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 the Vulnerable Energy Consumers Coalition 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

INTERROGATORY # 25

Reference: i) VECC #1 b)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) Please provide a summary of any corrections or revisions the Company has identified to date and update of CNP-EO's current proposed 2009 revenue requirement and revenue deficiency. Such an update would provide a useful basis for the upcoming Settlement Conference.

RESPONSE:

CNPI-EOP has prepared a numerical summary of the proposed changes from the August 15, 2008 rate application. The changes are as follows:

1. VECC-EOP #21) – Cost of power and retail transmission rates: The new data was used to recalculate the 2009 revenue requirement and revenue deficiency.
2. OEB-EOP #7) – Meters: The revised meter capital expenditures for 2008 and 2009 were used were used to recalculate the 2009 revenue requirement and revenue deficiency.

Canadian Niagara Power - Eastern Ontario Power
Summary of Proposed Changes

	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Revenue Deficiency
Original Submission August 15, 2008	$ 570,903	7.36%	$ 7,756,830	$ 5,658,594	$ 848,789	$ 480,538	$ 111,423	$ 1,196,875	$ 2,359,739	$ 2,319,649	$ 453,093
1 Cost of Power & Retail Transmission	$ 574,054	7.36%	$ 7,799,641	$ 5,944,003	$ 891,600	$ 480,538	$ 112,189	$ 1,196,875	$ 2,363,656	$ 2,323,566	$ 457,010
Change	$ 3,151		$ 42,811	$ 285,409	$ 42,811	$ -	$ 766	$ -	$ 3,917	$ 3,917	$ 3,917
2 Capitalized Meters	$ 569,814	7.36%	$ 7,742,033	$ 5,944,003	$ 891,600	$ 478,767	$ 113,944	$ 1,196,875	$ 2,359,399	$ 2,319,310	$ 452,754
Change	$ (4,240)		$ (57,608)	$ -	$ -	$ (1,771)	$ 1,755	$ -	$ (4,257)	$ (4,256)	$ (4,256)
Proposed January 2009	**$ 569,814**	**7.36%**	**$ 7,742,033**	**$ 5,944,003**	**$ 891,600**	**$ 478,767**	**$ 113,944**	**$ 1,196,875**	**$ 2,359,399**	**$ 2,319,310**	**$ 452,754**
Change - Proposed vs Original	$ (1,089)		$ (14,797)	$ 285,409	$ 42,811	$ (1,771)	$ 2,521	$ -	$ (340)	$ (339)	$ (339)
	-0.19%		-0.19%	5.04%	5.04%	-0.37%	2.26%	0.00%	-0.01%	-0.01%	-0.07%

INTERROGATORY # 26

Reference: i) VECC #2 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) The response to VECC #2 a) indicates a significant difference between the 2004 weather normalized consumption values using CNP-EO's vs. HON's weather normalization methodologies. This difference raises questions about the accuracy of one or both of the methodologies. Please comment on why CNP-EO's weather normalization results should be considered reasonable – given the differences in the values.

RESPONSE:

During the 2006 Cost Allocation Informational Filing exercise the collective understanding of the process and the necessity of a weather normalized data set led to the utilization of existing Hydro One data combined with LDC specific data to construct an LDC specific weather normalized data set. For many LDCs including CNPI, this normalized data set formed the basis of certain allocators used within the 2006 Cost Allocation Informational Filing. The result of the 2006 Cost Allocation Informational Filing using this weather normalized data set is a valid basis for the allocations to the customer classes.

From a forecasting perspective, CNPI has to produce what it contends is the most appropriate customer, load and demand forecast available for the development of electricity distribution rates.

In its response to the first reference, VECC #2a), CNPI provided a comparison of an extrapolated weather normalization of the Hydro One 2006 Cost Allocation Informational Filing data and the methodology employed by CNPI in this Application. The results were:

Comparison of 2006 EDR Weather Normalization Data			
Class	Actual Data (kWh)	Hydro One Normalized Data (kWh)	CNPI Methodology (kWh)
Residential	28,793,211	34,496,299	29,647,586
GS < 50 kW	14,283,926	13,161,105	14,120,023
GS > 50 kW	42,507,317	39,316,197	42,070,186

Looking at the results for the Residential class in particular, the extrapolation of the Hydro One data results in a deviation from the actual of 5,703,088 kWh or a 19.8% variant. The CNPI Methodology results are a deviation of 854,375 kWh or a 2.97% variant.

Historically, the recorded sales associated with the residential class in CNPI – Eastern Ontario Power have been;

Actual Sales Data for the Residential Class (kWh)					
	2003	2004	2005	2006	2007
Residential	28,624,805	28,565,432	29,588,456	29,533,620	29,640,947
% Change	N/a	-0.21%	3.58%	-0.19%	0.36%

The volatility introduced by the extrapolation of the Hydro One weather normalization data has not been evident in historical actual sales. CNPI believes that the forecast results stemming from the methodology used in the Application is more conservative and intuitively more appropriate.

INTERROGATORY # 27

Reference: i) VECC #4 c) and d)

a) CNP-EO suggests that the "proportions" have not changed significantly as between 2006 and 2009. However, for the GS<50 class the proportion of load has increased by 34% (22.3/16.6) while the GS>50 class' proportion has decreased by over 40%. Please explain why these changes are not considered to be significant.

RESPONSE:

CNPI agrees that the shift in proportion of load amongst the customer classes from the 2006 Cost Allocation Informational Filing to the 2009 Customer and Load Forecast is, in itself, significant. However, when these same changes in loads are evaluated from a cost allocation and rate design perspective any adverse impacts are less significant.

To illustrate its position, CNPI has modified the Cost Allocation Informational Filings for CNPI – Eastern Ontario Power and for the Harmonized Cost Allocation for CNPI – Fort Erie and Gananoque. The modifications emulate the forecasted customer class loads and revenues for CNPI – Eastern Ontario Power by proportioning the 2006 Cost Allocation Informational Filing quantities to match the 2009 forecasted quantities while maintaining the original totals. This proportioning of revenues and loads will, in theory, replicate in a reasonable manner the revenue to cost ratios for the current environment in Gananoque.

The table below compares the revenue to cost ratios submitted in the Application with those developed in this emulation. The exercise has been undertaken for the CNPI – Eastern Ontario Power Application and the Application for harmonized rates for CNPI – Eastern Ontario Power and CNPI – Fort Erie. The O1 sheets are appendixed to this response for reference.

Emulated Revenue to Cost Ratios – Gananoque Application		
Customer Class	Application Revenue to Cost Ratio	Emulated Revenue to Cost Ratio
Residential	73.02%	83.35%
GS < 50 kW	142.48%	145.51%
GS > 50 kW	158.23%	125.33%
Street Lights	27.64%	33.34%
Sentinel	31.77%	56.94%
USL	65.94%	74.22%
Emulated Revenue to Cost Ratios – Harmonized Application		
Customer Class	Application Revenue to Cost Ratio	Emulated Revenue to Cost Ratio
Residential	80.52%	82.34%
GS < 50 kW	133.51%	134.17%
GS > 50 kW	154.80%	148.97%
Street Lights	19.51%	20.15%
Sentinel	37.46%	39.05%
USL	57.76%	58.54%

The significance of the "proportions" is pronounced in the relative shares of the distribution revenue by customer class, the same significance is not evident in the resultant revenue to cost ratios particularly so in the case of rate harmonization.

Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$1,745,098	$868,429	$361,677	$495,145	$14,832	$2,597	$2,418
mi	Miscellaneous Revenue (mi	$90,493	$74,319	$21,034	($5,038)	($1,273)	($20)	$1,471
	Total Revenue	$1,835,591	$942,748	$382,711	$490,107	$13,559	$2,577	$3,889
	Expenses							
di	Distribution Costs (di)	$350,795	$198,927	$41,723	$96,202	$12,320	$1,279	$343
cu	Customer Related Costs (cu)	$423,517	$299,566	$74,646	$44,567	$1,828	$377	$2,533
ad	General and Administration (ad)	$506,006	$321,954	$75,040	$96,465	$9,670	$1,117	$1,760
dep	Depreciation and Amortization (dep)	$237,728	$133,561	$30,127	$64,453	$8,504	$869	$214
INPUT	PILs (INPUT)	$21,432	$11,779	$2,745	$6,244	$585	$61	$17
INT	Interest	$124,600	$68,479	$15,961	$36,298	$3,404	$356	$101
	Total Expenses	$1,664,078	$1,034,266	$240,244	$344,229	$36,311	$4,059	$4,968
	Direct Allocation	$13,393	$9,917	$2,511	$770	$36	$15	$143
NI	Allocated Net Income (NI)	$158,122	$86,902	$20,255	$46,064	$4,319	$452	$128
	Revenue Requirement (includes NI	$1,835,592	$1,131,086	$263,010	$391,063	$40,666	$4,526	$5,240
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$5,228,733	$2,913,435	$633,536	$1,511,082	$150,645	$15,670	$4,365
gp	General Plant - Gross	$499,513	$277,507	$62,015	$143,219	$14,799	$1,544	$429
accum dep	Accumulated Depreciation	($2,662,988)	($1,488,022)	($314,996)	($775,439)	($74,632)	($7,740)	($2,160)
co	Capital Contribution	($723,183)	($414,262)	($81,511)	($197,703)	($26,265)	($2,721)	($720)
	Total Net Plant	$2,342,075	$1,288,658	$299,044	$681,158	$64,547	$6,754	$1,915
	Directly Allocated Net Fixed Assets	$220,523	$163,297	$41,348	$12,680	$595	$243	$2,360
COP	Cost of Power (COP)	$6,032,666	$2,833,995	$1,345,625	$1,783,040	$53,221	$7,722	$9,062
	OM&A Expenses	$1,280,318	$820,447	$191,410	$237,234	$23,818	$2,772	$4,636
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0
	Subtotal	*$7,312,983*	*$3,654,442*	*$1,537,035*	*$2,020,274*	*$77,039*	*$10,495*	*$13,698*
	Working Capital	$1,096,947	$548,166	$230,555	$303,041	$11,556	$1,574	$2,055
	Total Rate Base	$3,659,546	$2,000,122	$570,947	$996,879	$76,698	$8,571	$6,329
		Rate Base Input equals Output						
	Equity Component of Rate Base	$1,829,773	$1,000,061	$285,474	$498,440	$38,349	$4,285	$3,164
	Net Income on Allocated Assets	$158,121	($101,435)	$139,956	$145,108	($22,788)	($1,497)	($1,223)
	Net Income on Direct Allocation Assets	$6,962	$5,156	$1,305	$400	$19	$8	$74
	Net Income	$165,083	($96,280)	$141,262	$145,508	($22,769)	($1,489)	($1,148)
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	83.35%	145.51%	125.33%	33.34%	56.94%	74.22%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($1)	($188,338)	$119,701	$99,044	($27,107)	($1,949)	($1,351)
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.02%	-9.63%	49.48%	29.19%	-59.37%	-34.75%	-36.28%

2006 Cost Allocation Information Filing

Canadian Niagara Power Inc - Fort Erie & EOP

Ontario

Monday, July 14, 2008

Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$9,810,769	$4,911,916	$1,541,219	$3,237,345	$72,362	$27,647	$20,280
mi	Miscellaneous Revenue (mi)	$517,904	$381,047	$75,246	$48,355	$785	$314	$12,157
	Total Revenue	$10,328,673	**$5,292,963**	**$1,616,465**	**$3,285,700**	**$73,147**	**$27,961**	**$32,437**
	Expenses							
di	Distribution Costs (di)	$1,967,062	$1,143,638	$218,050	$488,558	$93,868	$18,428	$4,519
cu	Customer Related Costs (cu)	$1,401,008	$1,069,609	$189,261	$117,387	$2,016	$552	$22,182
ad	General and Administration (ad)	$2,387,875	$1,555,981	$287,247	$441,901	$70,799	$14,005	$17,942
dep	Depreciation and Amortization (dep)	$1,684,651	$972,184	$183,806	$442,898	$68,931	$13,547	$3,285
INPUT	PILs (INPUT)	$163,414	$94,885	$18,365	$41,028	$7,335	$1,443	$357
INT	Interest	$1,177,975	$683,984	$132,385	$295,753	$52,877	$10,402	$2,575
	Total Expenses	$8,781,985	**$5,520,282**	**$1,029,115**	**$1,827,525**	**$295,826**	**$58,377**	**$50,860**
	Direct Allocation	$51,795	**$39,948**	**$7,665**	**$2,821**	**$59**	**$24**	**$1,278**
NI	Allocated Net Income (NI)	$1,494,893	$868,000	$168,001	$375,322	$67,102	$13,200	$3,268
	Revenue Requirement (includes NI)	$10,328,673	$6,428,230	$1,204,782	$2,205,668	$362,988	$71,601	$55,406
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$41,748,286	$24,123,751	$4,629,707	$10,794,872	$1,766,983	$347,598	$85,376
gp	General Plant - Gross	$5,415,496	$3,144,576	$605,633	$1,362,907	$242,821	$47,758	$11,800
accum dep	Accumulated Depreciation	($16,720,272)	($9,590,920)	($1,830,739)	($4,496,120)	($644,772)	($126,882)	($30,839)
co	Capital Contribution	($2,197,180)	($1,276,304)	($231,620)	($568,304)	($97,249)	($19,089)	($4,613)
	Total Net Plant	$28,246,330	**$16,401,103**	**$3,172,981**	**$7,093,354**	**$1,267,783**	**$249,385**	**$61,724**
	Directly Allocated Net Fixed Assets	$748,722	**$577,458**	**$110,806**	**$40,780**	**$860**	**$348**	**$18,470**
COP	Cost of Power (COP)	$26,499,812	$10,391,559	$4,196,775	$11,604,884	$210,199	$66,053	$30,343
	OM&A Expenses	$5,755,945	$3,769,229	$694,559	$1,047,846	$166,683	$32,985	$44,643
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0
	Subtotal	*$32,255,758*	***$14,160,788***	***$4,891,334***	***$12,652,730***	***$376,882***	***$99,038***	***$74,986***
	Working Capital	$4,838,364	**$2,124,118**	**$733,700**	**$1,897,909**	**$56,532**	**$14,856**	**$11,248**
	Total Rate Base	$33,833,415	**$19,102,679**	**$4,017,487**	**$9,032,044**	**$1,325,175**	**$264,589**	**$91,441**
		Rate Base Input equals Output						
	Equity Component of Rate Base	$16,916,708	**$9,551,339**	**$2,008,744**	**$4,516,022**	**$662,587**	**$132,295**	**$45,721**
	Net Income on Allocated Assets	$1,494,892	**($267,266)**	**$579,684**	**$1,455,354**	**($222,738)**	**($30,440)**	**($19,701)**
	Net Income on Direct Allocation Assets	$27,299	**$21,055**	**$4,040**	**$1,487**	**$31**	**$13**	**$673**
	Net Income	$1,522,192	**($246,211)**	**$583,724**	**$1,456,841**	**($222,707)**	**($30,427)**	**($19,028)**
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	82.34%	134.17%	148.97%	20.15%	39.05%	58.54%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($0)	($1,135,266)	$411,683	$1,080,032	($289,841)	($43,640)	($22,969)
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.00%	-2.58%	29.06%	32.26%	-33.61%	-23.00%	-41.62%

INTERROGATORY # 28

Reference: i) VECC #6 b)
ii) Ogilvy Renault Letter of January 16, 2009, pages 7-8

a) Please provide the revised version of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs (from CNP-EO's Rate Design Model) that support the modified results shown in reference (ii).

RESPONSE:

Print versions of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs supporting the second reference are shown on the following two pages.

