlines two approaches to calculating Distribution Capacity (Deferral or Avoidance Benefit): Cost of Service and Marginal Capacity Value.

Throughout the filed benefit-cost analysis, CNPI indicates that it calculated the net present value of the revenue requirement over both 15 and 16 years.

#### **Question(s):**

- a) Please update the filed benefit-cost analysis to comply with the requirements of the OEB's BCA Framework.
- b) Please confirm the hypothetical duration, in years, that the traditional capital solution could be deferred or if it could be avoided entirely, if the assessed non-wires solution was deployed.
- c) Please confirm whether the net present value of the revenue requirement was calculated over 15 or 16 years.

## **2-Staff-46**

### **Ridgeway Area System Improvement Project Non-Wires Solution Benefit-Cost Analysis**

**Ref 1: Exhibit 2 / Attachment J-A / pp. 1163-1174**

**Ref 2: Exhibit 2 / Attachment E / pp. 597-614**

**Preamble:**

CNPI considered multiple options to meet the system needs associated with the Ridgeway Area System Improvement Project, one of which was a non-wires solution (i.e., battery electric storage system with supporting wire investments). CNPI referred to the non-wires solution option as Alternative C and Enhanced Alternative C. CNPI referred to the traditional capital options as Alternative A and Alternative B. CNPI indicated that Alternative A is the preferred solution, as it provides better accommodation for long-term capacity needs and better reliability improvement.

CNPI completed a benefit-cost analysis to evaluate the economic feasibility of the non-wires solution option. CNPI's benefit-cost analysis assessed (i) Alternative B against Alternative A and (ii) Enhanced Alternative C against Alternative A. The project cost estimates for the options considered by CNPI were provided in Ref. 2.

CNPI supplemented its benefit-cost analysis with a qualitative assessment of six other benefit-cost analysis considerations and non-quantified benefits. The qualitative assessment included discussion of demand response, energy management, and distributed system operator models, amongst other topics, whereas the non-wires solution assessed was limited to a battery electric storage system.

**Question(s):**

- a) Please identify whether the Ridgeway Area System Improvement Project is a discretionary or non-discretionary investment.
- b) Please provide/discuss the basis, supporting information, and/or methodology used to derive the project cost estimates for the benefit-cost analysis options considered, as noted in Ref. 2. Please file any materials that are not publicly available.
- c) Please provide/discuss the basis, and/or supporting information for why an OM&A to capital expense ratio of 0.5% was applied.
- d) Were non-wires solutions other than the assessed battery electric storage system considered for the Ridgeway Area System Improvement Project? If so, please list the other non-wires solutions considered and explain why they were not selected for further assessment. If not, please explain why the battery electric storage system was the sole non-wires solution considered.
- e) Please explain how each of the six other benefit-cost analysis considerations and non-quantified benefits are relevant to the battery electric storage system that was assessed for the Ridgeway Area System Improvement Project.

## **2-Staff-47**

### **Integration of System Modernization and Existing DER Capacity**

**Ref 1: Exhibit 2 / Section 2.5.5 / p. 52**

**Ref 2: Exhibit 1 / Section 2.3 / pp. 96-97**

**Ref 3: Exhibit 2 / Section 5.2.1 / pp. 68-69**

#### **Preamble:**

In Ref. 1, CNPI indicated that there are no technically and economically viable opportunities to deploy non-wires solutions (including DERs) to address system needs during the coming rate term.

In Ref. 2, CNPI described its strategic initiatives for the 2027-2031 period. One of the six initiatives is titled “Leverage Modern Technology to Improve System Management and Visibility”. CNPI states that technologies included in this initiative “may also enable further future use cases, such as expanded ability to monitor and control distributed energy resources (DERs), and potentially operate as a Distribution System Operator (DSO)”. CNPI also noted in Ref. 1 that one of the proposed investments is “the modernization of its existing Control Room in Fort Erie, with investments in facilities, software, and hardware that will support [the digitization of] switching and dispatching functions”. CNPI noted that one of the incremental benefits of this investment is improved visibility and ability to control DERs.

In Ref. 3, CNPI referenced a grid modernization strategy. When discussing its expected benefits, CNPI stated that it will “establish a scalable platform to support anticipated future requirements related to increased DER penetration, electrification, system hardening, and evolving regulatory expectations for system resilience and customer value”.

#### **Question(s):**

- a) Does CNPI consider distributed energy resources and non-wires solutions to be interchangeable distribution system investment options? As part of the response, please identify what CNPI considers to be a distributed energy resource versus a non-wires solution.
- b) Were the benefits of these proposed investments considered when assessing the technical and economic feasibility of non-wires solutions as part of distribution system planning for the current rate term?
- c) Are these proposed investments expected to facilitate and/or enhance the opportunities for future deployment of NWS (including DERs) to address system needs? If so, please provide specific examples of investments identified in the distribution system plan which could be prudently replaced with deployment of an NWS, should the Leverage Modern Technology to Improve System Management

and Visibility project proceed. Please include a description of the NWS likely to be deployed to replace each such identified distribution system plan investment.

- d) If (1) the Leverage Modern Technology to Improve System Management and Visibility project proceeds and (2) CNPI identifies any distribution system plan investments which could be replaced with deployment of an NWS, does CNPI expect to submit a stand-alone NWS application to seek rate funding for such an NWS investment(s) during the rate term?
- e) Please explain, and quantify where possible, the expected investment return for each component within the proposed Leverage Modern Technology to Improve System Management and Visibility project, beyond any value identified in part (c) above.

### **Exhibit 3 – Operating Revenue**

#### **3-Staff-48**

##### **Treatment of Electricity Demand Side Management in the Load Forecast**

**Ref 1: Exhibit 3, Section 3.1.5, pp. 24-25**

**Ref 2: Exhibit 1, Section 1.6.3, pp. 50-51**

##### **Preamble:**

In Ref 1, CNPI noted that the effects of persisting energy savings from historical conservation efforts are embedded in its load forecast and that it is not aware of any specific CDM programs in its territory that are expected to have material energy savings. As a result, CNPI stated that no further CDM-related adjustments to the 2027 Test Year forecast are required.

In Ref 2, CNPI stated that it has begun involvement in Stream 1 distributor eDSM activities and that an accepted plan is in place to support the IESO's eDSM activities through targeted local marketing coordination.

##### **Question(s):**

- a) Please comment on the magnitude of energy and capacity savings that CNPI expects to observe in its service territory arising from Stream 1 eDSM programs.
- b) Should savings arising from Stream 1 eDSM differ materially from the historical CDM assumptions embedded in CNPI's load forecast over the rate term, please outline the measures that CNPI may put in place to ensure that electricity distribution rates remain fair and affordable.

#### **3-Staff-49**

##### **Load Forecast Model Updates**

## **Ref. 1: Exhibit 3, Attachment 3-A, Load Forecast Model**

### **Question(s):**

- a) Please provide an updated Load Forecast Model in working Microsoft Excel format reflecting any corrections or updates arising from interrogatory responses.
- b) Please identify and explain all changes made to the Load Forecast Model from the version filed with the application.
- c) Please confirm that any updated load forecast continues to reconcile to the RRWF, cost allocation model and rate design model. If not, please provide updated models.

## **3-Staff-50**

### **Weather Station Selection**

**Ref. 1: Exhibit 3, Section 3.1, Load Forecast Methodology and Details, pp. 8-9**

**Ref. 2: Exhibit 3, Table 3-4, HDD and CDD for Regression Analysis, p. 12**

### **Preamble:**

CNPI used daily weather observations from the Port Colborne weather station to calculate heating degree days and cooling degree days, stating that the station offered a complete 10 years of historical data.

CNPI's service territory includes Fort Erie, Port Colborne and Gananoque, which are geographically distinct service areas.

### **Question(s):**

- a) Please explain why the Port Colborne weather station is representative of weather-sensitive load for CNPI's full service territory, including Fort Erie and Gananoque.
- b) Please explain whether CNPI tested if Gananoque weather differs materially from Port Colborne and Fort Erie weather for the purposes of load forecasting.

## **Exhibit 4 – Operations, Maintenance, and Administration**

## **4-Staff-51**

### **Bridge Year OM&A Reduction Followed by Test Year Increase**

**Ref. 1: Ref. 1: Exhibit 4, Tables 4-2 and 4-3, pp. 7-8**

**Ref. 2: Ref. 2: Exhibit 4, Section 4.1.2, OM&A Cost Drivers, pp. 15-16**

### **Preamble:**

CNPI's recoverable OM&A is forecast to decrease from approximately \$11.712 million (2025 Actual) to \$11.450 million (2026 Bridge Year) before increasing by approximately \$933,000 (8.1%) to \$12.383 million in the 2027 Test Year.

The principal year-over-year increase is in administrative expenses, which rise from approximately \$6.812 million to \$7.331 million.

**Question(s):**

- a) Please explain why the activities giving rise to the increase are not required, or are required at a lower level, in 2026.
- b) For each amount that does not commence on January 1, 2027, explain why a full-year amount has been included in the Test Year.

**4-Staff-52**

**Bad-Debt forecast Methodology**

**Ref. 1: Exhibit 4, Section 4.2.2.1, Bad Debt Expense, pp. 11-13**

**Ref. 2: Exhibit 4, Table 4-3, OM&A Variance Drivers, p. 12**

**Ref. 3: Exhibit 4, Appendix 2-JB, OM&A Cost Driver Table, pp. 73-74**

**Ref. 4: Exhibit 3, Revenue Forecast and Billing Determinants, pp. 8-24**

**Preamble:**

Bad-debt expense decreased by \$31,000 in 2024, increased by \$190,000 in 2025, is forecast to decrease by \$185,000 in 2026, and then increase by \$30,000 in 2027. CNPI attributes the Test Year level generally to macroeconomic pressures and the local economy.

**Question(s):**

- a) Provide, for each year from 2022 Actual to 2027 Test:
  - i. Bad-debt expense
  - ii. Residential and all other rate classes' billed revenue
  - iii. Bad-debt expense as a percentage of billed revenue
  - iv. Customer accounts written off
  - v. Recoveries of amounts previously written off
  - vi. The number and dollar value of accounts referred to the third-party collection agency
- b) Please identify the specific assumptions that produce the \$185,000 reduction in 2026 and subsequent \$30,000 increase in 2027.
- c) Calculate the 2027 bad-debt expense using each of the following alternatives
  - i. the 2022–2025 average bad-debt-to-revenue ratio
  - ii. the 2024–2025 average ratio



- iii. the 2025 ratio

#### **4-Staff-53**

##### **Meter Technician Savings and Potential Duplication**

**Ref. 1: Exhibit 4, Section 4.2.2.3, Third Party Disconnection, p. 18**

**Ref. 2: Exhibit 4, Section 4.2.2.4, Meter Maintenance Costs (Excluding Internal Labour), p. 18**

**Ref. 3: Exhibit 4, Section 4.3.2.8, Meters Maintenance, p. 33**

**Ref. 4: Exhibit 4, Section 4.4.2, Variance Analysis – FTEs (Meter Technician), p. 55**

##### **Preamble:**

CNPI states that the new Meter Technician will perform disconnects currently undertaken by a third party and will address increased maintenance associated with aging meters. Third-party disconnection expense is forecast to decrease by \$28,000 in 2026 and a further \$40,000 in 2027. At the same time, meter-maintenance costs remain elevated because older meters require inspection, resealing, repair and recalibration.

##### **Question(s):**

- a) Please provide the proposed Meter Technician's total 2027 percentage of hours assigned to:
  - i. disconnections and reconnections
  - ii. meter inspection, testing and maintenance
  - iii. meter replacement capital projects
  - iv. wholesale metering support
  - v. all other activities.
- b) Please provide the number of third-party disconnections and reconnections in each year from 2022 to 2025 and forecast for 2026 and 2027, together with the average third-party cost per completed order.
- c) Please quantify the 2027 avoided third-party costs attributable to the position and compare those savings with the OM&A portion of the position's compensation.
- d) Please confirm whether any portion of the Meter Technician's compensation is included in both the Appendix 2-K OM&A impact and the \$157,000 increase in the Meters Maintenance program.
- e) Please explain how CNPI determined that hiring a permanent employee is more cost-effective than continuing to outsource disconnects and employing temporary or contracted resources for the aging-meter workload.

