

January 5, 2018

Richard King
Direct Dial: 416.862.6626
rking@osler.com
Our Matter Number: 1144209

BY E-MAIL AND COURIER
FILED ON RESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Sirs/Mesdames:

Five Nations Energy Inc. – Transmission Rates (EB-2016-0231)
Draft Revenue Requirement and Charge Determinant Order

Further to the Board's Decision and Order dated December 14, 2017 in the above-noted matter ("Decision"), please find attached a draft revenue requirement and charge determinant order that reflects the determinations made by the Board in the Decision.

As a result of the Decision, FNEI's 2017 revenue requirement is calculated to be \$7,546,900, and FNEI's 2018 revenue requirement is calculated to be \$7,735,400. FNEI's foregone revenue for 2017 (to be collected in the 2018 Uniform Transmission Rates) is calculated to be \$1,587,600.

We are copying this letter (and supporting documentation) on OEB Staff and Energy Probe to facilitate their review and comment by January 12, 2018. Please contact the undersigned with any questions or comments.

Sincerely,



Richard J. King

c: J. Sidlofsky and L. Gluck (OEB)
B. Yauch and R. Higgin (Energy Probe)

**Draft Revenue Requirement and Charge Determinant Order
(EB-2016-0231)
Explanatory Memorandum**

On December 14, 2017, the Ontario Energy Board (“**OEB**”) released its decision (“**Decision**”) on the application by Five Nations Energy Inc. (“**FNEI**”) for approval of a proposed electricity transmission revenue requirement for 2016, and an associated incentive rate-setting plan (“**IR Plan**”). In its Decision, the OEB denied FNEI’s proposal for an effective date of January 1, 2016 (for an updated revenue requirement), and FNEI’s proposed IR Plan.

The OEB directed FNEI to file a draft revenue requirement and charge determinant order (with supporting schedules) that calculates FNEI’s revenue requirement for 2017 and 2018, based on the OEB’s determinations in the Decision, by January 5, 2018. The OEB also directed FNEI to calculate its 2017 foregone revenue, determined as the difference between FNEI’s revenue at existing rates and the 2017 approved revenue requirement.

This Explanatory Memorandum explains how FNEI has implemented the Board’s determinations in its Decision, with the specific calculations shown in the supporting Schedules.

Determination of Rate Base – 2017 and 2018 (Schedule A)

FNEI’s 2017 rate base is calculated by reducing its actual 2016 rate base by \$408,500, to reflect a disallowance of 10% of the construction cost of FNEI’s head office building (Decision, sections 3.10 and 3.11). Schedule A shows the revised rate base calculations, utilizing the model sheets that formed part of FNEI’s initial evidence. Specifically, Schedule A contains the following:

- Schedule A-1: A revised Numerical Summary of Rate Base table, based on Exhibit 3/1/1, Appendix 1 of FNEI’s original evidence, which was subsequently updated in April 2017 via FNEI’s IR response to Board Staff #18(e). The updated utility rate base (inclusive of working capital allowance) in the IR response was \$35,867,600. The revised Numerical Summary of Rate Base incorporates the \$408,500 reduction in 2016, and shows a utility rate base of \$35,474,500 at the end of 2016. This is FNEI’s calculated rate base for 2017. Pursuant to section 3.11 of the OEB’s Decision, this rate base amount will also be used for 2018.
- Schedule A-2: Revised detailed spreadsheets supporting the Numerical Summary of Rate Base, based on Exhibit 3/1/9 of FNEI’s original evidence, which was also updated as part of FNEI’s IR response in April 2017.

- Schedule A-3: A revised Allowance for Working Capital calculation, based on Exhibit 3/1/10 of FNEI's original evidence. The revised calculation is based on a lower OM&A expense, but utilizes the Board-approved amount of 3.55% (Decision, section 3.12). The result is that the Allowance for Working Capital remains \$150,000.

