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Ontario

BY EMAIL

October 20, 2014

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-2014-0061

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 3, 2014.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Electricity Rates and Accounting

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2015 ELECTRICITY DISTRIBUTION RATES

Canadian Niagara Power Inc.

EB-2014-0061

October 20, 2014

Introduction

Canadian Niagara Power Inc. (“CNPI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 13, 2014 seeking approval for changes to the rates that CNPI charges for electricity distribution, to be effective January 1, 2015. CNPI operates in three geographical service territories: Port Colborne, Fort Erie, and in Gananoque (as Eastern Ontario Power). The Application is based on the 2015 Price Cap IR option.

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

Retail Transmission Service Rates

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.

Deferral and Variance Account Disposition

CNPI completed the Deferral and Variance Account continuity schedule included in the 2015 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts for each of its service territories. In its Cost of Service decision EB-2012-0112, the Board approved a harmonized revenue requirement and accepted a multi-year plan to achieve full harmonization of electricity distribution rates during its incentive phase of the regulatory cycle. The total consolidated Group 1 Deferral and Variance Account balances amount to a credit of $493,367. The balance of the 1589 – Global Adjustment Account is a credit of $760,175, and is applicable to only Non-RPP customers. This amount includes interest calculated to December 31, 2014. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to $0.0012 per kWh which exceeds the threshold, and as such, CNPI is requesting disposition over a two-year period.

Board Staff has reviewed CNPI Group 1 Deferral and Variance Account balances and notes the principal balances as of December 31, 2013 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements.* In its interrogatories, Board staff requested CNPI calculate the bill impacts for a one year rate rider recovery period for all three service territories. In its response, CNPI provided the bill impacts for all three service territories noting that with regard to several rate categories within the Gananoque service territory there were significant bill impact increases. Please see table below for Ganaoque's significant bill impacts.

Gananoque	Total Bill Impact	
	2 year Rate Rider	1 Year Rate Rider
Residential Non-RPP	2.90%	7.40%
General Service < 50 kW Non RPP	3.00%	7.80%
General Service 50 to 4,999 kW	4.80%	10.70%

Accordingly, Board staff has no issue with CNPI's request to dispose of its 2013 Deferral and Variance Account balances at this time over the requested two-year period.

Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on April 26, 2012 outline the information that is required when filing an application for LRAMVA.

CNPI rebased, and had an updated customer and load forecast approved, as part of its 2013 cost-of-service application. Board staff notes that none of the lost revenues included in this Application were subject to any previous approvals, this is to establish its 2011 and 2012 LRAMVA. Board staff further notes that CNPI's 2009 load forecast did not include any CDM adjustments, therefore CNPI is eligible for the entire 2011 and 2012 LRAMVA amounts. In response to VECC's Interrogatory #2, CNPI stated the LRAMVA amounts do not include carrying amounts, and that it has chosen to take a conservative approach. Board staff therefore submits that the applied for lost revenue of $80,868 is eligible for recovery. CNPI has provided all relevant rate riders by customer class and has proposed to recover its LRAMVA amount through a separate

rate rider over a one-year period. Board staff has no concerns with CNPI's proposed LRAMVA amount and recovery period.

Rate Design

In CNPI's 2013 cost of service review, the Board accepted a Settlement Agreement entered into by the parties to that proceeding. 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, in its Application, CNPI has applied the price cap adjustment to the 2015 "going in" rates as stipulated in the 2013 Board approved Settlement Agreement and not CNPI's latest Board-approved rate schedule.

Given CNPI's unique circumstances due to specific adjustments agreed to by the parties in the Settlement Agreement accepted by the Board in its Decision EB-2012-0112, CNPI did not use the 2015 IRM Rate Generator. Board staff notes that, in its place, CNPI created its own rate adjustment model which used its 2015 "going in" rates and multiplied each one by the Price Cap Index proxy of 1.25%.

Board staff submits that the 2015 "going in" rates are consistent with the Settlement Agreement accepted by the Board in its Decision in the matter of EB-2012-0112. In this regard, Board staff takes no issue with CNPI's approach.

All of which is respectfully submitted