#### **4-Staff-54**

##### **Aging Smart-Meter Maintenance Versus Replacement Plan**

**Ref. 1: Exhibit 4, Section 4.2.2.4, Meter Maintenance Costs (Excluding Internal Labour), p. 18**

**Ref. 2: Exhibit 4, Section 4.3.2.8, Meters Maintenance, p. 33**

**Ref. 3: Exhibit 4, Section 4.4.2, Variance Analysis – FTEs (Meter Technician), p. 55**

**Preamble:**

CNPI states that some smart meters have reached or exceeded their estimated 15-year service life and that gradual replacement will result in higher maintenance costs for meters that are not replaced immediately.

**Question(s):**

- a) Please provide the number of meters, by meter type and installation year, that will exceed 15 years of service at the end of each year from 2025 through 2031.
- b) For 2022-2025, please provide the annual number and cost of:
  - i. battery replacements
  - ii. resealing activities
  - iii. compliance tests and recalibrations
  - iv. communication failures
  - v. meter repairs
  - vi. failed meters replaced outside the planned capital replacement program.
- c) Please provide the corresponding quantities and unit-cost assumptions underlying the 2026 Bridge and 2027 Test forecasts.
- d) Please identify the number of meters proposed to be maintained in 2027 that are scheduled for capital replacement in 2027 or 2028.
- e) Please explain what controls CNPI will use to avoid incurring material maintenance expense shortly before replacing the same meter.

**4-Staff-55**

**Cybersecurity Internal Labour Estimate and Capital to OM&A Shift**

**Ref. 1: Exhibit 4, Section 4.2.2.5, Cybersecurity, pp. 18-19**

**Ref. 2: Exhibit 4, Section 4.3.2.18, Cybersecurity, p. 42**

**Ref. 3: Exhibit 4, Section 4.2.2.7, Third Party Software Subscription and ET Based Consultant Fees, p. 20**

**Ref. 4: Exhibit 4, Section 4.3.2.14, Salaries, Wages and Benefits and Other General and Administrative Services, pp. 38-39**

**Preamble:**

CNPI has estimated that cybersecurity-related OM&A labour increases from approximately 0.5 FTE in the 2022 OEB-Approved to 2.0 FTE in the 2027 Test, partly because effort will shift from capital deployment to ongoing monitoring as cybersecurity

projects mature. Cybersecurity expense increases by \$184,000 relative to 2022 OEB-Approved.

**Question(s):**

- a) Please identify the 2.0 cybersecurity FTEs and provide, for each:
  - i. department and position title
  - ii. cybersecurity OM&A FTE allocation
  - iii. cybersecurity capital FTE allocation
  - iv. reasoning used to estimate the allocation
- b) Please provide actual time-recording or labour-allocation results for cybersecurity work in 2023, 2024 and 2025.
- c) Please identify the capital cybersecurity projects whose completion caused labour to shift to OM&A, including each project's in-service date and the annual number of labour hours shifting from capital to OM&A.
- d) Please quantify how much of the \$184,000 increase represents:
  - i. additional total work
  - ii. reclassification from capital to OM&A
  - iii. MSSP costs
  - iv. CRMP implementation or monitoring
  - v. awareness training
  - vi. other third-party costs.

**4-Staff-56**

**Overhead-Line OM&A Increase and Declining Capital Work**

**Ref. 1: Exhibit 4, Section 4.3.2.9, Overhead Lines and Feeders, pp. 33-34**

**Ref. 2: Exhibit 4, Section 4.2.3, Capitalization of Labour, pp. 27-28**

**Ref. 3: Exhibit 4, Table 4-7, Capitalized Labour and Burden (Appendix 2-D), p. 28**

**Ref. 4: Exhibit 4, Section 4.4.2, Variance Analysis – FTEs, pp. 50-55**

**Preamble:**

CNPI attributes part of the \$284,000 increase in Overhead Lines and Feeders relative to 2022 OEB-Approved to internal labour being redirected to OM&A as major capital projects, including the delta-to-wye conversion, wind down.

**Question(s):**

- a) Please identify the capital projects whose declining labour requirements account for the redirection and quantify the labour hours released by each project.
- b) Please identify the specific incremental maintenance activities to which the released labour will be assigned, including the planned quantities of inspections,

patrols, component replacements, corrective-maintenance orders or other measurable outputs.

- c) Please provide the 2022 through 2027 labour-capitalization rate for line staff and quantify the revenue-requirement impact of the proposed change in capitalization.
- d) Please explain whether the redirected labour represents a temporary condition caused by the timing of CNPI's capital program or an enduring increase in maintenance requirements.

#### **4-Staff-57**

##### **Vegetation-Management Cost and Reliability Benefits**

**Ref. 1: Exhibit 4, Section 4.3.2.11, Right of Way Maintenance Program, pp. 34-35**

**Ref. 2: Exhibit 2, Attachment 2-A, Distribution System Plan, Section 5.2.3.2, Distributor Specific Reliability Targets, pp. 96-99**

**Ref. 3: Exhibit 2, Attachment 2-A, DSP Attachment C, Reliability Report, pp. 390-391**

##### **Preamble:**

CNPI states that the Right-of-Way Maintenance program increased by \$134,000 relative to 2022 OEB-Approved because of contractor pricing, enhanced service quality, a more aggressive vegetation-management approach and additional danger-tree costs. CNPI also states that the approach has reduced after-hours callouts and improved outage statistics.

##### **Question(s):**

- a) Please provide, for 2022 through 2027:
  - i. kilometres of line trimmed
  - ii. number of spans or circuits completed
  - iii. number of danger trees removed
  - iv. contractor cost per kilometre, span or crew-day
  - v. separate danger-tree costs
  - vi. the planned trimming cycle.
- b) Please identify the date of the contractor change and compare the former and current contract pricing and scope on a like-for-like basis.
- c) Please provide the quantitative evidence supporting CNPI's statement that the enhanced program reduced after-hours callouts, including vegetation-related callouts, overtime hours and costs before and after the change.
- d) Please provide vegetation-caused SAIFI, SAIDI and outage-event results for 2019 through 2025.

- e) Please quantify the annual OM&A or outage-restoration savings CNPI attributes to the additional vegetation spending and explain whether those savings have been reflected elsewhere in the 2027 forecast.

#### **4-Staff-58**

##### **External Administrative Services Increase**

**Ref. 1: Exhibit 4, Section 4.3.2.15, Other External Administrative Services, pp. 39-40**

**Ref. 2: Exhibit 4, Section 4.2.2.7, Third Party Software Subscription and ET Based Consultant Fees, p. 20**

**Ref. 3: Exhibit 4, Section 4.2.2.8, Regulatory Expenses, pp. 20-22**

**Ref. 4: Exhibit 4, Section 4.2.2.10, Training and Travel Costs, pp. 22-24**

**Ref. 5: Exhibit 4, Section 4.5.1, Shared Services and Corporate Cost Allocation, pp. 61-75**

##### **Preamble:**

Other External Administrative Services increase by approximately \$214,000 relative to 2022 OEB-Approved and \$208,000 relative to 2025 Actual. CNPI identifies a broad range of possible causes, including ERP consultants, legal costs, actuaries, auditors, employee-benefit administration, Fortis corporate services, training, employee engagement, DEI initiatives, recruitment, reporting and risk management.

##### **Question(s):**

- a) Please break down OEB Account 5630 into the individual services and vendors underlying the 2025 Actual, 2026 Bridge and 2027 Test amounts.
- b) Identify the amount included for employee engagement, DEI, leadership or other discretionary training initiatives and explain the direct benefit to distribution customers.
- c) Identify any ERP, legal, consulting or recruitment costs associated with one-time implementations, vacancies or the preparation of this rate application and explain why those costs should remain in ongoing base OM&A.
- d) Confirm that no costs included in Account 5630 are also recovered through the regulatory-cost amortization, shared-services allocations or the Training and Travel cost driver.

#### **4-Staff-59**

##### **Regulatory Application Cost Forecast**

**Ref. 1: Exhibit 4, Section 4.2.2.8, Regulatory Expenses, pp. 20-22**

**Ref. 2: Exhibit 4, Section 4.3.2.19, Regulatory & Compliance, pp. 42-43**

**Ref. 3: Exhibit 4, Section 4.7, Regulatory One-Time Costs, pp. 81-82**

**Preamble:**

CNPI forecasts total 2027 cost-of-service application costs of \$500,000, compared with approximately \$201,000 for its previous application, and proposes to recover one-fifth of the forecast amount annually. CNPI attributes approximately \$60,000 of the annual difference to additional application scope.

**Question(s):**

- a) Please provide a breakdown of the \$500,000 forecast application cost by major cost category, including legal costs, regulatory/rate consultants, DSP or technical support consultants, intervenor cost awards, OEB fees, and other costs.
- b) To the extent available, please further identify the portion of the forecast related to load-profile analysis, standby-rate design, DSP project management or document compilation, VASH-related work, and non-wires alternatives analysis. If these amounts are not separately available, please provide CNPI's best estimate and explain the basis for the estimate.
- c) For each cost category identified in parts (a) and (b), please indicate whether the amount is supported by an executed engagement, vendor quotation, prior invoice, historical experience, or management estimate.
- d) Please identify any portion of the forecast that CNPI expects will provide benefits beyond the current rate application and explain why those amounts should be treated as one-time regulatory application costs recoverable over the rate-setting term.
- e) Please explain why forecast costs, rather than actual incurred costs, should form the basis of recovery, and whether CNPI considered a variance account capped at the approved forecast amount. If not, why not?

**4-Staff-60**

**OEB Cost-Assessment Escalation Assumption**

**Ref. 1: Exhibit 4, Section 4.2.2.8, Regulatory Expenses, pp. 20-22**

**Ref. 2: Exhibit 4, Section 4.3.2.19, Regulatory & Compliance, pp. 42-43**

**Ref. 3: Exhibit 4, Section 4.7, Regulatory One-Time Costs, pp. 81-82**

**Ref. 4: Exhibit 4, Table 4-18, One-Time Application Costs, p. 81**

**Ref. 5: Exhibit 4, Table 4-19, Regulatory Cost Schedule (Appendix 2-M), p. 82**

**Preamble:**

CNPI states that its 2025 and 2026 OEB cost assessments are expected to be in the range of \$220,000 to \$245,000, and applies a further 17% increase for 2027, based partly on recent year-over-year growth.

**Question(s):**

- a) Please state the exact 2026 base amount to which the 17% increase was applied and the resulting 2027 forecast.
- b) Provide CNPI's actual OEB cost assessments for 2020 through 2025, with the annual percentage change.
- c) Identify the OEB budget, invoice data or allocation-factor change that supports a further 17% increase in 2027.

**4-Staff-61**

**Shared-Service Staffing Growth and Allocation to CNPI**

**Ref. 1: Exhibit 4, Section 4.3.2.14, Salaries, Wages and Benefits and Other General and Administrative Services, pp. 35-39**

**Ref. 2: Exhibit 4, Section 4.4.2, Employee Costs Variance Analysis, pp. 46-55**

**Ref. 3: Exhibit 4, Section 4.5.1, Shared Services and Corporate Cost Allocation, pp. 61-75**

**Ref. 4: Exhibit 4, Table 4-15, Shared Services and Corporate Cost Allocation (Appendix 2-N), pp. 65-70**

**Ref. 5: Exhibit 4, Table 4-16, Shared Services and Corporate Cost Allocation – Variances, pp. 72-73**

**Preamble:**

CNPI states that the FTE allocation of shared-service staff to CNPI Distribution increases from approximately 18 FTEs in 2022 Board Approved to approximately 21 FTEs in 2027 Test, including increases in Enterprise Technology, Human Resources, Regulatory and Finance.

The corresponding Salaries, Wages, Benefits and Other G&A Services program increased by approximately \$600,000 from 2022-2027.

**Question(s):**

- a) Please identify each shared-service position added since 2022 Board Approved and provide:
  - i. title and department
  - ii. hire date
  - iii. the business need
  - iv. CNPI Distribution's allocated percentage
  - v. the allocation methodology and allocator.
- b) Please provide the total compensation associated with all shared-service FTEs from (a).

- c) For each position, identify which FortisOntario entities receive service and the percentage allocated to each entity.
- d) Please explain why CNPI requires additional resources in these areas.
- e) Identify the measurable workload increase supporting each additional shared-service position, such as employee count, invoices processed, systems supported, regulatory filings, cybersecurity alerts or recruitment activity.
- f) Quantify any offsetting efficiency, avoided consultant cost or affiliate recovery arising from the additional shared-service positions.
- g) Please explain why CNPI's customers should bear an increase in shared-service FTEs when the stated purpose of the shared-service model is to obtain economies of scale and avoid duplication.