Determination of Revenue Requirement – 2017 and 2018 (Schedule B)

FNEI's proposed 2016 revenue requirement of \$7.84 million has been reduced to \$7.547 million for 2017 and \$7.735 million for 2018, based on the following adjustments by the OEB:

- OM&A (2017): FNEI's proposed 2016 OM&A expenses have been reduced by \$0.11 million, which reflects: (a) the addition of \$0.03 million for actual 2016 land use fees; (b) a reduction of \$0.13 million to reflect actual compensation costs at December 31, 2016 (deferred hiring of personnel); (c) the addition of \$0.05 million for an apprentice station technician (half-year); (d) the reduction of half of FNEI's one-time salary increase; and (e) the removal of FNEI's conservation budget. This results in an approved 2017 OM&A budget of \$4.23 million.
- OM&A (2018): FNEI's approved 2018 OM&A budget is calculated by adjusting the approved 2017 OM&A budget upwards by \$0.15 million to account for the addition of full-year salaries for two new employees. This results in an approved 2018 OM&A budget of \$4.38 million.

Schedule B-1 shows the OM&A budget calculations for 2017 and 2018, taken directly from section 3.15 of the Board's Decision.

- Cost of Capital (2017): FNEI's proposed cost of capital for 2016 has been reduced to \$2.033 million for 2017, as a result of: (a) the reduction in rate base (disallowance for new office building); and (b) a lower 2017 OEB-approved ROE (compared to the 2016 ROE used in the original application).
- Cost of Capital (2018): FNEI's proposed cost of capital for 2016 has been reduced to \$2.072 million for 2018. Although FNEI's rate base is held steady for 2018 (per the Board's Decision), the marginally higher short-term debt rate and return on equity rate in 2018 (as compared to 2017) results in the modest increase as compared to 2017.

Schedule B-2 shows the cost of capital calculations for 2017 and 2018, based on Table 7-1-1 B in FNEI's original evidence (i.e., Exhibit 7/1/1, page 3).

- Depreciation Expense (2017 and 2018): FNEI's proposed 2016 depreciation expense of \$1.45 million has been reduced modestly to account for the rate base

reduction (disallowance for new office building) (Decision, section 3.16). For 2017 and 2018, this results in a depreciation expense of \$1.433 million.

Schedule B-3 shows the monthly and annual depreciation expense for the office building. It is assumed that a 10% reduction in the capital cost of the building would result in a 10% reduction in the depreciation expense. This amount is calculated and then deducted from the OEB-approved starting annual depreciation expense of \$1.45 million.

- Transmission Revenue Requirement (2017 and 2018): Based on the adjustments above, the utility revenue requirement (inclusive of offsetting other revenue of \$0.146 million) is \$7,546,900 for 2017 and \$7,735,400 for 2018.

Schedule B-4 shows the calculation of FNEI's revenue requirements for 2017 and 2018.

Determination of Foregone Revenue – 2017 (Schedule C)

In its Decision, the OEB approved the recovery of foregone revenue for the period between January 1, 2017 and December 31, 2017. FNEI has determined its foregone revenue in 2017 to be \$1,587,600, based on: (a) the difference between FNEI's revenue in 2017 at the existing Ontario transmission rates and FNEI's 2017 approved revenue requirement; and (b) a further reduction of \$45,000 to give effect to the Board's determination in respect of the incremental input tax credit (Decision, section 3.4). For the purposes of making this calculation, FNEI utilized 11 months of actual transmission revenues received in 2017, and estimated the amount for December 2017. The OEB indicated in its Decision that this approach would be acceptable (Decision, section 3.23).

The OEB has indicated that this foregone revenue requirement would be included in its determination of 2018 UTRs. If added to FNEI's calculated 2018 revenue requirement, the quantum of the two amounts (FNEI's 2018 revenue requirement and the foregone 2017 revenue amount) to be recouped through the 2018 UTRs would be \$9,323.0 million.

Schedule C-1 shows the calculation of the foregone revenue amount of \$1,587,600.

