



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

BY COURIER

January 20, 2012

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 & EASTERN ONTARIO POWER
2012 IRM3 ELECTRICITY DISTRIBUTION RATE APPLICATION
EB-2011-0158**

Please find accompanying this letter, two paper copies of the responses from Canadian Niagara Power Inc. – Fort Erie and Eastern Ontario Power to Board Staff interrogatories. 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.
Response to
Board Staff Interrogatories**

**2012 IRM3 Electricity Distribution Rates
Canadian Niagara Power Inc. – Fort Erie & Eastern Ontario Power (CNPI)
EB-2011-0158**

Fort Erie Service Area Model

2012 IRM3 Rate Generator

- 1. Ref: A portion of Sheet “6. Current Rate_Riders” of the model is reproduced below.**

Rate Description	Unit	Amount	Effective Until Date
General Service 50 to 4,999 kW			
Rate Rider for Deferral/Variance Account Disposition (2011)	\$/kWh	1.43910	April 30, 2012
Rate Rider for Tax Change	\$/kW	(0.06850)	April 30, 2012

Please confirm that the unit for the Rate Rider for Deferral/Variance Account Disposition (2011) is \$/kW and not the \$/kWh selected in the model. If necessary, Board staff will make the correction.

Response:

CNPI confirms that the unit for the Rate Rider for Deferral/Variance Account Disposition (2011) is \$/kW and not the \$/kWh selected in the model. CNPI acknowledges that Board staff will make the correction.

2. Ref: A portion of Sheet “12. Calc. of Def_Var RR” of the model is reproduced below.

Please indicate the Rate Rider Recovery Period (in years)		1										
Rate Class	Unit	Billed kWh	Billed kW	Accounts Allocated by kWh/kW (RPP) or Distribution Revenue	Deferral/Variance Account Rate Rider	Account 1588 Global Adjustment	Billed kWh or Estimated kW for Non-RPP	Global Adjustment Rate Rider				
Residential	\$/kWh	115,322,011	-	\$ 77,243	(\$0.00067)	\$/kWh	17,299	19,950,708	(\$0.00087)	\$/kWh		
General Service Less Than 50 kW	\$/kWh	37,747,136	-	\$ 25,283	(\$0.00067)	\$/kWh	4,386	5,058,116	(\$0.00087)	\$/kWh		
General Service 50 to 4,999 kW	\$/kW	147,729,800	399,198	\$ 98,950	(\$0.24787)	\$/kW	118,485	369,258	(\$0.32087)	\$/kW		
Unmetered Scattered Load	\$/kWh	349,768	-	\$ 234	(\$0.00067)	\$/kWh	-	-	\$0.00000			
Sentinel Lighting	\$/kW	797,374	2,423	\$ 534	(\$0.22042)	\$/kW	-	-	\$0.00000			
Street Lighting	\$/kW	2,210,842	6,718	\$ 1,481	(\$0.22043)	\$/kW	1,744	6,113	(\$0.28535)	\$/kW		
Total		304,156,931	408,339	-\$ 203,726		-\$	141,914					

- a) Please confirm that CNPI is requesting a one year disposition period for its Group 1 account balances.

Response:

- a) CNPI confirms that it is requesting a one year disposition period for its Group 1 account balances.

Eastern Ontario Power Service Area Model

2012 IRM3 Rate Generator

3. Ref: A portion of Sheet “10. Billing Det. for Def_Var” of the model is reproduced below.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹	1590 Recovery Share	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	29,586,254		4,112,489	-	5,832,181	110%	47%	49%
General Service Less Than 50 kW	\$/kWh	14,048,011		1,292,417	-	1,657,086	10%	22%	21%
General Service 50 to 4,999 kW	\$/kW	18,614,527	58,180	14,705,476	45,962	3,710,617	-21%	30%	29%
Unmetered Scattered Load	\$/kWh	94,602		-	-	33,085	0%	0%	0%
Sentinel Lighting	\$/kW	80,618	241	-	-	44,787	2%	0%	0%
Street Lighting	\$/kW	555,619	1,662	497,835	1,489	191,314	0%	1%	1%
Total		62,979,631	60,083	20,608,217	47,451	11,469,070	100%	100%	100%

Board staff is unable to confirm the Distribution Revenue for all customer rate classes with the approved distribution revenue from CNPI's 2009 cost of service application (EB-2008-0223). Please provide evidence supporting the amounts entered. If the reported amounts were input in error, Board staff will make the necessary corrections to the model.