#### **4-Staff-62**

##### **Training, Travel, Engagement and DEI Spending**

**Ref. 1: Exhibit 4, Section 4.2.2.10, Training and Travel Costs, pp. 22-24**

**Ref. 2: Exhibit 4, Section 4.3.2.15, Other External Administrative Services, pp. 39-40**

**Ref. 3: Exhibit 4, Section 4.4.1, Employee Compensation, Incentive Plan Expenses and Other Benefits, pp. 43-46**

**Ref. 4: Exhibit 4, Section 4.6.1, Non-Affiliate Services, pp. 75-80**

##### **Preamble:**

Training and travel costs increase by approximately \$123,000 relative to 2022 OEB-Approved, with CNPI referring to employee training, engagement, DEI programs and collaboration.

##### **Question(s):**

- a) Please provide additional information on organizational changes (i.e., people, culture, strategy) which arose 2022-2027 as a result of the indicated \$123,000 increase.
- b) Identify all travel or training costs resulting from CNPI's shared-service structure, including travel between Fort Erie, Gananoque and other FortisOntario locations.
- c) Explain whether videoconferencing, local delivery, internal instruction or combining sessions among affiliates was considered, and quantify the savings available from those alternatives.
- d) Provide the 2027 Test Year amount after excluding employee-engagement, DEI, conference and discretionary leadership-development expenditures not required by legislation, licence conditions, safety standards or employee certification.

#### **4-Staff-63**



## Revenue Requirement

**Ref 1: Exhibit 4, section 4.4.3, Pension Expense and OPEB Expense**

**Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022**

**Ref 3: Exhibit 4, Attachment 4-E, Review of Legacy 1508 Sub-accounts For Pension and OPEB**

**Ref 4: CNPI Pension DVA Application, EB-2013-0369, October 21, 2013, Manager's Summary, pg. 5**

### Preamble:

In reference 1, CNPI provided information supporting its historical (2022-2024), bridge (2025), and test year (2027) amounts for pension and OPEBs. CNPI stated that Mercers provided updated estimates for the 2026 and 2027 pension expense amounts based on current known market information as of December 31, 2025, in early 2026. CNPI also stated that Mercer provided updated estimates of the 2027 OPEB amounts based on the current known market information as of May 31, 2025, in July 2025.

In reference 2, CNPI provided the pension valuation report which was prepared by Mercer as of December 31, 2022. The report shows the next valuation date is December 31, 2025.

In reference 3, CNPI stated that Section 3461 results in a more stable and predictable pattern of pension and OPEB cost recovery compared to Section 3462.

In reference 4, CNPI stated that Section 3462 is effective for fiscal years beginning on or after January 1, 2014, replacing Section 3461.

OEB staff has compiled the following information for each component of pension and OPEB amounts per reference 1. Some cells are blank because no amounts were included in the pre-filed evidence.

| Plan                                         | Total Cost | Amounts Included in 2027 Test Year OM&A | Amounts Allocated to Related Parties through Shared Service | Amounts Included in 2027 Test Year capital | Amounts Included in 2027 Test Year Rates (revenue requirement) |
|----------------------------------------------|------------|-----------------------------------------|-------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------|
| Employees' Retirement Plan (Defined Benefit) | (11,448)   | (5,349)                                 | (2,603)                                                     | (3,496)                                    | (8,845)                                                        |
| Supplementary Retirement Plan                | 496,752    | 231,983                                 |                                                             |                                            |                                                                |

|                        |         |         |        |         |  |
|------------------------|---------|---------|--------|---------|--|
| (Defined Contribution) |         |         |        |         |  |
| OMERS-existing         | 104,352 | 48,732  |        |         |  |
| OMERS-expansion        | 321,000 | 151,000 |        | 99,510  |  |
| OPEBs                  | 359,800 | 168,115 | 81,814 | 109,872 |  |
| Total                  |         |         |        |         |  |

**Question(s):**

- a) Please confirm that all the information noted in reference 1 & 2 was calculated by Mercer under ASPE Section 3461 and not ASPE Section 3462. If this is not the case, please explain.
- b) Please clarify why the updated 2026 and 2027 pension estimates were based on the data as of December 31, 2025, whereas the updated 2027 OPEB estimates was based on the data as of May 31, 2025.
- c) For the Table OEB staff compiled above,
  - i. Please fill in this Table to provide an accurate and complete summary of the 2027 test year revenue requirement for CNPI's estimated pension and OPEB costs.
  - ii. Please fill in **all the blank cells** in the Table above after addressing all the interrogatories related to pension and OPEB in Exhibit 4 below.
  - iii. Please confirm that no components of the column "Amounts Allocated to Related Parties through Shared Services" in the Table above are incorporated into the 2027 test year revenue requirement. If this is not the case, please explain.

**4-Staff-64**

**Legacy 1508 Sub-accounts**

**Ref 1: Exhibit 4, section 4.4.3, Review of The Legacy 1508 Sub-accounts, p. 58-59, 177**

**Ref 2: Exhibit 4, Attachment 4-E, Review of Legacy 1508 Sub-accounts For Pension and OPEB**

**Ref 3: Decision and Order, EB-2021-0011, December 16, 2021, Schedule B, Attachment E**

**Ref 4: Decision and Order, EB-2013-0368/369, December 12, 2013**

**Ref 5: Accounting Order, EB-2013-0368/369, January 9, 2014**

**Ref 6: CNPI\_2027\_DVA\_Continuity Schedule CoS\_1.0\_20260519, Tab 2b**

**Ref 7: [International Accounting Standard 19 \(IAS 19\) Employee Benefits](#), Components of defined benefit cost, Item 120-130**

**Ref 8: Exhibit 9, section 9.2.2, p. 13**

**Preamble:**

In reference 1, 2 and 8, CNPI provided the overview of the review it conducted for the legacy 1508 sub-accounts based on the requests listed in reference 3. It concluded that the balances recorded in the legacy pension and OPEB sub-accounts accurately reflect the underlying accounting entries over the period from 2014 to 2025 and Section 3461 results in a more stable and predictable pattern of pension and OPEB cost recovery compared to Section 3462. CNPI proposes that the balances will remain recorded in the respective sub-accounts and continue to be carried forward pending a future proceeding in which disposition may be requested, for example due to conclusion of the applicable obligations, or other material changes in circumstances. It also proposes to defer the development and application of an allocation methodology for the legacy pension and OPEB sub-accounts to a future proceeding in which disposition of these balances may be sought.

In reference 5, effective January 1, 2013, four deferral and variance accounts were established per reference 4. These accounts bearing no carrying charges and the disposition is to occur in the future rebasing application subject to prudence review.

OEB staff notes the following balances in these four accounts per the DVA continuity schedule and per Table 1 and 2 in Attachment 4-E:

Table (A): Comparison of balances per DVA continuity schedule and balances per Attachment 4-E

| <b>Account</b>                                                                  | <b>Closing Principal Balance as of Dec 31, 2025 – DVA continuity</b> | <b>Cumulative balance as per Table 1 and Table 2 in Attachment 4-E</b> |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------|
| Account 1508 Other Regulatory Assets - Sub-Account - Pension Deferral           | \$3,790,682                                                          | (\$3,790,682)                                                          |
| Account 1508 Other Regulatory Assets - Sub-Account - Pension Expense Variance   | (\$5,535,067)                                                        | \$5,535,068                                                            |
| Other Regulatory Assets - Sub-Account - Other Post Employment Benefits Deferral | \$1,986,200                                                          | (\$1,986,200)                                                          |
| Other Regulatory Assets - Sub-Account - Other Post Employment Benefits Expense  | (\$2,308,215)                                                        | \$2,308,215                                                            |

In reference 4, the OEB approves the establishment of the “Transitional Changes in Post-Retirement Employee Benefits Liability Deferral Account” and the “Changes in P&OPEB Expense Included in 2013 Rates and Actual Costs Variance Account.”

In reference 7, under IFRS, an entity shall recognise the components of defined benefit cost including service cost, net interest and remeasurement.

**Question(s):**

- a) In reference 2, please explain why the historical cost recognition was from 2014 instead of from 2013 since the sub-accounts are effective January 1, 2013, per reference 4 & 5 which was ordered by the OEB.
- b) Please provide a reconciliation showing, for each year from 2014 to 2025, the variance between pension expense determined under Section 3461 and Section 3462 that has been recorded in Pension Expense Variance sub-account under Account 1508, identifying separately:
  - i. service cost differences
  - ii. financing/interest cost differences
  - iii. actuarial remeasurement gains and losses; and
  - iv. any other items contributing to the variance
- c) Please provide a reconciliation showing, for each year from 2014 to 2025, the variance between OPEB expense determined under Section 3461 and Section 3462 that has been recorded in OPEB variance sub-account under Account 1508, identifying separately:
  - i. service cost differences
  - ii. financing/interest cost differences
  - iii. actuarial remeasurement gains and losses; and
  - iv. any other items contributing to the variance
- d) Please explain the factors that resulted in approximately \$5.3 million actuarial remeasurement loss in 2022 for pension expense and \$2.16 million remeasurement loss in 2022 for OPEB expense and indicate whether similar impacts are expected in future years.
- e) Per Table (A), please explain why the amounts between DVA continuity schedule and balances per Attachment 4-E are exactly opposite (reversed sign of each amount). Please update the evidence using the correct signs.
- f) CNPI states that it intends to continue using Section 3461 for pension and OPEB costs for ratemaking purposes. Please explain why disposition of the four Pension and OPEB DVAs would be inappropriate at this time and identify the specific future event(s) that would trigger a request for disposition of the balances in these four accounts.
- g) If the OEB were to require pension costs to be determined using Section 3462 rather than Section 3461 for ratemaking, would CNPI seek disposition of the four DVAs at that time? Please explain.
- h) Please confirm that the Pension deferral account and OPEB deferral account will remain the same balances, given that they record one-time transition costs from section 3461 to section 3462. Please further explain the implication of these one-time transition costs on ratepayers.

- i) Please compare the pension costs and OPEB costs included in test year's revenue requirements under:
  - i. Section 3461;
  - ii. Section 3462; and
  - iii. an IFRS-type approach based on current service cost and interest cost excluding remeasurements of gains and losses.
- j) Please explain which approach results in the lowest rate impact to ratepayers
- k) OEB staff notes that CNPI proposes to defer the development and application of an allocation methodology within these accounts. OEB staff also notes it was part of the issues per reference 3 that CNPI need to address in this proceeding.
  - i. Please provide CNPI's views on developing this allocation methodology assuming these 1508 legacy sub-accounts will be disposed in this proceeding.

#### **4-Staff-65**

##### **Employees' Retirement Plan (Defined Benefit)**

**Ref 1: Exhibit 4, section 4.4.3, Table 4-11, p. 59**

**Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022, p. 145**

#### **Preamble:**

In reference 1, CNPI provided Table 4-11 and indicated "Amounts included in rates", "Funded status-deficit" and "Significant assumptions used".

OEB staff summarized the following observations:

- Amount included in rates (i.e. \$128,375) was the sum of 2022 Board Approved OM&A (i.e. \$75,892) and Capital (i.e. \$52,483) accrued in FS
- The actual sum of OM&A and Capital accrued in FS was lower than the amount included in rates (i.e. \$128,375) each year from 2022 to 2026 per the following Table (B) compiled by OEB staff:

| <b>Amounts accrued in F/S</b> | <b>2022 actual</b> | <b>2023 actual</b> | <b>2024 actual</b> | <b>2025 actual</b> | <b>2026 bridge</b> | <b>2027 test</b> |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| <b>OM&amp;A – a</b>           | (14,049)           | 74,733             | (48,278)           | (21,841)           | (18,693)           | (5,349)          |
| <b>Capital – b</b>            | (8,479)            | 43,095             | (29,414)           | (13,888)           | (11,839)           | (3,496)          |
| <b>Total c=(a+b)</b>          | (22,528)           | 117,828            | (77,692)           | (35,729)           | (30,532)           | (8,845)          |
| <b>Amounts in rates - d</b>   | 128,375            | 128,375            | 128,375            | 128,375            | 128,375            | (8,845)          |
| <b>Variance (d-c)</b>         | 150,903            | 10,547             | 206,067            | 164,104            | 158,907            | 0                |

In reference 1, OEB staff notes the beginning of year discount rate under "Significant assumptions used" shows 5.50% for 2027 while it is 4.80% in reference 2.

