



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

May 25, 2015

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

Dear Ms. Walli:

**RE: 2015 & 2016 TRANSMISSION REVENUE REQUIREMENT APPLICATION FOR CANADIAN NIAGARA
POWER INC., ("CNPI") EB-2014-0204
DRAFT RATE ORDER**

Please find accompanying this letter two (2) copies of CNPI Transmission's Draft Rate Order.

A PDF version of the Draft Rate Order and accompanying electronic files will, coincidentally with this written submission, 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

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 transmission revenue requirements to be effective January 1, 2015 and January 1, 2016.

Canadian Niagara Power Inc.

Draft Rate Order

May 25, 2015

INTRODUCTION

On November 17, 2014, Canadian Niagara Power Inc. (“CNPI Transmission”) filed an Application with the Ontario Energy Board (the “Board”) for the following approvals.

- Approval of revenue requirements of \$4,530,710 and \$4,818,057 for 2015 and 2016, respectively
- Operating costs of \$2,968,381 and \$3,072,214 for 2015 and 2016, respectively
- Capital expenditures of \$5,852,942 and \$740,000 for 2015 and 2016, respectively
- An update to the uniform transmission rates to allow recovery of the proposed revenue requirements for 2015 and 2016, effective January 1 of each of these years
- Approval of its Customer Delivery Point Performance Standards

On May 14, 2015, the Board issued its Decision and Order related to this matter. In this Decision and Order, the Board directed CNPI Transmission to file a Draft Rate Order reflecting the Board’s findings. Further, CNPI Transmission was directed to include detailed supporting information showing the calculation of the final revenue requirement and a completed version of the Revenue Requirement Work Form Excel spreadsheet. The Draft Rate Order is to be filed with the Board with a copy to the Independent Electricity System Operator (the “IESO”) within 10 days of the date of the Decision and Order.

This is CNPI Transmission’s Draft Rate Order prepared in compliance with the Board’s direction.

In the Decision and Order, the Board acknowledged that CNPI Transmission had revised some aspects of its application in its argument-in-chief, which resulted in revised proposed revenue requirements of \$4,467,388 and \$4,843,623 for 2015 and 2016, respectively.

The Board's Decision and Order addressed the following issues:

- International Power Line
- Customer Delivery Point Performance Standards
- 25 Hertz Cycle Transmission Line – Tower Removal
- Salaries and Wages
- Project Fortran Costs
- Regulatory Expenses
- Cost of Capital
- Regulatory Accounting Issues

This Draft Rate Order will discuss each of these issues and, where the Board findings require CNPI Transmission to revise its requests, detailed supporting information has been included.

Complete versions of the Revenue Requirement Work Form Excel spreadsheet for 2015 and 2016 accompany this Draft Rate Order.

International Power Line

The Board has found that CNPI Transmission should rebuild the International Power Line ("IPL") on a like-for-like basis and has approved the related capital expenditures.

The OEB approved the IPL project for inclusion in rate base in 2015, with the half-year rule applying in that year, on the premise that the project will be used or useful in 2015. However, given the possibility that the project may not be used or useful until 2016, the Board has further approved the establishment of a variance account to make any adjustments necessary to reflect any such delay. These adjustments would then include the application of the half-year rule to 2016.

On the basis of the Board’s Decision and Order, CNPI Transmission has not revised its request related to the IPL in this Draft Rate Order. Details of the variance account to make any adjustments necessary to reflect a delay that prohibits the project from being used or useful in 2015 are as follows.

DEFERRAL OF IPL PROJECT
Draft Accounting Process

<u>Entry 1 (in December 2015):</u>		
Dr. Account 4110 Transmission Services Revenue	1,000	
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue _{IPL} , Sub-Account Network		594
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue _{IPL} , Sub-Account Line Connection		136
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue _{IPL} , Sub-Account Transformation Connection		270
To record foregone revenue relating to deferral of IPL project.		

<u>Entry 2 (on day one of following month):</u>		
Dr. Account 6035 Other Interest Expense	1	
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue _{IPL} , Sub-Account Interest		1
To record interest carrying charges.		