Determination of Charge Determinants – 2017 and 2018 (Schedule D)

In its Decision, the Board approved FNEI's charge determinants, for both 2017 and 2018, based on the 2014-2016 average peak demand figures.

Schedule D-1 shows the charge determinants as approved in the Board Decision.

SCHEDULE A

**SCHEDULE A-1
Numerical Summary of Rate Base**

FIVE NATIONS ENERGY INC.

Numerical Summary of Rate Base
(\$000's)

	<u>Board Approved</u> <u>EB-2009-0387</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Property, Plant & Equipment</u>								
Asset Values at Cost	33,226.0	33,123.7	33,450.1	34,253.3	35,767.0	39,164.5	41,634.1	47,211.4
Accumulated Depreciation	<u>5,045.8</u>	<u>5,038.5</u>	<u>6,211.0</u>	<u>7,402.9</u>	<u>8,265.7</u>	<u>9,306.6</u>	<u>10,537.0</u>	<u>11,887.0</u>
Net Book Value	28,180.2	28,085.2	27,239.1	26,850.4	27,501.2	29,858.0	31,097.0	35,324.4
<u>Allowance for Working Capital</u>								
Working Cash Allowance	<u>503.2</u>	<u>462.3</u>	<u>484.4</u>	<u>456.9</u>	<u>495.0</u>	<u>513.9</u>	<u>561.2</u>	<u>150.0</u>
Total Working Capital	<u>503.2</u>	<u>462.3</u>	<u>484.4</u>	<u>456.9</u>	<u>495.0</u>	<u>513.9</u>	<u>561.2</u>	<u>150.0</u>
Utility Rate Base	28,683.5	28,547.5	27,723.5	27,307.3	27,996.2	30,371.9	31,658.2	35,474.5
		<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>
		<u>2010 vs. B.A.</u>	<u>2011 vs. 2010</u>	<u>2012 vs. 2011</u>	<u>2013 vs. 2012</u>	<u>2014 vs. 2013</u>	<u>2015 vs. 2014</u>	<u>2016 vs. 2015</u>
<u>Property, Plant & Equipment</u>								
Asset Values at Cost		(102.3)	326.4	803.2	1,513.7	3,397.6	2,469.5	5,577.4
Accumulated Depreciation		(7.3)	<u>1,172.4</u>	<u>1,191.9</u>	<u>862.9</u>	<u>1,040.9</u>	<u>1,230.4</u>	<u>1,350.0</u>
Net Book Value		(95.0)	(846.1)	(388.7)	650.8	2,356.7	1,239.1	4,227.4
<u>Allowance for Working Capital</u>								
Working Cash Allowance		(41.0)	<u>22.1</u>	<u>(27.5)</u>	<u>38.1</u>	<u>18.9</u>	<u>47.3</u>	<u>(411.2)</u>
Total Working Capital		(41.0)	<u>22.1</u>	<u>(27.5)</u>	<u>38.1</u>	<u>18.9</u>	<u>47.3</u>	<u>(411.2)</u>
Utility Rate Base		(136.0)	(824.0)	(416.2)	688.9	2,375.6	1,286.4	3,816.2

SCHEDULE A

SCHEDULE A-2
Revised Detailed Rate Base Spreadsheets

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2016
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	1,021.1	3,410.3
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	31,518.1	7,517.2	24,000.9
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	50,928.4	16,833.2	34,095.1
1730 - Overhead Conductors & Devices	20,441.0	5,844.8	14,596.2
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,689.8	634.2	4,055.7
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	62.1	50.4	11.7
1920 - Computer Equipment - Hardware	100.5	79.2	21.3
1925 - Computer Software	10.0	9.4	0.6
1930 - Transportation Equipment	664.6	277.4	387.2
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	486.6	402.2	84.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	399.5	95.8	303.6
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,771.1)	(20,877.8)	(45,893.3)
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	47,211.4	11,887.0	35,324.4