CNPI - Eastern Ontario Power
Allocation of the 2009 Revenue Requirement on the Basis of the Cost Allocation Informational Filing

Customer Classes	Cost Allocation - Revenue Requirement	Revenue Requirement Allocation Percentage	Cost Allocation - Miscellaneous Requirement	Miscellaneous Revenue Allocation Percentage	Adjusted Allocation of Misc Revenue	2009 Service Revenue Requirement Allocation	2009 Miscellaneous Revenue Offset	2009 Base Revenue Requirement Calculation	Low Voltage Allocation	2009 Base Revenue Requirement Less Low Voltage	2009 Base Revenue Allocation per Class	Transformer Allowance Allocation	2009 Base Revenue per Class with Transformer Allocation	2009 Base Revenue with Transformer Allowance Allocation
Residential	1,106,213	61.86%	74,319	82.13%	71.87%	1,519,051	97,689	1,421,362	47,113	1,374,250	61.80%		1,374,250	61.55%
GS <50 kW	258,486	14.45%	21,034	23.24%	12.21%	354,953	16,595	338,358	20,773	317,584	14.28%		317,584	14.22%
GS >50 kW	375,178	20.98%	(5,038)	-5.57%	12.51%	515,194	17,002	498,192	27,747	470,445	21.15%	8,890	479,335	21.47%
Street Lights	38,724	2.17%	(1,273)	-1.41%	1.54%	53,176	2,092	51,084	154	50,931	2.29%		50,931	2.28%
Sentinel Lights	4,333	0.24%	(20)	-0.02%	0.36%	5,950	485	5,465	51	5,414	0.24%		5,414	0.24%
Unmetered Scattered Load	5,281	0.30%	1,471	1.63%	1.52%	7,252	2,064	5,188	-	5,188	0.23%		5,188	0.23%
	1,788,215	**100.00%**	**90,493**	**100.00%**	**100.00%**	**2,455,576**	**135,927**	**2,319,649**	**95,837**	**2,223,812**	**100.00%**		**2,232,702**	**100.00%**

CNPI - Eastern Ontario Power
Determination of the 2009 EDR Revenue to Cost Ratios

2006 EDR Data

Customer Classes	Revenue Allocation to Class	Revenue Allocation to Class Percentage	Allocation to Variable Component	Allocation to Fixed Component	Adjusted Allocation to Variable Component	Adjusted Allocation to Fixed Component	Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Allocation of Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Proposed Proportion of Revenue	Base Revenue Requirement @ Proposed Proportions	Over /(Under) Contributing	Proposed Revenue/Cost Ratio	Revenue/Cost Ratio from the 2006 Cost Allocation
Residential	850,123	48.71%	22.15%	77.85%	44.50%	55.50%	1,374,250	61.80%	49.250%	1,095,227	(279,022)	79.70%	**73.02%**
GS <50 kW	402,289	23.05%	56.72%	43.28%	58.70%	41.30%	317,584	14.28%	18.100%	402,510	84,926	126.74%	**142.48%**
GS >50 kW	477,045	27.33%	26.87%	73.13%	54.50%	45.50%	470,445	21.15%	31.200%	693,829	223,384	147.48%	**158.23%**
Street Lights	14,155	0.81%	5.34%	94.66%	30.50%	69.50%	50,931	2.29%	1.042%	23,172	(27,758)	45.50%	**27.64%**
Sentinel Lights	1,648	0.09%	16.27%	83.73%	21.00%	79.00%	5,414	0.24%	0.186%	4,136	(1,278)	76.39%	**31.77%**
Unmetered Scattered Load	-	0.00%	56.72%	43.28%	35.00%	65.00%	5,188	0.23%	0.222%	4,937	(251)	95.16%	**65.94%**
	1,745,260	**1**					**2,223,812**	**100.00%**	**100.00%**	**2,223,812**	**100.00%**		

INTERROGATORY # 29

Reference: i) VECC #21 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 10

a) Please confirm that CNP-EO remits to the IESO (and/or other parties) the full $60.30 / MWh for each (uplifted) kWh sold. The purpose of this question is to confirm that the $60.30 / MWh is the appropriate value to use in determining CNP-EO's cash flow obligations.

b) Please confirm whether any of CNP-EO's customers are registered market participants. If yes, what proportion of CNP-EO's overall kWh sales do they represent?

RESPONSE:

a) CNPI – Eastern Ontario Power has forecasted $60.30 / MWh for each (uplifted) MWh to be the charge from the IESO or the host distributor, Hydro One. This charge is inclusive of the Hourly Ontario Energy Price and all ancillary charges, be they debits or credits, appearing on the Hydro One invoice.

b) CNPI – Eastern Ontario Power does not have any customers that are Registered Wholesale Market Participants.

INTERROGATORY # 30

Reference: i) OEB #29

a) Has CNP-EO filed an updated version of its Rate Design Model as suggested in the response? If yes, please indicate where in the material filed it can be found.

RESPONSE:

Yes, there was a CD accompanying CNPI's responses to the interrogatories which contained the electronic versions of the responses and supporting documentation and live versions of Excel Models. The updated version of the Rate Design Models was located in a Folder on the CD named "EXCEL FILES" and in a sub folder named "Revised Models".

To assist OEB staff and the intervenors, CNPI included a WORD document on the CD named "Contents of CD". The contents of this WORD document are shown below and italicized:

Contents of CD

2009 Electricity Distribution Rates Applications for its CNPI – Eastern Ontario Power (EB-2008-0222), CNPI – Fort Erie (EB-2008-0223) and CNPI – Port Colborne (EB-2008-0224) Service Areas

Response to Interrogatories

File	*CNPI_IRR_20081212*	*Response to all Interrogatories*
FILE FOLDER	*EXCEL FILES*	*Accompanying Excel Files*
Sub Folder	*CNPI_PC_Cost Allocation*	*CNPI – Port Colborne Cost Allocation Informational Filing requested by OEB staff*
Sub Folder	*OEB 37*	*Excel spreadsheet requested in OEB 37*
Sub Folder	*Retail Transmission*	*Excel spreadsheets for a determination of retail transmission service charges; requested by OEB staff*
Sub Folder	*Revised Models*	*Excel spreadsheets correcting the 2009 forecast volumes*
Sub Folder	*Weather Normalization Data*	*Excel Spreadsheets containing the Hydro One Data related to CNPI weather normalization requested by OEB staff*

INTERROGATORY # 31

Reference: i) VECC #23 b)

a) Please indicate what it would require for an incentive payment to an individual to be below target.

b) Please indicate whether actual incentive payments to the President & CEO, Vice Presidents, and Other Management have ever been below target. If so, please provide details.

RESPONSE:

a) The answer to this question has been provided in evidence and can be found in the Application in Exhibit 4, Tab 2, Schedule 5, page 3 and in the Response to SEC Interrogatories Attachment A: Interrogatory #13. As indicated in the Application, an incentive payment to an individual would be below target if performance falls below the 100% target. In addition, there is no payout if performance falls below the 50% target level. This applies to both the individual performance component and the corporate performance target.

For example, in Attachment A: Interrogatory #13 “2006 Corporate Short-term Incentive Targets”, the incentive payment in respect of corporate performance would be below target if actual performance was less than that stipulated in the 100% column. This also applies to the individual performance targets.

b) Actual incentive payments during the period 2006 Board Approved to 2007 Actual have not been below the normal target payout and have not exceeded the normal maximum payout. Similarly, for the period 2008 Bridge to 2009 Test Year, actual payments are not forecast to be below the target payout.

INTERROGATORY # 32

Reference: i) VECC #24 a) and b)

a) The response in part a) of this IR indicates that the allocation of FTEs to CNPI-Gananoque has been fixed since 2006; part b) of this IR indicates that the fixed percentage allocator is 8%. Please indicate how the data on CNPI FTEs in Exhibit 4/Tab 2/Schedule 5 on page 1 of Appendix B are combined with the fixed 8% allocator to provide the FTEs allocated to CNPI-Gananoque as shown in Appendix A of Exhibit 4/Tab 2/Schedule 5.

RESPONSE:

The table of CNPI's FTE's in Exhibit 4, Tab 2, Schedule 5, Appendix B represents the total number of CNPI FTE's.

The first table on the BDR Report in Exhibit 4, Tab 2, Schedule 4, Appendix B page 12 indicates the total number of FortisOntario FTE's (including CNPI FTE's) working in all the business of FortisOntario (including CNPI's three distribution service territories: PC, Gan and FE). Also in that table on the last row, you will find the total number of FTE's allocated to each business unit. In the case of Gananoque, the total number of FTE's is 9.89. This is the number of FTE's allocated to EOP for 2008 Bridge Year and 2009 Test Year (see Exhibit 4, Tab 2, Schedule 5, Appendix A).

As can be seen in the second table on page 12 of the BDR Report, this figure of 9.89 FTE's represents 8% of the total number of FTE's in the BDR Report (i.e., 124 FTE's). As indicated in the variance analysis in the Application Exhibit 4, Tab 2, Schedule 5, Appendix B, in 2006 Actual and 2007 Actual there were more FTE's, which explains why the allocation of FTE's in CNPI-Gan was 10.05 for each of those years.

