



**CANADIAN NIAGARA POWER INC.**

**A FORTIS** ONTARIO  
*Company*

October 30, 2017

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

Dear Ms. Walli:

**Re: Canadian Niagara Power Inc. Request for an Accounting Order to Establish a Deferral Account to Record 2017 Foregone Revenue (EB-2017-0332)**

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Canadian Niagara Power Inc. ("CNPI") is applying to the Ontario Energy Board ("OEB") for an Accounting Order authorizing CNPI to establish a new deferral account, "CNPI 2017 Foregone Transmission Revenue Deferral Account" (the "Deferral Account"), to record the differences between revenue earned by Canadian Niagara Power Inc. under the interim 2017 rates set at the 2016 Uniform Transmission Rates (UTR) level, and the revenues that would have been received under the approved 2017 UTR based on the Board approved 2017 load forecast ("Foregone Revenue").

The account would capture the Foregone Revenue from January 1, 2017 to the date when the approved 2017 UTR are reflected in the revenue earned by Canadian Niagara Power Inc.

#### Background

CNPI notes that in its decision in EB-2016-0160 on September 28, 2017 the OEB ordered an effective date of January 1, 2017 for Hydro One's 2017 revenue requirement, and ordered an implementation date of October 1, 2017 for 2017 UTRs.

In its comments on Hydro One's draft rate order in the EB-2016-0160/EB-2017-0280 proceedings, CNPI made submissions as to the appropriate amount (\$4,647,201) and effective date (January 1, 2017) of CNPI's 2017 transmission revenue requirement.<sup>1</sup>

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<sup>1</sup> EB-2016-0160 CNPI Draft Rate Order Comments, dated October 13, 2017



Hydro One's response to CNPI's comments accepted the updates to its 2017 revenue requirement/charge determinant schedules reflecting the appropriate CNPI 2017 revenue requirement.<sup>2</sup> CNPI has reproduced this information in Appendix "A".

CNPI acknowledges that further updates may be required in the determination of final 2017 UTRs. The information provided in Appendix "A" is simply provided to serve as a basis for CNPI's preliminary foregone revenue calculations as described below.

#### Request for Deferral Account to Record 2017 Foregone Transmission Revenue

CNPI requests that the OEB approve, as it did for Hydro One, the creation of a deferral account to address the foregone revenue created by the October 1, 2017 implementation of final 2017 UTRs relative to the January 1, 2017 effective date of 2017 UTRs. CNPI submits that the methodology used by CNPI and other transmitters to calculate 2017 foregone revenue should be consistent with the methodology directed in the EB-2016-0160 decision for Hydro One: "to capture the differences between revenue earned by [the transmitter] under the interim 2017 UTR, and the revenues that would have been received under the approved final 2017 UTR."<sup>3</sup>

Based on the updated allocation factors contained in Appendix "A", and using the same foregone revenue calculation method as Hydro One, CNPI has calculated a preliminary 2017 foregone revenue of \$220,548. CNPI's foregone revenue calculation is provided as Appendix "B". CNPI acknowledges that this calculation may require updates to reflect final 2017 UTRs and allocation factors.

A draft accounting order describing the deferral account requested above and the proposed journal entries to record 2017 foregone transmission revenue is provided as Appendix "C". CNPI proposes that the 2017 foregone revenue amount be included as part of its 2018 transmission revenue requirement in the determination of 2018 UTR's.

Sincerely,

ORIGINAL SIGNED BY GREG BEHARRIELL

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<sup>2</sup> EB-2016-0160 Hydro One Networks Draft Rate Order Reply Submission, dated October 18, 2017, Attachment 1, p.1

<sup>3</sup> EB-2016-0160 Decision and Order dated September 28, 2017, pp.114-115

## **Appendix “A”**

**2017 Revenue Requirement/  
Charge Determinants  
(Reproduced from Hydro One  
Draft Rate Order Reply Submission)**

**2017 UTR Calculation - Reproduced from Hydro One Draft Rate Order Reply Submission**

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,583,681	\$901,910	\$1,841,498	\$6,327,089
CNPI	\$2,632,187	\$662,446	\$1,352,567	\$4,647,201
H1N SSM	\$22,976,658	\$5,782,569	\$11,806,709	\$40,565,936
H1N	\$818,422,450	\$205,973,576	\$420,551,820	\$1,444,947,847
B2MLP	\$33,700,000	\$0	\$0	\$33,700,000
All Transmitters	\$881,314,976	\$213,320,502	\$435,552,594	\$1,530,188,073

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	522.894	549.258	549.258	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	244,865.656	236,890.824	202,461.050	
B2MLP	0.000	0.000	0.000	
All Transmitters	249,073.906	240,388.166	203,721.750	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
UTR (\$/kW-Month)	\$3.54	\$0.89	\$2.14	
FNEI	0.00407	0.00423	0.00423	
CNPI	0.00299	0.00311	0.00311	
H1N SSM	0.02607	0.02711	0.02711	
H1N	0.92863	0.96555	0.96555	
B2MLP	0.03824	0.00000	0.00000	
All Transmitters	1.00000	1.00000	1.00000	

