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"Providing power for the future"

NIAGARA PENINSULA ENERGY INC

January 21, 2009

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary
Lawrie Gluck, Analyst, Regulatory Policy Development

Dear Ms. Walli:

Re: Niagara Peninsula Energy Inc
2009 Incentive Regulation Mechanism (2009 IRM) Rate Application
Board File Number EB-2008-0199 – Niagara Falls and EB-2008-0200 – Peninsula West

Per the letter dated December 19, 2008, please find the responses to the Board staff interrogatories from Niagara Peninsula Energy.

Retail Transmission Service – Connection Rate

1. "It is unclear to Board staff how Niagara Peninsula Energy Inc. determined a 19.2% increase for the Connection Service Rate used in the impact analysis of the deferral balances for connection. Please clarify how this adjustment was determined. Please also undertake the analysis of the impact on the deferral balances for Connection by following the adjustment methodology used last year, which can be found in the "2009 Electricity Distribution Rates FAQs for LDCs under 2nd and 3rd Generation Incentive Regulation Mechanisms posted on the Board's website."

The 19.2% increase was determined in review of G-2008-0001 Guideline: Electricity Distribution Retail Transmission Service Rates dated October 22, 2008, where it is disclosed that the Ontario Uniform Transmission Rates are increased as of January 1, 2009.

The 19.2% increase was calculated in observation of the Line Connection Service Rate increased from \$0.59 to \$0.70 per kW per month, an 18.6% increase; Transmission Connection Service Rate increased from \$1.61 to \$1.62 per kW per month, a 0.6% increase. The sum of 18.6% + .6% = 19.2% was used as the increase in the impact analysis.

In the 2009 Electricity Distribution Rates FAQs for LDCs under 2nd and 3rd Generation Incentive Regulation Mechanisms, the adjustment to be used should be calculated using the following,

Percent change in RTSR – Network Service Rate = (new UTR Network/old UTR Network) – 1

Percent change in RTSR – Network Service Rate = (2.57/2.31) – 1 = 11.3%



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Percent change in RTSR – Line and Transformation Connection Service Rate = (New UTR Line Connection + new UTR Transformation Connection/ (old UTR Line Connection + old UTR Transformation Connection) – 1

Percent change in RTSR – Line and Transformation Connection Service Rate = $0.70 + 1.62 / 0.59 + 1.61 - 1 = 5.5\%$, rounded to the next percent = 6%

The impact analysis utilizing the recalculated increase is as follows:

NPEI Transmission Rates

			Revised calculation
	Network	Connection	Connection
Prorated out to December 2008			
Total Revenue Jan-Dec	(6,984,650.79)	(5,529,065.11)	(5,529,065.11)
Total Charges Jan-Dec	6,130,387.08	4,627,440.47	4,627,440.47
Increase in deferral balances for 2008	(854,263.71)	(901,624.64)	(901,624.64)
If we increase NW & CN by the uniform rates 2009			
	11.30%	19.20%	6.00%
Total Revenue Jan-Dec	(7,445,055.68)	(5,893,522.65)	(5,893,522.65)
Total Charges Jan-Dec	6,823,120.82	5,515,909.04	4,905,086.89
Further increase in deferral balances for 2009	(621,934.86)	(377,613.62)	(988,435.76)
If we decrease our rates 2009			
	-4.00%	-1.00%	
Total Revenue Jan-Dec	(6,821,675.60)	(5,496,812.23)	
Total Charges Jan-Dec	6,823,120.82	5,515,909.04	
Further increase in deferral balances for 2009	1,445.22	19,096.81	



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Niagara Peninsula Energy respectfully requests the 1.00% decrease in the Line and Transformation Connection Service Rate, as well as, the 4.00% decrease in the Network Service Rate.

Smart Meter Adder – Implementing Distributor

2. “In accordance with the Board’s Guidelines for Smart Meter Funding and Cost Recovery (G-2008-0002), distributors conducting smart meter activities must be authorized to do so in accordance with applicable law. Please provide evidence that Niagara Peninsula Energy Inc. has met this requirement.”

In review of the G-2008-0002 Guideline - Smart Meter Funding and Cost Recovery, Niagara Peninsula Energy respectfully requests the one dollar per metered funding adder as Niagara Peninsula Energy Inc is currently in review process of Request for Proposal for smart meter and smart meter systems purchase, deployment and implementation in 2009. Within the current deployment plan, Niagara Peninsula Energy anticipates that purchase of smart meters will begin in January, with mass deployment planned to begin in April, 2009. This was the intent in respectfully requesting an increase in the smart meter funding adder.

- The estimated number of meters to be installed in the rate year is 48,000.
- The estimated costs per installed meter and in total is currently not known as we have not made decision on the Request for Proposal process for all aspects of the Smart Meter Initiative including procurement and installation of the components of the meters, Advanced Metering Infrastructure system, and customer information system.
- Niagara Peninsula Energy expects to purchase smart meters or advanced metering infrastructure (“AMI”) in the rate year. It is not anticipated that the purchased functionality will exceed the minimum functionality adopted in O.Reg.425/06.
- At this time, Niagara Peninsula Energy does not expect to incur costs associated with functions for which SME has the exclusive authority to carry out pursuant to O.Reg. 393/07.

To date, the anticipated known costs are as follows:

Sensus Total Capital	\$5,054,194.89
Sensus Total Operating Costs over 15 years	\$2,675,419.93
Sensus Total Capital and Operating Costs per meter	\$149.84

Costs that are not included but are anticipated include:

- Leasing of towers
- Installation of meters which has an anticipated cost of \$10.00 per meter
- Electrician costs for meter base repairs at time of installation
- Waste/scrap
- Stranded Cost of \$1.9m
- Operating Data Storage
- Temporary Storage
- Customer Information System changes
- Media/Customer Communication and Education



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Rural or Remote Electricity Rate Protection ("RRRP")

3. "By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: "Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009."

Niagara Peninsula Energy will file the required addition to the evidence as outlined in the December 17th letter.

If you should have any questions regarding these responses, please feel free to contact our offices.

Sincerely,

Ms. Margaret Battista
Vice President, Customer Services & IT

.cc Suzanne Wilson, Vice President, Finance

MB/mb