

December 30, 2009

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

**Attention: Ms. Kirsten Walli, Board Secretary**

**Re: Niagara Peninsula Energy Inc. (ED-2007-0749)  
Application to Ontario Energy Board for 2010 Distribution Rate Adjustment  
EB-2009-0205 (Niagara Falls), EB-2009-0206 (Peninsula West)**

Dear Ms. Walli:

Please find the enclosed hard copies of Niagara Peninsula Energy's responses to Board Staff interrogatories, relating to our 2010 IRM rate application.

Please note that we have also submitted this file electronically via the RESS.

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

Sincerely,

Suzanne Wilson,  
VP Finance

Attach.  
SW/pb

.cc Margaret Battista, VP Customer Service & IT  
Frances Conidi, Controller  
Paul Blythin, Financial and Regulatory Analyst

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Niagara Peninsula Energy Inc. for an Order or Orders approving or fixing a proposed schedule of adjusted distribution rates and other charges, effective May 1, 2010.

**Niagara Peninsula Energy's Response to Board Staff Interrogatories**

## **1 2010 IRM Deferral Variance – proposal to Harmonize**

NPEI is requesting that the 2010 IRM Deferral Variance accounts disposition for the two service territories be harmonized. This is based on the disclosure in the Manager's Summary that as of the 2008 amalgamation NPEI has recorded continuing balances together.

- a) Can NPEI confirm that the disposition of the deferral variance account balances in this manner will not materially harm the customers in one territory in favour of benefitting the customers in the other territory?
- b) NPEI states that the consolidation of accounts started in 2008. Can NPEI separate the deferral/variance account balances and billing determinants by territory for 2008? If not, why not?
- c) Please prepare a comparative analysis that shows what the differentials by customer class would be between actual results by territory in comparison to the harmonized rates being applied.

### **Response:**

- a) NPEI has determined that the differentials between the rate rider values under the harmonized approach previously submitted and what the rate riders would be if the variance account balances were separated as of April 1, 2008 do materially favour the Pen West customers. As a result, we have separated the balances to the extent possible, and computed the resulting rate rider values. NPEI proposes the implementation of these rate riders based on the separated variance account balances. The relevant methodology and the comparison to the previously submitted harmonized riders are set out in sections b) and c) below.
- b) The consolidation of NPEI's variance accounts began in April 2008. From this time forward, we are still able to separate the billing determinants and billed dollar amounts, but not the power bill charges. Beginning in April 2008, we no longer receive separate IESO invoices for Niagara Falls and Pen West, only a single power invoice for NPEI. In addition, the Niagara Falls residential customers are billed bimonthly, while the Pen West residential customers are billed monthly. Also, NPEI does not accrue unbilled revenue each month; we only perform an unbilled revenue calculation at year end. Therefore, it would be extremely difficult and time-consuming to reconcile the customer billed amounts to the power charges

from April 1, 2008 to December 31, 2008 as we do not have opening unbilled values as at April 1, 2008.

NPEI used the following approach to compute an alternate set of rate riders that reflect, to the extent that we are able to do so, the separation of the variance account balances into the two service territories: We used the Niagara Falls variance account balances and activity from January 1, 2005 to March 31, 2008, plus applicable carrying charges to the end of 2008, and the Niagara Falls 2008 billing determinants to calculate a set of rate riders that are completely attributable to the Niagara Falls customers. We performed a similar calculation for Pen West. Then, we computed a set of rate riders that apply to all NPEI customers, that are only based on the incremental variance account activity from April 1, 2008 to December 31, 2008 and uses the 2008 billing determinants for all of NPEI. The carrying charges on the Niagara Falls and Pen West balances were deducted from this activity, as they are included in the territory specific calculations. The resulting service territory specific riders and the incremental NPEI riders were added together, to give a set of total rate riders for each service territory. NPEI considers this to be the best estimate that we can produce for what the rate riders would be, if we were able to completely separate the account balances. The results are summarized in the tables in part c) below.

We further note that for accounts 1550 Low Voltage and 1590 Recovery of Regulatory Asset Balances, we were able to correctly allocate the entire 2008 balances to the appropriate service territory. Therefore, the incremental NPEI rate riders are only based on the RSVA accounts.

The table below indicates the separation of the variance account balances into the Niagara Falls and Pen West specific portions, to March 31, 2008, and then the NPEI activity from April 1, 2008 to December 31, 2008.

