



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

BY COURIER

January 10, 2011

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., EASTERN ONTARIO POWER
2011 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION
EB-2010-0071**

Please find accompanying this letter, two paper copies of Canadian Niagara Power Inc. – Eastern Ontario Power's responses to Board Staff interrogatories. Electronic copies of these responses have been submitted via the Board's Regulatory Electronic Submission System.

Yours truly,

Original Signed By

Douglas R. Bradbury
Director, Regulatory Affairs

Enclosures

2011 IRM Retail Transmission Service Rates (“RTSR”) Workform

1. Ref: Sheet “B1.2 2009 Distributor Billing Determinants” is reproduced below.

2009 Distributor Billing Determinants						
Enter the most recently reported RRR billing determinants						
Loss Adjusted Metered kWh	Yes	Update Sheet				
Loss Adjusted Metered kW	No					
Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor D = A / (B * 730)	Loss Adjusted Billed kWh E = A * C
Residential	kWh	29,586,436	0	1.0719		31,713,701
General Service Less Than 50 kW	kWh	12,624,543	0	1.0719		13,532,248
General Service 50 to 4,999 kW	kW	17,770,088	54,592	1.0719	44.61%	19,047,757
Unmetered Scattered Load	kWh	159,316	0	1.0719		170,773
Sentinel Lighting	kW	70,625	232	1.0719	41.72%	75,703
Street Lighting	kW	554,733	1,680	1.0719	45.26%	594,618
Total		60,765,743	56,504			65,134,800

- a) Please confirm that the data entered in Column A (Metered kWh) is metered data (i.e. no loss factor applied). If a loss factor has been applied to the data in Column A, please indicate the data that should have been entered in Column A and Board staff will make the relevant corrections to the RTSR Workform.
- b) Board staff has been unable to verify the data entered in for the General Service Less Than 50 kW and Unmetered Scattered Load rate classes to CNPI – EOP’s 2009 RRR filings. Please provide evidence supporting these amounts.

Response

- a) Canadian Niagara Power Inc. – Eastern Ontario Power (“CNPI – EOP”) confirms that the data entered in Column A (Metered kWh) is metered data with no loss factor applied.
- b) For the year ending December 31, 2009, CNPI – EOP reported its metered kWh for the Unmetered Scattered Load customer class as a subset of the General Service Less Than 50 kW customer class. In the Regulatory Reporting and Record Keeping submission 2.1.5 for April 30, 2010, CNPI – EOP reported under the General Service Less Than 50 kW a total of 12,783,861 kWh; this is the sum of the values entered for the General Service Less Than 50 kW and for the Unmetered Scattered Load customer classes shown in the table above.

2011 IRM3 Shared Tax Savings Workform

2. Ref: Sheet “F1.1 Z-Factor Tax Changes” of the workform is reproduced below.

Z-Factor Tax Changes			
Summary - Sharing of Tax Change Forecast Amounts			
	2009	2010	2011
1. Tax Related Amounts Forecast from Capital Tax Rate Changes			
Taxable Capital	\$ 45,202,093	\$ 45,202,093	\$ 45,202,093
Deduction from taxable capital up to \$15,000,000	\$ 2,300,372	\$ 2,300,372	\$ 2,300,372
Net Taxable Capital	\$ 42,901,721	\$ 42,901,721	\$ 42,901,721
Rate	0.225%	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 96,529	\$ 31,912	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes			
Regulatory Taxable Income	\$ 1,129,975	\$ 1,129,975	\$ 1,129,975
Corporate Tax Rate	33.00%	31.00%	28.25%
Tax Impact	\$ 372,892	\$ 350,292	\$ 319,218
Grossed-up Tax Amount	\$ 556,555	\$ 507,670	\$ 444,903
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 96,529	\$ 31,912	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 556,555	\$ 507,670	\$ 444,903
Total Tax Related Amounts	\$ 653,084	\$ 539,582	\$ 444,903
Incremental Tax Savings		-\$ 113,202	-\$ 208,191
Sharing of Tax Savings (50%)		-\$ 56,751	-\$ 104,096

Board staff has been unable to verify the 2009 taxable capital and regulatory taxable income.

a) Please provide evidence supporting these amounts.

Response

a) CNPI as an entity is subject to Federal Income Tax. In the 2009 EDR (EB-2008-0222, EB-2008-0223 and EB-2008-0224) the Board approved CNPI's allocation methodology to allocate corporate income taxes amongst the operational business units.

The amount provided here for the 2009 taxable capital is consistent with that submitted in the 2010 IRM3 (EB-2009-0217 and EB-2009-0216) and the Board's 2009 EDR Decision (EB-2008-0222, EB-2008-0223).

The amount provided here for the 2009 regulatory taxable income is consistent with that submitted in the 2010 IRM3 (EB-2009-0217 and EB-2009-0216). However, there is a slight variance from the amount approved in the Board's 2009 EDR Decision (EB-2008-0222, EB-2008-0223). This variance may have been a result of timing between the issuance of the Board's Decision and the submission of the 2010 IRM3.

The regulatory taxable income for CNPI – Fort Erie, as submitted in the Board Decision Revenue Requirement Workform, EB-2008-0223, was \$875,225. The regulatory taxable income for CNPI – EOP, as submitted in the Board Decision Revenue Requirement Workform, EB-2008-0222, was \$183,369. The sum of these is the harmonized regulatory taxable income for CNPI – Fort Erie and CNPI – EOP and is \$1,058,594. This is the proper amount for regulatory taxable income for Sheet “F1.1 Z-Factor Tax Changes”.