INTERROGATORY #26

Reference: i) VECC #5 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 11

a) Please provide an update (based on most current data available) as to customer additions (i.e., increase in customer count by class) and new service connections for 2008 and reconcile the two values.

RESPONSE:

The table below provides the 2007 and 2008 year end customer counts by class.

2007 to 2008 Customer Additions				
Customer Class	2007 Count	2008 Forecast	Preliminary 2008 Count	Preliminary Additions
Residential	14,073	14,194	14,182	109
GS < 50 kW	1,170	1,177	1,181	11
GS > 50 kW	141	144	144	3
Total	15,384	15,515	15,507	123

This information compares the 2008 customer forecasts with the 2008 preliminary customer counts.

In response to VECC # 5 a), the number of “New Services” does not correlate directly with customer additions and it is not possible to reconcile the two. The terminology “New Services” in this context refers to the physical deployment of assets in the field and not to the actual customer accounts for billing. For example, an existing customer with a 200 Amp service with an increase in load requirement may elect to retire his existing electrical service and install a new 400 Amp service. This contributes under the terminology “New Service”, but does not contribute as an additional customer.

INTERROGATORY # 27

Reference: i) VECC #6 b)
ii) Ogilvy Renault Letter of January 16, 2009, page 10

c) Please confirm that CNP-FE remits to the IESO (and/or other parties) the full $60.30 / MWh for each (uplifted) kWh sold. The purpose of this question is to confirm that the $60.30 / MWh is the appropriate value to use in determining CNP-FE's cash flow obligations.

d) Please confirm whether any of CNP-FE's customers are registered market participants. If yes, what proportion of CNP-FE's overall kWh sales do they represent?

RESPONSE:

c) CNPI – Fort Erie has forecasted $60.30 / MWh for each (uplifted) MWh to be the charge from the IESO or the host distributor, Hydro One. This charge is inclusive of the Hourly Ontario Energy Price and all ancillary charges, be they debits or credits, appearing on the IESO invoice.

d) CNPI – Fort Erie does not have any customers that are Registered Wholesale Market Participants.

INTERROGATORY # 28

Reference: i) VECC #7 b)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) Please provide a summary of any corrections or revisions the Company has identified to date and update of CNP-FE's current proposed 2009 revenue requirement and revenue deficiency. Such an update would provide a useful basis for the upcoming Settlement Conference.

RESPONSE:

CNPI-FE has prepared a numerical summary of the proposed changes from the August 15, 2008 rate application. The changes are as follows:

1. VECC-FE #6) – Cost of power and retail transmission rates: The new data was used to recalculate the 2009 revenue requirement and revenue deficiency.
2. OEB-FE #14) – Meters: The revised meter capital expenditures for 2008 and 2009 were used to recalculate the 2009 revenue requirement and revenue deficiency.
3. VECC-FE #1) – October 2006 Natural Disaster: The assets damaged in the October 2006 natural Disaster have been retired and the 2009 revenue requirement and revenue deficiency were recalculated.

Canadian Niagara Power - Fort Erie
Summary of Proposed Changes

	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Revenue Deficiency
Original Submission August 15, 2008	$ 2,757,344	7.36%	$ 37,463,907	$ 25,632,552	$ 3,844,883	$ 1,987,933	$ 538,151	$ 4,543,990	$ 9,827,418	$ 9,252,464	$ 888,306
1 Cost of Power & Retail Transmission	$ 2,780,417	7.36%	$ 37,777,403	$ 27,722,525	$ 4,158,379	$ 1,987,933	$ 543,760	$ 4,543,990	$ 9,856,101	$ 9,281,147	$ 916,989
Change	$ 23,073		$ 313,496	$ 2,089,973	$ 313,496	$ -	$ 5,609	$ -	$ 28,683	$ 28,683	$ 28,683
2 Capitalized Meters	$ 2,767,932	7.36%	$ 37,607,770	$ 27,722,525	$ 4,158,379	$ 1,982,783	$ 551,132	$ 4,543,990	$ 9,845,837	$ 9,270,883	$ 906,725
Change	$ (12,485)		$ (169,633)	$ -	$ -	$ (5,150)	$ 7,372	$ -	$ (10,264)	$ (10,264)	$ (10,264)
3 October 2006 Removal of Assets	$ 2,766,301	7.36%	$ 37,585,615	$ 27,722,525	$ 4,158,379	$ 1,980,421	$ 551,044	$ 4,543,990	$ 9,840,486	$ 9,265,532	$ 901,374
Change	$ (1,631)		$ (22,155)	$ -	$ -	$ (2,362)	$ (88)	$ -	$ (5,351)	$ (5,351)	$ (5,351)
Proposed January 2009	**$ 2,766,301**	**7.36%**	**$ 37,585,615**	**$ 27,722,525**	**$ 4,158,379**	**$ 1,980,421**	**$ 551,044**	**$ 4,543,990**	**$ 9,840,486**	**$ 9,265,532**	**$ 901,374**
Change - Proposed vs Original	$ 8,958		$ 121,708	$ 2,089,973	$ 313,496	$ (7,512)	$ 12,893	$ -	$ 13,068	$ 13,068	$ 13,068
	0.32%		0.32%	8.15%	8.15%	-0.38%	2.40%	0.00%	0.13%	0.14%	1.47%

INTERROGATORY # 29

Reference: i) VECC #8 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) The response to VECC #8 a) indicates a significant difference between the 2004 weather normalized consumption values using CNP-FE's vs. HON's weather normalization methodologies. This difference raises questions about the accuracy of one or both of the methodologies. Please comment on why CNP-FE's weather normalization results should be considered reasonable – given the differences in the values.

RESPONSE:

During the 2006 Cost Allocation Informational Filing exercise the collective understanding of the process and the necessity of a weather normalized data set led to the utilization of existing Hydro One data combined with LDC specific data to construct an LDC specific weather normalized data set. For many LDCs including CNPI, this normalized data set formed the basis of certain allocators used within the 2006 Cost Allocation Informational Filing. The result of the 2006 Cost Allocation Informational Filing using this weather normalized data set is a valid basis for the allocations to the customer classes.

From a forecasting perspective, CNPI has to produce what it contends is the most appropriate customer, load and demand forecast available for the development of electricity distribution rates.

In its response to the first reference, VECC #8a), CNPI provided a comparison of an extrapolated weather normalization of the Hydro One 2006 Cost Allocation Informational Filing data and the methodology employed by CNPI in this Application. The results were:

Comparison of 2006 EDR Weather Normalization Data			
Class	Actual Data (kWh)	Hydro One Normalized Data (kWh)	CNPI Methodology (kWh)
Residential	112,747,739	122,290,227	112,959,034
GS < 50 kW	42,674,415	40,307,256	42,754,389
GS > 50 kW	145,569,210	127,055,036	145,665,810

Looking at the results for the Residential class in particular, the extrapolation of the Hydro One data results in a deviation from the actual of 9,542,488 kWh or an 8.5% variant. The CNPI Methodology results are a deviation of 211,295 kWh or a 0.2% variant.

Historically, the recorded sales associated with the residential class in CNPI – Fort Erie have been;

Actual Sales Data for the Residential Class (kWh)					
	2003	2004	2005	2006	2007
Residential	110,282,589	107,800,295	114,439,113	111,959,084	114,221,401
% Change	N/a	-2.25%	6.16%	-2.17%	2.02%

The volatility introduced by the extrapolation of the Hydro One weather normalization data has not been evident in historical actual sales. CNPI believes that the forecast results stemming from the methodology used in the Application is more conservative and intuitively more appropriate.

INTERROGATORY # 30

Reference: i) VECC #20 b)
ii) Ogilvy Renault Letter of January 16, 2009, pages 7-8

a) Please provide the revised version of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs (from CNP-FE's Rate Design Model) that support the modified results shown in reference (ii).

RESPONSE:

Print versions of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs supporting the second reference are shown on the following two pages.