Account Description	Account Number	Originally Submitted	Separated Balances			
			Niagara Falls	Pen West	NPEI	Total
LV Variance Account	1550	(104,358)	-	(104,358)	-	(104,358)
RSVA - Wholesale Market Service Charge	1580	(1,653,078)	(530,842)	(718,119)	(404,117)	(1,653,078)
RSVA - Retail Transmission Network Charge	1584	(1,206,473)	(93,237)	(700,170)	(413,066)	(1,206,473)
RSVA - Retail Transmission Connection Charge	1586	(1,972,887)	(619,404)	(1,101,999)	(251,483)	(1,972,887)
RSVA - Power (Excluding Global Adjustment)	1588	(4,207,480)	(4,104,466)	(2,023,960)	1,920,946	(4,207,480)
RSVA - Power (Global Adjustment Sub-account)		1,388,149	57,978	(74,946)	1,405,117	1,388,149
Recovery of Regulatory Asset Balances	1590	(18,705)	(149,115)	130,410	-	(18,705)
Disposition and recovery of Regulatory Balances Account	1595	-	-	-	-	-
		(7,774,830)	(5,439,086)	(4,593,141)	2,257,397	(7,774,830)

- c) The following tables show the total rate riders for each service territory, computed as explained in part b) above, compared to the harmonized rate riders as were filed in the 2010 Rate Application:

<b>Niagara Falls</b>		<b>Harmonized Rider as per Application</b>	<b>Niagara Falls Specific Rate Rider</b>	<b>NPEI Incremental Rate Rider</b>	<b>Total for Niagara Falls</b>	<b>Difference</b>	<b>% Difference</b>
<b>Rate Class</b>	<b>Per</b>						
Residential	kWh	(0.00718)	(0.00635)	0.00102	(0.00533)	0.00185	-25.8%
General Service Less Than 50 kW	kWh	(0.00718)	(0.00617)	0.00100	(0.00517)	0.00201	-28.0%
General Service 50 to 4,999 kW	kW	(2.25731)	(2.55564)	0.99355	(1.56209)	0.69522	-30.8%
Sentinel Lighting	kW	(2.88066)	(2.86718)	0.32990	(2.53728)	0.34338	-11.9%
Street Lighting	kW	(1.60768)	(1.15725)	0.14976	(1.00749)	0.60019	-37.3%
Unmetered Scattered Load	kWh	(0.00639)	(0.00593)	0.00181	(0.00412)	0.00227	-35.5%

<b>Pen West</b>		<b>Harmonized Rider as per Application</b>	<b>Pen West Specific Rate Rider</b>	<b>NPEI Incremental Rate Rider</b>	<b>Total for Pen West</b>	<b>Difference</b>	<b>% Difference</b>
<b>Rate Class</b>	<b>Per</b>						
Residential	kWh	(0.00718)	(0.01353)	0.00102	(0.01251)	(0.00533)	74.2%
General Service Less Than 50 kW	kWh	(0.00718)	(0.01368)	0.00100	(0.01268)	(0.00550)	76.6%
General Service 50 to 4,999 kW	kW	(2.25731)	(4.34451)	0.99355	(3.35096)	(1.09365)	48.4%
Sentinel Lighting	kW	(2.88066)	(4.83799)	0.32990	(4.50809)	(1.62743)	56.5%
Street Lighting	kW	(1.60768)	(4.53147)	0.14976	(4.38171)	(2.77403)	172.5%
Unmetered Scattered Load	kWh	(0.00639)	(0.01347)	0.00181	(0.01166)	(0.00527)	82.5%

We have included, as Appendix A to this submission, tables that compare the bill impacts for each customer class under the two different scenarios for computing the rate riders.

**2 Ref: 2010 IRM Deferral Variance Account 1588 - Power**

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by NPEI 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 1588 – Global Adjustment sub-account. NPEI reported the following account balances:

Account Description	Account Number	Total Claim I = C + D + E + F + G + H
RSVA - Power (Excluding Global Adjustment)	1588	(4,207,480 )
RSVA - Power (Global Adjustment Sub-account)		1,388,149

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

**Response:**

- a) NPEI confirms that it has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009 and ensured that we have accounted for 1588 and sub-account Global Adjustment accordingly. Upon reviewing the Bulletin, NPEI realized that adjustments were required between account 1588 Power and the Global Adjustment sub-account and these adjustments were made prior to submitting the 2010 IRM2 application.

NPEI has also re-filed the RRR 2.1.1 Variance Account Balances submissions for Q4 2008, Q1 2009 and Q2 2009 in accordance with the Bulletin; Q3 of 2009 was filed correctly.

- b) NPEI has not made any adjustments subsequent to filing the 2010 IRM2 application with respect to the Bulletin, and does not need to re-file an updated 2010 IRM Deferral Variance Account model.

### **3 Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment**

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

*The EDDVAR Report as well as the Board's Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.*

*This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.*

*For these reason the Board's original Deferral Variance Account workform was modelled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.*

*Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.*

*What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."*

Board staff would like to poll NPEI on the above issue.

