



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

January 13, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: 2010 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION CNPI – FORT ERIE
EB-2009-0217**

Attached is the CNPI – Fort Erie response to Board Staff interrogatories related to the above noted application.

Certain responses remain pending and these have been noted in this submission. CNPI were delayed in receiving the Board staff interrogatories and require additional time to complete them in full. CNPI anticipates filing the remainder of its response by January 20, 2010.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994 3634.

Yours truly,

Original Signed By

Doug Bradbury
Director, Regulatory Affairs

Interrogatory No. 1

Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by **CNPI - FE** shows the split for account 1588 – Power and Global Adjustment. On October 15, 2009 the Board issued “Regulatory Audit and Accounting Bulletin 200901” which clarified the accounting rules for reporting the 1558 – Global Adjustment sub-account.

Account Description	Account Number	Total Claim
RSVA - Power (Excluding Global Adjustment)	1588	783,392
RSVA - Power (Global Adjustment Sub-account)		736,685

- a) Has **CNPI - FE** reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?
- b) Has **CNPI - FE** made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

Response

Pending

Interrogatory No. 2

Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

The EDDVAR Report as well as the Board's Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.

This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.

For these reason the Board's original Deferral Variance Account workform was modeled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.

Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.

What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."

While Enersource's response to the Board staff's submission is still pending Board staff would like to poll CNPI - FE on the above issue.

- a. Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does CNPI - FE agree that this proposal would be fair to all customers? Why or why not?

- b. If the Board were to order CNPI - FE to provide such a rate rider, would CNPI - FE's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would CNPI - FE see with this rate rider?
- c. If CNPI - FE were to be unable to bill in this fashion what would CNPI - FE consider proposing in the alternative?

Response

- a. Disposition of account 1588 – Global Adjustment through a separate rate rider applied prospectively to Non-RPP customers pre-supposes that the entirety of this account is attributable solely to the Non-RPP customers. This may not be a totally accurate assumption.

Conceptually, it is a valid assumption but a number of factors come into play. The determination of the Global Adjustment variant is subject to estimation processes involving IESO billing to the LDC and LDC billing to the customer classes and subclasses, all of which is interrelated. All customers, either RPP or Non-RPP have contributed, in some manner, to the total 1588 Power Variant Account including the Global Adjustment sub-account.

While not totally fair to each individual customer, it may be more appropriate at this time to clear the variance over all customers.

- b. CNPI's billing system is capable of billing the Non-RPP customers the separate rate rider, however system configuration modifications are required. These system configurations will require some time and resources to implement.
- c. Not applicable.

Interrogatory No. 3

Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the billing determinants identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed Customers or		
	Connections	Billed kWh	Billed kW
	A	B	C
Residential	14,315	115,322,011	
General Service Less Than 50 kW	1,184	37,747,136	
General Service 50 to 4,999 kW	147	147,729,800	399,198
Unmetered Scattered Load	119	349,768	
Sentinel Lighting	961	797,374	2,423
Street Lighting	3,095	2,210,842	6,718

- a) Please identify if these values are from the CNPI - FE 2009 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2009 CoS application please provide reference to location in the application.
- c) If the above are from the 2008 RRR reported values, please explain why CNPI - FE has not used the 2009 CoS values.

Response

- a) These values are from the CNPI – Fort Erie 2009 Cost of Service Application, EB-2008-0223.
- b) The values shown may be referenced to the Draft Rate Order, CNPI _DRF_RO_20090807. The load and customer forecast is discussed on page 2 of 12 and the details are shown in Appendix B on the Spreadsheet Tab “Forecast Data”.
- c) Not applicable.

Interrogatory No. 4

Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the Billed kWh for Non-RPP customers identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed kWh for Non-RPP customers D
Residential	19,653,628
General Service Less Than 50 kW	4,403,553
General Service 50 to 4,999 kW	106,206,984
Unmetered Scattered Load	
Sentinel Lighting	671,876
Street Lighting	2,210,842

- a) Please identify if these values estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why **CNPI - FE** is unable to determine actual.
- c) As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would **CNPI - FE** support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If **CNPI - FE** were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does **CNPI - FE** believe that the rider be applied to customers in the MUSH sector? If not, would **CNPI - FE** have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

Response

- a. These are estimated values based on the 2009 forecasted quantities from the 2009 EDR. The 2009 quantities which are discussed in Board Staff

Interrogatory No. 3 have been adjusted on the basis of historical Non-RPP billing.

- b. CNPI was basing the billing determinants in this 2010 IRM3 Application on the forecasted quantities from its 2009 EDR Application. As a logical extension, the billing determinants for Non-RPP customers were derived using these 2009 projections as the basis.

CNPI could determine 2009 actuals when they become available.

- c. CNPI believes this is the most appropriate denominator currently available.
- d. No. Should the Board choose to establish a separate rate rider for Non-RPP customers, the MUSH sector customers should likely be excluded. CNPI's billing system has the capacity to exclude the MUSH sector customers but it will require system configuration modifications involving both internal and external resources.

