



**EB-2012-0112**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Canadian  
Niagara Power Inc. for an order approving just and  
reasonable rates and other charges for electricity distribution  
to be effective January 1, 2013.

**PROCEDURAL ORDER NO. 2**

**July 6, 2012**

Canadian Niagara Power Inc. ("CNPI") filed an application with the Ontario Energy Board on May 11, 2012 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that CNPI charges for electricity distribution, to be effective January 1, 2013. The Board has assigned the application File Number EB-2012-0112.

The Board issued a Notice of Application and Hearing dated May 28, 2012.

In Procedural Order No. 1, issued on June 21, 2012, the Board approved the intervenors in this proceeding, and set dates for interrogatories, interrogatory responses, a technical conference, a settlement conference and an oral hearing. The Board also made its determination regarding the cost eligibility of intervenors. The Board received four letters of comments.

A Draft Issues List was attached for comment to Procedural Order No. 1. Comments on the Draft Issues List were due on July 3, 2012. The School Energy Coalition ("SEC"), Energy Probe Research Foundation ("EP"), and the Vulnerable Energy Consumers Coalition ("VECC") provided comments. CNPI responded to comments on July 3, 2012.

The Board has considered all submissions in establishing a final issues list which is attached as Appendix A. The parties were generally satisfied with the draft issues list. SEC proposed the following addition to Issue 11:

*“Is the proposed adoption of Accounting Standards for Private Enterprise (“ASPE”) appropriate?”*

EP and VECC supported the addition of the above issue.

In response CNPI noted that in the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment*, dated June 13, 2011 the Board stated that it cannot prescribe financial reporting for regulated utilities, but it can require accounting methodologies for the purpose of a rate application. CNPI submitted that SEC’s proposed addition to the issues list could be interpreted to broadly apply to the appropriateness of CNPI adopting ASPE for financial reporting and argued that this is beyond the scope of this proceeding. Consequently, CNPI submitted that the issue should be narrowed as follows:

*“Is the use of Accounting Standards for Private Enterprise (“ASPE”) appropriate for the purpose of CNPI’s distribution rate application?”*

The Board finds that it is appropriate to incorporate this addition to issue 11 as proposed by SEC and will accept the amended wording as proposed by CNPI.

The Board reminds parties that interrogatories and interrogatory responses must be filed by issue. CNPI shall group its interrogatory responses by intervenor within each issue.

The Board therefore makes the following Order. The Board may issue further procedural orders from time to time.

#### **THE BOARD ORDERS THAT:**

1. The Issues List attached to this Order as Appendix A is the approved Issues List.

With respect to distribution lists for all electronic correspondence and materials related

to this proceeding, parties must include the Case Manager, Birgit Armstrong at [birgit.armstrong@ontarioenergyboard.ca](mailto:birgit.armstrong@ontarioenergyboard.ca) and Board Counsel, Ljuba Djurdjevic at [ljuba.djurdjevic@ontarioenergyboard.ca](mailto:ljuba.djurdjevic@ontarioenergyboard.ca).

**DATED** at Toronto, July 6, 2012

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Appendix 'A'**

**To**

**Procedural Order No. 2**

**Canadian Niagara Power Inc.**

**EB-2012-0112**

**Approved Issues List**

**July 6, 2012**

**Canadian Niagara Power Inc. ("CNPI")  
2013 Electricity Distribution Rates  
EB-2012-0112**

**Draft Issues List**

**1. General**

- 1.1 Has CNPI responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are CNPI's economic and business planning assumptions for 2013 appropriate?
- 1.3 Is service quality, based on the Board specified performance indicators, acceptable?
- 1.4 Is the proposal to align the rate year with CNPI's fiscal year, and for rates effective January 1, 2013 appropriate?

