



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

BY COURIER

January 30, 2008

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 2008 IRM – EB-2007-0842
SUBMISSION TO THE BOARD

Please find attached two paper copies of Canadian Niagara Power Inc. – Port Colborne's Submission related to its 2008 Incentive Rate Mechanism Application.

Yours truly,

Douglas R. Bradbury
Director, Regulatory Affairs

Enclosures

ONTARIO ENERGY BOARD

In the matter of *the Ontario Energy Board Act, 1998*;

And in the matter of an application by Canadian Niagara Power Inc.,
for an Order or Orders approving electricity distribution rates for its Port
Colborne service territory to be implemented on May 1, 2008.

APPLICATION

Canadian Niagara Power Inc. – Port Colborne (“CNPI – Port Colborne”) submitted an application on October 29, 2007, seeking approval for changes to the rates that CNPI – Port Colborne charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism (“IRM”).

On December 11, 2007, CNPI – Port Colborne filed an addendum proposing adjustments to its retail transmission service rates. This addendum was in response to the Board’s letter dated October 29, 2007, in which the Board directed each distributor to propose an adjustment to their retail transmission rates and disposition of the associated variance account balances in its 2008 Cost of Service or Incentive Rate Mechanism application, as applicable.

In its addendum to the 2008 IRM Application, CNPI – Port Colborne proposed to reduce its retail transmission rates to reflect both the reduction in the Uniform Transmission Rate, and disposition of accounts 1584 and 1586. The result was an overall reduction of the Retail Transmission - Network Service Rate of 44.82%, and a reduction in the Retail Transmission - Line and Transformation Connection Service Rate of 3.61%.

1 **DISCUSSION**

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3 In the Board Staff's submission dated January 21, 2008, Board Staff have
4 appropriately described the methodology that CNPI – Port Colborne used to adjust
5 its retail transmission rates. The approach taken by CNPI – Port Colborne was
6 based on its interpretation of the October 29th letter from the Board.

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8 In its submission, Board Staff has noted that CNPI – Port Colborne proposed to
9 adjust retail transmission rates to reflect both the reduction in the Uniform
10 Transmission Rate, and disposition of accounts 1584 and 1586. Board Staff noted
11 that the Board typically deals with the clearance of deferral and variance accounts
12 through rate riders that are not incorporated into the rate itself. Board Staff have
13 asked parties to comment on the advantages and disadvantages of the rate rider
14 approach.

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16 CNPI – Port Colborne favours the notion that the changes in the Uniform
17 Transmission Rates should be reflected in the distributor's Retail Transmission
18 Service Rates while the disposition of the retail transmission service rate variance
19 accounts is reflected in a regulated rate rider. Further, the disposition of deferral and
20 variance account balances is more appropriately dealt with in aggregate rather than
21 clearing discrete accounts.

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23 It is CNPI – Port Colborne's belief that this approach offers rate stability and
24 improved transparency for the customer. The reduction in the Uniform Transmission
25 Rates and corresponding reduction in the Retail Transmission Service Rate is an
26 enduring rate adjustment and is appropriately reflected in the distributor's rates. The
27 disposition of the variance and deferral accounts is more transitory and therefore
28 more appropriately managed through implementation of rate riders having a finite
29 life.

1 CNPI – Port Colborne submits that its Retail Transmission Service Rates be
2 adjusted to reflect the impact of the reductions in the Uniform Transmission Rates on
3 its revenue requirement for retail transmission services and that these adjustments
4 be made effective on May 1, 2008. The disposition of the Retail Transmission
5 Service Rate variance accounts be deferred and dealt with in aggregate the next
6 time CNPI – Port Colborne applies to be rate rebased, which is scheduled to occur
7 in 2009.

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ALL OF WHICH IS RESPECTFULLY SUBMITTED