

**Hydro One Networks Inc.**  
7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5393  
Fax: (416) 345-6833  
Joanne.Richardson@HydroOne.com



**Joanne Richardson**  
Director – Major Projects and Partnerships  
Regulatory Affairs

BY EMAIL, RESS

May 07, 2020

Ms. Christine E. Long  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EB-2018-0117 – Hydro One Networks Inc.'s Section 92 – Barrie Area Transmission Upgrade – Filing of Draft Accounting Order**

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In accordance with the Ontario Energy Board's ("OEB") Decision and Order (the "Order"), regarding Hydro One's leave to construct application for the Barrie Area Transmission Upgrade Project dated April 23, 2020, Hydro One is filing a draft accounting order ("DAO") for the Capital Contribution Recovery Differential Account with the Board.

Please find attached the DAO that illustrates the proposed entries for Hydro One's Board-approved deferral account.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joanne Richardson", written over a light blue horizontal line.

Joanne Richardson

cc.

Nancy Marconi – Ontario Energy Board - Manager of Transmission  
David Martinello – Ontario Energy Board - Case Manager

# **Hydro One Networks Inc. Transmission**

## **Draft Accounting Order**

### **Accounting Entries**

#### **Capital Contribution Recovery Differential Account**

In the Decision and Order in EB-2018-0117 dated April 23, 2020 the Ontario Energy Board (the “Board”) approved, the establishment of a new deferral account, “Capital Contribution Recovery Differential Account” to capture the difference between the interest income Hydro One Networks Inc. (“Hydro One”) will receive at the Board’s prescribed Construction Work in Progress (“CWIP”)<sup>1</sup> rate and Hydro One Transmission’s OEB- approved Weighted Average Cost of Capital (“WACC”) on the unpaid capital contribution from the customer, who for this OEB- approved leave to construct project is InnPower Corporation (“InnPower”). The first deferral sub-account will be used to track InnPower’s total capital contribution payable to Hydro One and will record the annual capital contribution payments made to Hydro One by InnPower. The second deferral sub-account will record the amount related to the difference between i) the required revenue requirement for the capital cost of the BATU Project that remains funded by Hydro One (excluding the amount included in InnPower’s rate base) at Hydro One’s OEB- approved Cost of Capital and the associated corporate tax gross up on the capital contribution outstanding, and ii) the interest income received from InnPower in accordance with TSC 6.3.19.

Additionally, it is noted that the OEB ordered that interest income earned by Hydro One on the unpaid capital contribution balance shall be excluded from the calculation of amounts recognized in Hydro One transmission’s existing deferral account, External Station Maintenance, E&CS Revenue and Other Revenue Variance Account.

The deferral account sub-accounts will be established as follows:

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<sup>1</sup> Section 6.3.19 of the TSC requires the transmitter to charge a Distributor interest on the unpaid balance at the Board’s prescribed CWIP rate which is updated quarterly and published on the Board’s website.

- 1) Account 1508, Other Regulatory Assets – Sub-Account “BATU Contributions”
- 2) Account 1508, Other Regulatory Assets – Sub-Account “BATU Contribution” (contra)
- 3) Account 1508, Other Regulatory Assets – Sub-Account “BATU Capital Contribution Recovery Differential Account”

These sub-accounts will be effective on the in-service date of the BATU Project. Hydro One will record interest on the balance in the Sub-Account “BATU Capital Contribution Recovery Differential Account” using the prescribed interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries:

USofA #	Account Description
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Dr: 1508	Other Regulatory Assets – Sub account “BATU Contribution”
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Cr: 1508	Other Regulatory Assets – Sub account “BATU Contribution” (Contra)
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To record InnPower’s total capital contribution payable to Hydro One at the BATU Project’s date of in-service

Dr: 1508	Other Regulatory Assets – Sub account “BATU Contribution” (Contra)
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Cr: 1508	Other Regulatory Assets – Sub account “BATU Contribution”
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To record the annual capital contribution instalment payments, for the BATU Project, made by InnPower to Hydro One

Dr: 1508	Other Regulatory Assets – Sub account “BATU Capital Contribution Recovery Differential Account”
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Cr: 4110	Transmission Services Revenue
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To record the difference between the interest income at the CWIP rate that Hydro One is to receive from the distributor (per the TSC) and the revenue requirement at Hydro One's OEB-approved WACC for return on rate base on the balance of the deferred capital contribution outstanding.

Dr: 1508	Other Regulatory Assets – Sub account “BATU Capital Contribution Recovery Differential Account”
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “Capital Contribution Recovery Differential Account”.<sup>2</sup>

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<sup>2</sup> Undertaking EB-2018-01 Exhibit JT1.10 provides full details of all accounting entries related to the deferral of the capital contribution including entries not directly impacting the Regulatory Account.