CNPI - Fort Erie

Allocation of the 2009 Revenue Requirement on the Basis of the Cost Allocation Informational Filing

Customer Classes	Cost Allocation - Revenue Requirement	Revenue Requirement Allocation Percentage	Cost Allocation - Miscellaneous Requirement	Miscellaneous Revenue Allocation Percentage	2009 Service Revenue Requirement Allocation	2009 Miscellaneous Revenue Offset	2009 Base Revenue Requirement Calculation	Low Voltage Allocation	2009 Base Revenue Requirement Less Low Voltage	2009 Base Revenue Allocation per Class	Transformer Allowance Allocation	2009 Base Revenue per Class with Transformer Allocation	2009 Base Revenue with Transformer Allowance Allocation
Residential	5,204,102	62.05%	306,973	71.82%	6,097,928	412,942	5,684,986	-	5,684,986	61.44%		5,684,986	60.71%
GS <50 kW	940,912	11.22%	55,666	13.02%	1,102,517	74,883	1,027,635	-	1,027,635	11.11%		1,027,635	10.97%
GS >50 kW	1,812,845	21.62%	50,723	11.87%	2,124,208	68,233	2,055,975	-	2,055,975	22.22%	111,096	2,167,071	23.14%
Street Lights	312,132	3.72%	3,425	0.80%	365,742	4,607	361,135	-	361,135	3.90%		361,135	3.86%
Sentinel Lights	68,063	0.81%	861	0.20%	79,753	1,159	78,594	-	78,594	0.85%		78,594	0.84%
Unmetered Scattered Load	48,875	0.58%	9,761	2.28%	57,269	13,131	44,139	-	44,139	0.48%		44,139	0.47%
	8,386,929	**100%**	**427,411**	**100.00%**	**9,827,418**	**574,954**	**9,252,464**	**-**	**9,252,464**	**100.00%**	**111,096**	**9,363,560**	**100.00%**

CNPI - Fort Erie
Determination of the 2009 EDR Revenue to Cost Ratios

Customer Classes	Revenue Allocation to Class (2006 EDR Data)	Revenue Allocation to Class Percentage (2006 EDR Data)	Allocation to Variable Component (2006 EDR Data)	Allocation to Fixed Component (2006 EDR Data)	Adjusted Allocation to Variable Component (Allowance for Proposed Adjustments to the Fixed and Variable Allocations)	Adjusted Allocation to Fixed Component (Allowance for Proposed Adjustments to the Fixed and Variable Allocations)	Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Allocation of Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Proposed Proportion of Revenue	Base Revenue Requirement @ Proposed Proportions	Over /(Under) Contributing	Proposed Revenue/Cost Ratio	Revenue/Cost Ratio from the 2006 Cost Allocation
Residential	4,043,487	50.13%	20.09%	79.91%	28.45%	71.55%	5,684,986	61.44%	53.026%	4,906,212	(778,775)	**86.30%**	**82.69%**
GS <50 kW	1,179,542	14.62%	79.92%	20.08%	79.50%	20.50%	1,027,635	11.11%	13.280%	1,228,727	201,092	**119.57%**	**129.81%**
GS >50 kW	2,742,200	34.00%	93.29%	6.71%	92.70%	7.30%	2,055,975	22.22%	32.058%	2,966,155	910,180	**144.27%**	**151.44%**
Street Lights	57,530	0.71%	17.88%	82.12%	28.37%	71.63%	361,135	3.90%	0.919%	85,030	(276,105)	**23.55%**	**19.16%**
Sentinel Lights	25,050	0.31%	18.86%	81.14%	19.30%	80.70%	78,594	0.85%	0.454%	42,006	(36,588)	**53.45%**	**37.35%**
Unmetered Scattered Load	17,861	0.22%	38.94%	61.06%	43.80%	56.20%	44,139	0.48%	0.263%	24,334	(19,805)	**55.13%**	**56.76%**
	8,065,671	**100.00%**					**9,252,464**	**100.00%**	**100.00%**	**9,252,464**	**0**		

INTERROGATORY # 31

Reference: i) OEB #33

b) Has CNP-FE filed an updated version of its Rate Design Model as suggested in the response? If yes, please indicate where in the material filed it can be found.

RESPONSE:

Yes, there was a CD accompanying CNPI's responses to the interrogatories which contained the electronic versions of the responses and supporting documentation and live versions of Excel Models. The updated version of the Rate Design Models was located in a Folder on the CD named "EXCEL FILES" and in a sub folder named "Revised Models".

To assist OEB staff and the intervenors, CNPI included a WORD document on the CD named "Contents of CD". The contents of this WORD document are shown below and italicized:

Contents of CD

2009 Electricity Distribution Rates Applications for its CNPI – Eastern Ontario Power (EB-2008-0222), CNPI – Fort Erie (EB-2008-0223) and CNPI – Port Colborne (EB-2008-0224) Service Areas

Response to Interrogatories

File	*CNPI_IRR_20081212*	*Response to all Interrogatories*
FILE FOLDER	*EXCEL FILES*	*Accompanying Excel Files*
Sub Folder	*CNPI_PC_Cost Allocation*	*CNPI – Port Colborne Cost Allocation Informational Filing requested by OEB staff*
Sub Folder	*OEB 37*	*Excel spreadsheet requested in OEB 37*
Sub Folder	*Retail Transmission*	*Excel spreadsheets for a determination of retail transmission service charges; requested by OEB staff*
Sub Folder	*Revised Models*	*Excel spreadsheets correcting the 2009 forecast volumes*
Sub Folder	*Weather Normalization Data*	*Excel Spreadsheets containing the Hydro One Data related to CNPI weather normalization requested by OEB staff*

INTERROGATORY # 32

Reference: i) OEB #2

a) Does CNP-FE consider "Retained Earnings" to be the same as "Deficiency"?

RESPONSE:

Yes, if the "Retained Earnings" are in a debit position it is considered a "Deficiency".

INTERROGATORY # 33

Reference: i) VECC #2 b)

a) Has the capitalization of works remained fairly constant since 2006? Please provide the percentages for each year.

RESPONSE:

The capitalization of OM&A costs has decreased since 2006. The percentages are:

2006 - 13%

2007 - 11%

2008 - 9%

2009 - 9%

INTERROGATORY # 34

Reference: i) VECC 5 a) and Exhibit 2/Tab 3/Schedule 1/Appendix A, p. 10

a) If practicable, please provide a breakout of the costs for New Service Lines shown on page 10 of Appendix A between New Services and Upgraded Services.

RESPONSE:

We do not track separate costs for New Services and Upgraded Services and are unable to provide a breakout of these costs.

INTERROGATORY #35

Reference: i) VECC 5 b) and Exhibit 2/Tab 3/Schedule 1/Appendix A, p. 12

a) The response to VECC 5 b) appears to show that New Meter activity in 2008 (year-to-date) is far below comparable levels in 2006 and 2007. However, the costs associated with this activity in 2008, as shown in Appendix A, appear comparable. Please reconcile.

RESPONSE:

2008 costs as shown in Appendix A in the Rate Filing reflected original 2008 Budget estimates. At the time that 2008 budgets were prepared, plans for Smart Meter deployment were still very tentative. However, in 2008 CNPI reduced purchases of conventional meters in anticipation of Smart Meter deployment in 2009. In the Rate Filing, CNPI overlooked adjusting its 2008 and 2009 forecasts for (conventional) new meters. Forecasted spending for 2008 Bridge Year was $15,000 and $12,000 for 2009 Test Year.

INTERROGATORY # 36

Reference: i) VECC 12

a) Please provide the 2006 Board approved allocation of FTEs to CNPI-FE, the allocation of FTEs to CNPI-FE in 2006, and the proposed allocation of FTEs to CNPI-FE for 2009.

RESPONSE:

The allocation of FTE's to CNPI-FE has been provided in evidence in Exhibit 4, Tab 2, Schedule 5, Appendix A. The first table sets out the total number of FTE's allocated to CNPI-FE from 2006 Board Approved to 2009 Test Year. As indicated in the footnote to the table, the FTE's are based upon the allocation methodology used in the BDR Report (see Exhibit 4, Tab 2, Schedule 4, Appendix B, page 12). You will find that the total in the last row of the first table on page 12 of the BDR Report corresponds with the total of the amounts of FTE's and PTE's in the last row of the first two tables in Exhibit 4, Tab 2, Schedule 5, Appendix A.

As explained in the variance analysis in evidence (Exhibit 4, Tab 2, Schedule 5, Appendix B), there has been a variation in the number of FTE's from 2006 Board Approved to 2009 Test Year primarily as a result of ongoing changes in the number of employees and staffing requirements for the service territories.

