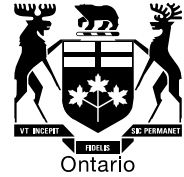


Ontario Energy Board
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BY EMAIL

November 8, 2013

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. ("CNPI") - Fort Erie, Port Colborne & Eastern Ontario Power
2014 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0117**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to CNPI and to all other registered parties to this proceeding.

CNPI's Reply Submission, if it intends to file one, is due by November 18, 2013.

Yours truly,

Original Signed By

Marc Abramovitz
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Canadian Niagara Power Inc.

EB-2013-0117

November 8, 2013

Introduction

Canadian Niagara Power Inc. (“CNPI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 16, 2013 seeking approval for changes to the rates that CNPI charges for electricity distribution, to be effective January 1, 2014. The Application is based on the 2014 4th Generation Incentive Regulation Mechanism (“IRM4”). CNPI operates in three geographical service areas: Port Colborne, Fort Erie and Gananoque (Eastern Ontario Power).

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.

The Application

Board staff has no concerns with the Retail Transmission Service Rates proposed by CNPI. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of this Decision based on the then-current Uniform Transmission Rates.

CNPI completed the Deferral and Variance Account continuity schedule included in the 2014 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts for each of its service territories. CNPI applied to harmonize its Deferral and Variance account dispositions beginning in the 2014 year. The total consolidated Group 1 Deferral and Variance Account balances amount to a credit of \$274,222. This amount includes interest calculated to December 31, 2012. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0005 per kWh and does not meet the preset threshold of \$0.001 kWh. Therefore, CNPI is not requesting disposition of its Group 1 Deferral and Variance Accounts in this application.

Board staff has reviewed CNPI’s Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2012 largely reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. The only discrepancies noted are to account 1595 and they have been fully explained by the Applicant in response to Board staff interrogatories.

Board staff has confirmed that the preset threshold of \$0.001 per kWh has not been met

and takes no issue with CNPI's position to not seek disposition of its Group 1 Deferral Accounts.

Rate Design

In CNPI's 2013 cost of service review, the Board accepted a Settlement Agreement proposed by the parties involved. The Settlement Agreement included a set of "going in" rates for the 2014, 2015 and 2016 rate years in order to account for specific revenue to cost ratio adjustments and specific adjustments to select fixed to variable ratios. Therefore, for its 2014 IRM4 application, CNPI has applied the price cap adjustment to the 2014 "going in" rates as stipulated in the 2013 Board approved Settlement Agreement and not CNPI's latest Board-approved rate schedule.

Board staff notes that given CNPI's unique circumstances, CNPI did not use the 2014 IRM Rate Generator. In its place, CNPI created its own rate adjustment model which used its 2014 "going in" rates and multiplied each one by the Price Cap Index of 0.48%.

Board staff has confirmed the 2014 "going in" rates with those proposed in the Settlement Agreement accepted by the Board in its Decision in the matter of EB-2012-0112 and takes no issue with CNPI's approach.

All of which is respectfully submitted