- a) Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does NPEI agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order NPEI to provide such a rate rider would NPEI's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would NPEI see with this rate rider?
- c) If NPEI were to be unable to bill in this fashion what would NPEI consider proposing in the alternative?

**Response:**

- a) NPEI agrees that this proposal would be fair to all customers, since under this scenario the disposition of the Global Adjustment sub-account balance is limited to those customers that contributed to the variance.
- b) NPEI's billing system is capable of billing non-RPP customers a separate rider. We foresee no complications with this option, as the separate rider would only involve, for us, configuring two rate types versus one.
- c) Not applicable.

**4 Ref: 2010 IRM Deferral Variance Billing Determinants**

Below are the billing determinants identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

	2008		
Rate Class	Billed Customers or Connections	Billed kWh	Billed kW
	A	B	C
Residential	45,053	400,445,564	
General Service Less Than 50 kW	4,218	131,384,401	
General Service 50 to 4,999 kW	847	681,723,955	1,719,584
Sentinel Lighting	324	290,372	742
Street Lighting	11,986	7,503,949	34,900
Unmetered Scattered Load	422	2,308,796	

- a) Please confirm if these values are from the NPEI 2008 RRR reported values. Otherwise, please specify the source of the data.

**Response:**

- a) NPEI confirms that these values are as reported in the 2008 RRR submissions.

**5 Ref: 2010 IRM Deferral Variance Billing Determinants**

Below are the Billed kWh for Non-RPP customers identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed kWh for Non-RPP customers
	<b>D</b>
Residential	63,222,794
General Service Less Than 50 kW	19,928,091
General Service 50 to 4,999 kW	607,537,298
Sentinel Lighting	20,951
Street Lighting	
Unmetered Scattered Load	1,263,613

- a) Please identify if these values are estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why NPEI is unable to determine actual values.
- c) As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for the disposition of the 1588 – Global adjustment sub-account. If accepted would NPEI support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If NPEI were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does NPEI believe that the rider be applied to customers in the MUSH sector? If not, would NPEI have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

**Response:**

- a) NPEI confirms that the values included in the table are actual quantities billed in 2008. The amounts included are the sum of the four 2008 quarterly RRR 2.1.3 Market Monitoring – Sales submissions. As these filings report data for energy sales, the kWh quantities used in the table include loss factors.

- b) Not applicable.
- c) If the Board staff's proposal of a non-RPP specific rate rider were accepted, NPEI would support using the values in the table above as the most reasonable denominator for rate determination, subject to the loss factor amounts being removed. As indicated in response a) above, the quantities in the table are inclusive of losses. NPEI submits that the appropriate kWh quantities to use for a rate rider denominator should be metered quantities, not including losses. Therefore, in order to be useful for determining rates, the above values will need to be adjusted down to reflect the metered values.
- d) If a separate rate rider were established to dispose of the balance of the 1588 – Global Adjustment sub-account to non-RPP customers, NPEI submits that the rider should not apply to customers in the MUSH sector. Although the MUSH customers are now non-RPP customers, they were RPP customers during the time that the Global Adjustment variance that is proposed for disposition originated. NPEI confirms that it has the billing capability to exclude the customers in the MUSH sector if a separate rate rider were approved.

**6 Ref: 2010 IRM Deferral Variance Total Claim**

Below are the Total Claim values for the EDDVAR Group One Deferral Accounts.

Account Description	Account Number	Total Claim I = C + D + E + F + G + H
LV Variance Account	1550	(104,358 )
RSVA - Wholesale Market Service Charge	1580	(1,653,078 )
RSVA - Retail Transmission Network Charge	1584	(1,206,473 )
RSVA - Retail Transmission Connection Charge	1586	(1,972,887 )
RSVA - Power (Excluding Global Adjustment)	1588	(4,207,480 )
RSVA - Power (Global Adjustment Sub-account)		1,388,149
Recovery of Regulatory Asset Balances	1590	(18,705 )
Disposition and recovery of Regulatory Balances Account	1595	0
Total		(7,774,830 )

- 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 these are not the final balances please provide amended workform to support final balances for disposition.
- c) Please reconcile the final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify source and reasons for any variances.
- d) Please confirm that NPEI has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If NPEI has used other practices in the calculation please explain where in the filing and why.
- e) Please confirm that NPEI has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If NPEI has used other calculations please explain where in the filing and why?
- f) Please confirm that NPEI 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 NPEI has not complied with this requirement please explain why not.

**Response:**

- a) NPEI has, with the assistance of Board staff, converted its Deferral Variance Account models to version 4.
- b) NPEI confirms that the values in the table above are the final balances for disposition.
- c) The following table reconciles the balances included in the 2008 RRR year end filing to the amounts in the 2010 rate application.