#### **Question(s):**

- a) Please confirm OEB staff's observations or update the table as applicable.
- b) Based on Table (B) or updated Table (B), please explain why 2022 OEB approved amount in rates was much higher compared to actual and forecasted amounts (i.e. 2022 actual, 2024 actual, 2025 actual and 2026 forecasts).
- c) Please reconcile and show how the amounts in updated Table 4 – 11 reconcile to any relevant pages of the pension valuation in reference 2.
  - i. Please explain the difference of discount rate assumption identified between reference 1 and reference 2.
  - ii. Please reconcile the line item "Funded status-surplus" in reference 1 to the pension valuation report provided in reference 2.

#### **4-Staff-66**

##### **Supplementary Retirement Plan (Defined Contribution)**

**Ref 1: Exhibit 4, section 4.4.3, Table 4-12, p. 59~60**

**Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022**

##### **Preamble:**

In reference 1, CNPI stated that this plan is available to employees who are not currently enrolled in the OMERS plan after completing six months of employment. CNPI also stated this plan is available to employees who are also members of Employees' Retirement Plan. For 2027, the defined contribution expense is \$496,752, of which 46.7% (\$231,983) was included in the OM&A for the 2027 test year.

##### **Question(s):**

- a) Please update Table 4-12 in reference 1 following the same structure of Table 4-11 (i.e. including all the rows, columns and items).
- b) Please explain why the 2027 test year amount is approximately 40% higher than the 2022 Board approved amount.
- c) Please explain the basis of the 2026 and 2027 bridge and test year amounts.
- d) Please describe how the 2027 test year amount of \$496,752 was determined and why it is reasonable.

#### **4-Staff-67**

##### **OPEB**

**Ref 1: Exhibit 4, section 4.4.3, Table 4-14, p. 60~61**

**Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022, p. 144**

##### **Preamble:**

In reference 1, CNPI stated that OPEBs are prepared by Mercer under section 3461 and the expense of \$168,115 was included in the OM&A for the 2027 test year.

CNPI provided Table 4-14 in reference 1 and indicated “Amounts included in rates”, “Funded status-deficit” and “Significant assumptions used”.

**Table 4 - 14: Post-Retirement Benefits Expense**

| OPEBs                                                                 | 2022 Actual    | 2022 Board Approved | 2023 Actual    | 2024 Actual    | 2025 Actual    | 2026 Bridge Year | 2027 Test Year |
|-----------------------------------------------------------------------|----------------|---------------------|----------------|----------------|----------------|------------------|----------------|
| Amounts included in rates                                             |                |                     |                |                |                |                  |                |
| OM&A                                                                  | \$ 174,966     | \$ 230,511          | \$ 195,977     | \$ 189,565     | \$ 170,449     | \$ 172,027       | \$ 168,115     |
| Allocated out to related parties through shared service agreements    | \$ 70,240      | \$ 92,678           | \$ 76,614      | \$ 81,840      | \$ 74,563      | \$ 77,128        | \$ 81,814      |
| Capital                                                               | \$ 105,594     | \$ 159,411          | \$ 113,009     | \$ 115,495     | \$ 108,388     | \$ 108,946       | \$ 109,872     |
| Total                                                                 | \$ 350,800     | \$ 482,600          | \$ 385,600     | \$ 386,900     | \$ 353,400     | \$ 358,100       | \$ 359,800     |
| Paid contribution / benefit amounts (cash)                            | \$ 286,600     | \$ 312,000          | \$ 345,300     | \$ 312,700     | \$ 299,800     | \$ 349,600       | \$ 348,200     |
| Net excess amount included in rates relative to amounts actually paid | \$ 103,322     | \$ 77,922           | \$ 44,422      | \$ 77,222      | \$ 90,122      | \$ 40,322        | \$ (70,214)    |
| Funded status-deficit                                                 | \$ (6,420,600) | \$ (7,694,000)      | \$ (7,141,700) | \$ (6,337,500) | \$ (6,112,000) | \$ (6,234,000)   | \$ (6,359,000) |
| Significant assumptions used:                                         |                |                     |                |                |                |                  |                |
| Discount rate - beginning of year                                     | 3.20%          | 4.55%               | 5.30%          | 4.60%          | 4.70%          | 5.00%            | 4.80%          |
| Discount rate - end of year                                           | 5.30%          | 4.55%               | 4.60%          | 4.70%          | 5.00%          | 4.80%            | 4.80%          |

OEB staff notes the total amount listed under “Amounts included in rates” in Table 4-14 is different each year from 2022 to 2026. The end of year discount rate under “Significant assumptions used” shows 4.80% for 2026 and 2027 while it is 5.00% for these two years in reference 2.

#### Question(s):

- In reference 1, please explain why the amount showing in total is different for each year if this amount was embedded in rates and should be the same.
- Please update Table 4-14 in reference 1 following the same structure of Table 4-11 (i.e. including all the rows, columns and items)
- Please explain how CNPI determined \$168,115 be included in 2027 OM&A.
- Was any capital portion amount included in 2027 test year? Please explain and update Table 4-14 accordingly
- Please reconcile and show how the amounts in updated Table 4–14 reconcile to any relevant pages of the pension valuation in reference 2
  - Please explain the difference of discount rate assumption identified between reference 1 and reference 2.
  - Please explain how Funded status-deficit used in reference 1 can reconcile to the pension valuation report provided in reference 2.

#### 4-Staff-68

##### OMERS

Ref 1: Exhibit 4, section 4.4.3, Table 4-13, p. 60

Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022

#### Preamble:

In reference 1, CNPI stated the “existing” OMERS expense is \$104,352, of which 46.7% (\$48,732) was included in the OM&A for the 2027 test year. These amounts are exclusive of the incremental costs for expanded OMERS eligibility.

**Question(s):**

- a) Please update Table 4-13 in reference 1 following the same structure of Table 4-11 (i.e. including all the rows, columns and items)
- b) Based on Table 4-13 in reference 1, OEB staff notes the 2022 actual amount (i.e. \$129,698) was approximately 30% lower than 2022 Board Approved amount (i.e. \$181,704):
  - i. Please explain how CNPI determined 46.7% (\$48,732) of the total existing OMERS expense and allocated it into 2027 OM&A.

**4-Staff-71**

**OMERS expansion**

**Ref 1: Exhibit 4, section 4.4.3, Expansion of OMERS Eligibility, p. 57-58**

**Preamble:**

In reference 1, CNPI is proposing the expansion of OMERS eligibility, and it assessed that not providing OMERS has introduced a significant threat to employee retention and stated that attracting employees with industry experience without offering OMERS is also a challenge because the exclusion of OMERS from the compensation package has resulted in applicants declining employment contract offers or withdrawing from the hiring process at the onset.

CNPI stated that the total incremental costs of this expansion is estimated to be \$321,000 including the total forecasted capital and OM&A impact to be approximately \$99,510 and \$151,000 respectively.

OEB staff notes the rest portion of \$321,000 is \$70,490.

Based on the preliminary assessment, CNPI determined that the rate impacts associated with the changes of expanding OMERS eligibility is not expected to be significant as any additional costs are expected to be offset productivity and cost reductions.

**Question(s):**

- a) Please provide a Table following the same structure of Table 4-11 (i.e. including all the rows, columns and items) to show OMERS expansion portion breakdown.
- b) Please provide the support that underpins the amounts being sought.



- i. Please explain how the estimated total incremental expansion cost of \$321,000 was derived and how was the total amount was allocated to OM&A impact (i.e.\$151,000) and capital impact (i.e. \$99,510).
  - ii. Please quantify the total revenue requirement impact of the OMERS expansion.
  - iii. Please explain what is included in the amount \$70,490 from the total incremental costs.
  - iv. Please clarify whether the net savings from productivity increase has been factored in the incremental expansion cost. If not, why not.
- c) CNPI states that existing employees would have the choice to join OMERS and all future hires in the designated classes would automatically become OMERS members effective January 1, 2027.
  - i. Please confirm whether the existing employees mentioned above includes all the employees who are working for CNPI, including those who are now enrolled in “Employee Retirement Plan” and “Supplementary Retirement Plan”.
    - 1) If yes, please quantify the impact of OM&A and Capital respectively if an employee switches from either “Employee Retirement Plan” or “Supplementary Retirement Plan” to OMERS. (please show the calculation)
    - 2) If no, please specify what “existing employees” means.
  - ii. Regarding the designated classes, please provide details of these classes.

## **Exhibit 5 – Cost of Capital**

### **5-Staff-69**

#### **Affiliated Debt Requirement and Historical Experience**

**Ref. 1: Exhibit 5, Section 5.1.2, Weighted Average Cost of Debt – Long-Term Debt, PDF p. 7**

**Ref. 2: Exhibit 5, Section 5.3, OEB Appendix 2-OB: Debt Instruments, PDF pp. 10-11**

#### **Preamble:**

CNPI states that it also anticipates adding affiliated debt in order to support its capital program spending requirements, and anticipates a promissory note to FortisOntario in the amount of \$50 million for the 2027 Test Year.

CNPI further notes that a \$17 million affiliated debt instrument included in its 2022 Board-approved capital structure was not ultimately incurred during the historical period.

**Question(s):**

- a) Please provide the current status of the proposed \$50 million affiliated promissory note.
- b) Please indicate whether a promissory note agreement has been executed. If so, provide a copy.
- c) If the promissory note has not yet been executed, explain why CNPI considers it appropriate to include the forecast debt and related interest costs in the 2027 revenue requirement.
- d) Please explain why the OEB should rely on the forecast issuance of this debt given that CNPI did not ultimately incur the affiliated debt reflected in its 2022 Board-approved capital structure.

**5-Staff-70**

**Need for Proposed Affiliated Debt**

**Ref. 1: Exhibit 5, Section 5.1.2, Weighted Average Cost of Debt – Long-Term Debt, p. 7**

**Ref. 2: Exhibit 1, Section 1.2.4, Capital Expenditures, pp. 18-21**

**Ref. 3: Exhibit 1, Table 1-6, Capital Expenditure Summary, p. 18**

**Preamble:**

CNPI states that the proposed affiliated debt is required to support capital program spending requirements.

**Question(s):**

- a) Please provide a detailed financing needs analysis supporting the requirement for \$50 million of additional debt, including:
  - i. Annual and monthly cash flow forecasts for 2027.
  - ii. Forecast capital expenditures to be funded through the proposed debt.
  - iii. Forecast internally generated funds available during 2027.
  - iv. Forecast short-term debt balances and available credit facilities.
  - v. An explanation of why a financing requirement of \$50 million is necessary for 2027.

**5-Staff-71**

**Affiliated Demand Promissory Note Structure**

**Ref. 1: Exhibit 5, Section 5.1.2, Long-Term Debt, p. 7**

**Ref. 2: Exhibit 5, Section 5.3, OEB Appendix 2-OB: Debt Instruments, pp. 10-11**

**Preamble:**

CNPI proposes a demand promissory note from FortisOntario with a variable interest rate equal to the OEB deemed long-term debt rate.

**Question(s):**

- a) Please provide all analyses, studies, management reports, board reports or treasury evaluations supporting the proposed borrowing structure.
- b) Please explain why a demand promissory note linked to the OEB deemed long-term debt rate is the most appropriate financing arrangement.
- c) Please indicate whether third-party financing alternatives were evaluated.
- d) If so, provide the results of the evaluation.
- e) If not, explain why no third-party financing alternatives were assessed.

**5-Staff-72**

**Forecast Drawdown of Proposed Affiliated Debt**

**Ref. 1: Exhibit 5, Section 5.3, OEB Appendix 2-OB: Debt Instruments, p. 10**

**Ref. 2: Exhibit 5, Section 5.1.2, Long-Term Debt, p. 7**

**Ref. 3: Exhibit 1, Section 1.2.4, Capital Expenditures, pp. 18-21**

**Preamble:**

Table 5-6 assumes the issuance of a \$50 million affiliated promissory note effective January 1, 2027 and forecasts annual interest expense of \$2,365,000.

**Question(s):**

- a) Please provide the forecast monthly principal balance of the proposed promissory note for 2027.
- b) Please indicate whether CNPI expects the full \$50 million to be borrowed on January 1, 2027.
- c) If not, provide a revised interest expense calculation reflecting forecast drawdowns during the year.
- d) Please reconcile the forecast principal balance with the timing of forecast capital expenditures.

**5-Staff-73**

**Sensitivity of Cost of Capital to Proposed Affiliated Debt**

**Ref. 1: Exhibit 5, Section 5.1.2, Long-Term Debt, p. 7**

**Ref. 2: Exhibit 5, Section 5.3, OEB Appendix 2-OB: Debt Instruments, pp. 10-11**

**Ref. 3: Exhibit 5, Section 5.1.2, Weighted Average Cost of Debt, pp. 6-8**

**Question(s):**

- a) Please provide a revised cost of capital calculation, revenue requirement, and rate impacts under the following scenarios:
  - i. No affiliated promissory note is issued during 2027.
  - ii. The affiliated promissory note is issued effective July 1, 2027.