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

Asset Values at Cost	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Average
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	30,338.4	30,593.3	30,991.1	31,088.8	31,137.1	31,277.3	31,653.8	31,963.3	32,184.2	32,224.3	32,352.6	32,412.6	31,518.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	50,926.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.4
1730 - Overhead Conductors & Devices	20,440.4	20,440.4	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.1	20,441.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,685.4	4,685.4	4,685.4	4,685.4	4,685.4	4,689.5	4,689.5	4,689.5	4,689.5	4,689.5	4,701.6	4,702.5	4,689.8
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	63.7	62.1
1920 - Computer Equipment - Hardware	94.2	97.4	97.4	99.0	99.0	100.3	103.0	103.0	103.0	103.0	103.0	103.0	100.5
1925 - Computer Software	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1930 - Transportation Equipment	659.7	662.4	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	664.6
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	477.6	479.1	486.9	487.0	487.0	487.0	487.9	487.9	487.9	490.1	490.1	490.5	486.6
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	366.2	366.2	366.2	366.2	371.4	371.4	371.4	371.4	371.4	371.4	548.4	551.8	399.5
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,798.6)	(66,771.1)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	45,973.7	46,238.0	46,647.4	46,746.7	46,800.3	46,945.8	47,326.0	47,635.5	47,856.5	47,898.7	48,216.1	48,252.5	47,211.4

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	961.4	972.3	983.1	994.0	1,004.8	1,015.7	1,026.5	1,037.4	1,048.2	1,059.1	1,069.9	1,080.8	1,021.1
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	7,089.6	7,165.3	7,241.1	7,318.5	7,395.8	7,473.2	7,553.2	7,633.1	7,713.0	7,792.9	7,872.9	7,957.2	7,517.2
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	16,244.8	16,351.8	16,458.8	16,565.8	16,672.8	16,779.7	16,886.7	16,993.7	17,100.7	17,207.7	17,314.6	17,421.6	16,833.2
1730 - Overhead Conductors & Devices	5,671.4	5,702.9	5,734.5	5,766.0	5,797.5	5,829.0	5,860.6	5,892.1	5,923.6	5,955.1	5,986.7	6,018.2	5,844.8
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	549.5	565.1	580.8	596.5	612.1	627.8	643.4	659.1	674.7	690.4	706.0	704.6	634.2
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	49.3	49.5	49.7	49.9	50.1	50.3	50.5	50.6	50.8	51.0	51.2	51.4	50.4
1920 - Computer Equipment - Hardware	72.9	73.9	74.9	76.0	77.1	78.3	79.6	80.9	82.2	83.5	84.8	85.8	79.2
1925 - Computer Software	9.1	9.1	9.2	9.2	9.3	9.3	9.4	9.4	9.5	9.5	9.6	9.7	9.4
1930 - Transportation Equipment	254.0	261.2	245.6	253.5	261.5	269.4	277.4	285.3	293.3	301.2	309.2	317.1	277.4
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	380.7	385.4	389.5	392.1	394.7	397.3	402.2	407.1	412.1	417.0	421.9	426.9	402.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	79.4	82.0	84.6	87.6	90.7	93.8	96.9	100.1	103.2	106.4	109.5	115.7	95.8
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(20,121.5)	(20,259.0)	(20,396.5)	(20,534.0)	(20,671.5)	(20,809.0)	(20,946.5)	(21,084.0)	(21,221.5)	(21,359.0)	(21,496.5)	(21,634.0)	(20,877.8)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Accumulated Depreciation	11,240.5	11,359.5	11,455.2	11,575.1	11,695.0	11,814.8	11,939.8	12,064.8	12,189.8	12,314.8	12,439.7	12,554.9	11,887.0