Account Description	Account Number	Balances per 2008 RRR Filing	Form 1598 Submissions in 2009, Relating to 2008 Balances (1)	Opening Balances in Account 1590, not included in Rate Application Model (2)	Projected Interest on Dec 31 -08 balance from Jan 1, 2009 to April 30, 2010	Total Claim per Rate Application
LV Variance Account	1550	(103,030 )			(1,328 )	(104,358 )
RSVA - Wholesale Market Service Charge	1580	(1,628,148 )			(24,930 )	(1,653,078 )
RSVA - Retail Transmission Network Charge	1584	(1,190,583 )			(15,892 )	(1,206,475 )
RSVA - Retail Transmission Connection Charge	1586	(1,948,930 )			(23,956 )	(1,972,886 )
RSVA - Power (Excluding Global Adjustment)	1588	(1,025,304 )	(3,123,821 )		(58,356 )	(4,207,481 )
RSVA - Power (Global Adjustment Sub-account)		1,366,630			21,519	1,388,149
Recovery of Regulatory Asset Balances	1590	(108,801 )		113,539	(23,641 )	(18,703 )
Disposition and recovery of Regulatory Balances Ac	1595					
<b>Total</b>		<b>(4,637,966 )</b>	<b>(3,123,821 )</b>	<b>113,539</b>	<b>(126,584 )</b>	<b>(7,774,832 )</b>

**Reconciling items:**

- (1) As noted in our Manager's Summary, Section 5.4, NPEI received RPP claim amounts for Form 1598 submissions filed in 2009, but relating to consumption in prior years, for a total amount of \$3,123,821. We submit that these adjustments correctly belong in the 2008 balances, resulting in an additional credit to be refunded to customers through the proposed rate riders.
- (2) As at December 31, 2004, Niagara Falls Hydro had a principal balance in account 1590 of \$74,569 and Peninsula West Utilities had 1590 balances of (\$189,191) principal and \$1,083 carrying charges. The total 1590 balances of NPEI's two predecessor utilities at Dec 2004, therefore, was (\$113,539). The Deferral and Variance account model assumes the 2005 opening balance of 1590 to be zero. Therefore, this

amount is needed to reconcile the 2008 RRR 1590 balance to the amount in the rate application model.

We have attached a copy of the 2008 year-end Deferral and Variance account RRR filing as Appendix B to this submission.

- d) NPEI confirms that it has complied with and applied correctly the Board's accounting policy and procedures for calculation of the final disposition balances.
- e) NPEI confirms that it has used a simple interest calculation, using the Board's prescribed interest rates, to determine carrying charges.
- f) NPEI confirms that it has complied with the requirement to apply recoveries to principal first.

**7 Ref: 2010 IRM Deferral Variance Total Claim**

The applied for amount for Deferral Variance disposition is reported as a credit of \$7,774,830. Per sheet “F1.1 Calculation Rate Rider” NPEI opted for a one year disposition period.

- a) Does NPEI have any concern with respect to the rate impact that may occur after the one year term expires?
- b) Does NPEI have any concerns with respect to the cash flow implications of the one year disposition period election?

**Response:**

- a) NPEI does not have any specific concerns with respect to the rate impact that may occur after the one year term expires. NPEI notes, however, that we intend to file a Cost of Service rate application for rates effective May 1, 2011, and we acknowledge that we do not, at this time, have any estimates as to what bill impacts may arise due to the coincident timing of the credit rate riders ending and the COS rates coming into effect. As such, NPEI is now of the opinion that it may be more prudent to spread the disposition of the credit balance over two years, instead of one year. For this reason, along with the response to 7b) below, NPEI respectfully requests that the Board consider a two year disposition period, rather than the one year period that was originally proposed.
- b) In view of substantial Smart Meter capital expenditures and current levels of bad debt and receivables balances, NPEI is now of the opinion that a two year disposition period would be preferable, to mitigate cash flow impacts. For this reason, along with the response to 7a) above, NPEI respectfully amends its proposal for disposition to a two year period.

The following tables indicate what the rate rider values would be if a two year disposition period were used, rather than a one year period. In addition, the tables include values for rate riders as calculated using the scenario described in question 1, but over a two year period.