Values shown are for illustrative purposes only

Customer Delivery Point Performance Standards

The Board approved the revised Customer Delivery Point Performance Standards¹ proposed by CNPI Transmission in its Reply Submission dated April 9, 2015.

A complete copy of the Customer Delivery Point Performance Standards as provided with the Reply Submission accompany this Draft Rate Order.

¹ EB-2014-0204, CNPI Reply Submission, Appendix B

25 Hertz Cycle Transmission Line – Tower Removal

The OEB has approved CNPI Transmission's proposed expenditures for 2015 and 2016 for removal of these towers. As a result, there are no further adjustments made with respect of the 25 Hertz Cycle Transmission Line – Tower Removal project in this Draft Rate Order.

Salaries and Wages

The OEB has approved CNPI Transmission's salary and wage expenses underpinning the operating costs of \$2.9M as revised by CNPI Transmission in its Reply Submission. As a result, there are no further adjustments made with respect of salary and wages in this Draft Rate Order.

Project Fortran Costs

The Board has denied CNPI Transmission's request to recover the preliminary costs incurred for feasibility and impact studies to support a leave to construct application to the OEB for Project Fortran.

CNPI Transmission had proposed to recover this amount over a ten year period through an OM&A annual expense of \$122,128. As a result of the Board's Decision and Order in this matter, CNPI Transmission has revised its OM&A expenses for the 2015 and 2016 Test Years. CNPI Transmission has reduced its requested OM&A expense by \$122,128 for each of the Test Years.

The detailed supporting information relating to these annual reductions are provided in the discussions of the revised revenue requirements.

Regulatory Expenses

The Board has approved the amount of regulatory expense as proposed by CNPI Transmission. However, the Board has found that regulatory expense be amortized over the two years covered by the Application and be reflected in the rates for 2015 and 2016 only. The Board has directed CNPI Transmission to remove \$180,125 from its OM&A costs and establish a deferral account to record these costs for recovery in 2015 and 2016.

CNPI Transmission has complied with the Board's direction in this matter. The detailed supporting information relating to these annual revisions are provided in the discussions of the revised revenue requirements.

Details of the account to establish the recovery of the regulatory expense over the two year period covered by the Application are as follows. There are no carrying charges associated with these accounts.

REGULATORY COSTS
Draft Accounting Process

<u>Entry 1 (on effective date of EB-2014-0204):</u>		
Dr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Network	107,076	
Dr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Line Connection	24,418	
Dr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Transformation Connection	48,630	
Cr. Account 2205 Accounts Payable		180,125
To record regulatory expenses incurred in cost of service proceeding.		

<u>Entry 2 (on effective date of EB-2014-0204):</u>		
Dr. Account 1100 Customer Accounts receivable	37,526	
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Network		22,308
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Line Connection		5,087
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Transformation Connection		10,131
To record catch-up receivable of recovery of regulatory expenses incurred in cost of service proceeding.		

<u>Entry 3 (on last day of month of effective date of EB-2014-0204):</u>		
Dr. Account 1100 Customer Accounts receivable	7,505	
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Network		4,462
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Line Connection		1,017
Cr. Account 1508 Other Regulatory Assets - Regulatory Costs, Sub-Account Transformation Connection		2,026
To record receivable of one month of recovery of regulatory expenses incurred in cost of service proceeding.		

Cost of Capital

The Board has approved a weighted average long term debt rate for CNPI Transmission that incorporates an interest rate of 4.03% for its \$20M promissory note. The approved long term debt rate of 4.77% for 2015 has been found appropriate for the planned \$8M promissory note to be issued in 2015.

The Board has directed CNPI Transmission to recalculate its cost of capital using the 2015 cost of capital parameters provided in its Decision and Order, and to recalculate its cost of long term debt to reflect an interest rate on its 2013 affiliated debt of 4.03%.

Shown below is a revised Appendix 2-OB – Debt Instruments reflecting the Board's direction in this matter.

