

Ontario Energy Board
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Commission de l'énergie de l'Ontario
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BY E-MAIL

November 15, 2011

Douglas R. Bradbury
Canadian Niagara Power Inc. – Fort Erie & Eastern Ontario Power
1130 Bertie Street
P.O. Box 1218
Fort Erie ON L2A 5Y2

Dear Mr. Bradbury:

**Re: Canadian Niagara Power Inc. – Fort Erie & Eastern Ontario Power (“CNPI – FE & EOP”)
2012 Incentive Regulation Mechanism Rate Application
Application Board File Number EB-2011-0158
Disposition of Account 1562 (Deferred PILS)**

The Board is in receipt of your letter, dated November 14, 2011 filed in response to a letter from the Board deeming your 2012 IRM application to be incomplete until such time that CNPI – FE & EOP provides a full explanation for its request to defer the disposition of Account 1562 to its 2013 cost of service application. Your letter provided a description of CNPI – FE & EOP’s circumstance whereby CNPI is a corporation controlled by a public corporation and as such is subject to federal income tax rules and hence does not pay PILs. CNPI – FE & EOP also raised matters in respect to the allocation of its single income tax return to its operating service territories for rate making purposes.

The Board agrees with CNPI – FE & EOP that its circumstances are such that it would be required to file evidence supporting the disposition of account 1562 on a basis that differs significantly from what was contemplated by the Board’s decision in the Combined PILS proceeding (EB-2008-0381). The Board will therefore not hear this matter as part of CNPI – FE & EOP’s 2012 IRM application. Given the complexities inherent to dealing with this matter, the Board will grant approval to defer the disposition of Account 1562 to CNPI – FE & EOP’s 2013 cost of service application. The Board will therefore proceed to process your 2012 IRM application.

Please direct any questions relating to this matter to Daniel Kim, Analyst, at (416) 440-8135 or e-mail daniel.kim@ontarioenergyboard.ca

Yours truly,

Original signed by

Kirsten Walli
Board Secretary