2011 IRM Deferral and Variance Account Workform

3. Ref: Sheet “B1.3 Rate Class and Billing Determinants” of the workform is reproduced below.

Rate Class and Billing Determinants						
2009 Audited RRR						
Rate Group	Rate Class	Fixed Metric	Vol Metric	Metered kWh	Metered kW	Billed kWh for Non-RPP customers
RES	Residential	Customer	kWh	29,647,212		4,129,857
GSLT50	General Service Less Than 50 kW	Customer	kWh	13,214,880		796,858
GSGT50	General Service 50 to 4,999 kW	Customer	kW	17,408,000	54,162	13,672,243
Sen	Sentinel Lighting	Connection	kW	20,703	228	0
SL	Street Lighting	Connection	kW	555,872	1,677	500,284
USL	Unmetered Scattered Load	Connection	kWh	156,000		

Board staff has been unable to verify whether the billing determinants entered on this sheet are correct.

- a) Please provide evidence supporting the billing determinants entered on this sheet.

Response

The billing determinants entered on this sheet are not the “2009 Audited RRR” billing determinants. Despite the indication on this tab that it is the 2009 Audited RRR, the instructions accompanying the workform stated the following:

“User will select applicable rate groups and rate class from yellow drop down menu. User will input total number of billed customers (or connections) and total billed kWh or kW as per 2010 forecast.”

CNPI – EOP has entered its 2010 forecast determinants consistent with the Board’s instructions.

4. Ref: Rate Rider for 2011 Deferral and Variance Account Disposition.

CNPI – EOP has requested disposition of its deferral and variance accounts, including account 1588 global adjustment sub-account, through a one year rate rider to all customers.

- a) What progress, if any, has CNPI – EOP made to its billing system to implement a separate rate rider to dispose of the global adjustment sub-account that would prospectively apply to non-RPP customers?

Response

- a) CNPI is currently updating the customer billing architecture within its customer service system to accommodate the Smart Meter Initiative and Time of Use Billing. CNPI anticipates that this upgrade to its customer billing system will be fully implemented not later than the first quarter of 2012. It is CNPI's intention to be capable of implementing a separate rate rider to dispose of the global adjustment sub-account coincident with this upgrade.

5. Ref: Manager's Summary Pg. 5, Rate Rider for Deferral and Variance Account Disposition

CNPI – EOP has indicated that it will submit Cost of Power and Global Adjustment true-ups to the IESO during the fourth quarter of 2010 and has entered this into Sheet "D1.6 Deferral Variance – Continuity Schedule Final" of the 2011 IRM Deferral and Variance Account Workform.

- a) Has CNPI – EOP submitted this true-up? If so, please confirm the amount submitted for Cost of Power and Global Adjustment to the IESO. If not, Board staff will update the workform to remove this adjustment.

Response

- a) Yes, CNPI – EOP submitted a true-up in its November 2010 submission to Hydro One. The true-up for the Cost of Power was \$337,240; payable to Hydro One. The true-up for Global Adjustment was \$409,303; receivable from Hydro One.

Smart Meter Rate Calculation

6. Ref: Manager's Summary Pg. 4, Smart Meter Rate Calculation

It is Board staff understanding that the revenue requirement associated with smart meters will be included in deferral account 1555 and 1556 for each of CNPI's service territories until such time that CNPI files a cost of service application. It is also Board staff understanding that the revenue generated through the smart meter funding adder for each service territory would be included as an offset to 1555. Following a prudence review, the difference between the approved revenue requirement and the revenue collected through the smart meter funding adder, for each of CNPI's service territories, would either be collected or returned to affected ratepayers.

- a) Please confirm. If this is confirmed, please explain the benefits of proposing a harmonized smart meter funding adder.
- b) If not, please provide further explanation on the proposed treatment of the smart meter related deferral accounts.

Response

- a) CNPI – EOP confirms the statement made above and CNPI – EOP confirms that it is maintaining its accounts as such.

At its next cost of service proceeding, CNPI intends to request harmonized electricity distribution rates for its three service territories. These harmonized rates will be premised on a single revenue requirement which will include the smart metering. CNPI submits that its proposal to use the weighted average smart meter funding adder will contribute to rate stabilization through the IRM period and into the next cost of service rate year.

2010 Rate Rider for Deferral and Variance Account Disposition

7. Ref: CNPI – EOP's Current Tariff of Rates and Charges, effective May 1, 2010.

Board staff believes that the 2010 rate rider for deferral and variance account disposition for the General Service 50 to 4,999 kW rate class should be a debit of \$1.3163/kW instead of a credit of (\$1.3163)/kW.

- a) Please confirm that the rate rider amount should be a debit instead of a credit. If so, please indicate how CNPI – EOP proposes to rectify this issue.

Response

- a) CNPI – EOP acknowledges the discrepancy that exists between the Rate Order, EB-2009-0216 and the Board Approved 2010 IRM3 Rate Application, EB-2009-0216. The Board Approved 2010 IRM3 Rate Application specified a 2010 rate rider for deferral and variance account disposition for the General Service 50 to 4,999 kW rate class as a debit of \$1.3163/kW and the Board Approved Rate Order specifies the rate rider as a credit of (\$1.3163)/kW.

Recognizing the relatively short period of time remaining from the present to the April 30, 2011 sunset date for this rate rider, CNPI – EOP suggests it may be advantageous for the Board to declare that rate rider interim as of January 1, 2011 to allow CNPI – EOP to cease billing the rate rider. Effective May 1, 2012, CNPI – EOP would combine the currently applied for rate rider of \$0.78037/kW (debit) with the proper rate rider for that otherwise would have been i.e., \$1.3163/kW (debit). This would yield an effective rate rider of \$2.09668 (debit) with a sunset date of April 30, 2012.

CNPI – EOP anticipates the next cost of service proceeding will be for distribution rates effective May 1, 2012. In that cost of service proceeding CNPI will provide evidence to support clearance of the residual balance in the account.