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

<u>Net Fixed Asset Values</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	3,470.0	3,459.1	3,448.3	3,437.4	3,426.6	3,415.7	3,404.9	3,394.0	3,383.2	3,372.3	3,361.5	3,350.6	3,410.3
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	23,248.8	23,427.9	23,750.1	23,770.4	23,741.3	23,804.0	24,100.6	24,330.2	24,471.2	24,431.3	24,479.8	24,455.4	24,000.9
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	34,681.7	34,576.7	34,469.7	34,362.8	34,255.8	34,148.8	34,041.8	33,934.8	33,827.9	33,720.9	33,613.9	33,506.9	34,095.1
1730 - Overhead Conductors & Devices	14,769.0	14,737.4	14,706.7	14,675.2	14,643.6	14,612.1	14,580.6	14,549.1	14,517.5	14,486.0	14,454.5	14,422.9	14,596.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,135.9	4,120.3	4,104.5	4,088.9	4,073.2	4,061.7	4,046.0	4,030.4	4,014.7	3,999.1	3,995.5	3,997.9	4,055.7
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	12.2	11.7
1920 - Computer Equipment - Hardware	21.3	23.5	22.5	22.9	21.8	22.0	23.5	22.2	20.9	19.6	18.2	17.2	21.3
1925 - Computer Software	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.6
1930 - Transportation Equipment	405.7	401.2	419.8	411.8	403.9	395.9	388.0	380.0	372.1	364.1	356.2	348.2	387.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	96.9	93.7	97.3	94.8	92.2	89.6	85.7	80.8	75.9	73.1	68.2	63.6	84.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	286.8	284.2	281.6	278.5	280.7	277.6	274.5	271.4	268.2	265.1	438.9	436.1	303.6
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(46,647.1)	(46,509.6)	(46,372.1)	(46,234.6)	(46,097.1)	(45,959.6)	(45,822.1)	(45,684.6)	(45,547.1)	(45,409.6)	(45,272.1)	(45,164.6)	(45,893.3)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	34,733.2	34,878.5	35,192.2	35,171.6	35,105.3	35,131.0	35,386.2	35,570.7	35,666.7	35,583.9	35,776.4	35,697.5	35,324.4

SCHEDULE A

SCHEDULE A-3
Allowance for Working Capital Calculation

FIVE NATIONS ENERGY INC.

Allowance for Working Capital - 2016
(\$000's)

<u>Expense Category</u>	<u>Annual Expense</u>	
Operations, Maintenance & Admin	4,226.0 x 3.55%	<u>150.0</u>
Total Working Capital Allowance		150.0

SCHEDULE B

**SCHEDULE B-1
OM&A Budget Calculations for 2017 & 2018**

Calculation of Approved 2017 and 2018 OM&A Budgets

OM&A category	Calculation (\$M)
2016 Proposed OM&A budget	\$4.34
Addition for actual land use fees exceeding budget	+0.03
Reduction to reflect actual compensation costs at Dec. 31, 2016	-0.13
Addition of apprentice station technician (1/2 year as hired in July 2017)	+0.05
Reduction of half the 10% one-time salary increase	-0.03
Removal of conservation budget	-0.03
Approved 2017 OM&A budget	\$4.23
Addition for full-year salary for both new employees	+0.15
Approved 2018 OM&A budget	\$4.38

* Taken from OEB Decision, p. 22.

SCHEDULE B

SCHEDULE B-2
Cost of Capital Calculations for 2017 & 2018

FNEI Calculated Cost of Capital for 2017

	Capital Component (\$000s)	Capital Component (%)	Interest Rate (%)	Return Component (%)	Cost of Capital (\$000s)
Long-Term Debt	actual	actual	5.11%	-	762.4*
Short-Term Debt	1,419.0	4.0%	1.76%	0.070%	24.97
Deemed Equity	14,189.9	40.0%	8.78%	3.512%	1,245.87
Rate Base	35,474.5	100%	-	6.444%	2,033.24