#### **5-Staff-74**

##### **Need for Additional Long-Term Debt**

**Ref. 1: Exhibit 5, Section 5.1.2, Long-Term Debt, p. 7**

**Ref. 2: Exhibit 5, Section 5.3, OEB Appendix 2-OB: Debt Instruments, pp. 10-11**

**Ref. 3: Exhibit 1, Section 1.2.5, Cost of Capital, p. 21**

**Ref. 4: Exhibit 1, Section 1.2.4, Capital Expenditures, pp. 18-21**

##### **Preamble:**

The proposed \$50 million affiliated debt increases CNPI's long-term debt balance from \$75 million to \$125 million, representing a 67% increase in long-term debt.

##### **Question(s):**

- a) Please explain:
  - i. Why issuance of the additional \$50 million debt is prudent in light of CNPI's forecast capital spending program.
  - ii. Whether any material capital projects could be deferred, thereby reducing or eliminating the need for the proposed financing.

#### **Exhibit 6 – Revenue Requirement**

#### **6-Staff-75**

##### **Revenue Deficiency Calculation and Negative PILs Adjustment**

**Ref. 1: Exhibit 6, Section 6.2.5, Requested and Indicated Rate of Return, p. 8**

**Ref. 2: Exhibit 6, Section 6.3.1, Calculation of Revenue Deficiency or Surplus, pp. 9-10**

**Ref. 3: Attachment 6-A, Revenue Requirement Workform, Revenue Deficiency/Sufficiency tab, pp. 39-40**

##### **Preamble:**

CNPI states that it adjusted the RRWF formula to allow PILs to be calculated as a negative amount when determining revenue at current rates in order to reconcile the revenue deficiency calculation. CNPI states that the RRWF would otherwise produce different results if a \$0 PILs floor were maintained.

##### **Question(s):**

- a) Please provide a detailed explanation of the RRWF modification made by CNPI, including all affected cells and formulas.
- b) Please provide a copy of the RRWF showing both the original OEB formula and the CPI-modified formula.
- c) Please quantify the impact of the modification on:
  - i. indicated ROE
  - ii. indicated rate of return on rate base
  - iii. revenue deficiency
  - iv. grossed-up revenue deficiency
- d) Please explain why CNPI believes the modified approach is more appropriate than the standard RRWF treatment.
- e) Please provide any potential precedents, OEB decisions, or prior applications on which CNPI relies for its reasoning.
- f) Please quantify the extent to which the negative PILs result is attributable to accelerate CCA.
- g) Please identify any tax credits that contribute to the negative PILs result or otherwise reduce PILs in the 2027 Test Year.

#### **6-Staff-76**

##### **Other Revenue Forecast – Rent from Electric Property**

**Ref. 1: Exhibit 6, Section 6.7.1, Overview of Other Revenue, pp. 20-22**

**Ref. 2: Exhibit 6, Table 6-16, Summary of Other Revenue, pp. 21-22**

##### **Preamble:**

CNPI forecasts revenue from electric property (Account 4210) to decline from approximately \$635,000 in the 2026 Bridge Year to approximately \$581,000 in the 2027 Test Year.

##### **Question(s):**

- a) Please explain the reason for the forecast decline.
- b) Please quantify the impact on base revenue requirement if 2027 rent from electric property revenue remained at the 2026 Bridge Year level.

#### **6-Staff-77**

##### **Interest Income Excluded from Revenue Offsets**

**Ref. 1: Exhibit 6, Section 6.7.1, Overview of Other Revenue, pp. 20-22**

**Ref. 2: Exhibit 6, Section 6.7.2, Other Revenue Variance Analysis, pp. 24-25**

**Ref. 3: Exhibit 6, Table 6-16, Summary of Other Revenue, pp. 21-22**

##### **Preamble:**

CNPI states that interest associated with deferral and variance accounts is excluded from Revenue Offsets and therefore not reflected in the determination of the 2027 Base Revenue Requirement.

**Question(s):**

- a) Please quantify the amount of Account 4405 revenue excluded from:
  - i. 2025 Actual
  - ii. 2026 Bridge Year
  - iii. 2027 Test Year Revenue Offsets.
- b) Please explain whether any portion of forecast Bank Interest Income is associated with balances funded by customers through deferral and variance accounts.
- c) Please explain why the proposed treatment results in the most appropriate outcome for ratepayers.

**6-Staff-78**

**Other Revenue Forecast – Merchandise Revenues and Costs**

**Ref. 1: Exhibit 6, Section 6.7.1, Overview of Other Revenue, pp. 20-22**

**Ref. 2: Exhibit 6, Table 6-16, Summary of Other Revenue, pp. 21-22**

**Ref. 3: Exhibit 6, Section 6.7.2, Other Revenue Variance Analysis, pp. 23-29**

**Preamble:**

CNPI forecasts revenues from merchandise (Account 4325) of approximately \$408,000 and associated costs (Account 4330) of approximately \$130,000 in 2027.

**Question(s):**

- a) Please provide a breakdown of forecast 2027 revenues and costs by activity type and identify the forecast gross margin associated with each activity.
- b) Please explain how the forecast was developed.
- c) Please provide historical actual revenues, costs and gross margins for each activity for 2022 through 2025.
- d) Please explain whether any portion of the forecast relates to affiliate companies and, if so, provide the forecast amounts by affiliate.

**6-Staff-79**

**PILs**

**Ref 1: Exhibit 6, Section 6.4.1 Overview of PILs, p. 16~17**

**Ref 2: Exhibit 6-C, 2025 Draft Corporate tax Return, Schedule 1, p.102**

**Ref 3: CNPI 2027 Test year Income tax PILs\_20260519, H1Sch1, B1Sch1, T1Sch1**

**Preamble:**

In reference 1, CNPI stated that 2025 income tax amounts are allocated between its transmission and distribution units. It stated that 2026 Bridge and 2027 Test Year in the PILS model are reflective of CNPI's distribution unit. It also stated that cell AA19 was modified in Schedule 8 to provide the CCA associated with the leasehold improvement.

CNPI included 2025 draft corporate tax return as the supporting documents in reference 2. CNPI included its 2025 draft corporate tax return as the supporting documents in reference 2.

**Question(s):**

- a) In reference 3, please confirm "Income before PILs/Taxes" (i.e. \$5,626,750) in B1Sch1 and "Net Income Before Taxes" (i.e. \$6,195,653) in T1Sch1 represents the distribution unit amount only. If this is not the case, please explain.
- b) In reference 3, please explain what "Non-Distribution Eliminations" (i.e. \$1,544,803) in H1Sch1 represents.
- c) Please provide CNPI's final 2025 corporate tax return when it is available and update the PILs model as applicable.
- d) Please explain what has been modified in cell AA19 in schedule 8 and how the CCA associated with the leasehold improvement was calculated.

**6-Staff-83****Tax Credits**

**Ref 1: Exhibit 6, Section 6.4.1 Overview of PILs, p. 16**

**Ref 2: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2026 Edition for 2027 Rate Applications, December 16, 2025, Section 2.6.2.1, p.43**

**Ref 3: [Ontario Program - Clean Energy Credit](#) (CEC)**

**Preamble:**

Chapter 2 of the Filing Requirements states that:

*"The distributor must provide a calculation of tax credits (e.g., Apprenticeship Training Tax Credits, education tax credits, Ontario Regional Opportunities Investment Tax Credits)."*

In reference 1, CNPI states that CNPI is not claiming tax credits such as Apprenticeship Training Tax Credits or education tax credits.

In reference 3, in response to government policy, the IESO has launched a provincial clean energy credit (CEC) registry to provide Ontario businesses with a new tool to meet their corporate environmental and sustainability goals.

**Question(s):**

- a) Please explain why CNPI is not claiming tax credits in this proceeding.
- b) Please provide your views on including estimated tax credits into 2027 PILs if it is applicable.
- c) Please confirm whether CNPI is entitled to any Scientific Research and Experimental Development (SR&ED) tax credits. If so, please provide the evidence and update the applicable model/schedule. If not, please explain.

**6-Staff-83**

**Tax Reserves**

**Ref 1: CNPI 2027 Test year Income tax PILs\_20260519, Tab S1, H13Sch13, B13Sch13, T13Sch13**

**Ref 2: Exhibit 4, Attachment 4-B Pension Valuation Report, December 31, 2022**

**Preamble:**

Per Tab “S.1 Integrity Checks”, CNPI confirmed that it had performed the following integrity check:

Other post-employment benefits and pension expenses that are added back on Schedule 1 to reconcile accounting income to net income for tax purposes agree with the OM&A analysis for compensation. The amounts deducted are reasonable when compared with the notes to the audited financial statements, Financial Services Commission of Ontario reports, and actuarial valuations.

**Question(s):**

- a) For the reserve amounts incorporated into taxable income in H13Sch13 (i.e. \$2,799,663), B13Sch13 (i.e. \$319,187 and \$349,600), T13Sch13 (i.e. \$348,352 and \$348,200), please reconcile these amounts to the above integrity check information.
  - i) Please reconcile these amounts to any relevant pages of the pension valuation in reference 2.
  - ii) Please provide support that underpins the B13Sch13 (i.e. 2026 bridge year) and T13Sch13 (i.e. 2027 test year) amounts being sought.

**6-Staff-83**

**Account 1592 sub-account CCA changes**

**Ref 1: Settlement Proposal\_EB-2021-0011, section 2.1.3, Table 9**

**Ref 2: Exhibit 6, section 6.4.2 Accelerated CCA, Table 6-12, p.19**

**Ref 3: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2b**

**Preamble:**



Per reference 1, CNPI proposes that it returns a portion of the smoothing adjustment that it had calculated for each of 2025 and 2026 within in its 2022 Test Year smoothing calculation given that the return to 150% under Reaccelerated Investment Incentive (“RII”) is consistent with the 150% rate originally calculated for 2022 Test additions under All program. The equivalent of \$294,426 in grossed-up PILs is proposed to be recorded as credit in 1592 and to be refunded to ratepayers.

In reference 2, the smoothing amount of \$271,000 has been included in 2022 PILs model.

**Question(s):**

- a) Please confirm that the full AIIP has been applied in CNPI’s actual tax filings for 2022, 2023, 2025 and would be applied for the tax filings for 2026 onwards
- b) Please confirm phase-out AIIP has been claimed in 2024. If this is not the case, please explain.

**6-Staff-83**

**Accelerated CCA & Smoothing Mechanism**

**Ref 1: Exhibit 6, section 6.4.2 Accelerated CCA, Table 6-13, p.19**

**Ref 2: CNPI 2027 Test year Income tax PILs\_20260519**

**Preamble:**

In reference 1, CNPI confirmed that it applied full RII in the 2027 Test Year revenue requirement and proposed to smooth the PILs impact of the calculated CCA differences for 2030 and 2031 under the current enhanced CCA rates. CNPI has reflected the \$346,000 as an adjustment (increase to taxable income) in the PILs model for 2027 Test Year and proposed not to accumulate variances into the 1592 sub-account during the upcoming rebase period, unless there are further changes to tax policy that should be captured through the use of a 1592 sub-account.

In reference 2, CNPI recorded \$346,000 as addition to 2027 taxable income.

**Question(s):**

- a) Please confirm that full RII will be claimed in CNPI’s tax filings for the period from 2027 to 2029 and phase-out RII will be claimed in its tax filings from 2030 to 2031.
- b) Please confirm CNPI will keep Account 1592 sub-account CCA changes open to track future tax rules changes.
- c) Please complete the following table compiled by OEB staff to compare PILs between proposed smoothing mechanism and non-smoothing mechanism

(please include worksheet **with the formulas intact** showing the calculation of each amount):

|                                                 | Smooth RII from 2030 and 2031                                                                            | Non- smoothing RII from 2027-2031                                   |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| 2027 PILs expense (a)                           |                                                                                                          |                                                                     |
| Impact on PILs from the smoothing mechanism (b) |                                                                                                          | n/a                                                                 |
| Total Revenue Requirement Impact (c=a+b)        |                                                                                                          |                                                                     |
| Account 1592 sub-account CCA changes            | No balance expected in this account in next rebasing application, unless further rule changes will occur | Please provide the estimated balance to be recorded in this account |

## Exhibit 7 – Cost Allocation

### 7-Staff-80

#### Standby Revenue Included in Existing-Rates Calculation

Ref. 1: Exhibit 7, Section 7.1.1, Cost Allocation Methodology, p. 5

Ref. 2: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, p. 10

Ref. 3: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet I6.1, p. 14

#### Preamble:

CNPI states that Sheet I6.1 of the Cost Allocation Model contains updated load forecast details by rate class and that the existing rates entered in the sheet reflect rates approved in CNPI's 2026 IRM application.