**Appendix 2-OB
 Debt Instruments**

		Year		2016 Test Year						
Row	Description	Lender	Affiliated or Third-Party	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0403	\$ 806,000	
4	Promissory Note	FortisOntario	Third-Party	Fixed Rate	01-Jan-15		\$ 8,000,000	0.0477	\$ 381,600	
Total							\$ 58,000,000	0.0577	\$ 3,347,228	

		Year		2015 Test Year						
Row	Description	Lender	Affiliated or Third-Party	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0403	\$ 806,000	
4	Promissory Note	FortisOntario	Third-Party	Fixed Rate	01-Jan-15		\$ 8,000,000	0.0477	\$ 381,600	
Total							\$ 58,000,000	0.0577	\$ 3,347,228	

		Year		2014 Bridge Year						
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	14-Aug-03	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Third-Party	Fixed Rate	1-Jan-13		\$ 20,000,000	0.0403	\$ 806,000	
Total							\$ 50,000,000	0.0593	\$ 2,965,628	

		Year		2013A						
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Senior Unsecured Notes	Life Insurance Cos.	Third-Party	Fixed Rate	16-Dec-11	15	\$ 30,000,000	0.07092	\$ 2,127,600	
2	Debt issue costs								\$ 32,028	Note 3
3	Promissory Note	FortisOntario	Affiliated	Fixed Rate	01-Jan-13		\$ 20,000,000	0.0401	\$ 802,000	
Total							\$ 50,000,000	0.05923	\$ 2,961,628	

		Year		2001 Board Approved						
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1								0.0725	\$ -	Note 4
Total							\$ -	0.0725	\$ -	

Shown below is the detailed calculation of the revised Cost of Capital and its effect on the return.

Effect of Updated Cost of Capital rates

2015 Original Cost of Capital Rates

Particulars	Capitalization Ratio		Cost Rate	Return
	2015			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$11,642,823	6.08%	\$707,884
Short-term Debt	4.00%	\$831,630	2.11%	\$17,547
Total Debt	60.00%	\$12,474,453	5.82%	\$725,431
Equity				
Common Equity	40.00%	\$8,316,302	9.36%	\$778,406
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$8,316,302	9.36%	\$778,406
Total	100.00%	\$20,790,755	7.23%	\$1,503,837

2015 Updated Cost of Capital Rates

Particulars	Capitalization Ratio		Cost Rate	Return
	2015			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$11,642,823	5.77%	\$671,791
Short-term Debt	4.00%	\$831,630	2.16%	\$17,963
Total Debt	60.00%	\$12,474,453	5.77%	\$689,754
Equity				
Common Equity	40.00%	\$8,316,302	9.30%	\$773,416
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$8,316,302	9.30%	\$773,416
Total	100.00%	\$20,790,755	7.04%	\$1,463,170

Variance **(\$40,667)**

This updated cost of capital has been incorporated into the complete versions of the Revenue Requirement Work Form Excel spreadsheet for 2015 and 2016 accompanying this Draft Rate Order.

Regulatory Accounting Issues

Effective Date of Changes in Accounting Policy

The Board has approved CNPI Transmission's request to make the proposed accounting changes effective January 1, 2015 rather than January 1, 2013. As a result, there are no further adjustments made with respect of the effective date of changes in accounting policy in this Draft Rate Order.

Account 1592 PILs and Tax Variances for 2006 and Subsequent Years, Sub-Account HST/OVAT Input Tax Credits

The Board has not required CNPI Transmission to establish a deferral account to capture the incremental tax savings received on the revenue requirement for items that were previously subject to PST and became subject to HST. As a result, there are no further adjustments made with respect of Account 1592 PILs and Tax Variances for 2006 and Subsequent Years, Sub-Account HST/OVAT Input Tax Credits in this Draft Rate Order.

Revenue Requirement

The following exhibit details the changes to CNPI Transmission's revenue requirement arising from the implementation of the Board's Decision and Order. The resulting annual revenue requirements are \$4,246,478 and \$4,647,201 for 2015 and 2016, respectively.

