**Draft Accounting Order**

**For Renewable Generation Connection Rate Protection**

 **Variance Account**

**EB-2014-0083**

**Hydro One Brampton Networks Inc.**

**DATED: January 1, 2015**

**Accounting Order**

**Hydro One Brampton Networks Inc.**

**EB-2014-0083**

**January 1, 2015**

HOBNI is planning a number of Renewable Generation Connection investments which may be eligible for rate protection under the provisions of O. Reg. 330/09 (Cost Recovery Regarding Section 79.1 of the [OEB] Act. Eligible investments are as described under section 79.1 of the Ontario Energy Board Act, 1998.

HOBNI shall establish the following Variance Account effective January 1, 2015:

Account 1533, Renewable Generation Connection Funding Adder Deferral Account, “Sub-account Provincial Rate Protection Payment Variances.”

The purpose of the variance account is to track the variance between HOBNI’s revenue requirement[[1]](#footnote-1) required to support the portion of the investments that are eligible for rate protection, and the rate protection payments collected from the Independent Electricity Systems Operator (“IESO”).

HOBNI shall establish the following Revenue Account effective January 1, 2015:

Account 4080, Distribution Services Revenue Account, “Sub-account, Revenue Requirement on Eligible GEA costs”

HOBNI shall establish the following Revenue Contra Account effective January 1, 2015:

Account 4080, Distribution Services Revenue Account, “Sub-account, Provincial Rate Protection Payment Variances”

HOBNI will calculate and record on an annual basis, the net difference in the variance account between, 1) the revenue requirement associated with the portion of the capital, depreciation expense, and / or operating, maintenance and administration (“OM&A”) expenses that are eligible for provincial rate protection, as incurred by HOBNI for eligible renewable enabling and expansion investments for the period of 2015 through 2019, and 2) the payment amounts collected by HOBNI from the IESO as a result of any Board order(s) directing such payments from the IESO to HOBNI. The balance will not attract carrying charges.

The prudence of the planned investments, including the costs recorded in the account and their eligibility for provincial rate protection under O. Reg. 330/09 and any disposition and recovery of variance account balances, are matters that will be addressed and determined in a future proceeding.

 The accounting requirements for “Sub-account Provincial Rate Protection Payment Variances” of Account 1533 are provided below in Attachment 1.

**ATTACHMENT 1**

**Accounting requirements for “Sub-account Provincial Rate Protection Payment Variances” of Account 1533 related to the provincial rate protection under O. Reg. 330/09 as approved by the Board pursuant to section 79.1 of the Ontario Energy Board Act.**

1. HOBNI shall use Account 1533, Renewable Generation Connection Funding Adder Deferral Account, “Sub-account Provincial Rate Protection Payment Variances” to record with respect to the provincial rate protection payments under O. Reg. 330/09 at the end of the each fiscal year, the net of:
2. The annual revenue requirement impact on an actual basis applicable to in-service capital assets, depreciation, and incurred OM&A expenses eligible for provincial rate protection, and
3. Provincial rate protection payments, as approved by the Board, received from the IESO for the year.

B) For the purposes of calculating the revenue requirement impacts eligible for the provincial rate protection on an actual basis, HOBNI shall ensure the correct allocations and percentages are used to determine the eligible portions of the in-service capital assets, depreciation expenses, and OM&A expenses incurred. No direct benefits as defined in O. Reg. 330/09 associated with the aforementioned capital assets and expenses shall be included in the revenue requirement impact.

C) The annual revenue requirement impact amounts applicable to actual in-service capital assets, depreciation, and incurred OM&A expenses eligible for provincial rate protection shall be recorded as a credit in “Sub-account, Revenue Requirement on Eligible GEA costs”, of account 4080 with an offsetting debit recorded to “Sub-account Provincial Rate Protection Payment Variances” of Account 1533.

D) The provincial rate protection payments, as approved by the Board, received from the IESO shall be recorded as a credit in “Sub-account, Provincial Rate Protection Payments” of Account 4080. An entry shall also be recorded for the provincial rate protection payments received as a debit in “Sub-account Provincial Rate Protection Payment Variances” of Account 4080 with an offsetting credit to “Sub-account Provincial Rate Protection Payment Variances” of Account 1533.

E) No accounting carrying changes shall accrue on the balance in “Sub-account Provincial Rate Protection Payment Variances.”

F) There will be a prudence review undertaken for capital assets, depreciation expenses, and OM&A expenses forecast for the period 2015 to 2019. HOBNI has provided estimates for these amounts to determine the revenue requirement impacts to derive amounts eligible for the provincial rate protection. The prudence review will be conducted at the time of HOBNI’s request for disposition of the balance in this account in its next rebasing application[[2]](#footnote-2).

G) At the time of the prudence review the Board may also determine whether any changes to revenue requirement impacts for the provincial rate protection eligible amounts will require changes to the provincial rate protection payment amounts to be received by HOBNI from the IESO. Upon the completion of this review, HOBNI shall continue to, on an ongoing basis track and record amounts in the “Sub-account Provincial Rate Protection Variances” of Account 1533 as outlined above in paragraph’s A, B, C and D, compliant with any changes the Board may require or approve.

H) Detailed records shall be maintained showing the derivation of the amounts recorded in “Sub-account Provincial Rate Protection Payment Variances” of Account 1533 including supporting documentation for the calculation of revenue requirement impacts for the provincial rate protection eligible amounts, and the provincial rate protection payments received from the IESO.

1. See the Board’s Filing Requirements for Electricity Distribution Rate applications (dated July 17, 2013) Chapter/Section 2.5.25 and Appendices 2-FA, 2-FB and 2-FC regarding Costs of Eligible Investments for the Connection of Qualifying Generation Facilities and templates for their calculation. [↑](#footnote-ref-1)
2. It is expected that actual costs for capital costs and OM&A expenses from 2015 to 2018 will be known and the assets will be in-service at the time HOBNI files its 2020 cost of service rate application. In addition, in 2020 when HOBNI files its next cost of service rate application, the cost of capital additions and OM&A expenses for 2019 will be forecasted and the capital additions are expected to be in service by the end of the 2019 bridge year. [↑](#footnote-ref-2)