Response:

Sheet “10. Billing Det. for Def_Var” of the model requires the applicant to enter the test year distribution revenue allocation to customer classes found in the most recently approved cost of service application. In the 2009 EDR, CNPI harmonized the revenue requirement for operations in Fort Erie and Eastern Ontario Power. The amounts shown in the portion of Sheet “10. Billing Det. for Def_Var” provided above are the harmonized distribution revenue for the customer classes. It is not practical attempt to segregate the revenues on a locational basis.

CNPI has provided the 2009 Board Approved harmonized revenue requirement allocation to classes as a reasonable proxy to determine the recovery shares.

This same matter is applicable to the model provided for the Fort Erie service area.

4. Ref: A portion of Sheet “14. Proposed Rate_Riders” of the model is reproduced below.

Rate Description	Unit	Amount	Effective Until Date	Proposed Amount	Effective Until Date
Residential					
Low Voltage Service Rate	\$/kWh	0.00160			
Rate Rider for Tax Change				-0.00040	April 30, 2013
General Service Less Than 50 kW					
Low Voltage Service Rate	\$/kWh	0.00130			
Rate Rider for Tax Change				-0.00030	April 30, 2013
General Service 50 to 4,999 kW					
Low Voltage Service Rate	\$/kW	0.58260			
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kW	1.30070	April 30, 2013		
Rate Rider for Tax Change				-0.08540	April 30, 2013
Unmetered Scattered Load					
Low Voltage Service Rate	\$/kWh	0.00130			
Rate Rider for Tax Change				-0.00100	April 30, 2013
Sentinel Lighting					
Low Voltage Service Rate	\$/kW	0.43110			
Rate Rider for Tax Change				-0.24070	April 30, 2013
Street Lighting					
Low Voltage Service Rate	\$/kW	0.42220			
Rate Rider for Tax Change				-0.38770	April 30, 2013

Please confirm the unit for CNPI’s proposed Rate Rider for Tax Change for each customer rate class. If necessary, Board staff will make the update to the model.

Response:

CNPI confirms that the unit for the proposed Rate Rider for Tax Change is as follows:

Rate Description	Unit
Residential Rate Rider for Tax Change	\$/kWh
General Service Less Than 50 kW Rate Rider for Tax Change	\$/kWh
General Service Greater Than 50 kW Rate Rider for Tax Change	\$/kW
Unmetered Scattered load Rate Rider for Tax Change	\$/kWh
Sentinel Lighting Rate Rider for Tax Change	\$/kW
Street Lighting Rate Rider for Tax Change	\$/kW

CNPI acknowledges that Board staff will update the model.

Interrogatories Pertaining to Both Fort Erie and Eastern Ontario Power Service Areas

2012 Shared Tax Savings Workform

5. Ref: A portion of Sheet “3. Re-Based Bill Det & Rates” of the workform is reproduced below.

Last COS Re-based Year was in 2009										
Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F	
RES	Residential	Customer	kWh	17,368	144,908,264		17.98	0.0151		
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,595	51,795,147		20.76	0.0224		
GSQT50	General Service 50 to 4,999 kW	Customer	kW	179	166,344,327	457,378	132.27			7.1799
USL	Unmetered Scattered Load	Customer	kWh	28	444,370		69.34	0.0408		
Sen	Sentinel Lighting	Connection	kW	1,051	877,992	2,664	3.75			4.2273
SL	Street Lighting	Connection	kW	3,684	2,766,461	8,380	4.90			9.5579

- a) Board staff is unable to confirm the ‘Re-based Billed Customers or Connections’ for all customer rate classes with the approved load forecast from CNPI’s 2009 cost of service application (EB-2008-0222/0223). Please provide evidence supporting these amounts by service area. If the reported amounts were input in error, Board staff will make the necessary corrections to the workform.
- b) Board staff is unable to confirm the ‘Rate ReBal Base Service Charge’ for all customer rate classes with CNPI’s 2011 tariff of rates and charges. If the reported amounts were input in error, Board staff will make the necessary correction to the workform.
- c) Board staff is also unable to confirm the ‘Rate ReBal Base Distribution Volumetric Rate’ for the General Service 50 to 4,999 kW, Unmetered Scattered Load, Sentinel Lighting and Street Lighting customer rate classes with CNPI’s 2011 tariff of rates and charges. If the reported amounts were input in error, Board staff will make the necessary correction to the workform.