## **Appendix “B”**

### **Calculation of CNPI 2017 Foregone Transmission Revenue**

2017 UTR Charge Determinant - All Transmitters (MW)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,444	20,912	20,617	18,384	19,717	22,355	23,226	22,306	20,544	18,548	19,871	21,152	249,076
Line Connection	20,436	20,020	19,592	17,637	19,283	21,242	22,488	21,452	19,937	18,295	19,157	20,850	240,389
Transformation Connection	17,372	17,079	16,749	14,880	16,405	18,122	19,222	18,208	17,248	14,921	15,961	17,555	203,722

2016 Approved UTRs

	\$/kw-month	CNPI Allocator
Network	3.66	0.00281
Line Connection	0.87	0.00291
Transformation Connection	2.02	0.00291

1. 2017 Revenue at 2016 Approved Rates and 2017 Load Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	\$220,543	\$215,072	\$212,038	\$189,072	\$202,781	\$229,912	\$238,870	\$229,408	\$211,287	\$190,759	\$204,365	\$217,540	\$2,561,647
Line Connection	\$51,738	\$50,685	\$49,601	\$44,652	\$48,819	\$53,778	\$56,933	\$54,310	\$50,475	\$46,317	\$48,500	\$52,786	\$608,593
Transformation Connection	\$102,116	\$100,394	\$98,454	\$87,468	\$96,432	\$106,525	\$112,991	\$107,030	\$101,387	\$87,709	\$93,822	\$103,192	\$1,197,519
Total	\$374,397	\$366,150	\$360,093	\$321,191	\$348,032	\$390,215	\$408,794	\$390,749	\$363,149	\$324,785	\$346,687	\$373,518	\$4,367,759

Total to end of September = \$3,322,769

2017 Proposed UTR

	\$/kw-month	CNPI Allocator
Network	3.54	0.00299
Line Connection	0.89	0.00311
Transformation Connection	2.14	0.00311

2. 2017 Revenue at Proposed UTR Rates and 2017 Load Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	\$226,976	\$221,345	\$218,223	\$194,587	\$208,697	\$236,619	\$245,838	\$236,100	\$217,450	\$196,323	\$210,327	\$223,885	\$2,636,370
Line Connection	\$56,565	\$55,413	\$54,229	\$48,817	\$53,373	\$58,796	\$62,245	\$59,377	\$55,184	\$50,639	\$53,025	\$57,711	\$665,373
Transformation Connection	\$115,618	\$113,668	\$111,471	\$99,032	\$109,182	\$120,609	\$127,930	\$121,182	\$114,792	\$99,305	\$106,227	\$116,836	\$1,355,851
Total	\$399,159	\$390,426	\$383,923	\$342,437	\$371,252	\$416,024	\$436,013	\$416,659	\$387,426	\$346,267	\$369,578	\$398,432	\$4,657,594

2017 Foregone Revenue (2 - 1)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	\$6,433	\$6,274	\$6,185	\$5,515	\$5,915	\$6,706	\$6,968	\$6,692	\$6,163	\$5,564	\$5,961	\$6,346	\$74,723
Line Connection	\$4,827	\$4,729	\$4,628	\$4,166	\$4,555	\$5,017	\$5,312	\$5,067	\$4,709	\$4,321	\$4,525	\$4,925	\$56,780
Transformation Connection	\$13,502	\$13,274	\$13,017	\$11,565	\$12,750	\$14,084	\$14,939	\$14,151	\$13,405	\$11,597	\$12,405	\$13,644	\$158,333
Total	\$24,762	\$24,276	\$23,830	\$21,246	\$23,220	\$25,808	\$27,219	\$25,910	\$24,277	\$21,482	\$22,891	\$24,914	\$289,835

Total to end of September = \$220,548

## **Appendix “C”**

### **Draft Accounting Order CNPI 2017 Foregone Transmission Revenue Deferral Account**

## **Proposed Accounting Entries**

### **CNPI 2017 Foregone Transmission Revenue Deferral Account**

This account records the differences between revenue earned by Canadian Niagara Power Inc. under the interim 2017 rates set at the 2016 Uniform Transmission Rates (UTR) level, and the revenues that would have been received under the approved 2017 UTR based on the Board approved 2017 load forecast ("Foregone Revenue"). The account will capture the Foregone Revenue from January 1, 2017 to the date when the approved 2017 UTR are reflected in the revenue earned by Canadian Niagara Power Inc. The accounting entries to be recorded are as follows:

<b>USofA #</b>	<b>Account Description</b>
Dr: 1508	Other Regulatory Assets – Sub account "2017 Foregone Transmission Revenue Deferral Account"
Cr: 4110	Transmission Services Revenue

To record the Foregone Revenue.

<b>USofA #</b>	<b>Account Description</b>
Dr: 1508	Other Regulatory Assets – Sub account "2017 Foregone Transmission Revenue Deferral Account"
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the "Foregone Transmission Revenue Deferral Account".