CNPI further states that, for the Standby rate, it has not entered the existing standby rate into the Cost Allocation Model, but instead increased the GS>50 kW to include forecast Standby kW and entered a blended rate for GS>50 and Standby that recovers the correct total revenue at existing rates from both sub-classes.

CNPI also states that the revenue at existing rates for 2027 assumes CNPI's proposal to change the Standby rate to match the General Service 50 to 4,999 kW charge.

#### Question(s):

- Please confirm that the existing rates calculation in the Cost Allocation Model does not use the currently approved Standby rate.
- Please identify the currently approved 2026 Standby rate and provide the source for that approved rate.

- c) Please explain why CNPI considers it appropriate for the revenue at existing rates calculation to assume approval of CNPI's proposed Standby rate methodology.
- d) Please provide a revised Cost Allocation Model using the currently approved Standby rate in the existing-rate revenue calculation, and quantify the impact of the revision on:
  - i. revenue at existing rates
  - ii. revenue deficiency
  - iii. status quo revenue-to-cost ratios
  - iv. proposed revenue-to-cost ratios
  - v. proposed distribution rates.

## **7-Staff-81**

### **Standby kW and Revenue Treatment in Cost Allocation Model**

**Ref. 1: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, p. 10**

**Ref. 2: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet I6.1 Revenue, p. 14**

**Ref. 3: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet O1 Revenue to Cost, p. 17**

### **Preamble:**

CNPI states that it added forecast Standby kW to the GS>50 kW load forecast for Tab I6.1 Revenue and adjusted the GS>50 rate in Tab I6.1 to reflect the correct volumetric revenue at existing rates for both GS>50 and Standby.

Attachment 7-A shows forecast kW of 660,561, including GS>50-Regular kW of 639,656, and shows no separate Standby revenue at existing rates. Attachment 7-A also shows Back-up/Standby Power as a separate column in the Cost Allocation Model, but with \$0 revenue, \$0 allocated costs, and a 0.00% revenue-to-expenses ratio.

### **Question(s):**

- a) Please provide the calculation of the "blended rate" entered for the GS>50 class in Sheet I6.1.
- b) Please provide the forecast GS>50 kW and forecast Standby kW separately before they were combined.
- c) Please provide the revenue at existing rates separately for:
  - i. GS>50 customers using the currently approved GS>50 rates
  - ii. Standby customers using the currently approved Standby rate
  - iii. Standby customers using CNPI's proposed Standby methodology.

- d) Please explain why Standby is shown as a separate class in the Cost Allocation Model but has no allocated revenue, costs, or rate base in Attachment 7-A.
- e) Please explain whether the treatment of Standby as part of GS>50 for cost allocation purposes is consistent with maintaining Standby as a separate rate class on CNPI's tariff.

## **7-Staff-82**

### **Standby Demand Allocators and Cost Allocation Treatment**

**Ref. 1: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, pp. 9-10**

**Ref. 2: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet I8 Demand Data, p. 16**

**Ref. 3: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet O1 Revenue to Cost, p. 17**

### **Preamble:**

CNPI states that it is proposing to maintain its existing methodology for determining standby capacity, but to change the rate-setting methodology by pinning the Standby charge to the volumetric charge for the relevant rate class, which CNPI identifies as GS>50. CNPI further states that the Standby class has not been included as a separate class in the Cost Allocation Model because the cost allocation and rate design will be dependent upon and incorporated into the GS>50 rate design. Attachment 7-A shows Standby kW included in the demand data as a separate Back-up/Standby Power column.

### **Question(s):**

- a) Please explain why CNPI has included Standby demand values in the demand allocator data while assigning no separate costs, revenues, or rate base to the Standby class.
- b) Please identify all allocators affected by the inclusion of Standby kW in the GS>50 class.
- c) Please quantify the impact of including Standby kW in GS>50 on allocated costs for each rate class.
- d) Please provide a version of the cost allocation study excluding Standby kW from GS>50 and using the currently approved Standby rate only for the calculation of revenue at existing rates.
- e) Please explain whether any costs are specifically caused by or attributable to Standby service and, if so, how those costs are reflected in the Cost Allocation Model.

### **7-Staff-83**

#### **Impact of Standby Treatment on Status Quo and Proposed Revenue-to-Cost Ratios**

**Ref. 1: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, p. 10**

**Ref. 2: Exhibit 7, Table 7-6, Current Rates, Cost Allocation Model, Status Quo Rates and Proposed Rates, p. 11**

**Ref. 3: Exhibit 7, Table 7-7, Status Quo and Proposed Revenue-to-Cost Ratios, p. 11**

**Ref. 4: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet O1 Revenue to Cost, p. 17**

#### **Preamble:**

Table 7-6 presents current rates, cost allocation model results, status quo rates, and proposed rates by customer class. Table 7-7 presents status quo and proposed revenue-to-cost ratios. CNPI states that its revenue at existing rates assumes CNPI's proposal to change the Standby rate to match the GS>50 charge.

#### **Question(s):**

- a) Please provide revised versions of Table 7-6 and Table 7-7 using the currently approved Standby rate in the Current Rates scenario.
- b) Please identify whether the revised current rates scenario affects the status quo rates shown in Table 7-6.
- c) Please explain whether CNPI's conclusion that all status quo revenue-to-cost ratios remain within the OEB's policy ranges would change if the current approved Standby rate were used.
- d) Please quantify the change in the GS>50 revenue-to-cost ratio resulting from the inclusion of Standby kW and the blended GS>50/Standby rate.

### **7-Staff-84**

#### **Reconciliation of Existing Rate Inputs and Standby Rate Treatment**

**Ref. 1: Exhibit 7, Section 7.1.2, Cost Allocation Model Inputs, p. 5**

**Ref. 2: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, p. 10**

**Ref. 3: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet I6.1 Revenue, p. 14**

#### **Preamble:**

CNPI states that the existing rates entered in Sheet I6.1 reflect the rates approved in CNPI's 2026 IRM application, but also states that it has not entered the existing Standby rate into the Cost Allocation Model.

**Question(s):**

- a) Please reconcile these two statements.

**Exhibit 8 – Rate Design**

**8-Staff-85**

**Proposed Standby Rate Methodology and Existing Rate Treatment**

**Ref. 1: Exhibit 8, Section 8.1.2.1, Current Fixed/Variable Proportions, pp. 6-7**

**Ref. 2: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-11, p. 11**

**Ref. 3: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-13, p. 12**

**Ref. 4: Exhibit 8, Section 8.1.4, Standby Charge, pp. 13-15**

**Ref. 5: Exhibit 8, Attachment 8-A, Existing Tariff of Rates and Charges, Standby Power Service Classification, p. 35**

**Preamble:**

CNPI states that Standby customers will be billed monthly for the difference between the peak level of load drawn from CNPI's distribution system and the reserved capacity, and that CNPI proposes to pin the Standby charge to the volumetric charge for the GS>50 class.

CNPI also states that revenue at existing rates assumes CNPI's proposal to change the Standby rate to match the GS>50 charge. Table 1-13 shows the 2027 proposed Standby rate as \$9.4448/kW and the Bridge Year approved Standby rate as \$1.5104/kW.

**Question(s):**

- a) Please provide the full calculation supporting the proposed 2027 Standby rate of \$9.4448/kW.
- b) Please confirm whether the proposed Standby rate is set equal to the proposed GS>50 volumetric rate.
- c) Please explain why CNPI considers the GS>50 volumetric rate to be an appropriate proxy for the cost of providing Standby service.
- d) Please explain why the existing approved Standby rate of \$1.5104/kW was not used as the existing rate in the revenue at existing rates calculation.
- e) Please provide a revised Exhibit 8 rate design using the currently approved Standby rate as the existing Standby rate.

## **8-Staff-86**

### **Incremental Standby Revenue and Rate Design Impacts**

**Ref. 1: Exhibit 8, Section 8.1.2.1, Current Fixed/Variable Proportions, Table 8-4, p. 7**

**Ref. 2: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-13, p. 12**

**Ref. 3: Exhibit 8, Section 8.1.4, Standby Charge, pp. 13-15**

#### **Preamble:**

Table 8-4 shows Standby revenue at the interim existing rate and Table 8-13 shows that CNPI proposes to increase the Standby rate from \$1.5104/kW to \$9.4448/kW. CNPI states that the proposed Standby rate reflects cost causality and is based on the GS >50 kW volumetric rate.

#### **Question(s):**

- a) Please quantify the incremental annual revenue from Standby customers resulting from the proposed rate change from \$1.5104/kW to \$9.4448/kW, using 2027 forecast Standby kW.
- b) Please explain how the incremental Standby revenue is reflected in the proposed rate design for GS >50 kW and all other customer classes.
- c) Please provide proposed distribution rates and bill impacts under a scenario where the current approved Standby rate of \$1.5104/kW is maintained.

## **8-Staff-87**

### **Standby and GS >50 kW Tariff Treatment and Billing Determinants**

**Ref. 1: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, pp. 9-10**

**Ref. 2: Exhibit 8, Section 8.1.4, Standby Charge, pp. 13-15**

**Ref. 3: Exhibit 8, Section 8.1.5, Other Distribution Changes, pp. 15-16**

**Ref. 4: Exhibit 8, Section 8.1.2.1, Current Fixed/Variable Proportions, pp. 6-7**

**Ref. 5: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-13, p. 12**

#### **Preamble:**

CNPI states that it has proposed an updated approach for its Standby rate class, that the Standby class has not been included as a separate class in the Cost Allocation Model, and that the Standby class will continue to be listed as a separate class on CNPI's tariff. CNPI also states that it is proposing to change the definitions of the Standby and GS 50 to 4,999 kW classes, although it states that there is no revenue requirement impact of the changes.

**Question(s):**

- a) Please provide a comparison of the current and proposed tariff wording for the Standby class and the GS >50 kW class.
- b) Please explain how CNPI will distinguish between GS>50 billed demand and Standby reserved capacity for billing purposes.
- c) Please explain how Standby billing determinants will be tracked separately if the Standby rate is derived through the GS>50 rate design.
- d) Please explain the basis for CNPI's statement that the proposed class definition changes have no revenue requirement impact, given that the revenue at existing rates assumes the proposed Standby rate methodology.
- e) Please provide the revenue requirement and rate impacts if the OEB does not approve CNPI's proposed Standby methodology.

**8-Staff-88****Standby Customer Notice and Mitigation**

**Ref. 1: Exhibit 8, Section 8.1.2.1, Current Fixed/Variable Proportions, pp. 6-7**

**Ref. 2: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-13, p. 12**

**Ref. 3: Exhibit 8, Section 8.1.4, Standby Charge, pp. 13-15**

**Ref. 4: Exhibit 8, Section 8.3.8, Rate Mitigation, p. 28**

**Ref. 5: Exhibit 8, Attachment 8-A, Existing Tariff of Rates and Charges, Standby Power Service Classification, p. 35**

**Preamble:**

CNPI states that revenue at existing rates for 2027 assumes CNPI's proposal to change the Standby rate to match the GS >50 kW charge.

CNPI also states that affected customers have been notified of the Standby rate proposal. Table 8-13 shows that the proposed 2027 Standby rate is \$9.4448/kW, compared to the Bridge Year approved Standby rate of \$1.5104/kW.

CNPI further states that it is not proposing mitigation for Standby Service.

**Question(s):**

- a) Please provide the number of customers affected by the proposed Standby rate change.
- b) Please provide the notice provided to affected customers and any related customer communications, including dates of issuance.
- c) Please provide any feedback received from affected customers since the application was filed.



- d) Please explain whether CNPI considered any mitigation for Standby customers. If not, why not?

