



**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. – FORT ERIE 2008 IRM – EB-2007-0839**  
**SUBMISSION TO THE BOARD**

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Please find attached two paper copies of Canadian Niagara Power Inc. – Fort Erie'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 Fort  
Erie service territory to be implemented on May 1, 2008.

## INTRODUCTION

Canadian Niagara Power Inc. – Fort Erie (“CNPI – Fort Erie”) submitted an application on October 29, 2007, seeking approval for changes to the rates that CNPI – Fort Erie 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 – Fort Erie 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 – Fort Erie 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 19.70%, and a reduction in the Retail Transmission - Line and Transformation Connection Service Rate of 1.06%.

**DISCUSSION**

In the Board Staff's submission dated January 21, 2008, Board Staff have appropriately described the methodology that CNPI – Fort Erie used to adjust its retail transmission rates. The approach taken by CNPI – Fort Erie was based on its interpretation of the October 29<sup>th</sup> letter from the Board.

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

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

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

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

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9 **ALL OF WHICH IS RESPECTFULLY SUBMITTED**