



CANADIAN NIAGARA POWER INC.

A **FORTIS** ONTARIO
Company

June 3, 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 reply to the Board Staff Submission to the Draft Rate Order, dated June 1, 2015. Board staff has asked CNPI Transmission to provide Draft Accounting Orders related to foregone revenue requirement, the IPL project and the regulatory expense. CNPI Transmission has complied with this request and the Draft Accounting Orders are attached hereto.

CNPI Transmission has no further submissions.

A PDF version of these reply comments 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

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ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Canadian Niagara Power Inc. for an Order or Orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998* approving rates for the transmission of electricity and related matters.

**Draft Accounting Order
Foregone Revenue**

Canadian Niagara Power Inc. (CNPI Transmission) filed a complete cost of service application with the Ontario Energy Board (OEB) on November 17, 2014 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its electricity transmission revenue requirements for 2015 and 2016 to be effective January 1, 2015 and January 1, 2016. CNPI Transmission recovers its OEB-approved revenue requirement through Ontario's Uniform Transmission Rates.

On December 18, 2014, the OEB declared the CNPI Transmission's existing revenue requirement interim effective January 1, 2015.

On January 8, 2015, the OEB established the uniform transmission rates to be in effect for 2015.

On May 14, 2015, the Board issued its Decision and Order related to this Application.

In its Decision and Order, the Board directed CNPI Transmission to establish a deferral account to record foregone revenue for 2015. 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.

This draft Accounting Order is intended to reflect the Board direction.

CNPI Transmission shall establish the following deferral and variance accounts effective January 1, 2015:

Account 1508 Other Regulatory Assets – Foregone Revenue

- Sub-account Network
- Sub-account Line Connection
- Sub-account Transformation Connection

As of the implementation date of CNPI Transmission's 2015 Revenue Requirement, CNPI will retrospectively record the difference between revenues received on the basis of the CNPI Transmission Interim Revenue Requirement and the Board approved 2015 Revenue Requirement. Entries will be made with respect of each month, effective January 1, 2015, until such period that the 2015 Revenue Requirement is implemented. Carrying charges will be recorded on this account.

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. This account will not be maintained after the forecasted balance for December 31, 2015 has been disposed.

Sample Journal Entries

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

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.		

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ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Canadian Niagara Power Inc. for an Order or Orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998* approving rates for the transmission of electricity and related matters.

**Draft Accounting Order
IPL Project**

Canadian Niagara Power Inc. (CNPI Transmission) filed a complete cost of service application with the Ontario Energy Board (OEB) on November 17, 2014 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its electricity transmission revenue requirements for 2015 and 2016 to be effective January 1, 2015 and January 1, 2016. CNPI Transmission recovers its OEB-approved revenue requirement through Ontario's Uniform Transmission Rates.

On December 18, 2014, the OEB declared the CNPI Transmission's existing revenue requirement interim effective January 1, 2015.

On January 8, 2015, the OEB established the uniform transmission rates to be in effect for 2015.

On May 14, 2015, the Board issued its Decision and Order related to this Application.

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.

Sample Journal Entries

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

DEFERRAL OF IPL PROJECT

Draft Accounting Process

Entry 1 (in December 2015):		
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.		

Entry 2 (on day one of following month):		
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

This deferral account will be maintained until such time the IPL becomes used or useful or a subsequent revenue requirement application is filed by CNPI Transmission which determines the disposition of the account.

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Canadian Niagara Power Inc. for an Order or Orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998* approving rates for the transmission of electricity and related matters.

**Draft Accounting Order
Regulatory Expense**

Canadian Niagara Power Inc. (CNPI Transmission) filed a complete cost of service application with the Ontario Energy Board (OEB) on November 17, 2014 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its electricity transmission revenue requirements for 2015 and 2016 to be effective January 1, 2015 and January 1, 2016. CNPI Transmission recovers its OEB-approved revenue requirement through Ontario's Uniform Transmission Rates.

On December 18, 2014, the OEB declared the CNPI Transmission's existing revenue requirement interim effective January 1, 2015.

On January 8, 2015, the OEB established the uniform transmission rates to be in effect for 2015.

On May 14, 2015, the Board issued its Decision and Order related to this Application.

In its Decision and Order, 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.

Sample journal entries for this account are as follows:

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.		

Use of this Regulatory Expense account will end at December 31, 2016. There are no carrying charges associated with these accounts.