



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., FORT ERIE
2011 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION
EB-2010-0070**

Please find accompanying this letter, two paper copies of Canadian Niagara Power Inc. – Fort Erie’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	111,596,385	0	1.0391		115,959,804
General Service Less Than 50 kW	kWh	33,818,908	0	1.0391		35,141,227
General Service 50 to 4,999 kW	kW	127,215,229	366,305	1.0391	47.60%	132,189,344
Unmetered Scattered Load	kWh	644,528	0	1.0391		669,730
Sentinel Lighting	kW	684,717	2,257	1.0391	41.58%	711,489
Street Lighting	kW	2,164,346	7,658	1.0391	38.74%	2,248,972
Total		276,124,114	376,220			286,920,567

- 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 be 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 Scatter Load rate classes to CNPI – Fort Erie’s 2009 RRR filings. Please provide evidence supporting these amounts.

Response

- a) Canadian Niagara Power Inc. – Fort Erie (“CNPI – Fort Erie”) 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 – Fort Erie 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 – Fort Erie reported under the General Service Less Than 50 kW a total of 34,463,437 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	\$ 372,882	\$ 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	-\$ 208,181
Sharing of Tax Savings (50%)		-\$ 56,751	-\$ 104,090

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	114,325,452		19,755,050
GSLT50	General Service Less Than 50 kW	Customer	kWh	34,802,178		4,545,459
GSGT50	General Service 50 to 4,999 kW	Customer	kW	130,523,382	351,301	102,539,549
Sen	Sentinel Lighting	Connection	kW	685,193	2,403	0
SL	Street Lighting	Connection	kW	2,243,401	7,658	2,019,061
USL	Unmetered Scattered Load	Connection	kWh	644,529		

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 – Fort Erie has entered its 2010 forecast determinants consistent with the Board’s instructions.

4. 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	to 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	0		0	0			0		0	0
RSVA - Wholesale Market Service Charge	1580	(41,999)		(41,999)	(8,340)	8,266		(303)	(123)	(500)	(42,499)
RSVA - Retail Transmission Network Charge	1584	156,723		156,723	1,420	(797)		1,131	459	2,212	158,935
RSVA - Retail Transmission Connection Charge	1586	36,761		36,761	2,077	(1,797)		285	108	653	37,414
RSVA - Power (Excluding Global Adjustment)	1588	(814,579)	1,047,572	232,993	4,678	(6,094)		1,681	682	945	233,939
RSVA - Power (Global Adjustment Sub-account)		1,795,690	(1,367,213)	428,477	13,427	(8,294)		3,091	1,254	5,477	437,654
Recovery of Regulatory Asset Balances	1550	(53)		(53)	(2,288)	1,420		(3)	(3)	(878)	(1,032)
Residual Balance Disposition and recovery of Def/Var Balances Account (2008)	1556	0		0	0			0	0	0	0
Total		1,132,543	(319,641)	812,902	10,865	(7,297)	0	5,864	2,379	11,811	824,712

Account 1584 currently has a debit balance of \$158,935, which would imply that CNPI – Fort Erie has been undercharging the retail transmission network charge. Also, account 1586 has a debit balance of \$37,414, which would imply that CNPI – Fort Erie has been undercharging the retail transmission connection charge. However, according to CNPI – Fort Erie’s RTSR Adjustment Workform a decrease to both the retail transmission network charge and retail transmission connection charge has been calculated, which would imply that CNPI – Fort Erie has been overcharging customers.

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

Response

- a) Accounts 1584 and 1586 are influenced by charges from the IESO and revenues from customers related to retail transmission. At CNPI – Fort Erie there are two IESO delivery points, when it becomes necessary for CNPI – Fort Erie to transfer loads from one delivery point to another due to a forced outage or planned maintenance, charges from the IESO are significantly impacted; there is no corresponding impact on customer retail transmission revenues. Whether or not CNPI – Fort Erie will have required more or less load transfers than were forecasted will likely have a significant contribution to the balances in 1584 and 1586.

During a cost of service proceeding, CNPI is able to forecast its planned maintenance and therefore forecast its retail transmission costs. Under the prescribed methodology of the IRM3 process actual historic values are used to determine the retail transmission rates. As a result, it is possible to perceive an ambiguity between the current account balances and forecasted rate adjustments.

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

CNPI – Fort Erie 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 – Fort Erie 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.

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

CNPI – Fort Erie 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 – Fort Erie 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 – Fort Erie submitted a true-up in its November 2010 submission to the IESO. The true-up for the Cost of Power was \$1,047,572; payable to the IESO. The true-up for Global Adjustment was \$1,367,213; receivable from the IESO.

Smart Meter Rate Calculation

7. 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 – Fort Erie confirms the statement made above and CNPI – Fort Erie 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.

CNPI – Fort Erie and CNPI – EOP electricity distribution rates were harmonized in the 2009 EDR (EB-2008-0222, EB-2008-0223). Therefore, in the event the Board does elect to harmonize the smart meter funding adder across the three CNPI operating service areas, CNPI – Fort Erie and CNPI – EOP request that its smart meter funding adders remain harmonized as to preserve the existing electricity distribution rate harmonization.