

CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO

BY COURIER

February 23, 2010

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

Dear Ms. Walli:

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

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

Yours truly,

Original Signed by,

Douglas R. Bradbury Director, Regulatory Affairs

Enclosures

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1	ONTARIO ENERGY BOARD
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3	In the matter of the Ontario Energy Board Act, 1998;
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5	And in the matter of an application by Canadian Niagara Power Inc.,
6	for an Order or Orders approving electricity distribution rates for its Fort
7	Erie and Eastern Ontario Power service territories to be implemented
8	on May 1, 2010.
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11	INTRODUCTION
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13	Canadian Niagara Power Inc. ("CNPI") is a licensed electricity distributor providing
14	service to consumers in two service areas - Fort Erie and Eastern Ontario Power.
15	Effective May 1, 2009 in proceedings EB-2008-0222 and EB-2008-0223, the Board
16	approved the harmonization of electricity distribution rates for CNPI's electricity
17	distribution customers for its Fort Erie and Eastern Ontario Power service areas.
18	While the distribution rates were harmonized, other monthly rates and charges
19	unique to each service territory were separately maintained. Hence, CNPI filed two
20	applications with the Ontario Energy Board (the "Board"), on October 28, 2009,
21	seeking approval for changes to the distribution rates that CNPI charges for
22	electricity distribution, to be effective May 1, 2010. These applications were based
23	on the 2010 3 rd Generation Incentive Regulation Mechanism.
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25	CNPI provided complete responses to Board staff interrogatories on January 21,
26	2010.
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1 DISCUSSION

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

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

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

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

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

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

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

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ALL OF WHICH IS RESPECTFULLY SUBMITTED