



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

January 21, 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 – EASTERN ONTARIO
POWER, EB-2009-0216**

Attached is the CNPI – Eastern Ontario Power response to Board Staff interrogatories related to the above noted application.

These are the interrogatory responses deferred in the January 13, 2010 submission.

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 2006 EDR LV

In the 2006 EDR application CNPI - EOP included \$120,767 in LV Allocation as a Rate Adder. In 2007 and 2008 the price cap adjustment (GDP-IPI – X) was 0.9% and 1.1% respectively. This would have increased the 2007 and 2008 LV Allocation to \$121,853 and \$123,194 respectively. In the 2010 IRM Deferral Variance Account Workform CNPI - EOP has reported \$0, \$0 and \$0 for 2006, 2007 and 2008 additions for USoA 1550 LV Variance account.

	DVAWF		2006 EDR	
	Transactions (additions) during 2006/7/8, excluding interest and adjustments	Transactions (reductions) during 2006/7/8, excluding interest and adjustments	7-2 ALLOCATION - LV-Wheeling Cell L120	(GDP-IPI) - X
2006	\$ -	\$ -	\$ 120,767	0.0%
2007	\$ -	\$ -	\$ 121,853	0.9%
2008	\$ -	\$ -	\$ 123,194	1.1%

- a) Please confirm that CNPI - EOP has applied the 2006 EDR LV Allocation against Hydro One LV costs and that the balance shown in the Deferral Variance Account workform are net of the LV allocation and correct.
- b) If LV Allocation not applied or Account 1550 not correct please provide an explanation in respect to the accounting for the LV

Response

a) & b) CNPI had not been applying the 2006 EDR LV Allocation against the Hydro One costs following the 2006 EDR implementation in May 2006. During that period the 2006 EDR LV Allocation had been taken into revenue and the Hydro One costs were expensed.

In 2008, CNPI retrospectively allocated the amounts of the 2006 EDR LV Allocation against the Hydro One costs and made an adjusting entry of (\$116,887) to account 1550 in December 2008 as shown on the IRM Deferral and Variance Workform, Version 4. The adjusting entry was for the principle amount only.

The account, effective December 2008, had been accounted appropriately. However, it was later determined that an entry related to the Hydro One LV costs was being inadvertently directed to account 1586, Retail Transmission Connection Service Charge. This has been corrected and the adjusting entry of (\$24,558) is shown in the IRM Deferral and Variance Workform, Version 4.

The proper amounts are provided in the IRM Deferral and Variance Workform, Version 4. An electronic copy of "IRM Deferral and Variance Account WorkformV4 EOP20100121.xls" accompanies these responses.

Interrogatory No. 7

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	(429,448)
RSVA - Retail Transmission Network Charge	1584	(232,390)
RSVA - Retail Transmission Connection Charge	1586	(139,127)
RSVA - Power (Excluding Global Adjustment)	1588	543,744
RSVA - Power (Global Adjustment Sub-account)		230,800
Recovery of Regulatory Asset Balances	1590	(9,224)
Disposition and recovery of Regulatory Balances Account	1595	0
	Total	(35,645)

- 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 - EOP has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final

disposition balance. If CNPI - EOP has used other practices in the calculation please explain where in the filing and why.

- e) Please confirm that CNPI - EOP has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If CNPI - EOP has used other calculations please explain where in the filing and why.
- f) Please confirm that CNPI - EOP 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 - EOP has not complied with this requirement please explain why not?

Response

- a. A completed Deferral Variance Account Workform V4 is accompanying these responses, "IRM Deferral and Variance Account Work Form V4 EOP20100121.xls".
- b. No. The accompanying Workform, "IRM Deferral and Variance Account Work Form V4 EOP20100121.xls" shows the final balances for disposition.
- c. The final balance for disposition to the 2008 year end account balance is reconciled on the Workform and the variances are related to low voltage charges discussed in the response to Interrogatory No. 1.
- d. CNPI has complied, based on its interpretation, with the Board's accounting policy and procedures for calculation of the final disposition balance.
- e. Yes, CNPI has used the simple interest calculation as required by the Board using the Board's prescribed interest rates.
- f. Yes, CNPI has complied with the requirement to apply recoveries to principle first.

Interrogatory No. 3

Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by CNPI - EOP 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	543,744
RSVA - Power (Global Adjustment Sub-account)		230,800

- a) Has CNPI - EOP 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 - EOP made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

Response

- a. CNPI reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009. CNPI consistently uses the accrual basis of accounting.

In the past, CNPI has not recorded interest revenue and interest expense separately in accounts 4405 and 6035. The financial reporting system will be configured to report the accounts separately beginning in 2010.

On the basis of CNPI's understanding of the Board's direction, account 1588 RSVA Power and account 1588 RSVA Power sub-account Global Adjustment are both accounted for correctly, including the associated carrying charges.

Regulatory Reporting Requirement (“RRR”) 2.1.1 and RRR 2.1.7 agree materially in total. Due to grouping of the interest within CNPI's

financial system, the reported amounts do not agree for individual accounts.

The CNPI – EOP low voltage accounts were omitted in error on RRR 2.1.1 in 2008. This matter was more fully discussed in the response to Interrogatory No. 1.

- b. Adjustments have been made with respect to the projected interest calculations and the application of low voltage revenues and expenses to account 1550. CNPI is filing an updated 2010 IRM Deferral Variance Account Workform.