



**CANADIAN NIAGARA POWER INC.**

A **FORTIS** ONTARIO  
*Company*

**Canadian Niagara Power Inc.**

**Reply Submissions**

**Application for Licence Amendment and Accounting Order**

**EB-2025-0081**

**May 15, 2025**

## Summary

On January 30, 2025, Canadian Niagara Power Inc. Distribution (“CNPI”) filed an application (“the Application”) before the Ontario Energy Board (“OEB”) requesting licence amendments and an Accounting Order to facilitate the cross-border purchase of energy from National Grid in Buffalo, NY, USA.

The OEB assigned file number EB-2025-0081 to the Application.

In its Application, CNPI explained that it periodically and on an ad-hoc basis requires the purchase of Power from National Grid to maintain supply of power to approximately 17,900 customers in Fort Erie during periods of planned or unplanned maintenance on the CNPI Transmission System. CNPI Transmission is an OEB-licensed transmitter, which connects CNPI Distribution’s Fort Erie system to the IESO grid. CNPI Transmission also owns, operates and maintains an International Power Line (“IPL”) which is connected to National Grid. The purpose of the IPL is to provide an alternative source of power to the CNPI Transmission System during outages and planned maintenance on the CNPI Transmission system. In its most recent Transmission Rate Application, the OEB approved a CNPI Transmission rebuild project on the IPL, which is maintained entirely for use during planned or unplanned maintenance.

Planned maintenance activities on the CNPI Transmission System in 2023 resulted in a period of approximately six weeks period during which CNPI purchased power from National Grid to maintain supply to its Fort Erie customers. CNPI Transmission has planned further repair work in August 2025 which will necessitate a similar duration use of the IPL.

After consulting with OEB Staff and IESO both in advance of and after the power purchases in 2023, CNPI submitted the Application for distribution licence amendments and an accounting order to facilitate the regulatory treatment of such power purchases on January 30, 2025. The OEB issued a Procedural Order in March 2025, and only OEB Staff provided interrogatories and submissions. In its interrogatory responses, CNPI updated its Accounting Order request and provided illustrative accounting guidance demonstrating how the settlement with the IESO and adjustments to RSVAs would apply. Additionally, CNPI clarified its requested effective date for the accounting orders and licence amendments as July 1, 2023.

The sections below summarize the key CNPI proposals, OEB Staff Submissions, and CNPI’s Reply Submissions on the Licence Amendments and Accounting Orders.

### *Licence Amendment*

#### Background:

CNPI requested two licence amendments related to this issue. The first is an exemption from section 3.2 of the Retail Settlement Code, and the second is from section 2.2.2 of the Standard Supply Service Code.

#### OEB Staff Submission:

OEB Staff submitted that the OEB should approve CNPI's requests for exemptions, for those periods during which CNPI purchases Electricity from National Grid. OEB Staff referred to the fact that CNPI Transmission's IPL has been maintained to provide benefits to Fort Erie consumers when the CNPI Transmission normal supply from the IESO-controlled grid is not available.

#### CNPI Reply Submission:

CNPI is in full agreement with the OEB Staff's submission regarding the Licence Amendments.

### *Accounting Order*

In the Application and as updated through interrogatories, CNPI made proposals as to the appropriate accounting treatment for the purchases from National Grid. The proposals are summarized below:

1. CNPI proposed that any RSVA adjustments related to the National Grid purchases should flow through to all CNPI customers, even though only a portion of the CNPI customer base is able to be supplied from National Grid<sup>1</sup>.

#### OEB Staff Submission:

OEB Staff submitted that they support CNPI's proposal for a harmonized disposition of the affected RSVAs/RSVA adjustments. OEB Staff cited that this approach would be consistent with the treatment of other pass through costs and would result in "secondary benefits" such as ease of administration. Additionally, OEB Staff referenced the fact that Fort Erie customers represent the majority of CNPI customers.

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<sup>1</sup> Response Staff Question-4, April 16, 2025

CNPI Reply Submission:

CNPI agrees with OEB Staff's submission on this issue and continues to believe that a harmonized disposition is most appropriate.

2. CNPI proposed an effective date of July 1, 2023, for the applicability of the Accounting Order.

OEB Staff Submission:

OEB Staff's submission supported the July 1, 2023, effective date for the Accounting Order. OEB Staff referred to three facts, which altogether support the proposed date: the date's alignment with the new O.Reg 429/04; the occurrence of the power purchases from National Grid in August 2023; and the fact that 1588/1589 account balances for 2023 have not yet been disposed of for CNPI.

CNPI Submission:

CNPI agrees with OEB Staff's submission on the appropriate effective date of the Accounting Order.

3. CNPI proposed to record the National Grid savings impacts in account 1588 in order to support the disposition of those savings among all customers.

OEB Staff Submission:

OEB Staff submitted that an adjustment, in accordance with OEB's Accounting Guidance, should be made so that any Global Adjustment ("GA") savings impacts are recorded in both Accounts 1588 and 1589. OEB Staff's submission noted that the National Grid purchases are expected to be ad-hoc rather than ongoing, but the purchases are not one-time in nature. Therefore, OEB staff submitted that the allocation of GA savings should be split between Accounts 1588 and 1589, in accordance with OEB's Accounting Guidance, based on the percentages of RPP and non-RPP kWh that are used in the underlying CT148 calculation methodology. This approach will avoid a cross-subsidy from non-RPP customers to RPP customers.