This exhibit shows the effect of the updated cost of capital parameters, the removal of the Project Fortran costs from OM&A and the removal of the recovery of regulatory expenses over a five year period as directed by the Board. The revisions to the return on rate base and Income Taxes resulting from these changes are also reflected in this exhibit.

Revenue Requirement Details

CNPI Transmission

2015 Components of Revenue Requirement				
Particulars	Requested	OEB Decision	Change	%
Rate Base	\$ 21,599,433	\$ 20,790,755	\$ (808,678)	-3.7%
Cost of Capital	7.23%	7.04%		
Return on Rate Base	\$ 1,562,330	\$ 1,463,170	\$ (99,160)	-6.3%
OM&A Expenses (Note 1)	\$ 1,877,416	\$ 1,679,263	\$ (198,153)	-10.6%
Amortization/Depreciation	\$ 820,993	\$ 813,686	\$ (7,307)	-0.9%
Property Taxes	\$ 135,300	\$ 158,300	\$ 23,000	17.0%
Capital Taxes	\$ -	\$ -	\$ -	
Income Taxes (Grossed up)	\$ 134,672	\$ 132,059	\$ (2,613)	-1.9%
2015 Revenue Requirement	<u>\$ 4,530,710</u>	<u>\$ 4,246,478</u>	<u>\$ (284,232)</u>	-6.3%

Note 1	\$ 1,877,416	
	(36,025)	Regulatory expenses
	(122,128)	Fortran
	(40,000)	Vacant positions
	<u>\$ 1,679,263</u>	

2016 Components of Revenue Requirement				
Particulars	Requested	OEB Decision	Change	%
Rate Base	\$ 24,136,516	\$ 24,211,326	\$ 74,810	0.3%
Cost of Capital	7.23%	7.04%		
Return on Rate Base	\$ 1,745,842	\$ 1,703,896	\$ (41,946)	-2.4%
OM&A Expenses (Note 2)	\$ 1,919,060	\$ 1,760,907	\$ (158,153)	-8.2%
Amortization/Depreciation	\$ 885,209	\$ 902,276	\$ 17,067	1.9%
Property Taxes	\$ 138,006	\$ 161,006	\$ 23,000	16.7%
Capital Taxes	\$ -	\$ -	\$ -	
Income Taxes (Grossed up)	\$ 129,939	\$ 119,116	\$ (10,823)	-8.3%
2016 Revenue Requirement	<u>\$ 4,818,056</u>	<u>\$ 4,647,201</u>	<u>\$ (170,855)</u>	-3.5%

Note 2	\$ 1,919,060	
	(122,128)	Fortran
	(36,025)	Regulatory expenses
	<u>\$ 1,760,907</u>	

The following two exhibits are excerpts from the 2015 and 2016 Revenue Requirement Workforms which accompany this Draft Rate Order.

2015

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$1,877,416		\$1,837,416	\$1,679,263
2	Amortization/Depreciation	\$820,993		\$820,993	\$813,686
3	Property Taxes	\$135,300		\$158,300	\$158,300
5	Income Taxes (Grossed up)	\$134,672		\$146,842	\$132,059
6	Other Expenses	\$ -			
7	Return				
	Deemed Interest Expense	\$753,647		\$725,431	\$689,754
	Return on Deemed Equity	\$808,683		\$778,406	\$773,416
8	Service Revenue Requirement (before Revenues)	\$4,530,711		\$4,467,388	\$4,246,478
9	Revenue Offsets	\$ -		\$ -	\$ -
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	\$4,530,711		\$4,467,388	\$4,246,478
11	Distribution revenue	\$4,530,711		\$4,467,388	\$4,246,478
12	Other revenue	\$ -		\$ -	\$ -
13	Total revenue	\$4,530,711		\$4,467,388	\$4,246,478
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0)	(1)	(\$0)	(1)

