



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

February 24, 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
REPLY SUBMISSION**

Please find accompanying this letter, two copies of the Reply Submission for Canadian Niagara Power Inc.; Fort Erie and Eastern Ontario Power. An electronic copy of this Reply Submission has 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.
Fort Erie & Eastern Ontario Power
Reply Submission**

**2012 IRM3
Electricity Distribution Rate Application
EB-2010-0158**

February 24, 2012

Introduction

Canadian Niagara Power Inc. (“CNPI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), on November 10, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that CNPI charges for electricity distribution, to be effective May 1, 2012. CNPI operates in three service areas: Port Colborne, Fort Erie and Gananoque (Eastern Ontario Power). This Application pertains to the Fort Erie and Gananoque service areas. The Application was based on the Board’s guidelines for 3rd Generation Incentive Regulation Mechanism (“IRM”).

Board staff filed its submission based on their review of the evidence in this matter on February 9, 2012. The purpose of this document is to provide the Board with the reply submissions of CNPI. CNPI’s reply submission is limited to matters noted by Board staff.

Board staff made 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

In their Submission, Board staff requested that CNPI confirm that the IESO true-ups are related to 2010 only. Board staff also requested CNPI provide an explanation of the nature of these true-ups.

CNPI does confirm that the IESO true-ups are related to 2010 only. A periodic reconciliation of the form 1598 submission to the IESO is a requirement Ministry of Finance, Audit Division, for the monthly requests to the IESO under the Regulated Price Plan. The true ups of account 1588 Power and account 1588 Global Adjustment for 2010 referenced here arise from CNPI’s annual reconciliation of monthly submissions of form 1598 to the IESO. Form 1598 submissions to the IESO are utilized by the IESO to invoice CNPI for the cost of power and global adjustment on a monthly basis. The monthly forms are premised on estimations of CNPI’s billing quantities and IESO’s preliminary global adjustments rates. These are trueed up in subsequent periods when actual quantities billed are known and prices for cost of power and global adjustment are finalized. CNPI performs its reconciliations annually following the close of the calendar year.

Board staff has submitted that CNPI's proposal for a one year disposition period for Fort Erie service area Group 1 account balances is in accordance with the EDDVAR Report. CNPI concurs with the Board Staff submission.

Board staff has submitted that they have no issue with CNPI not disposing of its Group 1 Deferral and Variance account balances for the Gananoque service area. CNPI concurs with the Board Staff submission.

Account 1521 – Special Purpose Charge

Board staff has submitted that the Board should approve the balance for recovery and order CNPI to dispose on a final basis the amount in Account 1521 for the Fort Erie service area over a one-year disposition period. CNPI concurs with the Board Staff submission on this matter.

Board staff has submitted that the Board should approve the balance for recovery and order that CNPI record these amounts in Account 1595 for future disposition for the Gananoque service area. CNPI concurs with the Board Staff submission on this matter.

LRAM and SSSM Claim

Board staff has submitted that by not requesting an LRAM and/or SSM recovery as part of its 2012 IRM application, CNPI is foregoing the opportunity to recover LRAM and/or SSM for 2005 to 2010 of CDM activities. CNPI acknowledges the Board Staff submission on this matter.

All of Which is Respectfully Submitted