Response:

- a) The ‘Re-based Billed Customers or Connections’ for all customer rate classes with the approved load forecast from CNPI’s 2009 cost of service application (EB-2008-0222/0223) were reported in the Draft Rate Order and are as follows:

Rate Class	Re-based Billed Customers or Connections
Residential	17,434
General Service Less Than 50 kW	1,601
General Service Greater Than 50 kW	182
Unmetered Scattered Load	28
Sentinel Lighting	1,052
Street Lighting	3,694

CNPI acknowledges that Board staff will make the necessary changes to the workflow.

- b)** The 'Rate ReBal Base Service Charge' for all customer rate classes in CNPI's 2011 tariff of rates and charges is as follows:

Rate Class	Rate ReBal Base Service Charge
Residential	\$18.01
General Service Less Than 50 kW	\$20.80
General Service Greater Than 50 kW	\$132.51
Unmetered Scattered Load	\$69.46
Sentinel Lighting	\$3.76
Street Lighting	\$4.91

CNPI acknowledges that Board staff will make the necessary changes to the workflow.

- c)** The 'Rate ReBal Base Distribution Volumetric Rate' for the General Service 50 to 4,999 kW, Unmetered Scattered Load, Sentinel Lighting and Street Lighting customer rate classes are as follows:

Rate Class	Rate ReBal Base Distribution Volumetric Rate
General Service Greater Than 50 kW	\$7.1928 per kW
Unmetered Scattered Load	\$0.0409 per kWh
Sentinel Lighting	\$4.2349 per kW
Street Lighting	\$9.5751 per kW

CNPI acknowledges that Board staff will make the necessary changes to the workflow.

6. Ref: Sheet “5. Z-Factor Tax Change” of the workform is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2009	2012
Taxable Capital	\$ 45,202,093	\$ 45,202,093
Deduction from taxable capital up to \$15,000,000	\$ 2,300,372	\$ 2,300,372
Net Taxable Capital	\$ 42,901,721	\$ 42,901,721
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 96,529	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2009	2012
Regulatory Taxable Income	\$ 1,129,975	\$ 1,129,975
Corporate Tax Rate	33.00%	26.25%
Tax Impact	\$ 372,892	\$ 296,618
Grossed-up Tax Amount	\$ 556,555	\$ 402,194
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 96,529	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 556,555	\$ 402,194
Total Tax Related Amounts	\$ 653,084	\$ 402,194
Incremental Tax Savings		-\$ 250,889
Sharing of Tax Savings (50%)		-\$ 125,445

Board staff is unable to reconcile the amounts entered into the regulatory taxable income with CNPI's 2009 Revenue Requirement Workforms. Please provide evidence supporting these amounts. If the reported amounts were input in error, Board staff will make the necessary corrections.

Response:

CNPI confirms that the correct amount for Regulatory Taxable Income is \$1,058,594. CNPI acknowledges that Board staff will make the necessary changes to the workform.

Disposition of Global Adjustment Sub-Account Balance

7. In CNPI's 2011 IRM proceeding (EB-2010-0070/0071), CNPI indicated that it was updating the customer billing architecture to accommodate the smart meter initiative and Time of Use billing. CNPI also indicated its intention to be capable of implementing a separate rate rider applicable to non-RPP customers to dispose of the global adjustment sub-account balance. CNPI anticipated that this upgrade would be fully implemented no later than the first quarter of 2012.
- a) Please confirm that the upgrade will be completed on time to implement a separate rate rider applicable to non-RPP customers to dispose of the global adjustment sub-account balance of -\$141,914 for the Fort Erie service area for May 1, 2012 rates?

Response:

- a) CNPI confirms that the upgrade will be completed on time to implement a separate rate rider applicable to non-RPP customers to dispose of the global adjustment sub-account for May 1, 2012 rates.

