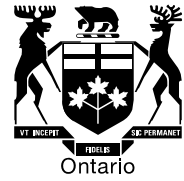


Ontario Energy Board
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BY EMAIL

November 23, 2017

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@oeb.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Canadian Niagara Power Inc.
2018 IRM Distribution Rate Application
OEB Staff Submission
OEB File No. EB-2017-0031**

In accordance with Procedural Order No.1, please find attached the OEB Staff Submission in the above proceeding. This document is also being forwarded to Canadian Niagara Power Inc.

Canadian Niagara Power Inc. is reminded that its reply submission is due by December 7, 2017, should it choose to file one.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator, Incentive Rate-Setting & Accounting

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2018 ELECTRICITY DISTRIBUTION RATES

Canadian Niagara Power Inc.

EB-2017-0031

November 23, 2017

Introduction

Canadian Niagara Power Inc. (Canadian Niagara Power) filed an application with the Ontario Energy Board (OEB) on August 14, 2017 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that Canadian Niagara Power charges for electricity distribution, effective January 1, 2018.

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the evidence submitted by Canadian Niagara Power.

OEB staff has no concern with the data supporting the updated Retail Transmission Service Rates proposed by Canadian Niagara Power. Pursuant to the OEB's Guideline G-2008-0001, OEB staff will update the applicable data at the time of the OEB's decision on this application, based on the Uniform Transmission Rates in place at that time.

OEB staff makes a detailed submission on the following:

- Deferral and Variance Account Disposition

Deferral and Variance Account Disposition

Canadian Niagara Power has completed the deferral and variance account continuity schedule included in the 2018 IRM Rate Generator Model at Tab 3 for its Group 1 deferral and variance accounts (DVAs). The Group 1 DVA balances amount to a credit of \$4,460 (as amended during the course of the proceeding). The balance in Account 1589 – Global Adjustment (GA) is a credit of \$1,829,763 and is applicable only to Non-RPP Class B customers. The remaining DVAs excluding GA amounted to a debit of \$1,825,304. These balances also include interest calculated to December 31, 2017.

Based on the threshold test calculation, the Group 1 DVA balances are less than the pre-set disposition threshold of \$0.0001 per kWh. Irrespective of this, the applicant has elected to dispose its Group 1 DVA balances. OEB staff has reviewed the applicant's Group 1 DVA balances and notes that it has provided the required explanations needed to reconcile the variances between the amounts requested for disposition as of December 31, 2016 and those reported as part of the *Reporting and Record-keeping*

Requirements. Canadian Niagara Power has requested disposition of its Group 1 DVA accounts over a period of one-year.

OEB staff has reviewed the GA Analysis Workform and provided the applicant with a series of preliminary questions regarding certain balances within that template. As a result of this review, OEB staff identified that the applicant made adjustments to Accounts 1588 and 1589 pertaining to a one-month time-lag in the applicant's Independent Electricity System Operator (IESO) settlement process. For example, the applicant's January IESO settlement (due on the 4th day of February) is based on December (of the previous year) consumption values and inputs. This settlement methodology is not consistent with the requirements set out by IESO which stipulate that "Settlement data must be submitted to us monthly, as soon as possible after the last trading day of the month, and no later than the fourth business day after the last trading day of the month"¹. Canadian Niagara Power has been submitting settlements data to the IESO one month later than required. Applying this to the previous example, it means that December consumption values and inputs are to be settled with the IESO by the fourth day of January (compared to the 4th day of February as is currently being done by the applicant).

Up until the current IRM proceeding, Canadian Niagara Power had been disposing of its balances in Accounts 1588 and 1589 on a rolling 12-month basis rather than on a calendar year (due to the time lag noted above). This rolling 12-month balance would cover the period December of the previous year to November of the most recent year. The applicant has explained, in its description of its GA settlement process, that the one month lag in its settlements with the IESO was because it waits until the actual billing data for a particular month is available for use to settle with the IESO.² OEB staff submits that actual data does not need to be used initially for settlement purposes with the IESO; instead, the best data available to the utility at the time the RPP settlement claim is due (by the 4th day of the following month) should be used. Subsequent true-up adjustments to settle for the difference between estimated RPP settlement and actual RPP settlement are then to be made on a timely basis once the actual data is available. The OEB issued guidance on what it considers a timely basis recently as is described below.

As a result of the OEB communication that was sent to all utilities regarding the timing of RPP settlement true ups that affect Accounts 1588 and 1589³, the applicant made an

¹ IESO Market Manual 5.5: Physical Markets Settlement Statements, MM5.5: section 1.6.7.7 Regulated Price Plan

² Manager's Summary, p. 14

³ Guidance on the Disposition of Accounts 1588 and 1589, letter dated May 17, 2017

adjustment to its DVA continuity schedule before it filed this application, to capture the 2016 settlement related amounts that were actually recorded in 2017. The impact of this is that the proposed disposition balance for 2016 includes 13-months of activity for both Accounts 1588 and 1589, covering the period from December 2015 to December 2016.

Given this adjustment, OEB staff has no issue with Canadian Niagara Power's request to dispose of its December 31, 2016 Group 1 DVA balances, including the adjustment made to the DVA account continuity schedule for Accounts 1588 and 1589, as noted above. However, OEB staff submits that the applicant should align its IESO settlement processes with the IESO requirements such that its future monthly RPP settlements with the IESO are based on the most recent calendar month's activity. This will result in CNPI disposing of 12 months of balances in future rate proceedings.

All of which is respectfully submitted.