FNEI Calculated Cost of Capital for 2018

	Capital Component (\$000s)	Capital Component (%)	Interest Rate (%)	Return Component (%)	Cost of Capital (\$000s)
Long-Term Debt	actual	actual	5.11%	2.862%	762.4*
Short-Term Debt	1,419.0	4.0%	2.29%	0.092%	32.50
Deemed Equity	14,189.9	40.0%	9.00%	3.600%	1,277.09
Rate Base	35,474.5	100%	-	6.554%	2,071.99

* per Undertaking J2.2

SCHEDULE B

SCHEDULE B-3
Revised Depreciation Calculation

Revised Depreciation Calculation

Date	Comment	Credits
Accum.Amort-Office Building		
1/31/2016	Amortization for January	14,286.45
2/29/2016	Amortization for February	14,286.45
3/31/2016	Amortization for March	14,286.46
4/30/2016	Amortization for April 2016	14,286.45
5/31/2016	Amortization for May 2016	14,286.45
6/30/2016	Amortization for June 2016	14,286.45
7/31/2016	Amortization for June 2016	14,286.45
8/31/2016	Amortization for August 2016	14,286.45
9/30/2016	Amortization for September 2016	14,286.45
10/31/2016	Amortization for October 2016	14,286.45
11/30/2016	Amortization for November 2016	14,286.45
12/31/2016	Amortization for Dcember 2016	14,286.45
		<hr/>
		171,437.41
	10% Reduction	17,143.74
	Starting Depreciation Amount (Actual)	1,450,000.00
		17,143.74
	Revised Amount	1,432,856.26

SCHEDULE B

SCHEDULE B-4
Transmission Revenue Requirement

Calculation of Transmission Revenue Requirement – 2017 and 2018

(\$'000s)

	EB-2016-0231 Application	2017 Calculated	2018 Calculated
OM&A	4,336.0	4,226.0	4,376.0
Depreciation	1,293.3	1,433.4	1,433.4
Interest Expense	1,044.7	787.6	794.9
ROE	1,315.1	1,245.9	1,277.1
SUB-TOTAL	7,989.2	7,692.9	7,735.4
Less: Other Revenue	150.0	146.0	146.0
TOTAL	\$7,839.2	\$7,546.9	\$7,735.4

SCHEDULE C

**SCHEDULE C-1
2017 Foregone Revenue Calculation**

Actual Transmission Revenues for 2017

<u>Date</u>	<u>Comment</u>	<u>Credits</u>	<u>Balance</u>
1/31/2017	Independent Elec. Market Operator	500,702.11	500,702.11
2/28/2017	Independent Elec. Market Operator	483,870.87	984,572.98
3/31/2017	Independent Elec. Market Operator	480,393.02	1,464,966.00
4/30/2017	Independent Elec. Market Operator	455,286.02	1,920,252.02
5/31/2017	Independent Elec. Market Operator	452,833.73	2,373,085.75
6/30/2017	Independent Elec. Market Operator	533,729.33	2,906,815.08
7/31/2017	Independent Elec. Market Operator	533,862.12	3,440,677.20
8/31/2017	Independent Elec. Market Operator	527,595.07	3,968,272.27
9/30/2017	Independent Elec. Market Operator	563,235.25	4,531,507.52
10/31/2017	Independent Elec. Market Operator	444,743.68	4,976,251.20
11/30/2017	Independent Elec. Market Operator	453,124.64	5,429,375.84
12/31/2017	<i>Estimated Revenue for December 2017 (Calc Tab)</i>	<u>484,969.05</u>	<u>5,914,344.89</u>
		5,914,344.89	

2017 Calculated Revenue Requirement = \$7,546.9 (\$'000s)

Less: \$5,914,345

Less: \$46,000

FOREGONE REVENUE AMOUNT = \$1,587.6 (\$'000s)

SCHEDULE D

SCHEDULE D-1
Charge Determinants 2017 & 2018

FNEI Charge Determinants for 2017 and 2018

(MW)	Currently Approved	2017 and 2018
Network	187.12	230.41
Line Connection	213.46	248.86
Transformation	76.19	73.04