Response to Board Staff Interrogatories  
NPEI – Niagara Falls & Peninsula West  
2010 IRM2  
EB-2009-0205 & EB-2009-0206

Niagara Falls							
Rate Class	Per	Harmonized Rider, 2 Year Disposition	Niagara Falls Specific Rate Rider (2 years)	NPEI Incremental Rate Rider (2 years)	Total for Niagara Falls (2 years)	Difference	% Difference
Residential	kWh	(0.00359)	(0.00318)	0.00051	(0.00267)	0.00092	-25.6%
General Service Less Than 50 kW	kWh	(0.00359)	(0.00308)	0.00050	(0.00258)	0.00101	-28.1%
General Service 50 to 4,999 kW	kW	(1.12865)	(1.27782)	0.49677	(0.78105)	0.34760	-30.8%
Sentinel Lighting	kW	(1.44033)	(1.43359)	0.16495	(1.26864)	0.17169	-11.9%
Street Lighting	kW	(0.80384)	(0.57863)	0.07488	(0.50375)	0.30009	-37.3%
Unmetered Scattered Load	kWh	(0.00319)	(0.00296)	0.00090	(0.00206)	0.00113	-35.4%

Pen West							
Rate Class	Per	Harmonized Rider, 2 Year Disposition	Pen West Specific Rate Rider (2 years)	NPEI Incremental Rate Rider (2 years)	Total for Pen West (2 years)	Difference	% Difference
Residential	kWh	(0.00359)	(0.00676)	0.00051	(0.00625)	(0.00266)	74.1%
General Service Less Than 50 kW	kWh	(0.00359)	(0.00684)	0.00050	(0.00634)	(0.00275)	76.6%
General Service 50 to 4,999 kW	kW	(1.12865)	(2.17226)	0.49677	(1.67549)	(0.54684)	48.5%
Sentinel Lighting	kW	(1.44033)	(2.41900)	0.16495	(2.25405)	(0.81372)	56.5%
Street Lighting	kW	(0.80384)	(2.26573)	0.07488	(2.19085)	(1.38701)	172.5%
Unmetered Scattered Load	kWh	(0.00319)	(0.00674)	0.00090	(0.00584)	(0.00265)	83.1%

Appendix A contains tables that indicate, by customer class, the difference in bill impacts under the two year disposition period, versus the one year period.

**Rate Generator**

**8 Ontario Capital Tax (Peninsula West EB-2009-0206)**

Sheet “3.1 Ontario Capital Tax Adjustment” cell E26 shows Rate Base as \$23,838,929 while the 2009 IRM Model sheet “D3.1 Ontario Capital Tax Adjustment” shows Rate Base as \$24,183,270.

- a) Please review and advise of the correct amount.

**Response:**

The amount of \$23,838,929 that was entered in cell E26 of the 2010 model is incorrect. The correct amount for the Rate Base is \$24,183,270, as was included in the 2009 IRM model. We have updated the Peninsula West Rate Generator model to reflect this correction.

## **HST Interrogatory**

### **9 Harmonized Sales Tax**

It is possible that the PST and GST may be harmonized effective July 1, 2010. Unlike the GST, the PST is included as an OM&A expense and is also included in capital expenditures. If the GST and PST are harmonized, corporations would see a reduction in OM&A expenses and capital expenditures.

In the event that PST and GST are harmonized effective July 1, 2010:

- a) Would NPEI agree to capture in a variance account the reductions in OM&A and capital expenditures?
- b) Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

### **Response:**

NPEI proposes that the provincial related portion of the harmonized tax be captured in two accounts similar to the GST ITC account; one account for OM&A related tax and the other account for tax on capital expenditures. All debits recorded in these accounts technically would equal the reductions to OM&A and capital that are due to the harmonized tax. Reporting to the OEB on the amounts of the reductions would be based on these two accounts, which are the same accounts that would be used in preparing the monthly HST filings.