2016

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$1,919,060		\$1,919,060	\$1,760,907
2	Amortization/Depreciation	\$885,209		\$885,209	\$902,276
3	Property Taxes	\$138,006		\$161,006	\$161,006
5	Income Taxes (Grossed up)	\$129,939		\$127,094	\$119,116
6	Other Expenses	\$ -			
7	Return				
	Deemed Interest Expense	\$842,171		\$844,782	\$803,235
	Return on Deemed Equity	\$903,671		\$906,472	\$900,661
8	Service Revenue Requirement (before Revenues)	\$4,818,056		\$4,843,623	\$4,647,201
9	Revenue Offsets	\$ -		\$ -	\$ -
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	\$4,818,056		\$4,843,623	\$4,647,201
11	Distribution revenue	\$4,818,056		\$4,843,623	\$4,647,201
12	Other revenue	\$ -		\$ -	\$ -
13	Total revenue	\$4,818,056		\$4,843,623	\$4,647,201
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0)	(1)	\$0	(1)

Rate Design

Arising from the Board's Decision and Order, CNPI has determined that the Test Year Revenue Requirements are \$4,246,478 and \$4,647,201 for 2015 and 2016, respectively. The derivations of these revenue requirements are provided in the Revenue Requirement Work Forms which accompany this Draft Rate Order.

In addition, the Board has approved the recovery of \$180,125 in regulatory expense as proposed by CNPI Transmission. However, the Board found that regulatory expense should be amortized over the two years covered by the Application and be reflected in the rates for 2015 and 2016 only.

To comply with Board direction, CNPI Transmission has removed \$36,025 (CNPI Transmission's proposal was to recover \$180,025 over a five year period) from its OM&A costs and has established a deferral account to record these costs for recovery in 2015 and 2016. In order to recover the approved regulatory expense of \$180,125 over a two year time frame, CNPI is proposing a revenue requirement rate rider of \$90,062.50 ($\$180,125 / 2$ years) to be added to the base revenue requirements of \$4,246,478 and \$4,647,201 for 2015 and 2016, respectively.

As the basis of the rate design, CNPI Transmission it is utilizing the established the uniform transmission rates to be in effect for 2015 which the Board approved on January 8, 2015; EB-2014-0357.

The process is straight forward; CNPI has replaced the interim revenue requirement and the annual charge determinants with those approved in this Application and as recalculated the uniform rates and revenue allocators accordingly and in a manner the same as those of EB-2014-0357.

The revenue requirement rate rider of \$90,062.50, identified above, has been allocated to the three transmission pools (Network, Line and Transformation) in the same proportion

as is the base revenue requirement in order to recover that amount through the Uniform Transmission Rates.

Shown below are three exhibits; the first is the 2015 Board approved Uniform Transmission Rates; EB-2014-0357, second is the proposed 2015 Uniform Transmission Rates; EB-2014-0204, and the third is the proposed 2016 Uniform Transmission Rates; EB-2014-0204.

2015 Board approved Uniform Transmission Rates; EB-2014-0357

EB-2014-0357
 Uniform Transmission Rates and Revenue Disbursement Allocators
 (for period January 1, 2015 to December 31, 2015)

Transmitter	Revenue Requirement (\$)			
	Network	Line	Transformation	Total
FNEI	3,761,177	857,719	1,708,192	6,327,089
CNPI (Interim)	2,741,895	625,277	1,245,271	4,612,443
GLPT	23,958,268	5,463,574	10,880,989	40,302,831
H1N	878,027,045	200,230,084	398,768,505	1,477,025,634
B2MLP (Interim)	40,550,724			40,550,724
All Transmitters	949,039,110	207,176,655	412,602,957	1,568,818,721

Transmitter	Total Annual Charge Determinants (MW)		
	Network	Line	Transformation
FNEI	187.120	213.460	76.190
CNPI	583.420	668.600	668.600
GLPT	3,489.236	2,725.624	626.252
H1N	246,888.000	238,332.000	204,816.000
B2MLP	-	-	-
All Transmitters	251,147.776	241,939.684	206,187.042

Transmitter	Uniform Rates and Revenue Allocators		
	Network	Line	Transformation
Uniform Transmission Rates (\$/kW - Month)	3.78	0.86	2.00
FNEI Allocation Factor	0.00396	0.00414	0.00414
CNPI Allocation Factor	0.00289	0.00302	0.00302
GLPT Allocation Factor	0.02524	0.02637	0.02637
H1N Allocation Factor	0.92517	0.96647	0.96647
B2MLP Allocation Factor	0.04273	0.00000	0.00000
Total of All Allocation Factors	1.00000	1.00000	1.00000

Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010.