Account 1521 – Special Purpose Charge (“SPC”)

8. Ref: Manager’s Summary, Page 3

CNPI indicated that in May 2010 it remitted \$113,483 and \$25,486 to the Ministry of Finance with respect of its operations in Fort Erie and Gananoque (Eastern Ontario Power) respectively. Over the subsequent 12 months, CNPI recovered these remittances through the SPC. CNPI is requesting disposition of the balance in “Sub-account 2010 SPC Assessment Variance” and associated carrying charges.

- a) Please confirm CNPI’s SPC assessment amount and provide a copy of the original SPC invoice. Please provide the breakdown between the Fort Erie and Eastern Ontario Power service areas.
- b) Please confirm the start date of when CNPI began charging the SPC to its customers and the end date of when CNPI stopped charging the SPC. Please provide the breakdown between the Fort Erie and Eastern Ontario Power service areas.
- c) Please complete the following table related to the SPC for each service area (i.e. Fort Erie and Eastern Ontario Power).

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted April 30, 2012 Carrying Charges Balance	Total for Disposition (Principal and Interest)

Response:

- a) The invoice to CNPI – Fort Erie from the Ministry of Energy and Infrastructure for Conservation and Renewable Energy Program Costs, dated April 16, 2010 was in the amount of \$113,483. A copy of the original invoice follows.

The invoice to CNPI – Eastern Ontario Power from the Ministry of Energy and Infrastructure for Conservation and Renewable Energy Program Costs, dated April 16, 2010 was in the amount of \$25,846. A copy of the original invoice follows.

- b) CNPI began charging the SPC to its customers on May 1, 2010 and stopped charging the SPC on April 30, 2011. These dates apply to both Fort Erie and Eastern Ontario Power.

- c) The tables shown below provide information related to the SPC for CNPI – Fort Erie and CNPI – Eastern Ontario Power.

CNPI – Fort Erie

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted April 30, 2012 Carrying Charges Balance	Total for Disposition (Principal and Interest)
113,483	73,313		40,170		36,527	482	3,643	18	4,143

CNPI – Eastern Ontario Power

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted April 30, 2012 Carrying Charges Balance	Total for Disposition (Principal and Interest)
25,846	14,129		11,717		10,028	140	1,689	8	1,837

Carrying charges were not booked until 2011.

Minor variations from amounts forecasted in the applications are due to updated account information.

Revised Invoice
Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Canadian Niagara Power Inc. - Fort Erie
1130 Bertie Street, P.O. Box 1218
Fort Erie, ON L2A 5Y2
Attn: Doug Bradbury, Director, Reg. Affairs

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.

Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Customer No./No du client 3037
Customer Site No./ N° d'emplacement du client 1060847
Invoice Date/Date de la facture April 16, 2010
Invoice No./N° de la facture 50009-1
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 113,483

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.

MAY 21 2010
REC. DOC. # _____
COST ELEMENT _____
SAP ORDER # _____
APPROVAL * _____
AP DOC # 193334

Revised Invoice
Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Canadian Niagara Power Inc. - Eastern
1130 Bertie Street, P.O. Box 1218
Fort Erie, ON L2A 5Y2
Attn: Doug Bradbury, Director, Reg. Affairs

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.

Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Customer No./No du client 3037
Customer Site No./ N° d'emplacement du client 1060847
Invoice Date/Date de la facture April 16, 2010
Invoice No./N° de la facture 50009-2
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 25,846

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.

DATE RECEIVED

MAY 21 2010

COST ELEMENT

COST CENTER

APPROVED

AP DOC #

193332

Lost Revenue Adjustment Mechanism (“LRAM”) and/or Shared Savings Mechanism (“SSM”)

9. Ref: Manager’s Summary, Page 7

Section 3.4.2 of *Chapter 3 of the Filing Requirements for Transmission and Distribution Applications*, dated June 22, 2011, indicates that distributors shall file any outstanding LRAM or SSM applications funded between 2005 and 2010 as part of their 2012 cost-of-service or IRM application. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.

- a) Please confirm that CNPI is not requesting LRAM and/or SSM recoveries, therefore, foregoing the opportunity to recover LRAM and/or SSM for this legacy period (2005 to 2010) of CDM activities?

Response

- a) CNPI confirms that it is not requesting LRAM and/or SSM recoveries.