

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

Canadian Niagara Power Inc.
Fort Erie & Eastern Ontario Power Submission
2010 IRM3 Application
EB-2009-0216 & EB-2009-0217
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1 ONTARIO ENERGY BOARD 2 3 In the matter of the Ontario Energy Board Act, 1998; 4 And in the matter of an application by Canadian Niagara Power Inc., 5 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. 9 10 11 INTRODUCTION 12 Canadian Niagara Power Inc. ("CNPI") is a licensed electricity distributor providing 13 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 approved the harmonization of electricity distribution rates for CNPI's electricity 16 distribution customers for its Fort Erie and Eastern Ontario Power service areas. 17 18 While the distribution rates were harmonized, other monthly rates and charges unique to each service territory were separately maintained. Hence, CNPI filed two 19 20 applications with the Ontario Energy Board (the "Board"), on October 28, 2009, seeking approval for changes to the distribution rates that CNPI charges for 21 electricity distribution, to be effective May 1, 2010. These applications were based 22 on the 2010 3rd Generation Incentive Regulation Mechanism. 23 24 25 CNPI provided complete responses to Board staff interrogatories on January 21, 26 2010. 27

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DISCUSSION

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3 The price cap adjustment that has been determined in the 2010 IRM3 Application

4 uses the Board's default metrics for the Price Escalator (GDP-IPI), the Productivity

5 Factor and the Stretch Factor. CNPI acknowledges that the Board will use the GDP-

6 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

8 data becomes available.

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10 A common price cap adjustment factor is integral to the continuance of Board

approved electricity distribution rate harmonization in CNPI's service territories; Fort

12 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

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,

asked; Please calculate the combined PEG Benchmarking ranking of Canadian

Niagara Power including all three franchise areas, first on the basis of the OM&A

treatment used by the Applicant, and then on the basis that the lease payments to

Port Colborne are not included in OM&A.

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25 This was recognition that CNPI, due to its arrangement of a single utility with multiple

26 service territories managed through a system of shared services and assets,

27 required a more comprehensive understanding. The response, provided in Exhibit 8

28 of this Application, to the interrogatory placed CNPI in the middle cohort.

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1	Later in the review of its applications, CNPI provided Supplementary Evidence which
2	was examined by Board Staff and intervenors. This evidence, marked Exhibit K.5 in
3	that proceeding and included with this Application in Exhibit 8, provides further
4	evidence that the Operations, Maintenance and Administration costs for CNPI's
5	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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16	ALL OF WHICH IS RESPECTFULLY SUBMITTED