



**CANADIAN NIAGARA POWER INC.**

A **FORTIS** ONTARIO  
Company

**BY COURIER**

February 23, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: CANADIAN NIAGARA POWER INC., FORT ERIE & EASTERN ONTARIO POWER  
SUBMISSION TO THE BOARD  
2010 ELECTRICITY DISTRIBUTION RATE APPLICATION  
FORT ERIE, 2010 IRM3, EB-2009-0217  
EASTERN ONTARIO POWER, 2010 IRM3, EB-2009-0216**

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Please see attached Canadian Niagara Power Inc.'s submission in the above referenced matter.

Yours truly,

Original Signed by,

Douglas R. Bradbury  
Director, Regulatory Affairs

Enclosures



1 **DISCUSSION**

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3 The price cap adjustment that has been determined in the 2010 IRM3 Application  
4 uses the Board's default metrics for the Price Escalator (GDP-IPI), the Productivity  
5 Factor and the Stretch Factor. CNPI acknowledges that the Board will use the GDP-  
6 IPI as published by Statistics Canada in the first quarter of 2010. The Board has  
7 used a proxy stretch factor of 0.4% and intends to adjust the stretch factor when  
8 data becomes available.

9

10 A common price cap adjustment factor is integral to the continuance of Board  
11 approved electricity distribution rate harmonization in CNPI's service territories; Fort  
12 Erie and Gananoque. CNPI presented evidence in the 2009 EDR (EB-2008-0222  
13 and EB-2008-0223) that CNPI's common elements should be considered when  
14 determining the appropriate stretch factor for CNPI's service territories.

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16 During the review of CNPI's 2009 EDR Applications (EB-2008-0222, EB-2008-0223  
17 and EB-2008-0224) there were interrogatories and discussions regarding the  
18 appropriateness of the PEG Benchmarking ranking of CNPI's individual service  
19 territories. In the particular, the School Energy Coalition in its Interrogatory No. 4,  
20 asked; Please calculate the combined PEG Benchmarking ranking of Canadian  
21 Niagara Power including all three franchise areas, first on the basis of the OM&A  
22 treatment used by the Applicant, and then on the basis that the lease payments to  
23 Port Colborne are not included in OM&A.

24

25 This was recognition that CNPI, due to its arrangement of a single utility with multiple  
26 service territories managed through a system of shared services and assets,  
27 required a more comprehensive understanding. The response, provided in Exhibit 8  
28 of this Application, to the interrogatory placed CNPI in the middle cohort.

1 Later in the review of its applications, CNPI provided Supplementary Evidence which  
2 was examined by Board Staff and intervenors. This evidence, marked Exhibit K.5 in  
3 that proceeding and included with this Application in Exhibit 8, provides further  
4 evidence that the Operations, Maintenance and Administration costs for CNPI's  
5 service territories is not indicative of CNPI's ranking with respect to its cohorts.

6  
7 It is crucial for the continuance of CNPI's harmonized electricity distribution rates  
8 that CNPI be considered a single entity for the purposes of assigning a stretch  
9 factor. And, that the unique matters such as the Port Colborne Operating Lease and  
10 the Early Retirement Program, referenced in the Supplementary Evidence K.5 of  
11 EB-2008-0222, EB-2008-0223 and EB-2008-0224, are properly addressed.

12  
13 Otherwise, CNPI has no issue with the Board staff submission in this matter.

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15  
16 **ALL OF WHICH IS RESPECTFULLY SUBMITTED**