Note 2: CNPI Rates Revenue Requirement and Charge Determinants per Board Decision on RP-2001-0034 dated December 11, 2001. Set as Interim on December 18, 2014 under EB-2014-0204.

Note 3: Rates Revenue Requirement and Charge Determinants per Board Decision on Settlement Agreement for EB-2014-0238 Decision and Order, December 18, 2014.

Note 4: H1N Rates Revenue Requirement per Oral Board Decision on Settlement Agreement for EB-2014-0140 dated December 2, 2014. Rate Order Approved January 8, 2015.

Note 5: B2MLP Interim 2015 Revenue Requirement per Exhibit A - Revised in EB-2014-0330 dated December 4, 2014. OEB Interim approval on December 11, 2014.

Note 6: Calculated data in shaded cells.

Proposed 2015 Uniform Transmission Rates; EB-2014-0204

**EB-2014-0204
 Draft Rate Order
 Uniform Transmission Rates and Revenue Disbursement Allocators
 (for period January 1, 2015 to December 31, 2015)**

Transmitter	Revenue Requirement (\$)			
	Network	Line	Transformation	Total
FNEI	3,761,177	857,719	1,708,192	6,327,089
CNPI (2015 Base Revenue Requirement)	2,524,345	575,665	1,146,467	4,246,478
CNPI (2015 Regulatory Expense Rate Rider)	53,538	12,209	24,315	90,063
CNPI (2015 Revenue Requirement)	2,577,883	587,875	1,170,783	4,336,541
GLPT	23,958,268	5,463,574	10,880,989	40,302,831
H1N	878,027,045	200,230,084	398,768,505	1,477,025,634
B2MLP (Interim)	40,550,724	-	-	40,550,724
All Transmitters	948,875,098	207,139,252	412,528,469	1,568,542,819

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line	Transformation	
FNEI	187.120	213.460	76.190	
CNPI	522.070	548.392	548.392	
GLPT	3,489.236	2,725.624	626.252	
H1N	246,888.000	238,332.000	204,816.000	
B2MLP	-	-	-	
All Transmitters	251,086.426	241,819.476	206,066.834	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line	Transformation	
Uniform Transmission Rates (\$/kW - Month)	3.78	0.86	2.00	
FNEI Allocation Factor	0.00396	0.00414	0.00414	
CNPI Allocation Factor	0.00272	0.00284	0.00284	
GLPT Allocation Factor	0.02525	0.02638	0.02638	
H1N Allocation Factor	0.92533	0.96664	0.96664	
B2MLP	0.04274	0.00000	0.00000	
Total of All Allocation Factors	1.00000	1.00000	1.00000	

Proposed 2016 Uniform Transmission Rates; EB-2014-0204

**EB-2014-0204
 Draft Rate Order
 Uniform Transmission Rates and Revenue Disbursement Allocators
 (for period January 1, 2016 to December 31, 2016)**

Transmitter	Revenue Requirement (\$)			
	Network	Line	Transformation	Total
FNEI	3,761,177	857,719	1,708,192	6,327,089
CNPI (2015 Base Revenue Requirement)	2,762,557	629,989	1,254,655	4,647,201
CNPI (2015 Regulatory Expense Rate Rider)	53,538	12,209	24,315	90,063
CNPI (2015 Revenue Requirement)	2,816,096	642,198	1,278,970	4,737,264
GLPT	23,958,268	5,463,574	10,880,989	40,302,831
H1N	878,027,045	200,230,084	398,768,505	1,477,025,634
B2MLP (Interim)	40,550,724	-	-	40,550,724
All Transmitters	949,113,310	207,193,576	412,636,656	1,568,943,542

