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**BY EMAIL**

January 11, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Five Nations Energy Inc.  
2016 Transmission Rates Application  
OEB Staff Submission on Draft Revenue Requirement and Charge  
Determinant Order  
Board File Number: EB-2016-0231**

Please find attached OEB staff's submission on the draft revenue requirement and charge determinant order filed on January 5, 2018 (and updated on January 9, 2018).

Yours truly,

*Original Signed By*

Lawrie Gluck  
Case Manager

cc: All parties in EB-2016-0231



# **ONTARIO ENERGY BOARD**

## **OEB STAFF SUBMISSION ON DRAFT REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER**

**FIVE NATIONS ENERGY INC.**

**2016 REVENUE REQUIREMENT**

**EB-2016-0231**

**January 11, 2018**

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## Background

Five Nations Energy Inc. (FNEI) filed a cost of service application with the Ontario Energy Board (OEB) on July 27, 2016 (completed November 25, 2016) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to its transmission revenue requirement effective January 1, 2016. FNEI recovers its approved revenue requirement through Ontario's Uniform Transmission Rates (UTRs).

In the Decision and Order, dated December 14, 2017, the OEB directed FNEI to file a draft revenue requirement and charge determinant order (the draft order) no later than January 5, 2018, which reflects the OEB's findings. Amongst other issues, the OEB's decision denied FNEI's request for a January 1, 2016 effective date. Instead, the OEB approved a revised 2017 revenue requirement with an effective date of January 1, 2017 and a revised 2018 revenue requirement with an effective date of January 1, 2018. The OEB also provided OEB staff and Energy Probe the opportunity to file comments on the draft order no later than January 12, 2018 and offered FNEI the opportunity to file responses no later than January 16, 2018.

FNEI filed its draft order on January 5, 2018. OEB staff reviewed the draft order and provided verbal comments to FNEI on January 8, 2018. FNEI filed a revised version of the draft order (the revised draft order) on January 9, 2018. The revised draft order included: (a) an update to the calculation of the long-term debt amount; (b) the provision of supporting evidence with respect to the 2017 forgone revenue calculation; and (c) a schedule that shows the allocation of the 2017 and 2018 revenue requirements and the 2017 forgone revenue amount to the transmission rate pools.

OEB staff's submission on the revised draft order is set out below.

### **OEB Staff Submission on the Revised Draft Order**

OEB staff submits that the revised draft order filed on January 9, 2018 is in accordance with the OEB's findings set out in its December 14, 2017 Decision and Order.

OEB staff submits that FNEI's calculation of rate base (including the working capital allowance), the Operation, Maintenance and Administration budget, cost of capital, and depreciation expense for each of 2017 and 2018 properly reflects the OEB's findings. The 2017 revenue requirement resulting from the OEB's decision is \$7,799,400 and the 2018 revenue requirement resulting from the OEB's decision is \$7,988,100.

OEB staff submits that FNEI has properly calculated the 2017 foregone revenue amount in accordance with the OEB's decision. FNEI calculated the foregone revenue amount based on 11 months of actual revenues received in 2017 (January to November inclusive) and an estimate for December 2017. FNEI then subtracted these actual and estimated amounts from the OEB approved 2017 revenue requirement (and also took into account the OEB's finding with respect to the incremental input tax credit). OEB staff is of the view that FNEI provided sufficient evidence supporting the actual revenues received during 2017. OEB staff also submits that the methodology used to calculate the December 2017 estimated revenues is reasonable.

In addition, OEB staff submits that the 2017 and 2018 charge determinants are calculated in accordance with the OEB's decision.

Finally, OEB staff submits that FNEI has allocated the 2017 forgone revenue amount and the 2018 revenue requirement to the transmission rate pools in accordance with the OEB's decision (which required FNEI to allocate on the same basis as Hydro One Networks Inc.'s most recent allocation factors).

OEB staff submits that the total amount (both 2017 forgone revenue and 2018 revenue requirement) to be included in the 2018 UTRs is \$9,827,155.<sup>1</sup> OEB staff notes that there appears to be a typographical error on page 3 of the revised draft order that calculates the total amount to be included in the 2018 UTRs as \$9,638,455. OEB staff asks that FNEI confirm for the OEB which amount is correct in its reply comments.

OEB staff also asks FNEI to confirm whether the following allocation to the transmission rate pools of the total amount to be included in the 2018 UTRs is correct<sup>2</sup>.

	Transmission Rate Pools			Total
	Network Pool	Line Connection	Transformation	
<b>Amount to be included in 2018 UTRs</b>	<b>\$5,408,935</b>	<b>\$1,426,550</b>	<b>\$2,991,661</b>	<b>\$9,827,155</b>

<sup>1</sup> The calculation is as follows: \$1,839,055 (2017 Forgone Revenue Amount) + \$7,988,100 (2018 Revenue Requirement) = \$9,827,155 as shown in the final two lines of the table in Schedule E-1 of the Draft Revenue Requirement and Charge Determinant Order, January 9, 2018.

<sup>2</sup> Derived from Draft Revenue Requirement and Charge Determinant Order, January 9, 2018, Schedule E-1. Please note that the minor variances in the summation are caused by rounding.

If FNEI agrees that the above allocation and the total amount are correct, OEB staff suggests that the OEB include the above table in its final revenue requirement and charge determinant order as it will be of assistance when setting the 2018 UTRs. If FNEI does not agree that the above allocation and the total amount are correct, FNEI should provide a table that provides the same information but with the amounts that it believes are correct for the OEB's consideration.

All of which is respectfully submitted.