Appendix A - Bill Impacts

Niagara Falls		BILL IMPACTS (Total bill impacts compared to current rates)								
Class	Billing Determinants		Balances		Balances		Balances		Balances	
	kWh	kW	Harmonized - One		Balances Separated -		Harmonized - Two		Balances Separated -	
			Year Rider	%	One Year Rider	%	Year Rider	%	Two Year Rider	%
			\$	%	\$	%	\$	%	\$	%
Residential										
	250		(1.92)	-4.36%	(1.42)	-3.23%	(0.97)	-2.20%	(0.73)	-1.66%
	600		(4.50)	-5.62%	(3.33)	-4.16%	(2.23)	-2.78%	(1.65)	-2.06%
	800		(5.97)	-5.82%	(4.42)	-4.31%	(2.96)	-2.89%	(2.19)	-2.14%
	1,400		(10.44)	-6.14%	(7.72)	-4.54%	(5.17)	-3.04%	(3.82)	-2.25%
	2,250		(16.76)	-6.31%	(12.38)	-4.66%	(8.28)	-3.12%	(6.10)	-2.30%
GS<50										
	1,000		(7.65)	-5.02%	(5.54)	-3.64%	(3.88)	-2.55%	(2.82)	-1.85%
	2,000		(15.19)	-5.85%	(10.97)	-4.22%	(7.65)	-2.94%	(5.53)	-2.13%
	7,500		(56.65)	-6.66%	(40.82)	-4.80%	(28.39)	-3.34%	(20.43)	-2.40%
	15,000		(113.20)	-6.83%	(81.54)	-4.92%	(56.66)	-3.42%	(40.75)	-2.46%
	20,000		(150.88)	-6.87%	(108.67)	-4.95%	(75.49)	-3.44%	(54.28)	-2.47%
GS>50										
	20,000	50	(118.20)	-4.96%	(81.69)	-3.43%	(58.94)	-2.47%	(40.69)	-1.71%
	510,000	1,270	(2,985.09)	-5.58%	(2,058.01)	-3.84%	(1,480.03)	-2.76%	(1,016.50)	-1.90%
	995,000	2,480	(5,828.49)	-5.59%	(4,018.13)	-3.86%	(2,889.45)	-2.77%	(1,984.30)	-1.90%
	1,501,000	3,740	(8,789.38)	-5.60%	(6,059.25)	-3.86%	(4,357.13)	-2.77%	(2,992.11)	-1.91%
	2,006,000	5,000	(11,750.25)	-5.60%	(8,100.35)	-3.86%	(5,824.79)	-2.78%	(3,999.89)	-1.91%
Umetered Scattered										
	500		(3.42)	-4.60%	(2.23)	-3.00%	(1.74)	-2.34%	(1.15)	-1.55%
	2,000		(13.48)	-5.77%	(8.71)	-3.73%	(6.76)	-2.89%	(4.39)	-1.88%
	7,500		(50.39)	-6.11%	(32.51)	-3.94%	(25.19)	-3.05%	(16.28)	-1.97%
	15,000		(100.71)	-6.17%	(64.96)	-3.98%	(50.31)	-3.08%	(32.51)	-1.99%
	20,000		(134.24)	-6.19%	(86.57)	-3.99%	(67.04)	-3.09%	(43.31)	-2.00%
Sentinel										
	70	0.20	(0.60)	-7.18%	(0.53)	-6.34%	(0.30)	-3.59%	(0.25)	-2.99%
	130	0.35	(1.06)	-7.54%	(0.93)	-6.61%	(0.53)	-3.77%	(0.46)	-3.27%
	180	0.50	(1.51)	-7.94%	(1.33)	-7.00%	(0.75)	-3.95%	(0.66)	-3.47%
	270	0.75	(2.26)	-8.14%	(1.98)	-7.13%	(1.12)	-4.03%	(0.98)	-3.53%
	360	1.00	(3.01)	-8.24%	(2.66)	-7.29%	(1.50)	-4.11%	(1.32)	-3.62%
Streetlighting										
	37	0.10	(0.17)	-4.26%	(0.10)	-2.51%	(0.08)	-2.01%	(0.05)	-1.25%
	73	0.20	(0.33)	-4.56%	(0.21)	-2.90%	(0.16)	-2.21%	(0.10)	-1.38%
	110	0.30	(0.50)	-4.74%	(0.31)	-2.94%	(0.25)	-2.37%	(0.15)	-1.42%
	146	0.40	(0.66)	-4.78%	(0.41)	-2.97%	(0.33)	-2.39%	(0.20)	-1.45%
	183	0.50	(0.84)	-4.91%	(0.52)	-3.04%	(0.42)	-2.46%	(0.26)	-1.52%

Peninsula West

BILL IMPACTS (Total bill impacts compared to current rates)