Transmitter	Total Annual Charge Determinants (MW)		
	Network	Line	Transformation
FNEI	187.120	213.460	76.190
CNPI	522.894	549.258	549.258
GLPT	3,489.236	2,725.624	626.252
H1N	246,888.000	238,332.000	204,816.000
B2MLP	-	-	-
All Transmitters	251,087.250	241,820.342	206,067.700

Transmitter	Uniform Rates and Revenue Allocators		
	Network	Line	Transformation
Uniform Transmission Rates (\$/kW - Month)	3.78	0.86	2.00
FNEI Allocation Factor	0.00396	0.00414	0.00414
CNPI Allocation Factor	0.00297	0.00310	0.00310
GLPT Allocation Factor	0.02524	0.02637	0.02637
H1N Allocation Factor	0.92510	0.96639	0.96639
B2MLP	0.04272	0.00000	0.00000
Total of All Allocation Factors	1.00000	1.00000	1.00000

The revised CNPI Transmission's revenue requirement and the annual charge determinants are not significantly impactful on the Uniform Transmission Rates as to cause a change when rounded to the cent.

Reconciliation

The following two exhibits provide annual reconciliations of the CNPI Transmission revenue requirement (includes the revenue requirement rate rider for regulatory cost) with the annual charge determinants, revenue allocation factor and uniform transmission rates. The minor variances result from the uniform transmission rates being rounded to the nearest cent.

	Network	Line	Transformation	Total Revenue
2015 Annual Charge Determinants (kW)	251,086,426	241,819,476	206,066,834	
2015 Requested UTR (\$/kW per month)	\$ 3.78	\$ 0.86	\$ 2.00	
2015 CNPI - Tx Allocation Factor	0.00272	0.00284	0.00284	
2015 Revenue	\$ 2,578,512.57	\$ 590,217.42	\$ 1,169,662.03	\$ 4,338,392.03
2015 Test Year Revenue Requirement				<u>\$ 4,336,540.50</u>
Difference				\$ 1,851.53

	Network	Line	Transformation	Total Revenue
2016 Annual Charge Determinants (kW)	251,087,250	241,820,342	206,067,700	
2016 Requested UTR (\$/kW per month)	\$ 3.78	\$ 0.86	\$ 2.00	
2016 CNPI - Tx Allocation Factor	0.00297	0.00310	0.00310	
2016 Revenue	\$ 2,816,085.26	\$ 644,590.40	\$ 1,277,416.36	\$ 4,738,092.02
2016 Test Year Revenue Requirement				<u>\$ 4,737,263.50</u>
Difference				\$ 828.52

Bill Impacts

CNPI Transmission confirms that there continues to be no measureable rate impacts arising from the revenue requirements as directed by the Board in its Decision and Order.

Foregone Revenue

On January 8, 2015, the OEB established the uniform transmission rates to be in effect for 2015. Therefore, CNPI Transmission has to establish a deferral account to record foregone revenue for 2015 in accordance with its Draft Rate Order. CNPI Transmission will inform the Board of the forecast balance in the account as at December 31, 2015 by December 1, 2015 in order to incorporate this amount for recovery in 2016. The exhibit below details the methodology that CNPI Transmission is proposing to determine the foregone for 2015. The exhibit compares the actual transmission revenues (network, transformation and line) that are being allocated to CNPI Transmission per the current uniform transmission tariff and revenue allocators with those being proposed in this Draft Rate Order. The monthly variances are the foregone revenues.

Existing CNPI 2015 Transmission Service Revenue													
	January	February	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Network Service Credit	241,840.77	241,523.94	229,099.30	202,348.98	-	-	-	-	-	-	-	-	\$ 914,812.99
Line Connection Service Credit	54,265.66	54,915.29	51,554.00	49,158.84	-	-	-	-	-	-	-	-	\$ 209,893.79
<u>Transformation Connection Service Credit</u>	<u>108,781.89</u>	<u>110,109.01</u>	<u>102,884.51</u>	<u>96,753.41</u>	-	-	-	-	-	-	-	-	<u>\$ 418,528.82</u>
Total for Transmission Revenue	404,888.32	406,548.24	383,537.81	348,261.23	-	-	-	-	-	-	-	-	\$ 1,543,235.60