INTERROGATORY # 37

Reference: i) VECC 17

a) Please identify the types of incentive payments that would be “primarily shareholder related,” in CNPI-FE’s view.

RESPONSE:

The types of incentive payments treated as ‘primarily shareholder related” are those related to earnings, return on equity, and non-distribution business related. As confirmed in evidence and as can be found in the Application in Exhibit 4, Tab 2, Schedule 5, page 4 and in the Response to OEB Interrogatory #47 – Incentive Compensation and VECC #17, the Applications do not include costs related to performance targets that are “primarily shareholder related.”

While it is CNPI’s view that such costs do reward the creation of benefits to ratepayers through increased efficiencies and that there is a good argument that they should be included in the Application, CNPI applied the following guideline pursuant to the 2006 Electricity Distribution Handbook:

“Distributor incentive compensation plans reward employees for meeting specific performance targets. The targets can include performance which benefits ratepayers, or which benefits primarily the shareholder.

Incentive payments related to benefits to shareholders will not be recoverable in the 2006 revenue requirement. An applicant seeking to include expenses related to employee incentive plans should include only the costs of incentives that reward the creation of ratepayer benefits.” (2006 Electricity Distribution Rate Handbook, Incentive Plans,pg.42).

For further clarification, CNPI also applied the Board’s conclusion in the Report of the Board RP-2004-0188 2006 Electricity Distribution Rate Handbook 2005 May 11, which stated the following on page 41:

"Incentive payments that relate to benefits to shareholders will not be recoverable in the 2006 revenue requirement. For general guidance, the Board would normally characterize targets related to rate of return, earnings and/or share performance as being shareholder related. Targets related to safety, environment, reliability, service quality, CDM and cost reduction could be considered customer related."

Accordingly, after a review of its short-term incentive payments, CNPI excluded any payments related to earnings targets, return on equity targets and any non-distribution business related targets.

INTERROGATORY # 35

Reference: i) VECC #8
ii) Ogilvy Renault Letter of January 16, 2009, page 11

a) Please provide an update (based on most current data available) as to the customer additions (i.e., increase in customer count by class) and new service connections for 2008 and reconcile the two values.

RESPONSE:

The table below provides the 2007 and 2008 year end customer counts by class.

2007 to 2008 Customer Additions				
Customer Class	2007	2008 Forecast	Preliminary 2008 Count	Preliminary Additions
Residential	8,131	8,132	8,151[1]	20
GS < 50 kW	930	932	910	-20
GS > 50 kW	79	80	77	-2
Total	9,140	9,144	9,138	-2

1. The transfer of the 21 LTLT customers is not yet finalized.

This information compares the 2008 customer forecast with the 2008 preliminary customer counts.

In response to VECC # 8, the number of "New Services" does not correlate directly with customer additions and it is not possible to reconcile the two. The terminology "New Services" in this context refers to the physical deployment of assets in the field and not to the actual customer accounts for billing. For example, an existing customer with a 200 Amp service with an increase in load requirement may elect to retire his existing electrical service and install a new 400 Amp service. This contributes under the terminology "New Service", but does not contribute as an additional customer.

INTERROGATORY #36

Reference: i) VECC #6 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 10

a) Both references are based on 2008 approved rates. However, the volumetric charges are different for some customer classes. Also, in some cases both values differ from those reported at Exhibit 9/Tab 1/Schedule 2. Please reconcile.

RESPONSE:

The table below has been compiled using the following information sources:

1. Number of Customer and Connections were taken from the CNPI – Port Colborne revised Customer and Load Forecast submitted with the first round of interrogatories.
2. The 2009 Volumes were taken from the CNPI – Port Colborne revised Customer and Load Forecast submitted with the first round of interrogatories.
3. The 2008 Approved Rates are from the Board Rate Order, EB-2007-0842.
4. The Rate Adders have been extracted from the Board Approved 2006 EDR Model for CNPI – Port Colborne.

Canadian Niagara Power - Port Colborne

		2009 Volumes		2008 Approved Rates		Rate Adders		2008 Base Rates		2009 Revenue		
Customer Class	No. of Customers / Connections	kWh	kW	Monthly Service Charge	Volumetric Charge	Smart Meter	LV	Monthly Service Charge	Volumetric Charge	Monthly Service Charge	Volumetric Charge	Total Class Distribution Revenue
Residential	8,144	64,972,406		15.86	0.0154	0.27	0.0001	15.59	0.0153	1,523,486	994,078	2,517,564
GS < 50 kW	933	25,831,151		31.32	0.0093	0.27	0.0001	31.05	0.0092	347,636	237,647	585,282
GS > 50 kW	81	99,392,250	377,959	620.27	2.3984	0.27	0.0304	620.00	2.3680	598,920	895,006	1,493,926
USL	19	581,173		31.32	0.0093		0.0001	31.32	0.0092	7,141	5,347	12,488
Sentinel	37	12,725	38	2.10	6.1316		0.0257	2.10	6.1059	932	232	1,164
Street Light	1,988	1,792,552	5,433	1.39	2.7636		0.0286	1.39	2.7350	33,160	14,859	48,019
	11,201	192,582,257	383,429							2,511,275	2,147,168	4,658,443

The information provided in VECC # 6 a) did not account for the charges properly.

INTERROGATORY # 37

Reference: i) VECC #10 b)
ii) Ogilvy Renault Letter of January 16, 2009, page 10

a) Please confirm that CNP-PC remits to the IESO (and/or other parties) the full $60.30 / MWh for each (uplifted) kWh sold. The purpose of this question is to confirm that the $60.30 / MWh is the appropriate value to use in determining CNP-PC's cash flow obligations.

b) Please confirm whether any of CNP-PC's customers are registered market participants. If yes, what proportion of CNP-PC's overall kWh sales do they represent?

RESPONSE:

a) CNPI – Port Colborne has forecasted $60.30 / MWh for each (uplifted) MWh to be the charge from the IESO or the host distributor, Hydro One. This charge is inclusive of the Hourly Ontario Energy Price and all ancillary charges, be they debits or credits, appearing on the IESO invoice.

b) CNPI – Port Colborne does not have any customers that are Registered Wholesale Market Participants.

INTERROGATORY # 38

Reference: i) VECC #11 b) & c)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) Please provide a summary of any corrections or revisions the Company has identified to date and update of CNP-PC's current proposed 2009 revenue requirement and revenue deficiency. Such an update would provide a useful basis for the upcoming Settlement Conference.

RESPONSE:

CNPI-PC has prepared a numerical summary of the proposed changes from the August 15, 2008 rate application. The changes are as follows:

1. VECC-PC #10) – Cost of power and retail transmission rates: The new data was used to recalculate the 2009 revenue requirement and revenue deficiency.
2. OEB-PC #17) – Meters: The revised meter capital expenditures for 2008 and 2009 were used were used to recalculate the 2009 revenue requirement and revenue deficiency.

Canadian Niagara Power - Port Colborne
Summary of Proposed Changes

	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Revenue Deficiency
Original Submission August 15, 2008	$ 978,557	7.36%	$ 13,295,618	$ 17,653,227	$ 2,647,984	$ 645,216	$ 190,985	$ 4,155,188	$ 5,969,947	$ 5,704,730	$ 1,137,610
1 Cost of Power & Retail Transmission	$ 992,136	7.36%	$ 13,480,113	$ 18,883,196	$ 2,832,479	$ 645,216	$ 194,287	$ 4,155,188	$ 5,986,827	$ 5,721,610	$ 1,154,490
Change	$ 13,579		$ 184,495	$ 1,229,969	$ 184,495	$ -	$ 3,302	$ -	$ 16,880	$ 16,880	$ 16,880
2 Capitalized Meters	$ 979,738	7.36%	$ 13,311,663	$ 18,883,196	$ 2,832,479	$ 640,033	$ 201,120	$ 4,155,188	$ 5,979,079	$ 5,710,863	$ 1,143,742
Change	$ (12,398)		$ (168,450)	$ -	$ -	$ (5,183)	$ 6,833	$ -	$ (7,748)	$ (10,747)	$ (10,748)
Proposed January 2009	**$ 979,738**	**7.36%**	**$ 13,311,663**	**$ 18,883,196**	**$ 2,832,479**	**$ 640,033**	**$ 201,120**	**$ 4,155,188**	**$ 5,979,079**	**$ 5,710,863**	**$ 1,143,742**
Change - Proposed vs Original	$ 1,181		$ 16,045	$ 1,229,969	$ 184,495	$ (5,183)	$ 10,135	$ -	$ 9,132	$ 6,133	$ 6,132
	0.12%		0.12%	6.97%	6.97%	-0.80%	5.31%	0.00%	0.15%	0.11%	0.54%

INTERROGATORY # 39

Reference: i) OEB #40

a) Has CNP-PC filed an updated version of its Rate Design Model as suggested in the response? If yes, please indicate where in the material filed it can be found.