Interrogatory No. 5

Ref: 2010 IRM Deferral Variance Total Claim

Below are the Total Claim values for the EDDVAR Group One Deferral Accounts.

Regulatory Assets - Continuity Schedule Final

Account Description	Account Number	Total Claim
LV Variance Account	1550	0
RSVA - Wholesale Market Service Charge	1580	(760,681)
RSVA - Retail Transmission Network Charge	1584	17,897
RSVA - Retail Transmission Connection Charge	1586	104,740
RSVA - Power (Excluding Global Adjustment)	1588	783,392
RSVA - Power (Global Adjustment Sub-account)		736,685
Recovery of Regulatory Asset Balances	1590	(276,820)
Disposition and recovery of Regulatory Balances Account	1595	0
	Total	605,214

- a) Please complete the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009. Note that Board staff can assist in converting your most recent model (either the one filed with your application or a more recent version if available). Please contact your case manager to assist you if need be.
- b) Please confirm if these are the final balances for disposition. If not the final balances please provide amended workform to support final balances for disposition.
- c) Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.

- d) Please confirm that **CNPI - FE** has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If **CNPI - FE** has used other practices in the calculation please explain where in the filing and why.
- e) Please confirm that **CNPI - FE** has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If **CNPI - FE** has used other calculations please explain where in the filing and why.
- f) Please confirm that **CNPI - FE** has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If **CNPI - FE** has not complied with this requirement please explain why not?

Response

Pending

Interrogatory No. 6

Ref: Manager's Summary Smart Meter Rate Adder.

CNPI - FE has applied for an increased Smart Meter Rate Adder from \$0.27 to \$1.00 per metered customer per month.

- a) Section 1.4 of Board Guideline G-2008-0002, Smart Meter Funding and Cost Recovery, specifies further filing requirements for distributors seeking the standard \$1.00 or more smart meter funding adder. In accordance with section 1.4, please provide documentation supporting that CNPI - FE is duly authorized to deploy smart meters pursuant to O.Reg. 427/06, as amended on June 25, 2008 by O.Reg. 235/08. A copy of an "Attestation of the Fairness Commissioner" would be consistent with this filing requirement.

Response

A copy of the Attestation of the Fairness Commissioner is provided on the following page.



PRP International, Inc.
Fairness Advisory Services

August 1, 2008

Mr. Bill Daley
President & CEO
Canadian Niagara Power Inc. (Fortie)
1130 Bertie Street, P.O. Box 1218
Fort Erie, ON L2A 5Y2

Dear Mr. Daley:

Subject: Attestation of the Fairness Commissioner
Advanced Metering Infrastructure RFP, August-July 2008
London Hydro Consortium & Add-On LDCs Smartmetering Project

PRP International, Inc. is pleased to submit its letter report of the Fairness Commissioner for the noted Request for Proposal (RFP) evaluation and selection phase. This judgment is being provided for the information and use of each Add-On LDC Sponsor, in their consideration of the report from the Evaluation Phase, for this competitive transaction.

"It is the judgment of PRP International, Inc., as the Fairness Commissioner, that the determinations of the two (2) highest ranked Proponents for the NEPA Collective of LDCs (Brant County Power Inc., Brantford Power Inc., Canadian Niagara Power Inc. (Fortie), Grimsby Power Incorporated, Haldimand County Hydro Inc., Niagara-on-the-Lake Hydro Inc., Niagara Peninsula Energy Inc., Norfolk Power Distribution Inc., and Welland Hydro Electric System Corp.) requirements are:

- KTI/Sensus Limited, as the recommended Preferred Proponent, based on its highest ranking, and*
- Elster Metering being the second ranked Proponent.*

These determinations were made in a fair (objective and competent) manner and consistent with the evaluation and selection processes set out in the RFP, issued August 14, 2007."

A detailed report for your records will be submitted to you, by August 31, 2008. Should you have any questions or require clarification of any matter contained in this letter report, please contact the undersigned.

Yours truly,

Peter Sorinson
President

cc: Mr. Gary Rains, RFP Project Director

203 - 8 QUEEN STREET, SUMMERSIDE, PEI C1N 0A6
TELEPHONE: 902-436-3930 FAX: 604-677-5409
EMAIL: fairness@telus.net

Interrogatory No. 7

Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010.

In the event that PST and GST are harmonized effective July 1, 2010:

- a. Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?
- b. Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

Response

- a. CNPI – Fort Erie will comply with Board direction as it relates to the establishment of a variance account to capture the reductions in OM&A and capital expenditures. However, any variant account should recognize the incremental costs incurred by the CNPI to track the costs related to changes in taxation.
- b. CNPI – Fort Erie suggests that it may be possible to reasonably estimate the cost reductions based on the most recent financial records or rebasing application as opposed to introducing additional record keeping burdens.