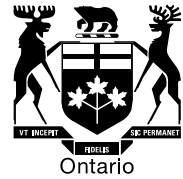


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**BY E-MAIL**

December 13, 2016

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Canadian Niagara Power Inc.  
Application for Rates  
OEB File Number EB-2016-0061**

On December 6, 2016, the OEB issued a letter with respect to the above proceeding which noted that as per Procedural Order No. 1, issued on September 16, 2016, parties were to file by December 13, 2016, any submissions on which issues shall be heard in writing, and for which issues the OEB should hold an oral hearing.

OEB staff notes that the unsettled issues were described in the Settlement Proposal filed on December 1, 2016, as below:

- Issue 1.2 OM&A, no settlement, full issue to hearing.
- Issue 2.1.1 Cost of Capital, partial settlement, the issue of whether and how expected changes in the cost of long-term debt in 2018 should be reflected in rates will go to hearing.
- Issue 4.1 Accounting Standards etc., partial settlement, the discrete issue of the appropriate accounting for Pension and OPEB costs in rates (cash vs. accrual) will go to hearing.
- Issue 4.2 Deferral and Variance Accounts, partial settlement, the issue of whether a variance account related to pension and OPEBs is appropriate will go to hearing, and the issue of whether a variance account should be established for future changes to the cost of long-term debt will go to hearing.
- Issue 4.2.1 Effective Date, no settlement, the issue of whether rates should be effective January 1, 2017 will go to hearing.

OEB staff is of the view that the discrete issue of the appropriate accounting for Pension and OPEB costs in rates and the related matter of whether a variance account is appropriate (Issues 4.1 and 4.2 above) is a generic issue that can be dealt with in argument, rather than requiring an oral hearing.

OEB staff further believes that given the limited scope of the unsettled cost of capital issue (Issue 2.1.1 above) and the effective date issue (Issue 4.2.1 above) that these two issues can also be dealt with through argument.

OEB staff notes that Issue 1.2 OM&A is entirely unsettled and OM&A costs are a substantial component of CNPI's revenue requirement. OEB staff further notes that the proposed increase in OM&A costs between the 2015 actual level and the 2017 Test year level is over 10%. The OEB may wish to consider having an oral hearing on this issue.

*Original Signed By*

Martin Davies  
Project Advisor, Rates  
Major Applications

cc: Andrew Taylor (Applicant Counsel, The Energy Boutique)  
R Scott Hawkes (CNPI)  
All intervenors in EB-2016-0061