

**Ontario Energy
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Reference #: EB-2016-0352

BY EMAIL

May 12, 2017

Mr. J. Myers,
Torys LLP
79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario
M5K 1N2

jmyers@torys.com

Dear Mr. Myers,

Re: EB-2016-0262 Wataynikaneyap Power LP

You contacted Ontario Energy Board (OEB) staff on behalf of your client Wataynikaneyap Power LP (WPLP) for guidance on the implementation of the OEB's accounting order included in the Decision and Order in file EB-2016-0262. Your inquiry was consistent with the direction in the Decision and Order that any questions regarding the implementation of the account should be directed to OEB staff.

You asked for clarification on two matters:

1. The meaning of "all funding" as used on page 11 of the OEB's Decision, and whether the requirement to record funding amounts refers only to funding from government sources for development activities with no expectation of repayment.
2. The calculation of carrying charges for sub-account 1508.003, particularly the phrase "carrying charges on net development costs" found on the first page of the accounting order.

1. All funding:

In its findings at page 11 of the Decision the OEB said:

Although the determination of whether any component of the costs to be recovered from ratepayers should be offset by any funding received from other sources will be determined at the time of disposition, the recording of costs and funding in the deferral account has to be done in such a manner to facilitate a future determination.

The OEB finds that the funding sub-account identified in the accounting order should include all funding for development activities received from sources other than WPLP, and not just those funds "applied for and received by WPLP". If the costs associated with an activity are recorded in the deferral account then it is appropriate that the revenues received to fund the activity must also be recorded in the revenue deferral account. WPLP must record all funding received for development activities for the Project from November 23, 2010.

OEB staff believes that the OEB intended the requirement for the recording of funding to be broader than the interpretation put forward by WPLP. Staff is of the view that WPLP must record all funding from any source, government or otherwise, whether or not repayment is expected. The exception would be equity contributions from the partners of WPLP, which staff believes WPLP does not need to record in the deferral account. Staff further believes the requirement to record funding would apply to funding received directly or indirectly by WPLP. Staff agrees with your interpretation of "indirectly": received by a predecessor, affiliate or other entity related to or previously related (at the time the funding was received) to WPLP or WPGP or a predecessor. This would include funding received by the partners of WPLP. Staff believes that the recording of all funding in the sub-account is intended to facilitate informed decision-making by the OEB when considering disposition of the account.

2. Carrying charges

The OEB stated in the paragraphs from the Decision quoted above that the extent to which development costs will be offset by funding received will be determined at the time of disposition of the account. However, the recording of costs and funding in the deferral account is to be done in such a manner to facilitate this future determination.

The description of the required journal entries on the third and fourth pages of the accounting order indicates that the entries will produce a net amount in the carrying charges sub-account. Nevertheless, the accounting order requires that the carrying charges on both development costs and funding be recorded in the carrying charges sub-account through separate journal entries. At the time of disposition of the sub-accounts, the OEB will presumably determine which funding amounts will be applied to offset development costs. The detail provided through the separate journal entries will give the OEB the information to make a corresponding adjustment to the carrying charge sub-account as necessary.

I would like to remind WPLP that this letter contains only OEB staff's views of the accounting requirements contained in the Decision and Order, and is not a ruling from the OEB itself. Further, OEB staff understands from our conversations that the accounting records of WPLP will be subject to audit by an independent auditor.

I hope this letter is of assistance to WPLP. Please contact me if we can provide further assistance.

Yours truly,

A handwritten signature in cursive script that reads "Nancy Marconi".

Nancy Marconi
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cc. Jennifer Lea, Counsel, Special Projects