Class	Billing Determinants kWh kW		Balances		Balances Separated -		Balances		Balances Separated -	
			Harmonized - One		One Year Rider		Harmonized - Two		Two Year Rider	
			\$	%	\$	%	\$	%	\$	%
Residential - Urban										
	250		(1.79)	-4.53%	(3.19)	-8.07%	(0.85)	-2.15%	(1.54)	-3.90%
	600		(4.37)	-5.58%	(7.73)	-9.87%	(2.10)	-2.68%	(3.78)	-4.83%
	800		(5.81)	-5.68%	(10.30)	-10.07%	(2.80)	-2.74%	(5.04)	-4.93%
	1,400		(10.21)	-5.86%	(18.04)	-10.35%	(4.94)	-2.83%	(8.84)	-5.07%
	2,250		(16.44)	-5.95%	(29.03)	-10.51%	(7.96)	-2.88%	(14.23)	-5.15%
Residential - Suburban										
	250		(1.79)	-4.60%	(3.19)	-8.20%	(0.85)	-2.18%	(1.54)	-3.90%
	600		(4.37)	-5.75%	(7.73)	-10.18%	(2.10)	-2.76%	(3.78)	-4.83%
	800		(5.82)	-5.88%	(10.30)	-10.41%	(2.80)	-2.83%	(5.04)	-4.93%
	1,400		(10.20)	-6.08%	(18.04)	-10.75%	(4.93)	-2.94%	(8.84)	-5.07%
	2,250		(16.44)	-6.19%	(29.03)	-10.93%	(7.96)	-3.00%	(14.23)	-5.15%
GS<50										
	1,000		(7.38)	-5.99%	(13.16)	-10.67%	(3.61)	-2.93%	(6.50)	-5.27%
	2,000		(14.83)	-6.15%	(26.38)	-10.93%	(7.29)	-3.02%	(13.06)	-5.41%
	7,500		(55.73)	-6.26%	(99.04)	-11.13%	(27.46)	-3.09%	(49.11)	-5.52%
	15,000		(111.47)	-6.28%	(198.09)	-11.16%	(54.92)	-3.09%	(98.24)	-5.53%
	20,000		(148.64)	-6.29%	(264.14)	-11.17%	(73.25)	-3.10%	(131.00)	-5.54%
GS>50										
	20,000	50	(115.98)	-4.97%	(173.39)	-7.43%	(56.72)	-2.43%	(85.42)	-3.66%
	510,000	1,270	(2,948.02)	-4.99%	(4,406.41)	-7.46%	(1,442.96)	-2.44%	(2,172.16)	-3.68%
	995,000	2,480	(5,756.86)	-5.00%	(8,604.72)	-7.47%	(2,817.82)	-2.45%	(4,241.80)	-3.68%
	1,501,000	3,740	(8,681.76)	-5.00%	(12,976.52)	-7.47%	(4,249.51)	-2.45%	(6,396.95)	-3.68%
	2,006,000	5,000	(11,606.66)	-5.00%	(17,348.32)	-7.47%	(5,681.19)	-2.45%	(8,552.10)	-3.68%
Umetered Scattered										
	500		(3.29)	-5.50%	(6.05)	-10.11%	(1.61)	-2.69%	(2.99)	-5.00%
	2,000		(13.19)	-5.62%	(24.26)	-10.34%	(6.47)	-2.76%	(12.04)	-5.13%
	7,500		(49.52)	-5.60%	(91.02)	-10.30%	(24.32)	-2.75%	(45.19)	-5.11%
	15,000		(99.05)	-5.60%	(182.05)	-10.29%	(48.65)	-2.75%	(90.38)	-5.11%
	20,000		(132.07)	-5.60%	(242.74)	-10.29%	(64.87)	-2.75%	(120.52)	-5.11%
Sentinel										
	70	0.20	(0.61)	-7.86%	(0.95)	-12.24%	(0.30)	-3.87%	(0.47)	-6.06%
	130	0.35	(1.05)	-8.05%	(1.65)	-12.65%	(0.51)	-3.91%	(0.82)	-6.29%
	180	0.50	(1.49)	-8.47%	(2.34)	-13.30%	(0.74)	-4.21%	(1.17)	-6.65%
	270	0.75	(2.27)	-8.82%	(3.55)	-13.79%	(1.14)	-4.43%	(1.78)	-6.91%
	360	1.00	(3.00)	-8.87%	(4.71)	-13.92%	(1.49)	-4.40%	(2.34)	-6.92%
Streetlighting										
	37	0.10	(0.16)	-3.76%	(0.46)	-10.80%	(0.08)	-1.88%	(0.23)	-5.40%
	73	0.20	(0.35)	-4.67%	(0.94)	-12.55%	(0.18)	-2.40%	(0.48)	-6.41%
	110	0.30	(0.50)	-4.64%	(1.37)	-12.72%	(0.25)	-2.32%	(0.69)	-6.41%
	146	0.40	(0.66)	-4.71%	(1.83)	-13.07%	(0.33)	-2.36%	(0.92)	-6.57%
	183	0.50	(0.83)	-4.80%	(2.29)	-13.24%	(0.41)	-2.37%	(1.14)	-6.59%

Appendix B – 2008 Year End Variance Account Balances RRR Filing

Clicking Save or Apply will not automatically submit this filing. To SUBMIT this filing, scroll to the end of the page, select Yes in the Submit drop down then click the SAVE button.

