



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., PORT COLBORNE;
2011 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION
EB-2010-0069**

Please find accompanying this letter, two paper copies of Canadian Niagara Power Inc. – Port Colborne’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	63,037,704	0	1.0382		65,445,744
General Service Less Than 50 kW	kWh	23,155,644	0	1.0382		24,040,190
General Service 50 to 4,999 kW	kW	101,400,949	358,674	1.0382	38.75%	105,274,465
Unmetered Scattered Load	kWh	780,483	0	1.0382		810,297
Sentinel Lighting	kW	11,668	38	1.0382	42.09%	12,114
Street Lighting	kW	1,824,488	4,990	1.0382	50.11%	1,894,183
Total		190,210,936	363,702			197,476,994

- 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.

Response

- a) Canadian Niagara Power Inc. – Port Colborne (“CNPI – Port Colborne”) confirms that the data entered in Column A (Metered kWh) is metered data with no loss factor applied.

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			
1. Tax Related Amounts Forecast from Capital Tax Rate Changes			
	2009	2010	2011
Taxable Capital	\$13,198,714	\$13,198,714	\$13,198,714
Deduction from taxable capital up to \$15,000,000	\$ 671,693	\$ 671,693	\$ 671,693
Net Taxable Capital	\$12,527,021	\$12,527,021	\$12,527,021
Rate	0.225%	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 28,186	\$ 9,318	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes			
	2009	2010	2011
Regulatory Taxable Income	\$ 495,148	\$ 495,148	\$ 495,148
Corporate Tax Rate	33.00%	31.00%	28.25%
Tax Impact	\$ 163,399	\$ 153,496	\$ 139,879
Grossed-up Tax Amount	\$ 243,879	\$ 222,458	\$ 194,954
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 28,186	\$ 9,318	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 243,879	\$ 222,458	\$ 194,954
Total Tax Related Amounts	\$ 272,065	\$ 231,776	\$ 194,954
Incremental Tax Savings		-\$ 40,289	\$ 77,111
Sharing of Tax Savings (50%)		-\$ 20,144	-\$ 38,555

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-2009-0215) 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-2009-0215). However, there is a variance from the amount approved in the Board’s 2009 EDR Decision (EB-

2008-0224). 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 – Port Colborne, as submitted in the Board Decision Revenue Requirement Workform, EB-2008-0224 was \$308,616. This is the proper amount for regulatory taxable income for Sheet "F1.1 Z-Factor Tax Changes".

2011 IRM3 Revenue Cost Ratio Adjustment Workform

3. Ref: Sheet “C1.2 Revenue Offsets Allocation” of the workform is reproduced below.

Revenue Offsets Allocation			
The purpose of this sheet is to allocate the Revenue Offsets (miscellaneous revenue) found in the last COS to the various rate classes in proportion to the allocation from the Cost Allocation informational filing.			
Rate Class	Informational Filing		Allocated Revenue
	Revenue Offsets A	Percentage Split C = A / B	Offsets E = D * C
Residential	292,622	64.71%	198,510
General Service Less Than 50 kW	71,649	15.84%	48,605
General Service 50 to 4,999 kW	74,876	16.56%	50,795
Unmetered Scattered Load	6,350	1.40%	4,308
Sentinel Lighting	159	0.04%	108
Street Lighting	6,571	1.45%	4,458
	452,227	100.00%	306,783

a) Board staff is unable to verify the informational filing revenue offsets. Please provide supporting evidence for these inputs.

Response

a) The values found under heading “A” have been taken from the CNPI – Port Colborne Cost Allocation Informational Filing, EB-2005-0345, and are found on Tab O1.

The value found in Cell F47, \$306,783, is taken from the Board Approved CNPI – Port Colborne 2010 IRM3, Revenue Offsets Allocation; EB-2009-0215. That value is derived on the Detailed Revenue From Rates tab.

