



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

BY COURIER

March 8, 2007

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. ("CNPI") – FORT ERIE
2007 DISTRIBUTION RATE APPLICATION, EB – 2007 – 0514**

CNPI – Fort Erie is pleased to offer the following response to Ontario Energy Board ("Board") staff's request for clarification in the matter of the CNPI – Fort Erie – 2007 Distribution Rate Application.

Issue #1

Staff Query:

Fort Erie has applied for Z-factor amounts totalling \$1,712,731 that it claims it incurred in connection with a natural disaster that occurred in October 2006.

Please confirm that the amounts claimed for are recorded in account 1572, Extraordinary Event Costs. If not, please identify the account used in recording these costs and provide a clear explanation for using that account.

Response:

CNPI – Fort Erie confirms that the Z-factor amounts totalling \$1,712,731 that it claims it incurred in connection with a natural disaster that occurred in October 2006 are recorded in account 1572, Extraordinary Event Costs.

Issue #2

Staff Query:

At Appendix C, Tab 5, page 3 of Fort Erie's application, Fort Erie states that in the event that the insurance proceeds are less than the maximum coverage of \$500,000, "the Company will make an adjustment to the Z-factor amounts." By making an "adjustment" to the Z-factor amounts, please confirm that Fort Erie is advising that it will either file an update to its current application should the insurance claim be processed before the rate application is decided or it will file for the additional amounts in a future rates proceeding should the Board approve an amount for recovery before the insurance claim is processed. Also, please confirm the amount of the insurance claim, identifying both the principle, deductible and coverage amount.

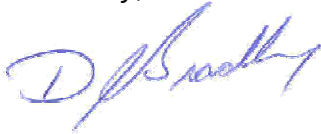
Response:

CNPI – Fort Erie confirms that it will either file an update to its current application should the insurance claim be processed before the rate application is decided or it will file for the additional amounts in a future rates proceeding should the Board approve an amount for recovery before the insurance claim is processed.

CNPI's property insurance coverage has a sublimit for transmission and distribution systems of \$500,000 and a \$300,000 deductible. The principle amount of the claim would be the total disaster cost of \$2,601,759. This is the combined extraordinary event costs incurred in Fort Erie and Port Colborne. The anticipated insurance proceeds, \$500,000, have been allocated to Fort Erie and Port Colborne in proportion to the extraordinary event costs in each of the service territories.

CNPI – Fort Erie trusts that these responses adequately address the issues raised.

Yours truly,



Douglas R. Bradbury
Director, Regulatory Affairs