



EB-2014-0204

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. seeking changes to its electricity transmission revenue requirement for 2015 and 2016 to be effective January 1, 2015 and January 1, 2016 and the approval of its customer delivery point standards.

BEFORE: Ellen Fry
Presiding Member

Marika Hare
Member

FINAL ORDER

June 25, 2015

Canadian Niagara Power Inc. (CNPI Transmission) filed a complete cost of service application with the Ontario Energy Board (the 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. In the same proceeding, CNPI also filed for approval of its customer delivery point standards. CNPI Transmission recovers its OEB-approved revenue requirement through Ontario's Uniform Transmission Rates.

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

The OEB issued its Decision and Order on May 14, 2015. CNPI Transmission filed a draft rate order as directed by the OEB on May 25, 2015. OEB staff provided comments to which CNPI Transmission replied.

The OEB is satisfied that the material provided by CNPI Transmission concerning revenue requirements and annual charge determinants accurately reflects the OEB's Decision and Order. The OEB therefore approves the revenue requirements and annual charge determinants below:

TABLE 1

	Revenue Requirement (\$)			
	Network	Line	Transformation	Total
2015	2,524,345	575,665	1,146,467	4,246,478
2016	2,762,557	629,989	1,254,655	4,647,201
	Total Annual Charge Determinants (MW)			
	Network	Line	Transformation	
2015	522.07	548.392	548.392	
2016	522.894	549.258	549.258	

In its Decision and Order, the OEB directed CNPI Transmission to provide draft accounting orders for the International Power Line (IPL) Variance Account, the Regulatory Expense Deferral Account and the 2015 Foregone Revenue Deferral Account. The OEB approves the draft accounting orders; they are each within Appendix A, attached to this decision.

On January 8, 2015, the OEB issued its final Rate Order approving the 2015 Ontario Uniform Transmission rates. CNPI Transmission shall record the difference between revenues received on the basis of CNPI Transmission's interim revenue requirement and the approved 2015 revenue requirement, in accordance with the Accounting Order for 2015 Foregone Revenue Deferral Account contained in Appendix A. The balance of this account as at December 31, 2015 shall be an adjustment to its 2016 revenue requirement.

The OEB has approved CNPI Transmission's regulatory expenses of \$180,125 for recovery over two years. CNPI Transmission shall record this amount in accordance with the Accounting Order for Regulatory Expense Deferral Account contained in Appendix A, as an adjustment to its approved 2016 revenue requirement.

The OEB notes that this Order reflects the allocation of CNPI Transmission's revenue requirement among the three Ontario Uniform Transmission Rate pools that are currently approved by the OEB for 2015. The allocation of CNPI's 2016 revenue requirement and those of other transmitters to the transmission rate pools for that year will be the focus of a future OEB decision.

IT IS ORDERED THAT:

1. CNPI's revenue requirements and charge determinants for 2015 and 2016 as set out above in Table 1 are hereby approved.
2. CNPI Transmission shall establish the following deferral and variance accounts in accordance with Appendix A, effective January 1, 2015:
 - Sub-Account "2015 Foregone Revenue Deferral Account" within Account 1508, and related sub-accounts as required
 - Sub-Account "IPL Variance Account" within Account 1508, and related sub-accounts as required
 - Sub-Account "Regulatory Expense Deferral Account" within Account 1508, and related sub-accounts as required.
3. CNPI Transmission shall inform the Board by **December 1, 2015** of the forecast balance in the 2015 Foregone Revenue Deferral Account account as at December 31, 2015, in order to calculate the adjustment to the 2016 revenue requirement.
4. CNPI Transmission shall include the \$180,125 balance of the Regulatory Expense Deferral Account as an adjustment to its 2016 revenue requirement.
5. CNPI Transmission shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, June 25, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
TO FINAL ORDER
EB-2014-0204
Canadian Niagara Power Inc.

DATED: June 25, 2015

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.

**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.		

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.

**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

<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

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.

**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

Sample journal entries for this account are as follows:

REGULATORY COSTS

Draft Accounting Process

Entry 1 (on effective date of EB-2014-0204):		
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.		

Entry 2 (on effective date of EB-2014-0204):		
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.		

Entry 3 (on last day of month of effective date of EB-2014-0204):		
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.