CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

February 13, 2009

DELIVERED BY COURIER

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

Dear Ms. Walli:

RE: 2008 ELECTRICITY DISTRIBUTION RATE APPLICATIONS FOR CANADIAN NIAGARA POWER INC. FOR ITS CNPI – EASTERN ONTARIO POWER (EB-2008-0222), CNPI – FORT ERIE (EB-2008-0223) AND CNPI – PORT COLBORNE (EB-2008-0224) SERVICE AREAS

The undersigned acts as in-house counsel for Canadian Niagara Power Inc. ("CNPI") with respect to the above captioned matter. Please find accompanying this letter two (2) copies of CNPI's responses to the Supplemental Interrogatories submitted to the Board by Board staff together with an electronic version of the same.

We have enclosed a CD containing this electronic media. A PDF version of these responses will, coincidently with this written submission, be filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned or Doug Bradbury, Director Regulatory Affairs (905) 994 3634.

Yours truly,

R. Scott Hawkes
Vice President, Corporate Services
and General Counsel

RSH:mar

Enclosures

c. Andrew Taylor – Ogilvy Renault LLP
Douglas R. Bradbury – CNPI

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INTERROGATORY # 71 - Determination of Loss Adjustment Factors

<u>CNPI – Port Colborne specific interrogatories</u>

References: Exhibit 4, Tab 2, Schedule 8, Page 1
Response to Board Staff Interrogatory 59

The actual System Facility Loss Factor (SFLF), DLF and TLF for 2005 are shown as less than unity in the 1st reference, respectively as 0.9976, 0.9769 and 0.9745.

a). With respect to the SFLF, in the 2nd reference, part 'a' states that SFLF up until April 2006 was negative on the settlement reports. A similar statement is provided in part 'c' of the 2nd reference. Given that SFLF accounts for losses between the defined meter point on the primary or high voltage side of the transformer and the metering installation on the secondary or low voltage side of the transformer, a less that unity SFLF implies that the kWh delivered by the transformer at the low voltage side exceeds the kWh delivered to the transformer at the high voltage side. Please confirm whether the less than unity value is the result of an anomaly in the settlement report.

b) With respect to the DLF, a less than unity value implies that the retail kWh delivered by the distributor exceeds the wholesale kWh delivered to the distributor. Please confirm whether the less than unity value is the result of an anomaly.

RESPONSE:

a) For the period prior to Hydro One deregistering their registered wholesale market participant delivery point associated with Wainfleet to become an embedded distributor of CNPI – Port Colborne, CNPI – Port Colborne was attracting Supply Facility Loss Factors less than unity.

This anomaly is the result of the application of postage stamp delivery point losses by Hydro One at the Townline PME which, prior to deregistration, was the wholesale market delivery point for the Hydro One load in Wainfleet. The IESO applied a 3.4% loss adjustment factor to the Townline PME; this resultant loss calculation for the Wainfleet load was greater than the Supply Facilities Loss calculation for the station. When settled back at Port Colborne TS, the net of the Supply Facilities Loss Factor calculation for the station and the losses assigned by the IESO to Townline PME embedded delivery point would be less than zero and the SFLF would be less than one.

b) In 2005, the Distribution Loss Factor, DLF, was determined to be 0.9769, this was an anomaly. This anomaly arose from a data error in the unbilled revenue report.

72. TAXES

Reference: Response to Board Staff Interrogatory 60

Please explain the bases of 2007 taxes payable allocations (per the 2007 tax returns Federal T2 and Provincial CT23) for regulatory purposes between transmission and distribution operation, and to CNPI's three service area (Fort Erie, Port Colborne and Eastern Ontario Power). Did CNPI use the basis of tax allocations in the 2009 Test Year? If not, please provide and explain the deviations.

RESPONSE:

The allocation of 2007 taxes payable for regulatory purposes between transmission and distribution was based on the actual earnings for each of the transmission business unit and the distribution business unit. The allocation of the distribution business unit 2007 taxes payable for regulatory purposes between the three service areas (i.e. Fort Erie, Port Colborne, and Eastern Ontario Power) was based on the weighting of the service territories' rate base to total CNPI distribution rate base. CNPI manages income taxes on a combined basis including capital structure and the allocation of interest expense. Using rate base, which essentially is the driver of earnings, is simple, transparent and fair.

Yes, the same basis was used for the allocation of taxes in the 2009 test year.