CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

October 24, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: 2015 ELECTRICITY DISTRIBUTION RATE APPLICATION FOR CANADIAN NIAGARA POWER INC., ("CNPI") EB-2014-0061

Please find accompanying this letter two (2) copies of CNPI's Reply Submission.

A PDF version of this submission, coincidently with this written submission, will be filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994-3634.

Yours truly,

Original Signed by:

Douglas Bradbury P.Eng,
Director Regulatory Affairs

Enclosure

Canadian Niagara Power Inc.

Reply Submission

2015 4th Generation Incentive Rate-setting
Electricity Distribution Rate Application
EB-2014-0061

October 22, 2014

Introduction

Canadian Niagara Power Inc. ("CNPI") filed an application (the "Application") with the Ontario Energy Board (the "Board"), on August 15, 2014, 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 January 1, 2015. The Application was based on the Board's Filing Requirements for Incentive Regulation Rate Applications.

Board staff and the Vulnerable Energy Consumers Coalition ("VECC") filed their submissions based on their review of the evidence in this matter on October 20, 2014. 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 and VECC.

Board staff and VECC made submissions on the following matters:

- Retail Transmission Service Rates;
- Deferral and Variance Account Disposition;
- Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA"); and
- Rate Design

Retail Transmission Service Rates

Board staff indicated in their submission that they had no concerns with the Retail Transmission Service Rates proposed by CNPI. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff noted that the Board will update the applicable data at the time of this Decision based on the current Uniform Transmission Rates. CNPI concurs with the Board Staff submission on this matter.

VECC had no submissions related to Retail Transmission Service Rates.

Deferral and Variance Account Disposition

IN CNPI's 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 requested disposition over a two-year period. Inn its interrogatories, Board staff requested CNPI calculate the bill impacts over a one year rate rider. CNPI calculated the bill impacts over one year, but indicated that there were significant bill impact increases to several rate categories in the Gananoque service territory. Accordingly, Board staff has no issue with CNPI's request to dispose of its 2013 Deferral and Variance Account balances over the requested two-year period. CNPI concurs with the Board Staff submission on this matter.

VECC had no submissions related to Deferral and Variance Account Disposition.

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

Board staff submitted that CNPI had an updated customer and load forecast approved as part of its 2013 cost-of-service application. Board staff noted that none of the lost revenues included in this Application were subject to any previous approvals to establish its 2011 and 2012 LRAMVA. Board staff noted 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 that the LRAMVA amounts do not include carrying amounts, and that it has chosen to take a conservative approach. Board staff submitted that the applied for lost revenue of $80,868 is eligible for recovery. CNPI provided the relevant rate riders by customer class and proposed to recover its LRAMVA through a separate rate rider over a one year period. Board staff indicated that they had no concerns with CNPI's proposed LRAMVA amount and recovery period.

In VECC's submission, they indicate that CNPI is eligible to recover 100% of the 2011 and 2012 LRAMVA amounts requested ($80,868.18), subject to the following comments on CNPI's Demand Response 3 Program.

- "CNPI confirmed the savings reported for the Demand Response 3 Program are contracted values and not actual demand reductions in each year.
- CNPI does not have any record as to how much demand reduction was achieved in each year due to the Demand Response 3 Program and how much the actual demand reduction in each year was and if the demand reduction was coincident with the peak interval used to establish the customers' billing demands.
- VECC submits that there are three fundamental problems with CNPI's inclusion of Demand Response 3 Programs in its LRAM application. First, there is no evidence that the program was actually activated for even one month. As a result, there is no evidence that the program had any effect on CNPI's actual 2011 and 2012 load.
- Second, if it was activated, it is not known from the evidence in this proceeding whether any Demand Response 3 activations in 2011 and 2012 would have occurred at the same time as the customer's billing demand (kW) for the month was established, as the customer's monthly peak may not correspond to the system's peak.
- Finally, even if they were coincident, if a demand response was called, and the customer's monthly peak was shaved, it is likely that the customer's second highest peak in the month is only slightly less than their highest peak. Thus, the impact on distribution revenues is likely to be minimal with virtually zero impact on billing demand."

VECC submits that on the above comments, no lost revenues from the GS>50 kW customers' participation in Demand Response 3 Programs should be included for recovery. CNPI disagrees with VECC's submission on this matter.

CNPI notes that the total $80,868.18 requested for recovery only $2,488.12[1] is attributable the Demand Response 3 Program.

The Demand Response 3 Program is an OPA program. CNPI is not provided with any information related to the actual activations of Demand Response 3 Programs, nor is CNPI provided information about which customers are under contract. CNPI has relied upon the best information available to it, which is data provided by the OPA in the final annual report. As was the case with Essex Powerlines Corporation, EB-2013-0112, CNPI's entire LRAMVA claim relates to OPA-Contracted Province-Wide CDM programs. In file number EB-2013-0112 the Board approved Essex's LRAMVA as submitted, noting that Essex availed itself to OPA programs, and that the results have been verified by the OPA. CNPI therefore submits that the LRAMVA claim applied for, including the $2,488.12 related to Demand Response 3 Programs, is appropriate and ought to be approved by the Board.

All of Which is Respectfully Submitted

[1] Total calculated by adding the Demand Response 3 Program totals from the LRAMVA Support reports prepared by Burman Energy dated August 13, 2013 and July 30, 2014.