### **8-Staff-89**

#### **Revenue Deficiency Impact of Standby Existing-Rate Treatment**

**Ref. 1: Exhibit 7, Section 7.3.1, Revenue at Existing Rates, p. 10**

**Ref. 2: Exhibit 7, Attachment 7-A, Cost Allocation Model, Sheet O1 Revenue to Cost, p. 17**

**Ref. 3: Attachment 6-A, Revenue Requirement Workform, Sheet 8 – Revenue Deficiency/Sufficiency, p. 7**

**Ref. 4: Exhibit 8, Section 8.1.2.1, Current Fixed/Variable Proportions, pp. 6-7**

**Ref. 5: Exhibit 8, Section 8.1.2.2, Proposed 2027 Distribution Rate Design, Table 8-13, p. 12**

#### **Preamble:**

CNPI states that, for the purposes of calculating revenue at existing rates, it combined Standby demand with the GS >50 kW class and used a blended GS >50 kW / Standby rate rather than entering the currently approved Standby rate separately in the Cost Allocation Model.

Attachment 7-A shows total revenue at existing rates of approximately \$26.864 million, consisting of distribution revenue at existing rates of approximately \$25.514 million and miscellaneous revenue of approximately \$1.350 million. Attachment 6-A shows a revenue deficiency of approximately \$3.500 million.

References 4 and 5 show that the current approved Standby rate is \$1.5104/kW, while CNPI proposes a 2027 Standby rate of \$9.4448/kW, equal to the proposed GS >50 kW volumetric distribution rate.

#### **Question(s):**

- a) Please confirm whether the revenue deficiency shown in Attachment 6-A would change if the currently approved Standby rate of \$1.5104/kW were used in the revenue-at-existing-rates calculation instead of CNPI's blended GS >50 kW / Standby rate. If confirmed, please provide a revised revenue deficiency calculation using the currently approved Standby rate.
- b) Please explain whether the filed revenue deficiency is higher or lower than it would be if the currently approved Standby rate were used in the existing-rate revenue calculation.

### **Exhibit 9 – Deferral and Variance Accounts**

## **9-Staff-90**

### **DVA disposition**

**Ref 1: Exhibit 9, section 9.2 Disposition of Deferral & Variance Accounts (pg. 6), section 9.2.3 Disposition of Accounts 1588 and 1589 (pg.16)**

**Ref 2: Decision and Order\_EB-2025-0050, December 18, 2025, section 6, pg. 10**

### **Preamble:**

In reference 1 (section 9.2), CNPI stated that disposition total claims include principal and interest balances as of December 31, 2025, being the most recent date that the balances were subject to audit, plus forecasted interest for 2026 where appropriate.

In reference 1 (section 9.2.3), for Account 1588/1589, CNPI is requesting the final disposition of the balances as of December 31, 2023, and interim disposition of the December 31, 2024, and 2025 balances plus forecasted interest to December 31, 2026. CNPI stated that these two accounts were last disposed as of December 31, 2022, on a final basis in its 2024 IRM application.

In reference 2, the OEB approved the disposition of Group 1 DVA balances as of December 31, 2024, including interest projected to December 31, 2025, excluding Accounts 1588 and 1589 on a final basis. The OEB also approves the interim disposition of balances in Accounts 1588 and 1589 for 2023 and 2024.

### **Question(s):**

- a) Please confirm that December 31, 2025, balance sought for disposition in this application has been audited. Please confirm that the December 31, 2025, balance sought for disposition in this application has been audited.
- b) Please confirm CNPI is seeking final disposition of Group 1, excluding Account 1588/1589 and Group 2 DVA balance as of December 31, 2025, plus forecasted interest for 2026 in this application. If not confirmed, please explain why not.
- c) Please confirm, for Account 1588/1589, CNPI is seeking disposition for the December 31, 2023, balance on a final basis and the December 31, 2024 and 2025 balances on an interim basis.
- d) Please update Group 1 & 2 DVA balances using the most up-to-date OEB prescribed interest rate. Please update the Group 1 & 2 DVA balances using the most up-to-date OEB prescribed interest rate.
- e) Please update Table 9-2 in reference 1 upon addressing all the interrogatories below.

## **9-Staff-91**

### **Account 1595 Sub-account (2025)**

**Ref 1: Decision and Orde\_EB-2024-0011, December 12, 2024, section 7, Table 7.1, pg. 9**

**Ref 2: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2a**

**Preamble:**

In reference 1, in CNPI's 2025 IRM application, OEB staff compiled a table showing the total Group 1 DVA Balances approved for disposition:

| (\$)                       | Principal Balance | Interest Balance | Total     |
|----------------------------|-------------------|------------------|-----------|
| Total for Group 1 accounts | (916,681)         | (44,234)         | (960,915) |

In reference 2, OEB staff notes CNPI transferred approved principal and approved interest into Account 1595 (2025).

OEB staff notes that the total interest amount (i.e. a debit \$32,682) was recorded in Account 1595 (2025) for the period from January 1, 2025, to December 31, 2025.

**Question(s):**

- Please explain why a debit interest amount (i.e. \$32,682) was generated on the approved credit balance of principal (i.e. credit \$916,680)
- Please confirm there was no interest charged on the approved interest amount (i.e. credit \$44,234) per reference 1 in Account 1595 (2025).
- Please update the balance of Account 1595 (2025) as applicable.

**9-Staff-92**

**Pole Attachment Revenue Variance**

**Ref 1: Exhibit 9, section 9.2.2, 9.2.9**

**Ref 2: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2b**

**Ref 3: Decision and Orde\_EB-2021-0011, December 16, 2021, section 4.2, pg. 34**

**Preamble:**

In reference 1, CNPI stated the 2025 principal adjustment (i.e. \$1,545) was related to a variance between what was forecasted in the 2022 COS DVA, and what had ultimately been recorded. A credit \$5,328 was recorded as 2025 interest adjustment which was a variance related to forecasted interest. A credit of \$5,328 was recorded as 2025 interest adjustment which was a variance related to forecasted interest.

In reference 1, CNPI stated that it recorded the accrual variances, \$138,586 (2022), \$120,477 (2023), \$95,838 (2024), and \$76,421 (2025) between 2022 and 2025. OEB staff notes these amounts matched the amounts recorded in reference 2.

OEB staff notes from Table 9-8 in reference 1, it shows \$138,631 (2022), \$120,775 (2023), \$95,880 (2024), and \$76,453 (2025) between 2022 and 2025. These numbers are slightly different than the numbers in reference 1.

OEB staff compiled the following table showing there are two different sets of approved rate and OEB approved rate for each year from 2022 to 2025:

|                                      | 2022  |       | 2023  |       | 2024  |       | 2025  |       |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Approved rate</b>                 | 44.5  | 11.13 | 44.5  | 11.13 | 44.5  | 11.13 | 44.5  | 11.13 |
| <b>OEB Approved Rate during year</b> | 34.76 | 8.69  | 36.05 | 9.01  | 37.78 | 9.45  | 39.14 | 9.79  |

In reference 3, the Parties agree that CNPI's proposals for deferral and variance accounts are appropriate, including the proposed disposition of those accounts over a one-year period on a final basis.

**Question(s):**

- a) Please explain why this account is eligible for true-up (i.e. record 2022 COS related variance credit \$1,545) after being disposed of on a final basis in the last COS per reference 3.
- b) Please provide calculations of 2026 forecast variance amount \$56,548. Please provide calculations of the 2026 forecast variance amount \$56,548.
- c) Please explain why there are two different set of approved rates from 2022 to 2025, as shown in the table above.
  - i) Please clarify which rates are the correct rates to use and update the evidence.
- d) Please explain why the amounts indicated in Table 9-8 of reference 1 don't match the amounts recorded in reference 2 and update the evidence as applicable.

**9-Staff-93**

**Group 2 DVAs**

**Ref 1: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2b**

**Ref 2: Exhibit 9, section 9.2.8, Disposition of Account 1509 Impacts Arising from the COVID-19 Emergency, pg. 19**

**Ref 3: Exhibit 9, section 9.2.2, LEAP Funding Deferral, pg. 14**

**Preamble:**

In reference 1, OEB staff notes that there is no activity recorded in the following Group 2 DVAs:

- 1) Account 1508 sub -account Retail Service Charge Incremental Revenue.
- 2) Account 1508 sub -account Customer Choice Initiative costs

- 3) Account 1508 sub -account Local Initiatives Program Costs
- 4) Account 1508 sub -account Green Button Initiative costs
- 5) Account 1508 sub -account Designated Broadband Project Impacts
- 6) Account 1508 sub -account ULO Implementation Cost

In reference 2, CNPI stated that it does not meet the OEB's criteria for disposition of any amounts related to Covid-19 variance and has not kept incremental costs incurred in this variance account. CNPI does not have plans at this time to request recovery of either incremental OM&A costs or lost revenues in a future application.

In reference 3, CNPI does not plan to use the LEAP Funding Deferral account beyond the 2026 Bridge Year.

**Question(s):**

- a) Please confirm CNPI proposes to discontinue using these accounts on a going forward basis and update the evidence as applicable.
- b) Please confirm that COVID-19 related costs have not been requested in the past years and will not be requested in the future.
- c) Please confirm CNPI is discontinuing Account 1509 Impacts Arising from the COVID-19 Emergency in this application.
- d) Please confirm CNPI is discontinuing LEAP Funding Deferral account in this application.
- e) If any of the above is not confirmed, please provide an explanation.

**9-Staff-94**

**Cloud DVA**

**Ref 1: EB-003-2023, Accounting Order, November 2, 2023<sup>1</sup>**

**Ref 2: Cloud Computing Implementation Q&A Document, PDF, February 2024<sup>2</sup>**

**Ref 3: EB-2024-0063, Notice, March 6, 2024**

**Ref 4: Exhibit 9, section 9.2.10**

**Ref 5: Exhibit 2, DSP Attachment-B, pg. 370**

**Preamble:**

On November 2, 2023, the OEB issued Accounting Order 003-2023 establishing a deferral account for incremental cloud computing implementation costs. The account is intended to capture implementation costs when utilities transition from on-premise systems to cloud-based solutions. In February 2024, the OEB held a webinar and Q&A session and released a related Q&A document. On March 6, 2024, the OEB launched a

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<sup>1</sup> [EB-003-2023, Accounting Order, November 2, 2023](#)

<sup>2</sup> [Cloud Computing Implementation Q&A Document, PDF, February 2024](#)

generic hearing (EB-2024-0063) to review cost of capital and other matters, including the Cloud Computing Deferral Account. The OEB confirmed that the prescribed interest rate for deferral and variance accounts (DVAs) will continue to apply to this account.

In reference 4, CNPI has zero balance in Account 1511 Incremental Cloud Computing Implementation Costs. CNPI stated that it will continue to monitor the account balances on a go forward basis and record as necessary in its respective accounts.

In reference 5, CNPI stated that continued investment in implementing and building cybersecurity supporting solutions is planned for the 2027-2031 time frame which includes such projects as Privileged Identity and Access Management (PIAM) systems, cloud security enhancements, and physical security technology replacements.

**Question(s):**

- a) Please provide details of the cloud security enhancements in reference 5.
  - i) Please provide breakdown of the amounts split between capital and OM&A.
  - ii) Please confirm whether any forecasted amounts have been included in this rebasing term.
- b) Please provide your views on discontinuing this account.

**9-Staff-95**

**GOCA Variance Account**

**Ref 1: The OEB's Decision and Order for Getting Ontario Connected Act Variance Account, October 31, 2023**

**Ref 2: Exhibit 9, section 9.2.10**

**Preamble:**

On October 31, 2023, the OEB issued a decision and order EB-2023-0143 for Getting Ontario Connected Act Variance Account (GOCA variance account). The decision states that:

The OEB notes that the GOCA variance account will only be available to a utility until the end of its current IRM period. The account is not available for utilities that have reflected Bill 93 in their most recent rebasing applications.

The disposition of any balance in this account will be subject to a prudence review and a requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93.

In reference 2, CNPI has zero balance in Account 1508 sub-account GOCA Variance Account stated that it will continue to monitor the account balances on a go forward basis and record as necessary in its respective accounts. In reference 2, CNPI has zero balance in Account 1508 sub-account GOCA Variance Account and stated that it will continue to monitor the account balances on a go forward basis and record as necessary in its respective accounts.

**Question(s):**

- a) Please confirm that the OM&A cost in the test year reflects the Bill 93 impact for CNPI's locate cost.
  - i) If so, please confirm that the Account 1508 sub-account GOCA variance account is to be discontinued after this rebasing application and update the evidence accordingly.
  - ii) If not, please provide the rationale why the Bill 93 impact is not reflected in the test year's OM&A cost.

**9-Staff-96**

**Extended Horizons**

**Ref 1: Final Notice of Amendments to the Distribution System Code, June 16, 2025**

**Ref 2: EB-2024-0092, Final Rate Order, March 20, 2025, Extended Horizons Variance Account**

**Ref 3: Exhibit 9, section 9.2.10**

**Preamble:**

Appendix C of reference 1 outlines changes to the Distribution System Code to extend the customer revenue horizon to 40 years for residential customers (as defined in Appendix C).

