



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

December 20, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: CANADIAN NIAGARA POWER INC. & ALGOMA POWER INC.
APPLICATION FOR DEFERRAL AND VARIANCE ACCOUNTS FOR TRANSITIONAL &
ANNUAL ADJUSTMENTS TO ITS PENSION AND OTHER POST-EMPLOYMENT BENEFITS
EB-2013-0368 & EB-2013-0369
DRAFT ACCOUNTING ORDER**

Please find accompanying this letter, two copies of the Draft Accounting Order in the matter of the above captioned proceeding.

Electronic copies of the Application have been submitted via the Board's Regulatory Electronic Submission System.

Yours truly,

Original Signed By

Douglas R. Bradbury P.Eng.
Director, Regulatory Affairs

Enclosures

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 Algoma Power Inc. and Canadian Niagara Power Inc. for an order pursuant to Section 78 of the *Ontario Energy Board Act, 1998*, to establish additional deferral and variance accounts.

Draft Accounting Order

On October 21, 2013, Algoma Power Inc. (“API”) and Canadian Niagara Power Inc. (“CNPI”) each filed an application (the “Applications”) seeking the establishment of specific deferral and variance accounts related to pension and other post-employment benefits. The Board assigned File No. EB-2013-0368 to the API application and File No. EB-2013-0369 to the CNPI application. Pursuant to section 21(5) of the Act, the Board decided to combine the EB-2013-0368 and EB-2013-0369 proceedings.

On December 12, 2013, the Board issued a Decision and Order in the combined proceeding. In its Decision and Order, the Board ordered both API and CNPI to establish a deferral account and variance account, effective January 1, 2013, subject to conditions noted in the Decision and Order. Further, API and CNPI was ordered to file with the Board a draft Accounting Order for each of the new deferral and variance accounts within 10 days of the date of the issuance of the Decision and Order.

This draft Accounting Order is intended to reflect the Board’s Decision and Order in EB-2013-0368 and EB-2013-0369, dated December 12, 2013. CNPI and API shall both establish the following deferral and variance accounts effective January 1, 2013:

- Account 1508 Other Regulatory Assets
 - Subaccount – Pension Deferral Account
 - Subaccount – Pension Expense Variance Account
 - Subaccount – Other Post Employment Benefits Deferral Account
 - Subaccount – Other Post Employment Benefits Expense Variance Account

Disposition of the accounts is proposed to occur in a future cost of service proceeding and will be subject to the Board’s prudence review. The proposed recovery through a rate rider will be based on the average remaining service lives of employees in each respective company; CNPI and API. CNPI and API will not record any principal transactions in the above deferral and variance accounts after submitting the balances for prudence review in its next cost of service rebasing period. Respectively, in the next cost of service

proceedings, CNPI and API may propose methodologies to ongoing address matters related to pension and other post-employment benefits.

No carrying charges will be recorded on these accounts.

Sample Journal Entries

The following are examples of the journal entries that will be made by both CNPI and API. The amounts shown are intended for illustrative purposes only.

To record the transitional entries to Section 3462, Employee Future Benefits, in Part II of the CICA Handbook, as of January 1, 2013 for unamortized pension and OPEB amounts the following entries will be made. (Assuming unamortized accumulated pension actuarial losses of \$3,000,000 and unamortized accumulated OPEB actuarial losses of \$2,000,000 as of January 1, 2013)

	(000's)	
Other Regulatory Assets account 1508:	Dr.	Cr.
Subaccount 1508 Pension Deferral Account	3,000	
Subaccount OPEB Deferral Account	2,000	
Pension liability (balance sheet)		3,000
OPEB liability (balance sheet)		2,000

To record the difference between pension and OPEB expense under Section 3461 and Section 3462 the following entries will be made. (Assuming that pension and OPEB expense under Section 3462 is higher than under Section 3461 by \$500,000 and \$300,000 respectively)

	(000's)	
Other Regulatory Assets account 1508:	Dr.	Cr.
Subaccount Pension Expense Variance Account	500	
Subaccount OPEB Expense Variance Account	300	
Pension expense (income statement)		500
OPEB expense (income statement)		300

To record the difference between pension and OPEB expense under Section 3461 and Section 3462 the following entries will be made. (Assuming that pension and OPEB expense under Section 3462 is lower than under Section 3461 by \$500,000 and \$300,000 respectively)

	(000's)	
	<u>Dr.</u>	<u>Cr.</u>
Pension expense (income statement)	500	
OPEB expense (income statement)	300	
<u>Other Regulatory Assets account 1508:</u>		
Pension expense variance account 1508		500
OPEB expense variance account 1508		300