



**CANADIAN NIAGARA POWER INC.**

A **FORTIS** ONTARIO  
*Company*

**BY COURIER**

February 18, 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**

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Please find accompanying this letter, two paper copies of Canadian Niagara Power Inc. – Port Colborne's Reply Submission in the above captioned matter. 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

**Canadian Niagara Power Inc.  
Port Colborne  
Reply Submission**

**2011 IRM3  
Electricity Distribution Rate Application  
EB-2010-0069**

**February 18, 2011**

## Introduction

Canadian Niagara Power Inc. (“CNPI”) is a licensed electricity distributor providing service to consumers in Port Colborne. CNPI filed an application with the Ontario Energy Board (the “Board”) on November 8, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that CNPI charges for electricity distribution, to be effective May 1, 2011. The Application was based on the 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism.

In this Reply Submission, CNPI will address the matters noted by Board staff in their submission dated January 27, 2010.

Board Staff, in their submission, highlighted four matters for discussion; those were:

- Adjustments to the Revenue-to-Cost Ratios;
- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”);
- 2011 Retail Transmission Service Rates Adjustment Workform; and
- Smart Meter Funding Adder.

With respect to the third bullet, 2011 Retail Transmission Service Rates (“RTSR”) Adjustment Workform, there was no discussion of this matter in the Board Staff submission. Subsequent discussion with Board Staff indicated that there were no matters of concern related to RTSR and CNPI’s Application.

## Submission

### *Adjustments to the Revenue-to-Cost Ratios*

Board staff submitted that the proposed revenue-to-cost ratio adjustments are in accordance with the Board’s findings in its EB-2008-0224 Decision. CNPI concurs with the Board Staff submission.

### *Disposition of Deferral and Variance Accounts*

#### 2008 Group 1 Account Balances

The Board Staff, in their submission, noted that the Board, in its Decision EB-2009-0215, was concerned about the difference between the amount sought for disposition and the balances reported in CNPI’s Reporting and Record-keeping Requirements (“RRR”) data. The Board had directed CNPI that any adjustment to the 2008 Group 1 account balances be brought forward to the Board in CNPI’s next rate proceeding. This Application is CNPI’s first rate proceeding following that Decision. In its Application, CNPI omitted to address the Board’s concerns related to this matter.

In response to Board Staff interrogatories in the matter of EB-2009-0215, CNPI provided updated evidence related to the 2008 Group 1 account balances. CNPI submits that the Group 1 balances presented in EB-2009-0215 remain valid and the balances in this Application have

been maintained and presented in accordance with the EDDVAR Report and ought to be approved for disposal on a final basis.

#### 2009 Group 1 Account Balances

In the Board Staff Submission, Board Staff acknowledged that the principal amounts to be disposed of as of December 31, 2009 reconcile with the amounts reported by CNPI as part of its RRR filing. CNPI concurs with the Board Staff submission.

#### Global Adjustment Sub-account

With respect to the disposition of the Global Adjustment sub-account, CNPI has reported that coincident with its current customer information system upgrade it will have the capability to implement a separate rider not later than the first quarter of 2012.

CNPI submits that the Board ought to approve the continued disposition of the Global Adjustment sub-account within the Deferral and Variance Account Disposition Rate Rider.

#### *2011 Retail Transmission Service Rates Adjustment Workform*

CNPI submits that its determination of the 2011 Retail Transmission Service Rates is in accordance with Board direction in the matter of 2011 IRM3.

#### *Smart Meter Funding Adder*

In its Applications, CNPI proposed a harmonized Smart Meter Funding Adder which was the weighted average of the individual amounts calculated for the three service areas (i.e. Port Colborne, Fort Erie, and Gananoque). Individually, the smart meter funding adders were calculated as; \$1.95 for Fort Erie, \$2.98 for Port Colborne, and \$3.30 for Gananoque. The weighted average of the three was calculated to be \$ 2.45 per metered customer per month.

CNPI has proposed the harmonized Smart Meter Funding Adder in the interest of rate stability. It is CNPI's intent at its next cost of service application to seek fully harmonized distribution rates as presented in its Applications.

Board staff has submitted that approval of a harmonized rate of \$2.45 Smart Meter Funding Adder would create a revenue shortfall for Port Colborne. CNPI appreciates the Board Staff position on this matter, however when the revenue requirement for Fort Erie and Gananoque is harmonized with that of Port Colborne prior to ultimate disposition of the revenues and costs this concern ought to become mute.

CNPI submits that in the alternative should the Board not approve the harmonization of Smart Metering Funding Adder for Fort Erie, Gananoque and Port Colborne service territories that the Board ought to approve the Smart Metering Funding Adder for Port Colborne of \$2.98.

**All of Which is Respectfully Submitted**