

**Reply to Board Staff Submission
2012 IRM3 Electricity Distribution Rates
Niagara-on-the-Lake Hydro Inc.
EB-2011-0186**

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS (DVAs)

From Page 2:

Submission

Board staff has reviewed NOTL's Group 1 Deferral and Variance account balances and notes that the principal balances as of December 31, 2010 reconcile with the balances reported as part of the Reporting and Record-keeping Requirements. Also, the preset disposition threshold has not been exceeded, therefore, Board staff has no issue with NOTL's request to not dispose of its 2010 Deferral and Variance Account balances at this time.

Reply

NOTL notes that Board staff has no issue with NOTL's request not to dispose of the DVA balances at this time.

LRAM CLAIM

Updated LRAM Amount

From Page 3:

Updated LRAM Amount

Board staff notes that the updated LRAM claim of \$52,939.63 includes the OPA's 2010 final verified results for the OPA programs. Board staff submits that using the updated 2010 verified results is appropriate and consistent with the method accepted by the Board in recent applications.

Reply

NOTL notes that Board staff submits that using the updated 2010 verified results is appropriate and consistent with the method accepted by the Board in recent applications.

Persisting Impacts of 2006-2009 Programs

From Page 4:

Board staff therefore does not support the recovery of the requested persisting lost revenues from 2006-2009 CDM programs in 2010 and 2011.

Reply

NOTL notes that Board staff does not support the recovery of the requested persisting lost revenues from 2006-2009 CDM programs in 2010 and 2011.

2010 Programs

From Page 5:

next scheduled cost of service application is for the 2013 rate year. Because of this, Board staff further submits that the same rationale should apply for persistence of 2010 legacy programs in 2012. Board staff notes that it would be helpful if NOTL provide in its reply submission the lost revenues for 2012 it expects to realize from 2010 CDM activities.

Reply

The lost revenues for 2012 expected to be realized from 2010 CDM activities are \$15,029.29, as shown in Attachment B, column Q of the Excel file submitted with this reply ["NOTL_Attachment A-D LRAM_20111205.xls"]. A screenprint of this part of the Excel file is shown below:

2012				
Load Unit	kWh or kW	Rate per Unit	Revenue	Total Revenue
104,726	kWh	0.0127	\$1,330.02	\$3,990.05
47,826	kWh	0.0127	\$607.39	\$1,822.18
26,811	kWh	0.0127	\$340.50	\$1,092.33
0	kWh	0.0127	\$0.00	\$0.00
			\$2,277.91	\$6,904.56
42,020	kWh	0.0136	\$571.48	\$1,714.43
157,589	kWh	0.0136	\$2,143.21	\$6,429.64
4,966	kWh	0.0136	\$67.53	\$202.60
			\$2,782.23	\$8,346.68
13.16	kW	2.5318	\$399.86	\$1,221.85
0.00	kW	2.5318	\$2,847.51	\$4,416.43
0.00	kW	2.5318	\$6,022.84	\$9,341.31
0.00	kW	2.5318	\$698.96	\$1,084.07
			\$9,969.16	\$16,063.66
			\$15,029.29	\$31,314.90

Also from Page 5:

recovery of persisting lost revenues from 2006-2009 programs in 2010, 2011 or 2012 as these amounts should have been included in NOTL's load forecast effective January 1, 2009. Board staff requests that NOTL provide in its reply submission an updated LRAM amount for 2010-2012 that excludes persisting lost revenues from 2006-2009 programs.

Reply

Attachment C of the submitted Excel file shows the updated LRAM amount of \$31,314.90 that excludes persisting lost revenues from 2006-2009 programs:

ATTACHMENT C

LRAM Totals

Rate Class

	Updated LRAM \$
OPA Programs	
RESIDENTIAL	\$6,904.56
GENERAL SERVICE <50KW	\$8,346.68
GENERAL SERVICE >50KW	\$16,063.66
	\$31,314.90

The Table below shows the updated calculations of the rate riders for each class:

2012 IRM - LRAM Rate Rider Calculation

Rate Class	LRAM	Billing Determinants (2009 Audited RRR)	Metrics	One Year Rate Riders
	\$			\$/unit (kWh or kW)
OPA Programs				Rounded to 4 decimal places
Residential	\$6,905	63,529,367	kWh	0.0001
GS<50kW	\$8,347	33,919,641	kWh	0.0002
GS>50 kW	\$16,064	194,671	kW	0.0825
Total	\$31,315			

ACCOUNT 1521 – SPECIAL PURPOSE CHARGE

From Page 7:

Board staff notes that NOTL's rate rider calculation for the disposition of Account 1521 results in energy-based kWh rate riders of \$(0.0000) when rounded to the fourth decimal place and demand-based kW rate riders of \$(0.01) when rounded to the second decimal place. As result, Board staff submits that the Board should consider directing NOTL to record the SPC balance in variance account 1595 for disposition in a future rate setting.

Reply

NOTL would not object to recording the SPC balance in variance account 1595 for disposition in a future rate setting.

Z-FACTOR REQUEST FOR RECOVERY OF STORM COSTS

From Page 10:

Materiality

Board staff notes that the Board's materiality threshold for a Z-factor claim is \$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million.

In its Manager's Summary, NOTL noted an approved revenue requirement of \$5,191,140 from their 2009 cost of service rate application. Board staff is unable to confirm the revenue requirement noted by NOTL and it believes NOTL's distribution revenue requirement approved by the Board in its 2009 cost of service rate application is \$4,630,843. In any event, both NOTL's revenue requirement and Board staff noted distribution revenue requirement are well below the \$10 million distribution revenue requirement, therefore the materiality threshold hold is \$50,000.

Board staff submits that the total cost claim is material because it exceeds the materiality threshold.

Reply

NOTL acknowledges that the figure of \$5,191,400 was referenced inadvertently in error in the application – this amount is the total revenue applied for in the 2009 cost of service application. NOTL and OEB staff have concurred by e-mail on 1 December 2011, that the 2009 distribution revenue approved by the Board was \$4,577,999 (not \$4,630,843). In any case, the materiality threshold remains at \$50,000.

In summary, based on its review of the evidence, Board staff submits that the criteria of causation, materiality and prudence were met. As such, Board staff has no issue with the amount requested for recovery.

Reply

NOTL notes that Board staff has no issue with NOTL's requested amount for recovery.

Requested Rate Riders Calculation

NOTL proposed to allocate the Z-factor claim amount using Board approved distribution revenue by rate class in NOTL's last cost of service application. NOTL proposed to recover the allocated amounts by rate class by means of fixed and variable rate riders over a one-year period, beginning May 1, 2012. The fixed and variable components of the riders would be derived using the fixed and variable splits approved in NOTL's last cost of service application.

Board staff submits that the proposed cost allocation methodology and billing determinants are consistent with the Board's Decision in the combined proceeding on storm damage cost claims for Canadian Niagara Power Inc. (EB-2007-0514/0595/0571/0551).

Reply

NOTL notes that Board staff has no issue with NOTL's proposed cost allocation methodology and billing determinants.

~ End ~