On March 20, 2025, the OEB created a Group 2 variance account, the Extended Horizons Variance Account, effective November 18, 2024.

In reference 3, CNPI has zero balance in Account 1508 sub-account Extended Horizons Variance Account and stated that it will continue to monitor the account balances on a go forward basis and record as necessary in its respective accounts.

**Question(s):**

- a) Please confirm the capital contributions in the forecast period incorporate the changes to the customer revenue horizon as outlined in reference 1. If not confirmed, please provide revised capital contributions as required by the changes.

- b) Please confirm that CNPI has incorporated the changes in reference 1 in its customer agreements in the historic and bridge period, as required.

**9-Staff-97**

**LEAP Funding Deferral**

**Ref 1: Exhibit 9, section 9.2.2**

**Ref 2: EB-2023-0135, Final Rate Order, February 12, 2024, Schedule A – Electricity Accounting Order**

**Preamble:**

The OEB's final rate order issued on February 12, 2024, established LEAP EFA Funding Deferral sub-account and the order states that distributors may record prudently incurred incremental LEAP EFA contributions made on and after March 1, 2024, that are beyond the amounts currently embedded in distribution rates.

**Question(s):**

- a) Please confirm that CNPI has recorded prudently incurred incremental LEAP EFA contributions made on and after March 1, 2024, in this account.

**9-Staff-98**

**Account 1595 Sub-account (2021)**

**Ref 1: Decision and Order EB-2024-0011, December 12, 2024, section 7, Table 7.1, pg.9**

**Ref 2: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2a**

**Ref 3: Exhibit 9, section 9.2.5, pg. 18**

**Ref 4: Decision and Order EB-2020-0008, December 17, 2020, section 6, pg. 11**

**Ref 5: [Letter-Retro-Ratemaking-Guidance-20191031](#), page 2**

**Preamble:**

In reference 1, the OEB approved the final disposition of the residual balance of Account 1595 (2021) in its 2025 IRM application.

In reference 2, it shows there is a credit balance of \$27,806 in Account 1595 (2021).)

In reference 3, CNPI stated the residual balance of Account 1595 (2021) was due to an error in disposition before the final rate rider had expired. The final rate rider expired on December 31, 2024, so CNPI will be requesting disposition of the remaining residual balance in the 2028 IRM application.



In reference 4, in CNPI's 2021 IRM, the final rate riders of Group 1 account were in effect over a one-year period from January 1, 2021, to December 31, 2021. The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595.

OEB staff notes the Group 1 amounts approved for final disposition in CNPI's 2021 IRM would be transferred into Account 1595 (2021) and the rate rider was expired on December 31, 2021.

**Question(s):**

- a) Please provide details of the error mentioned in reference 3.
- b) Please clarify whether CNPI revised the balance of Account 1595 (2021) which was disposed of on a final basis in its 2025 IRM.
  - i) If so, please address the rates retroactivity issue and address the four factors per Ref 5 in the OEB's letter issued on October 31, 2019.
  - ii) Please confirm whether CNPI is proposing to refund the amount (i.e. credit \$27,806) even though Account 1595 (2021) was disposed on a final basis.
- c) Please explain why CNPI stated that the final rate rider expired on December 31, 2024, while it actually expired on December 31, 2021, per reference 4.
  - i) Based on the credit balance (refund to customer) in Account 1595 (2021) in reference 2, please confirm whether CNPI have over collected funds from its customers before.
  - ii) If CNPI has over collected funds from the customers, please explain how CNPI can address the intergenerational equity by deferring the disposition of this credit residual balance into 2028 IRM.

**9-Staff-99**

**Account 1508 sub-account Accumulated Amortized Pension Actuarial Gains/Losses**

**Account 1508 sub-account Accumulated Amortized OPEB Actuarial Gains/Losses**

**Ref 1: Exhibit 9, section 9.2.2**

**Ref 2: CNPI Settlement Proposal\_20211122, Section E**

**Ref 3: CNPI 2027 DVA Continuity Schedule CoS 1.0\_20260519, Tab 2b**

**Preamble:**

In reference 1, CNPI is not requesting disposition of the balance of the Account 1508 sub-account Accumulated Amortized OPEB Actuarial Gains/Losses as of December 31, 2025. CNPI stated that it has not included any amortized gains and losses in its 2027 Test Year revenue requirement and proposes to continue to accumulate these amounts over the next rebase period.

In reference 2, CNPI agreed to establish two new 1508 sub-accounts, effective January 1, 2022, to accumulate all amortized actuarial gains and losses related to Pension and OPEB accounting.

In reference 3, CNPI recorded carrying charge in Account 1508 sub-account Accumulated Amortized OPEB Actuarial Gains/Losses.

OEB staff notes there is nil balance recorded in Account 1508 sub-account Accumulated Amortized Pension Actuarial Gains/Losses.

**Question(s):**

- a) Please confirm whether carrying charges are applied to these two sub-accounts.
  - i) If yes, please provide the related OEB decision showing carrying charges are applied to these two sub-accounts.
  - ii) If not, please remove all the carrying charges and update reference 3.
- b) CNPI stated it may consider disposition in a future rate application depending on circumstances and/or additional information. Please provide details of what circumstances and/or additional information will warrant disposition in a future proceeding.

**9-Staff-100**

**1522 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges**

**Ref 1: Exhibit 9, section 9.2.2, Table 9-5**

**Ref 2: Report - Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs\_EB-2025-0040, September 14, 2017, Appendix C**

**Preamble:**

In reference 1, the balance requested for disposal, including projected carrying charges is a credit of \$(464,372).

In reference 2, for monthly entries for pension and OPEBs, utilities may record journal entries on an annual basis, provided that they can demonstrate that ratepayers will not be disadvantaged as a result. The OEB has determined that the actual cash payments (including any special payments for pensions), should be supported by an objective source such as an actuarial report or audited financial statements. The approved accrual amount embedded in rates is not to change or escalate during an IRM or Custom IR term except in cases where in a Custom IR term, updated forecasts for subsequent years of the term were approved. The interest rate shall be the CWIP rate prescribed by the OEB.

**Question(s):**

- a) Please provide the calculation of the carrying charge amount record in this account each year.
- b) Please confirm CNPI applied CWIP rate prescribed by the OEB in calculating the carrying charge.

**9-Staff-101**

**Commodity Accounts Analysis Workform**

**Ref 1: CNPI 2027 Commodity Analysis Workform 1.0\_20260519**

**Ref 2: Exhibit 9, section 9.2.3**

**Preamble:**

- a) In reference 1, Tab GA2024, Note 5, Item 4b  
OEB staff notes that CNPI recorded a debit amount of \$18,336 in Item 4b (i.e. significant current period billing adjustment recorded in other year) which was 2024 Consumption related GA billings billed in 2025 as a reconciling item. This amount was not categorized as principal adjustment (PA); however, it was reversed by the same amount in Tab GA2025.
- b) In reference 1, Tab GA2025, Note 5, Item 8  
OEB staff notes that CNPI recorded CT 148 Recalculated Settlement Adjustment (i.e. \$102,552) related to 2023 and 2024 true-up adjustment to IESO as PA. OEB staff also notes that this amount was to reverse the 2023 CT 148 Recalculated Settlement Adjustment (i.e. \$12,362) recorded in Note 5 of Tab GA2023 as PA and the 2024 CT 148 Recalculated Settlement Adjustment (i.e. \$90,189) recorded in Note 5 of Tab GA2024 as PA.
- c) In reference 1, Tab GA2025, Note 5, Item 10  
CNPI recorded a debit \$423,721 as a reconciling item related to National Grid GA Billed Differences.
- d) In reference 1, Tab Account 1588, Note 7  
OEB staff notes that CNPI recorded \$691,267 as a reconciling item for 2023. CNPI also recorded \$361,344 as reconciling item for 2025 which was related to National Grid. CNPI also recorded \$361,344 as a reconciling item for 2025 which was related to National Grid.
- e) In reference 1, Tab Principal Adjustment, Note 8  
OEB staff notes the amount recorded in Note 8 was related to Year 2023 while the last approved balance for Account 1588/1589 was Year 2022 per Tab Information Sheet in reference 1.

**Question(s):**

- a) Please confirm whether Item 4b (i.e. \$18,336) was recorded in the 2024 general ledger (G/L).
  - i) If yes, CNPI stated this amount related to 2024, why this amount needs to be reversed in 2025 and was recorded as Item 4a in GA2025 (Note 5) if it was included in 2024 G/L. If yes, as CNPI stated this amount is related to 2024, please explain why this amount needs to be reversed in 2025 and was recorded as Item 4a in GA2025 (Note 5) if it was included in the 2024 G/L.
  - ii) If no, why was this amount not categorized as 2024 principal adjustment since it was recorded in 2025 G/L while it belongs to year 2024. If no, please explain why this amount was not categorized as a 2024 principal adjustment since it was recorded in the 2025 G/L while it belongs to the 2024 year.
- b) Please confirm OEB staff's observations regarding CT 148 Recalculated Settlement Adjustment cross years.
  - i) If confirmed, please explain why CNPI didn't reverse 2023 CT 148 Recalculated Settlement Adjustment on time in 2024?
  - ii) If not, please explain why not.
- c) Please provide the calculation for the adjustment of \$423,721.
  - i) Please include all the steps of the RPP Settlement Process.
  - ii) In each month's (July, August & September) worksheet, please show the calculation of the following items:
    - 1) Prorate the cost of power purchased between RPP and non-RPP Class B customers (split using the same percentages of RPP and non-RPP used to separate CT 148 for RPP settlement calculations) for all power purchased from National Grid.
    - 2) RPP sales volumes related to electricity purchased from National Grid.
    - 3) The GA savings impacts that were recorded in both Accounts 1588 and 1589, rather than recorded in Account 1588 only.
    - 4) Please reconcile the GA savings (i.e. \$690,280) noted in Table 9-7 in reference 2 to c) above.
- d) Please provide calculation of the 2025 reconciling item \$361,344 related to National Grid.
  - i) Please provide Note 7b of 2023 reconciling item \$691,267.
    - 1) If this amount was related to National Grid, please provide the calculation as well.
- e) Please update Note 8 to show the breakdown of principal adjustments included in last approved balance (i.e. 2022) and move 2023 principal adjustments to Note 9.
- f) Please update/resubmit reference 1 upon addressing all the questions above.

## **9-Staff-102**

### **National Grid Power purchase**

**Ref 1: Exhibit 9, section 9.2.3**

**Ref 2: Decision and Order\_EB-2025-0050, December 18, 2025, section 7**

#### **Preamble:**

Per reference 1, CNPI stated that it purchased power from National Grid through the New York Independent System Operator (NYISO) from July 26, 2025, to September 14, 2025, since the IESO-controlled grid was unavailable due to planned CNPI Transmission line work.

CNPI has continued to use the rate harmonized approach which was approved by the OEB in reference 1. The cost of power purchased from National Grid during the period mentioned above was a total of USD\$2,600,326 (or CAD\$3,604,052). CNPI stated the cost would have been approximately \$4,294,332 if applying the appropriate Global Adjustment and DAM OZP + LFDA to CNPI's hourly kWh. CNPI estimates that there were savings of approximately \$690,000. CNPI assumed that all of the avoided GA billings are considered savings and the National Grid invoiced amounts to be Cost of Power related charges. This estimate does not account for the savings related to savings in the levels of transmission, wholesale market service, and other charges on CNPI Distribution's IESO invoices.

#### **Question(s):**

- a) Please confirm if the CNPI-purchased National Grid purchase NG power during the period mentioned above was for the customer in Fort Erie per reference 2.
- b) Please provide a breakdown of the total savings CNPI generated by using National Grid in 2025 compared to the same volume purchased from the IESO-controlled grid.
  - i) Please include savings related to savings in the levels of transmission, wholesale market service, and other charges on CNPI Distribution's IESO invoices.
  - ii) Please provide the breakdown of the total savings per the IESO charge.
- c) Please provide a high-level comparison of the power purchase price between National Grid and the IESO/Hydro One for July, August and September 2025, respectively.
- d) At a high level, for the period using National Grid power in 2025, please quantify and explain the impact on Accounts 1588 and 1589 if CNPI reports to the IESO the volumes supplied by National Grid and includes these volumes in the CT 142 RPP settlement calculations.

- e) Please provide information about when CNPI will utilize National Grid power for the upcoming rate period.