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**BY EMAIL**

February 9, 2012

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Canadian Niagara Power Inc. – Port Colborne  
2012 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2011-0157**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Canadian Niagara Power Inc. – Port Colborne and to all other registered parties to this proceeding.

In addition please remind Canadian Niagara Power Inc. – Port Colborne that its Reply Submission is due by February 24, 2012.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2012 ELECTRICITY DISTRIBUTION RATES

Canadian Niagara Power Inc. – Port Colborne

EB-2011-0157

**February 9, 2012**

**Board Staff Submission  
Canadian Niagara Power Inc. – Port Colborne  
2012 IRM3 Rate Application  
EB-2011-0157**

**Introduction**

Canadian Niagara Power Inc. – Port Colborne (“CNPI – PC”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 10, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that CNPI – PC charges for electricity distribution, to be effective May 1, 2012. The Application is based on the Board’s guidelines for 3<sup>rd</sup> Generation Incentive Regulation Mechanism (“IRM”).

CNPI – PC proposed to defer the disposition of Account 1562 (deferred PILs) to its 2013 cost of service application. In a letter dated November 14, 2011, CNPI – PC explained that it will likely need to file on a basis that will differ significantly from the decisions made in the Combined PILs proceeding (EB-2008-0381). In a letter dated November 15, 2011, the Board agreed with CNPI – PC that, given its circumstances, it will likely need to file evidence supporting the disposition of Account 1562 on a basis that differs significantly from the Combined PILs decision. Accordingly, the Board determined that it would not hear the application for the disposition of Account 1562 as part of this proceeding, and granted approval to defer the disposition of Account 1562 to CNPI – PC’s 2013 cost of service application.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by CNPI – PC. In response to Board staff interrogatories which requested either confirmation that these discrepancies were errors or, an explanation supporting the validity of the original data filed with the application, CNPI – PC confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to CNPI – PC’s model at the time of the Board’s Decision and Order on the application.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by CNPI – PC.

Board staff makes submissions on the following matters:

- Disposition of Group 1 Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report");
- Account 1521 – Special Purpose Charge ("SPC"); and
- Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") Claim.

## **DISPOSITION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT**

### **Background**

The EDDVAR Report provides that during the IRM plan term, a distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

The December 31, 2010 actual year end amount for Group 1 accounts with interest projected to April 30, 2012 is a debit balance of \$211,022. Debit balances are amounts recoverable from customers. This amount results in a total claim of \$0.00110 per kWh which exceeds the preset disposition threshold.

In its Manager's Summary, CNPI – PC noted that in the fourth quarter of 2011, CNPI – PC submitted Cost of Power and Global Adjustment true-ups to the IESO related to 2010. As a result of these true-ups, there are variances in the continuity schedule for deferral and variance accounts and the RRR amounts reported.

In response to Board staff interrogatory #3, CNPI – PC confirmed its proposal to dispose of the Group 1 account balances over a one year period. Also in response to Board staff interrogatory #4, CNPI – PC confirmed that the upgrade to its customer billing architecture 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 for May 1, 2012 rates.

## Submission

Board staff has reviewed CNPI – PC’s Group 1 Deferral and Variance account balances and notes that the principal amounts to be disposed of as of December 31, 2010, excluding the true-ups to the IESO mentioned above, reconcile with the amounts reported as part of the RRR.

Board staff requests that in its Reply Submission, CNPI – PC confirm that the IESO true-ups are related to 2010 only. Board staff also requests that CNPI – PC provide an explanation of the nature of these true-ups.

Board staff submits that CNPI – PC’s proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report.

Board staff submits that the Board should direct CNPI – PC to dispose of the global adjustment sub-account by means of a rate rider included in the delivery component of the bill that will apply prospectively to non-RPP customers.

## ACCOUNT 1521 – SPECIAL PURPOSE CHARGE (“SPC”)

### Background

In response to Board staff interrogatory #5, CNPI – PC completed the table below, and noted minor variations from the amounts originally included in the application due to updated account information. CNPI – PC began charging the SPC on May 1, 2010 and ended the recovery of the SPC on April 30, 2011.

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)
76,808	37,285		39,523		38,667	666	857	4	1,527

## Submission

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. Board staff notes that the Board has approved the

disposition of unaudited balances in Account 1521 in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings.

Board staff has no concerns with the balances in Account 1521 presented by CNPI – PC. Board staff submits that the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amount recovered from customers in 2011, including carrying charges as of April 30, 2012. Board staff further submits that consistent with the disposition period for Group 1 Accounts, a disposition period of one year should be authorized.

## **LRAM AND SSM CLAIM**

### **Background**

In response to Board staff interrogatory #6, CNPI – PC confirmed that it is not requesting LRAM and/or SSM recoveries in its 2012 IRM application.

### **Submission**

Section 2.7.10 Conservation and Demand Management (“CDM”) Costs, under *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications*, dated June 22, 2011, state that distributors intending to file an LRAM and/or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM and/or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM and/or SSM for this legacy period of CDM activity.

Board staff submits that by not requesting an LRAM and/or SSM recovery as part of its 2012 IRM application, CNPI – PC is foregoing the opportunity to recover LRAM and/or SSM for 2005 to 2010 of CDM activities.

All of which is respectfully submitted