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BY EMAIL

November 13, 2013

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Niagara Peninsula Energy Inc.
2014 IRM4 Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0154

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Niagara Peninsula Energy Inc. There are no other registered parties to this proceeding.

Niagara Peninsula Energy Inc. is reminded that its Reply Submission, if it intends to file one, is due by November 27, 2013.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Niagara Peninsula Energy Inc.

EB-2013-0154

November 13, 2013

Board Staff Submission
Niagara Peninsula Energy Inc.
2014 IRM4 Distribution Rate Application
EB-2013-0154

Introduction

Niagara Peninsula Energy Inc. ("NPEI") filed an application (the "Application") with the Ontario Energy Board (the "Board") on August 29, 2013, seeking approval for changes to the rates that NPEI charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 Incentive Regulation Mechanism ("IRM").

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 NPEI.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by NPEI. In response to Board staff interrogatories, NPEI confirmed there were errors in some of the models filed and re-filed the applicable models (i.e. Rate Generator models for both the Niagara Falls and Peninsula West service areas).

Board staff notes that the Tax-Savings Workform reflects the Revenue Requirement Work Form from the Board's cost of service decision in EB-2010-0138. Board staff has no concerns with the Tax-Savings Workform as filed.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by NPEI. Pursuant to the Board's Guideline G-2008-0001, Board staff notes that the Board will update the applicable data at the time of the Board's Decision on the Application based on the Uniform Transmission Rates in place at that time.

Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report")

As part of its interrogatories, Board staff noted that it was unable to reconcile some of the data entered in NPEI's continuity schedule located at Tab 5 of the Rate Generator Model (namely, Board-approved disposition amounts for 2011 and 2012, both principal and interest). In its responses, NPEI explained that the quantities entered in the Rate Generator Model include some amounts that relate to other transactions during 2011. NPEI, as a result, re-filed its Rate Generator Model for both the Niagara Falls and Peninsula West service areas with the necessary revisions made (i.e. separating the balances from the transactions). NPEI also noted that these revisions do not alter the principal or interest balances requested for disposition in the current Application or the proposed rate riders.

NPEI's total Group 1 Deferral and Variance Account balances amount to a credit of $3,146,582. The Group 1 balance excluding Account 1589 – Global Adjustment Sub-Account is a credit of $6,942,860, and is applicable only to RPP customers. These balances also include interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to $0.0026 per kWh which exceeds the threshold, and as such, NPEI requested disposition of these Accounts over a two-year period.

Board staff has reviewed NPEI's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported as part of the *Reporting and Record-Keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with NPEI's request to dispose of its 2012 Group 1 Deferral and Variance Account balances at this time.

With respect to the two-year disposition period requested, NPEI states in its Application that it requires this in order to minimize rate volatility, and to reduce potential strains on NPEI's cash flows. NPEI also noted that the Board has previously approved a two-year disposition period for its Group 1 Account balances both as part of its 2010 IRM application (EB-2009-0205 and EB-2009-0206) and 2012 IRM application (EB-2011-0185).

Board staff notes that NPEI's current total bill impact for its Application, as filed, for the Niagara Falls rate zone is a monthly increase of approximately $1.96 for the typical Residential customer consuming 800kWh. For the Peninsula West rate zone, it is a decrease of approximately $1.21.

Board staff notes that NPEI currently has a Smart Meter disposition application before the Board (EB-2013-0359) for rates effective February 1, 2014 for its Smart Meter Disposition Rider ("SMDR") and May 1, 2014 for its Smart Meter Incremental Revenue Requirement Rate Rider ("SMIRR"). For bill impact purposes, Board staff has roughly calculated that a typical Residential customer, assuming all rates are implemented May 1, 2014 (i.e. IRM and Smart Meter), would see a monthly increase of approximately $2.68 in the Niagara Falls rate zone and a decrease of $0.50 in the Peninsula West rate zone if both applications are approved as filed.

Staff notes that this results in a larger increase in the Niagara Falls rate zone and a smaller decrease in the Peninsula West rate zone. If a one-year disposition period were to be adopted for NPEI's Group 1 Accounts, the impact on customers' bills in year one would be a smaller increase. However, in year two, there exists the potential for rate volatility as a result of the Group 1 Accounts credit rate riders coming off the tariff.

Board staff also notes that cash flow issues is not a sufficient reason for approval of a longer than one-year disposition period. Board staff notes that the balances in the subject accounts represent over-recoveries on the part of NPEI and, in the normal course, should be available to be refunded over a fairly short timeframe. That being said, Board staff takes no issue with NPEI's request for a two-year disposition period for the purpose of minimizing rate volatility. Due to the rate increase in the current Application, coupled with a rate increase as part of NPEI's Smart Meter application, Board staff notes that spreading the credit amount in NPEI's Group 1 Accounts in the current IRM Application over a two-year period will aid in rate smoothing.

All of which is respectfully submitted