**Report Summary**

<b>Filing Year</b>	2009	<b>Filing Form Name</b>	2.1.1	<b>Filing Form Description</b>	Monitoring Requirements For
<b>RRR Filing No</b>	6.479	<b>Reporting Period</b>	January- 2009Niagara Peninsula Energy Inc. Niagara Falls Corporation: ED-2007-0749: :	<b>Extension Granted</b>	
<b>Report Version</b>	4	<b>Due</b>	February 2, 2009	<b>Extension Deadline</b>	
<b>Status</b>	Revised	<b>Submitted On</b>	October 27, 2009	<b>Submitter Name</b>	Margaret Battista
<b>Licence Type</b>					
<b>Distributor</b>					

**Deferral Accounts**

For the quarter ending Dec 31, 2008 For the Quarter Ending on Dec 31, 2008

Account	Quarter Opening Balance DR/- CR	Carrying Charges DR/-CR this Period	Carrying Charges DR/-CR Life to Date	Net Accruals DR/-CR this Period	Net Accruals DR/-CR Life to Date	Other Adjustment DR/-CR this Period	Other Adjustment DR/-CR Life to Date	Quarter Closing Balance DR/- CR	Life To Date
1508 other regulatory assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1518 RCVA retail	432,969.00	0.00	0.00	-12,566.00	420,403.00	0.00	0.00	420,403.00	420,403.00
1525 miscellaneous deferred debit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1548 RCVA STR	303,880.00	0.00	0.00	-13,605.00	290,275.00	0.00	0.00	290,275.00	290,275.00
1550 LV Variance Account	-65,977.00	-659.00	-1,772.00	-36,394.00	-101,258.00	0.00	0.00	-103,030.00	-103,030.00
1555 Smart Meter Capital and									

Recovery Offset Variance	-279,276.00	-2,211.00	-14,184.00	-39,484.00	-306,787.00	0.00	0.00	-320,971.00	-320,971.00
1556 Smart Meter OM&A Variance	21,750.00	0.00	0.00	0.00	21,750.00	0.00	0.00	21,750.00	21,750.00
1562 deferred PILs	-1,758,674.00	-44,080.00	-724,509.00	-2,911,000.00	-3,989,245.00	0.00	0.00	-4,713,754.00	-4,713,754.00
1563 PILs Contra Account	3,972,809.00	0.00	-16,435.00	0.00	3,989,244.00	0.00	0.00	3,972,809.00	3,972,809.00
1565 Conservation and Demand Management Expenditures and Recoveries	-744,667.00	0.00	0.00	0.00	-744,667.00	0.00	0.00	-744,667.00	-744,667.00
1566 CDM Contra	744,666.00	0.00	0.00	0.00	744,666.00	0.00	0.00	744,666.00	744,666.00
1570 qualifying transition costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1571 pre-market opening energy variance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1572 extraordinary event costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1574 deferred rate impact amounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1580 RSVA WMS	-1,552,626.00	13,708.00	272,700.00	-89,230.00	-1,900,848.00	0.00	0.00	-1,628,148.00	-1,628,148.00
1582 RSVA one- time	7,143.00	50.00	1,288.00	0.00	5,905.00	0.00	0.00	7,193.00	7,193.00
1584 RSVA NW	-1,215,924.00	6,480.00	21,129.00	18,861.00	-1,211,712.00	0.00	0.00	-1,190,583.00	-1,190,583.00
1586 RSVA CN	-2,147,209.00	-8,261.00	-122,366.00	206,540.00	-1,826,564.00	0.00	0.00	-1,948,930.00	-1,948,930.00
1588 RSVA Power	-2,883,892.00	91,767.00	26,263.00	3,133,251.00	315,063.00	0.00	0.00	341,326.00	341,326.00
1592 PLS & Tax Variance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1595 Disposition and Recovery of Regulatory Balances Control Account	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2425 other deferred credits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Account	Quarter Opening Balance DR/- CR	Carrying Charges DR/-CR this Period	Carrying Charges DR/-CR Life to Date	Net Accruals DR/-CR this Period	Net Accruals DR/-CR Life to Date	Other Adjustment DR/-CR this Period	Other Adjustment DR/-CR Life to Date	Quarter Closing Balance DR/- CR	Life To Date Check
1590 Recovery of regulatory asset balances	305,027.00	4,477.00	54,921.00	200,903.00	53,680.00	0.00	0.00	-108,601.00	-108,601.00

Additional Information

Sub-Account	Quarter Opening Balance DR/- CR	Carrying Charges DR/-CR this Period	Carrying Charges DR/-CR to Date	Net Accruals DR/-CR this Period	Net Accruals DR/-CR to Date	Other Adjustment DR/-CR this Period	Other Adjustment DR/-CR to Date	Quarter Closing Balance DR/- CR	Life To Date Check
1588 RSVA Power Sub-Account Global Adjustment	1,909,087.00	30,562.00	274,134.00	573,019.00	1,640,764.00	0.00	0.00	1,366,630.00	1,366,630.00
1595 Sub-Account Disposition of Account Balances Approved in 2008	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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\* Submit Form

No