RESPONSE:

Yes, there was a CD accompanying CNPI's responses to the interrogatories which contained the electronic versions of the responses and supporting documentation and live versions of Excel Models. The updated version of the Rate Design Models was located in a Folder on the CD named "EXCEL FILES" and in a sub folder named "Revised Models".

To assist OEB staff and the intervenors, CNPI included a WORD document on the CD named "Contents of CD". The contents of this WORD document are shown below and italicized:

Contents of CD

2009 Electricity Distribution Rates Applications for its CNPI – Eastern Ontario Power (EB-2008-0222), CNPI – Fort Erie (EB-2008-0223) and CNPI – Port Colborne (EB-2008-0224) Service Areas

Response to Interrogatories

File	*CNPI_IRR_20081212*	*Response to all Interrogatories*
FILE FOLDER	*EXCEL FILES*	*Accompanying Excel Files*
Sub Folder	*CNPI_PC_Cost Allocation*	*CNPI – Port Colborne Cost Allocation Informational Filing requested by OEB staff*
Sub Folder	*OEB 37*	*Excel spreadsheet requested in OEB 37*
Sub Folder	*Retail Transmission*	*Excel spreadsheets for a determination of retail transmission service charges; requested by OEB staff*
Sub Folder	*Revised Models*	*Excel spreadsheets correcting the 2009 forecast volumes*
Sub Folder	*Weather Normalization Data*	*Excel Spreadsheets containing the Hydro One Data related to CNPI weather normalization requested by OEB staff*

INTERROGATORY # 40

Reference: i) VECC #12 a)
ii) Ogilvy Renault Letter of January 16, 2009, page 7

a) The response to VECC #12 a) indicates a significant difference between the 2004 weather normalized consumption values using CNP-PC's vs. HON's weather normalization methodologies. This difference raises questions about the accuracy of one or both of the methodologies. Please comment on why CNP-PC's weather normalization results should be considered reasonable – given the differences in the values.

RESPONSE:

During the 2006 Cost Allocation Informational Filing exercise the collective understanding of the process and the necessity of a weather normalized data set led to the utilization of existing Hydro One data combined with LDC specific data to construct an LDC specific weather normalized data set. For many LDCs including CNPI, this normalized data set formed the basis of certain allocators used within the 2006 Cost Allocation Informational Filing. The result of the 2006 Cost Allocation Informational Filing using this weather normalized data set is a valid basis for the allocations to the customer classes.

From a forecasting perspective, CNPI has to produce what it contends is the most appropriate customer, load and demand forecast available for the development of electricity distribution rates.

In its response to the first reference, VECC #8a), CNPI provided a comparison of an extrapolated weather normalization of the Hydro One 2006 Cost Allocation Informational Filing data and the methodology employed by CNPI in this Application. The results were:

Comparison of 2006 EDR Weather Normalization Data			
Class	Actual Data (kWh)	Hydro One Normalized Data (kWh)	CNPI Methodology (kWh)
Residential	62,256,160	71,226,561	62,432,550
GS < 50 kW	26,781,130	31,474,224	28,857,009
GS > 50 kW	104,648,698	86,324,987	104,751,318

Looking at the results for the Residential class in particular, the extrapolation of the Hydro One data results in a deviation from the actual of 8,970,401 kWh or a 14.4% variant. The CNPI Methodology results are a deviation of 176,390 kWh or a 0.3% variant.

Historically, the recorded sales associated with the residential class in CNPI – Port Colborne have been;

Actual Sales Data for the Residential Class (kWh)					
	2003	2004	2005	2006	2007
Residential	67,222,437	61,303,778	65,834,052	63,377,413	65,276,604
% Change	N/a	-8.8%	7.4%	-3.7%	3.0%

The volatility introduced by the extrapolation of the Hydro One weather normalization data has not been evident in historical actual sales. CNPI believes that the forecast results stemming from the methodology used in the Application is more conservative and intuitively more appropriate.

INTERROGATORY # 41

Reference: i) VECC #15 & 16 a)
ii) Exhibit 3/Tab 2/Schedule 1, page 21

a) Please confirm that Stand-by customers generate revenues as follows:
  - Distribution revenues based on GS 50-4999 rates (which were included in the Cost Allocation model as GS 50-4999 revenues), and
  - Stand-by revenues based on the Stand-by rates (which were treated as Miscellaneous Revenues in the Cost Allocation Model).

RESPONSE:

a) CNPI confirms that both of these statements are correct.

INTERROGATORY # 42

Reference: i) VECC #17

a) Has CNP-PC received any indication from the OEB that it will be “required” to re-base in for 2012 Rates?

b) Absent a specific “requirement” from the OEB, is it CNP-PC’s intention to apply for re-basing for 2012 Rates?

RESPONSE:

a) CNPI – Port Colborne has not received any indication from the OEB that it will be “required” to re-base for 2012 Electricity Distribution Rates.

b) Yes, absent a specific “requirement” from the OEB, it is CNPI – Port Colborne’s intention to apply for re-basing for 2012 Electricity Distribution Rates to coincide with the termination of the current lease agreement and CNPI’s acquisition of the assets. Or, in the alternative, the resumption of operations by Port Colborne Hydro Inc. would likely require re-basing.

INTERROGATORY # 43

Reference: i) VECC #19 b), c) & d)

a) Please confirm that the intensification program is a one-time spending for 2009 and that normal annual vegetation spending is in the order of $85,000. If not, please explain.

RESPONSE:

Over the past few years, annual vegetation management spending has typically been in the order of $85,000. The increased vegetation management costs relates to work that is required to address geographical areas needing more immediate attention and that is not within the scheduled geographic zone thus requiring additional resources. This additional activity will continue for a number of years in order to address each of the targeted zones.

INTERROGATORY # 44

Reference: i) VECC #22 a)

a) Please explain what additional service CNP-PC is obtaining from CNP-FE that leads to the increase in allocated costs for 2008 and 2009 as compared to 2006 and 2007.

RESPONSE:

The variance analysis for services from affiliates (EB-2008-0224, Exhibit 4, Tab 2, Schedule 4) and Response to Interrogatory #22 confirms that allocated costs for certain services have remained relatively constant or have declined, such as corporate services. The allocation factors for corporate services have also remained the same or have decreased. In the case of administrative costs, the updated allocation study indicated that a greater allocation of administrative costs should be allocated to CNPI-PC. This explains the increase in costs and allocations for 2008 Bridge and 2009 Test Years as compared to 2006 Board Approved and 2007 Actual. Specifically, there was a greater allocation of service centre rent and maintenance to CNPI-PC as a result of its use of the warehouse and garage components that serve this service territory. Also, facilities maintenance labour charges have been charged to CNPI-Port Colborne in 2008 Bridge and 2009 Test Years through allocation of shared services. Previously in 2006 Board Approved and 2007 Actual, facilities maintenance labour was directly charged to CNPI-PC's operating expenses and not through shared cost allocations.

INTERROGATORY # 45

Reference: i) VECC #31 b)
ii) Ogilvy Renault Letter of January 16, 2009, pages 7-8

a) Please provide the revised version of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs (from CNP-PC's Rate Design Model) that support the modified results shown in reference (ii).

RESPONSE:

Print versions of the Cost Allocation Review and Cost Allocation Revenue Distribution Tabs supporting the second reference are shown on the following two pages.