**2. Rate Base**

- 2.1 Is the proposed CNPI – Fort Erie/Gananoque rate base for the test year appropriate?
- 2.2 Is the proposed CNPI – Port Colborne rate base for the test year appropriate?
- 2.3 Is the CNPI – Fort Erie/Gananoque working capital allowance for the test year appropriate?
- 2.4 Is the CNPI – Port Colborne working capital allowance for the test year appropriate?
- 2.5 Is the CNPI – Fort Erie/Gananoque capital expenditure forecast for the test year appropriate?
- 2.6 Is the CNPI – Port Colborne capital expenditure forecast for the test year appropriate?

**3. Load Forecast and Operating Revenue**

- 3.1 Is the load forecast methodology including weather normalization appropriate?
- 3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?
- 3.3 Is the impact of CDM appropriately reflected in the load forecast?
- 3.4 Is the test year forecast of other revenues appropriate?

**4. Operating Costs**

- 4.1 Is the proposed CNPI – Fort Erie/Gananoque forecast for total OM&A for the test year appropriate?
- 4.2 Is the proposed CNPI – Port Colborne forecast for total OM&A for the test year appropriate?

- 4.3 Are the methodologies used to allocate shared services and other costs appropriate?
- 4.4 Is CNPI – Fort Erie/Gananoque's proposed level of depreciation/amortization expense for the test year appropriate?
- 4.5 Is CNPI – Port Colborne's proposed level of depreciation/amortization expense for the test year appropriate?
- 4.6 Is the proposed CNPI – Fort Erie/Gananoque forecast for Income Taxes for the test year appropriate?
- 4.7 Is the proposed CNPI – Port Colborne forecast for Income Taxes for the test year appropriate?
- 4.8 Are the 2013 compensation costs and employee levels appropriate?
- 4.9 Is the test year forecast of property taxes appropriate?

**5. Capital Structure and Cost of Capital**

- 5.1 Is the proposed capital structure, rate of return on equity, short-term and long-term debt rate appropriate?

**6. Smart Meters**

- 6.1 Are the proposed quanta and nature of smart meter costs, including the allocation and recovery methodologies appropriate?
- 6.2 Is proposed treatment of stranded meter costs appropriate?

**7. Cost Allocation**

- 7.1 Is the proposed CNPI – Fort Erie/Gananoque cost allocation appropriate?
- 7.2 Is the proposed CNPI – Port Colborne cost allocation appropriate?
- 7.3 Are the proposed revenue-to-cost ratios for each of CNPI – Fort Erie/Gananoque rate classes appropriate?
- 7.4 Are the proposed revenue-to-cost ratios for each of CNPI – Fort Erie/Gananoque rate classes appropriate?

**8. Rate Design**

- 8.1 Are the fixed to variable splits for each class appropriate?
- 8.2 Are the proposed retail transmission service rates appropriate?
- 8.3 Are the proposed LV rates appropriate?
- 8.4 Are the proposed loss factors appropriate?
- 8.5 Is CNPI's proposal to continue with its approved Transformer Ownership Allowance appropriate?

**9. Rate Harmonization**

- 9.1 Is CNPI's proposed rate harmonization appropriate?
- 9.2 Is the combined cost allocation supporting CNPI's proposed phased-in rate harmonization appropriate?

**10. Deferral and Variance Accounts**

- 10.1 Are the account balances, cost allocation methodology and disposition period appropriate?

10.2 Are the proposed rate riders to dispose of the account balances appropriate?

**11. Accounting Standards for Private Enterprise (“ASPE”)**

11.1 Is the use of Accounting Standards for Private Enterprise (“ASPE”) appropriate for the purpose of CNPI’s distribution rate application?

11.2 Are the proposed Revenue Requirements determined using ASPE appropriate?

11.3 Is the proposed change in accounting policy regarding the capitalization of overhead costs appropriate?

11.4 Is the treatment of property, plant & equipment due to the transition to a new accounting standard appropriate?

**12. Green Energy Act Plan**

12.1 Is CNPI's proposed Green Energy Act Plan appropriate?