EB-2014-0357 - Uniform Transmission Rates and Revenue Disbursement Allocators (for period January 1, 2015 to December 31, 2015)				
Network Service	0.00289	0.00289	0.00289	0.00289
Line Connection Service	0.00302	0.00302	0.00302	0.00302
Transformation Connection Service	0.00302	0.00302	0.00302	0.00302

EB-2014-0204 - Draft Rate Order - Uniform Transmission Rates and Revenue Disbursement Allocators (for period January 1, 2015 to December 31, 2015)				
Network Service	0.00272	0.00272	0.00272	0.00272
Line Connection Service	0.00284	0.00284	0.00284	0.00284
Transformation Connection Service	0.00284	0.00284	0.00284	0.00284

Allocated CNPI 2015 Transmission Service Revenue Derived on the Basis of the Draft Rate Order Revenue Disbursement Allocators (for period January 1, 2015 to December 31, 2015)													
	January	February	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Network Service Credit	227,413.88	227,115.95	215,432.50	190,277.95	-	-	-	-	-	-	-	-	\$ 860,240.29
Line Connection Service Credit	51,028.86	51,639.74	48,478.95	46,226.65	-	-	-	-	-	-	-	-	\$ 197,374.21
<u>Transformation Connection Service Credit</u>	<u>102,293.35</u>	<u>103,541.31</u>	<u>96,747.73</u>	<u>90,982.34</u>	-	-	-	-	-	-	-	-	<u>\$ 393,564.73</u>
Total for Transmission Revenue	380,736.10	382,297.01	360,659.18	327,486.94	-	-	-	-	-	-	-	-	\$ 1,451,179.23

Foregone Revenue													
Network Service Credit	- 14,426.89	- 14,407.99	- 13,666.80	- 12,071.03	-	-	-	-	-	-	-	-	-\$ 54,572.70
Line Connection Service Credit	- 3,236.80	- 3,275.55	- 3,075.05	- 2,932.19	-	-	-	-	-	-	-	-	-\$ 12,519.58
<u>Transformation Connection Service Credit</u>	<u>- 6,488.54</u>	<u>- 6,567.70</u>	<u>- 6,136.78</u>	<u>- 5,771.07</u>	-	-	-	-	-	-	-	-	<u>-\$ 24,964.09</u>
Total for Transmission Revenue	- 24,152.22	- 24,251.23	- 22,878.63	- 20,774.29	-	-	-	-	-	-	-	-	-\$ 92,056.37

Details of the account to establish the recovery foregone revenue and the associated carrying charges for the period from January 1, 2015 to the implementation date are as follows.

FOREGONE REVENUE DAO
Draft Accounting Process

<u>Entry 1 (on implementation date of EB-2014-0204):</u>		
Dr. Account 4110 Transmission Services Revenue	92,000	
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue, Sub-Account Network		55,000
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue, Sub-Account Line Connection		12,000
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue, Sub-Account Transformation Connection		25,000
To record foregone revenue.		

<u>Entry 2 (on day one of following month of implementation date of EB-2014-0204):</u>		
Dr. Account 6035 Other Interest Expense	84	
Cr. Account 1508 Other Regulatory Assets - Foregone Revenue, Sub-Account Interest		84
To record interest carrying charges.		

Implementation

The Board had declared CNPI Transmission's current revenue requirement to be interim, effective January 1, 2015. The Board has approved an effective date of January 1, 2015 for 2015 rates and January 1, 2016 for 2016 rates.

On January 8, 2015, the Board established the uniform transmission rates to be in effect for 2015; EB-2014-0357. Consequently, the Board has directed CNPI Transmission to establish a deferral account to record foregone revenue for 2015. Details of this deferral account have been provided in this Draft Rate Order. CNPI Transmission has been directed to inform the Board of the forecast balance in this account as at December 31, 2015 by December 1, 2015 in order to incorporate this amount for recovery in 2016. CNPI Transmission will comply with Board direction in this matter.