



**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., FORT ERIE AND GANANOQUE  
2011 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION  
EB-2010-0070 AND EB-2009-0071**

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Please find accompanying this letter, two paper copies of Canadian Niagara Power Inc. – Fort Erie's and Gananoque'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.  
Fort Erie & Eastern Ontario Power  
Reply Submission**

**2011 IRM3  
Electricity Distribution Rate Application  
EB-2010-0070  
EB-2010-0071**

**February 18, 2011**

## Introduction

Canadian Niagara Power Inc. (“CNPI”) is a licensed electricity distributor providing service to consumers in Fort Erie and Gananoque; CNPI’s service area in Gananoque is branded as Eastern Ontario Power. 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 distribution customers for its Fort Erie and Gananoque service areas. The distribution rates were harmonized on the basis of a harmonized revenue requirement, however certain aspects that are specific to each service area, such as loss adjustment factors, transmission service rates and low voltage costs recovery, were separately maintained. Hence CNPI filed two applications 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 Applications were 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. In addition CNPI will further address a matter raised in the interrogatory process but not addressed in the Board Staff submission.

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.

One additional matter had been noted during the interrogatory process that had not been highlighted in the Board Staff Submission; that being Eastern Ontario Power’s current Tariff of Rates and Charge, effective May 1, 2010, EB-2009-0216. CNPI will discuss this additional matter in this Reply Submission.

## 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-2008-0222/EB-2008-0223 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-2009-0216 and EB-2009-0217, 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-2009-0216 and EB-2009-0217, CNPI provided updated evidence related to the 2008 Group 1 account balances. CNPI submits that the Group 1 balances presented in EB-2009-0216 and EB-2009-0217 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.

Board staff submitted that a service area specific smart meter funding of \$1.95 for the Fort Erie service area and \$3.30 for the Gananoque service area would be more appropriate on the basis that approval of a harmonized rate of \$2.45 would create excess revenue for the Fort Erie service area and a revenue shortfall for Eastern Ontario Power.

CNPI submits that the Board Staff position on this matter is not valid. 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 distribution customers for its Fort Erie and Gananoque service areas on the basis of a harmonized revenue requirement. The Board Staff understanding that CNPI tracks its smart meter costs and revenue generated through the smart meter funding adder in separate variance accounts for each of CNPI's service areas is true. However, in the case of Fort Erie and Gananoque is tracking is primarily associated with project management.

The rate base and revenue requirement for CNPI, with respect of its service territories in Fort Erie and Gananoque is harmonized. Ultimately, this revenue requirement will include the costs currently being incurred to implement the smart metering initiative. As such there can be no excess revenue for the Fort Erie service area and a revenue shortfall for Eastern Ontario Power given that it is a singular revenue requirement.

CNPI submits, in the alternative that the Board does 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 harmonized Smart Metering Funding Adder of Fort Erie and Gananoque.

On the basis of the evidence already provided in the Applications, the weighted average Smart Metering Funding Adder for Fort Erie and Gananoque is \$2.19. The details of this calculation are shown in the following table containing the same evidence provided with the Applications less the Port Colborne amounts.

<b>Smart Meter Rate Adder</b>			
<b>Harmonized for Fort Erie and Gananoque</b>			
	Fort Erie	Gananoque	Total
Description	Amount	Amount	Amount
Revenue Requirement - 2006	-	-	-
Revenue Requirement - 2007	-	-	-
Revenue Requirement - 2008	-	-	-
Revenue Requirement - 2009	116,308.21	\$ 6,624.76	122,932.97
Revenue Requirement - 2010	308,249.05	\$ 59,618.84	367,867.89
Revenue Requirement - 2011	342,740.89	\$ 163,430.06	506,170.95
Total Revenue Requirement	767,298.16	229,673.65	996,971.81
Smart Meter Rate Adder Collected	(386,723.43)	(86,730.58)	(473,454.01)
Carrying Cost / Interest	(12,091.33)	(2,699.56)	(14,790.89)
Proposed Smart Meter Recovery	368,483.39	140,243.51	508,726.90
2011 Expected Metered Customers	15,776	3,546	19,322
Proposed Smart Meter Rate Adder	\$ 1.95	\$ 3.30	\$ 2.19

*Eastern Ontario Power's current Tariff of Rates and Charge, effective May 1, 2010*

In the Board Staff interrogatory No. 7, the Board Staff noted,

“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.”

and asked,

“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.”

CNPI responded positively, stating that indeed, based on the evidence presented in EB-2009-0216 that the rate rider ought to be a debit of \$1.3163.

CNPI submits that effective May 1, 2012, CNPI 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.

**All of Which is Respectfully Submitted**