CNPI - Port Colborne
Allocation of the 2009 Revenue Requirement on the Basis of the Cost Allocation Informational Filing

Customer Classes	Cost Allocation - Revenue Requirement	Revenue Requirement Allocation Percentage	Cost Allocation - Miscellaneous Requirement	Miscellaneous Revenue Allocation Percentage	2009 Service Revenue Requirement Allocation	2009 Miscellaneous Revenue Offset	2009 Base Revenue Requirement Calculation	Low Voltage Allocation	2009 Base Revenue Requirement Less Low Voltage	2009 Base Revenue Allocation per Class	Transformer Allowance Allocation	2009 Base Revenue per Class with Transformer Allocation	2009 Base Revenue with Transformer Allowance Allocation
Residential	2,874,787	60.25%	292,622	64.71%	3,609,511	185,062	3,424,449	6,105	3,418,344	60.14%		3,418,344	58.68%
GS <50 kW	723,348	15.16%	71,649	15.84%	908,218	45,313	862,905	2,447	860,459	15.14%		860,459	14.77%
GS >50 kW	995,971	20.87%	74,876	16.56%	1,250,517	47,353	1,203,163	12,186	1,190,978	20.95%	141,484	1,332,462	22.87%
Street Lights	141,062	2.96%	6,571	1.45%	177,114	4,156	172,958	45	172,913	3.04%		172,913	2.97%
Sentinel Lights	2,597	0.05%	159	0.04%	3,261	101	3,160	0.39	3,160	0.06%		3,160	0.05%
Unmetered Scattered Load	33,538	0.70%	6,350	1.40%	42,109	4,016	38,094	-	38,094	0.67%		38,094	0.65%
Standby/Backup													
	4,771,303	**100.00%**	**452,227**	**100.00%**	**5,990,730**	**286,000**	**5,704,730**	**20,783**	**5,683,947**	**100.00%**		**5,825,431**	**100.00%**

CNPI - Port Colborne
Determination of the 2009 EDR Revenue to Cost Ratios

2006 EDR Data

Customer Classes	Revenue Allocation to Class	Revenue Allocation to Class Percentage	Allocation to Variable Component	Allocation to Fixed Component	Adjusted Allocation to Variable Component	Adjusted Allocation to Fixed Component	Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Allocation of Revenue at 100% Rev/Cost Ratio (less Transformer Allowance)	Proposed Proportion of Revenue	Base Revenue Requirement @ Proposed Proportions	Over /(Under) Contributing	Proposed Revenue/Cost Ratio	Revenue/Cost Ratio from the 2006 Cost Allocation
Residential	2,429,956	54.53%	38.82%	61.18%	48.50%	51.50%	3,418,344	60.14%	55.332%	3,145,042	(273,302)	**92.00%**	**93.42%**
GS <50 kW	601,498	13.50%	41.27%	58.73%	52.00%	48.00%	860,459	15.14%	13.415%	762,501	(97,957)	**88.62%**	**89.36%**
GS >50 kW	1,384,601	31.07%	61.87%	38.13%	62.75%	37.25%	1,190,978	20.95%	29.638%	1,684,608	493,631	**141.45%**	**167.08%**
Street Lights	38,548	0.87%	14.29%	85.71%	39.44%	60.56%	172,913	3.04%	1.247%	70,879	(102,034)	**40.99%**	**29.39%**
Sentinel Lights	1,228	0.03%	6.86%	93.14%	12.30%	87.70%	3,160	0.06%	0.037%	2,103	(1,057)	**66.56%**	**49.58%**
Unmetered Scattered Load	-	0.00%	41.27%	58.73%	56.50%	43.50%	38,094	0.67%	0.331%	18,814	(19,280)	**49.39%**	**61.43%**
Standby/Backup	-												
	4,455,831	**100.00%**					**5,683,947**	**100.00%**	**100.00%**	**5,683,947**	**0**		

INTERROGATORY # 46

Reference: i) VECC #30 a)

a) In the excerpt provided, the revenues for the individual customer classes do not sum to the total revenue. The same circumstance exists in the cast of the overall revenue requirement. Indeed, the results filed appear to be exactly the same those from CNP-PC's 2007 Second Run. Please reconcile.

RESPONSE:

Upon further review of its response to VECC #30 a), CNPI – Port Colborne discovered that there was demand allocation data associated with the Standby class remaining in the hidden columns Sheet 8 Demand Data Worksheet. This resulted in unseen allocations to the Standby class and therefore the sum of the visible individual class revenues did not equal the total.

This data has now been combined with the data for the GS 50 to 4,999 kW class to eliminate allocations to the Standby class. The results are shown on the O1 Revenue to Cost Summary Worksheet shown on the following page.

2006 Cost Allocation Information Filing
Canadian Niagara Power Inc. - Port Colborne
EB-2005-0345 EB-2007-0001
Thursday, January 18, 2007

Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$4,455,806	$2,429,942	$587,789	$1,384,594	$38,548	$1,228	$13,705
mi	Miscellaneous Revenue (mi)	$452,227	$292,894	$71,819	$74,432	$6,571	$159	$6,351
	Total Revenue	$4,908,033	$2,722,836	$659,608	$1,459,026	$45,119	$1,387	$20,056
	Expenses							
di	Distribution Costs (di)	$729,989	$376,217	$101,073	$207,987	$42,016	$716	$1,981
cu	Customer Related Costs (cu)	$714,862	$526,854	$121,029	$56,336	$1,573	$92	$8,977
ad	General and Administration (ad)	$2,473,699	$1,534,346	$379,252	$465,238	$75,113	$1,388	$18,361
dep	Depreciation and Amortization (dep)	$349,221	$167,198	$48,587	$119,051	$13,407	$228	$749
INPUT	PILs (INPUT)	$33,236	$15,440	$4,656	$11,828	$1,221	$21	$71
INT	Interest	$239,518	$111,268	$33,554	$85,238	$8,797	$150	$512
	Total Expenses	$4,540,524	$2,731,322	$688,151	$945,678	$142,127	$2,595	$30,651
	Direct Allocation	$63,466	$47,967	$10,897	$2,996	$222	$13	$1,371
NI	Allocated Net Income (NI)	$304,043	$141,243	$42,593	$108,201	$11,166	$190	$650
	Revenue Requirement (includes NI)	$4,908,033	$2,920,532	$741,641	$1,056,875	$153,516	$2,798	$32,671
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$3,850,167	$1,792,178	$538,682	$1,365,747	$142,855	$2,434	$8,271
gp	General Plant - Gross	$1,504,062	$699,155	$210,561	$534,719	$55,462	$945	$3,220
accum dep	Accumulated Depreciation	($798,524)	($373,639)	($111,467)	($280,837)	($30,326)	($517)	($1,738)
co	Capital Contribution	($37,624)	($18,593)	($4,920)	($12,041)	($1,941)	($33)	($96)
	Total Net Plant	$4,518,081	$2,099,101	$632,857	$1,607,587	$166,050	$2,829	$9,658
	Directly Allocated Net Fixed Assets	$381,646	$288,448	$65,529	$18,014	$1,336	$76	$8,244
COP	Cost of Power (COP)	$13,535,922	$4,325,290	$1,860,638	$7,270,541	$35,725	$343	$43,385
	OM&A Expenses	$3,918,550	$2,437,417	$601,354	$729,561	$118,703	$2,196	$29,319
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0
	Subtotal	*$17,454,472*	*$6,762,707*	*$2,461,992*	*$8,000,102*	*$154,428*	*$2,539*	*$72,704*
	Working Capital	$2,618,171	$1,014,406	$369,299	$1,200,015	$23,164	$381	$10,906
	Total Rate Base	$7,517,897	$3,401,955	$1,067,684	$2,825,616	$190,550	$3,286	$28,807
		Rate Base Input equals Output						
	Equity Component of Rate Base	$3,758,949	$1,700,977	$533,842	$1,412,808	$95,275	$1,643	$14,403
	Net Income on Allocated Assets	$304,043	($56,453)	($39,440)	$510,352	($97,230)	($1,220)	($11,965)
	Net Income on Direct Allocation Assets	$33,454	$25,285	$5,744	$1,579	$117	$7	$723
	Net Income	$337,497	($31,168)	($33,696)	$511,931	($97,113)	($1,214)	($11,243)
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	93.23%	88.94%	138.05%	29.39%	49.58%	61.39%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($0)	($197,696)	($82,033)	$402,151	($108,397)	($1,411)	($12,615)
	RETURN ON EQUITY COMPONENT OF RATE BASE	8.98%	-1.83%	-6.31%	36.24%	-101.93%	-73.87%	-78.06%