2011 IRM Deferral and Variance Account Workform

4. 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	64,705,236		13,928,264
GSLT50	General Service Less Than 50 kW	Customer	kWh	25,384,902		4,594,667
GSGT50	General Service 50 to 4,999 kW	Customer	kW	105,085,537	393,944	86,219,112
Sen	Sentinel Lighting	Connection	kW	12,415	38	0
SL	Street Lighting	Connection	kW	1,845,879	5,433	1,661,291
USL	Unmetered Scattered Load	Connection	kWh	780,483		

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 – Port Colborne has entered its 2010 forecast determinants consistent with the Board’s instructions.

5. Ref: Sheet “D1.6 Deferral Variance – Continuity Schedule Final” of the workform is reproduced below.

Deferral Variance - Continuity Schedule Final											
Account Description	Account Number	Opening Principal	Adjustments -	Principal Amounts	Opening Interest	Interest on Board-	Adjustments -	Projected Interest	Projected Interest	Interest Amounts to	Total Claim
		Amounts as of Jan-1-10	Please explain	to be disposed	Amounts as of Jan-1-10	approved 2008 amounts prior to transfer Jan-1, 2010 to Date of Transfer	Please explain	on Dec 31-09 balance from Jan 1, 2010 to Dec 31, 2010	on Dec 31-09 balance from Jan 1, 2011 to April 30, 2011	be disposed	
		A	B	C = A + B	D	E	F	G	H	I = D + E + F + G + H	J = C + I
LV Variance Account	1550	(12,448)		(12,448)	19	(109)		(90)	(36)	(216)	(12,665)
RSVA - Wholesale Market Service Charge	1580	(10,869)		(10,869)	(4,298)	5,110		(78)	(52)	102	(10,767)
RSVA - Retail Transmission Network Charge	1584	69,866		69,866	(2,972)	2,305		697	202	632	69,498
RSVA - Retail Transmission Connection Charge	1586	113,569		113,569	2,493	(1,915)		819	332	1,730	115,299
RSVA - Power (Excluding Global Adjustment)	1588	(601,280)	689,826	88,546	16,067	(14,510)		639	259	2,455	91,003
RSVA - Power (Global Adjustment Sub-account)		1,005,278	(802,058)	203,220	8,859	(6,632)		1,466	595	5,288	208,507
Recovery of Regulatory Asset Balances	1590	(51)		(51)	(3,593)	851		(0)	(0)	(2,743)	(2,793)
Residual Balance Disposition and recovery of Def/Var Balances Account (2008)	1595	0		0	0			0	0	0	0
Total		563,064	(112,230)	450,834	15,976	(13,300)	0	3,252	1,319	7,247	458,082

Account 1584 currently has a debit balance of \$69,498, which would imply that CNPI – Port Colborne has been undercharging the retail transmission network charge. However, according to CNPI – Port Colborne’s RTSR Adjustment Workform a decrease to the retail transmission network charge has been calculated, which would imply that CNPI – Port Colborne has been overcharging customers.

- a) Please explain why there appears to be a difference.

Response

- a) There are two General Service greater than 50 kW customers with significant embedded generation located behind the meter (approximately 15,000 kW). The operating characteristics of these two customers can influence the variant in Account 1584. Under normal operations, these customers will only take demand in off peak periods and therefore minimize their retail transmission charges. However, on occasion it will be necessary to either take load or possibly generate at on peak times. CNPI attempts to forecast their loads and develop retail transmission rates accordingly. Dependent upon historical performance against plan, variances may arise.

CNPI- Port Colborne will adapt its forecast during a cost of service proceeding based on its discussions with these customers.

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

CNPI – Port Colborne 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 – Port Colborne 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.

7. Ref: Manager's Summary Pg. 4, Rate Rider for Deferral and Variance Account Disposition

CNPI – Port Colborne 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 – Port Colborne 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 – Port Colborne submitted a true-up in its November 2010 submission to the IESO. The true-up for the Cost of Power was \$689,828; payable to the IESO. The true-up for Global Adjustment was \$802,058; receivable from the IESO.

Smart Meter Rate Calculation

8. 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 – Port Colborne confirms the statement made above and CNPI – Port Colborne 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.