CNPI Reply Submission:

CNPI agrees with the approach proposed by OEB staff. The updated draft Accounting Order and illustrative commodity model are provided in Reply Submission Attachment A and Reply Submission Attachment B, respectively.

4. CNPI proposed and then updated an Accounting Order that demonstrated the settlement of National Grid costs and savings through the OEB's Accounting Guidance template. In this proposal, CNPI included RPP sales volumes related to National Grid purchases were included in IESO CT 142 settlement calculations with the IESO.

OEB Staff Submission:

OEB Staff submitted that contrary to the proposed CNPI Accounting Order, RPP sales volumes related to electricity purchased from National Grid should not be reflected in its IESO CT 142 settlement calculations with the IESO. OEB Staff also submitted that Excel attachments A and B submitted during the interrogatory responses also included the National Grid kWh, which should not be included as the IESO is not invoicing CNPI for these kWh.

OEB Staff has recommended that CNPI should disclose to the OEB in its annual IRM applications whenever it purchases electricity from National Grid, as well as the costs and implications.

CNPI Reply Submission:

- CNPI agrees with the approach proposed by OEB staff. The updated draft Accounting Order and illustrative commodity model, both of which incorporate this recommendation, are provided in Reply Submission Attachment A and Reply Submission Attachment B, respectively. In order to give effect to OEB Staff's proposal the following additional assumption/modifications have been incorporated in the updated calculations: CNPI limited its proration calculations to RPP and non-RPP Class B customers as suggested by OEB staff; CNPI did not prorate either the embedded generation or Class A kWhs that are to be both submitted to the IESO and also incorporated into the illustrative commodity model, as prorating these values would further complicate CNPI's monthly submissions to the IESO and also the underlying calculations made by the IESO in determining GA allocation and other values at the provincial level along with billings back to CNPI
- For purposes of the settlement calculations (Class B RPP versus non-RPP), CNPI took a relative proration of total kWhs when comparing power purchased (AQEW plus National Grid plus Embedded Generation less Class A) against power

purchased excluding National Grid (AQEW plus Embedded Generation less Class A)

- CNPI used a cost/kWh for RPP Energy Price used in the CT 142 settlement calculations that excluded the National Grid power purchased cost
- Given prorating RPP kWhs above to exclude National Grid purchases, CNPI used the final IESO posted GA rate for purposes of CT 142 settlements in the illustrative commodity model as this represents the all-in pricing (RPP Energy price plus GA Actual) of the relative RPP kWhs purchased from the IESO

In working through all the assumptions in the updated illustrative commodity model calculation workbook (Reply Submission Attachment B), the results are a net credit of \$0.21M in Account 1588 and a net debit of \$0.05M in Account 1589, for an overall impact of a net credit of \$0.16M (sum of 1588 and 1589). CNPI clarifies that this illustrative model roughly represents the impact for the August 2023 period (additional purchases from National Grid occurred throughout the full month of September 2023 and it is expected that that impact will be more material than the purchases shown in the illustrative model for August 2023). CNPI agrees with the OEB submission indicating that the underlying assumptions and values being contemplated within this proceeding are material in nature given CNPI's materiality threshold of \$0.1M as identified within its most recent Cost of Service proceeding (EB-2021-0011).

CNPI agrees with the OEB's submission that a separate 1508 Sub-Account is not required given the expected ad-hoc frequency of purchases from National Grid. Therefore, an updated Attachment B from CNPI's IR responses has not been provided as part of this reply submission.

CNPI will disclose to the OEB in its annual IRM applications (or any cost-based rate applications) whenever it purchases from National Grid.

5. CNPI provided illustrative calculations based on the OEB's Accounting Guidance.

OEB Staff Submission:

OEB Staff requested further clarification from CNPI regarding its RPP settlement process and associated journal entries providing their interpretation of the characterization of those, and whether additional journal entries that should be inserted into the Accounting Order. OEB staff also requested that CNPI review its Excel Attachment A and B which are

the illustrative commodity models, and submit any revisions required along with an updated Accounting Order based on OEB Staff comments.

CNPI Reply Submission:

CNPI agrees with the approach that has been proposed by OEB staff. See CNPI's Reply Submission to 4. above for additional commentary around modifications and assumptions made between the modeling provided in its IR responses and the updated modeling provided as part of this Reply Submission. The updated draft Accounting Order (reflects updates made from Attachment C of CNPI's the IR responses) and illustrative commodity model (reflects updates made from Attachment A of CNPI's IR responses) are provided in Reply Submission Attachment A and Reply Submission Attachment B, respectively.

OEB staff asked CNPI Distribution to confirm whether it agrees with OEB staff's characterization of the RPP settlement process and associated journal entries as provided in its submission including Schedule 1, as well as whether they should be inserted into the Accounting Order. CNPI agrees with what OEB staff have documented in its submission including Schedule 1, with minor suggested modifications. For greater transparency, Schedule 1 as originally submitted by the OEB has been reproduced below and has been updated by CNPI with changes made primarily to reflect the updated illustrative commodity model calculations as provided in Reply Submission Attachment B. CNPI has provided its reply responses directly within the updated Schedule 1 below.

*All of which is respectfully submitted*

**CNPI Updates to Schedule 1 to OEB Staff Submission – EB-2025-0081  
RPP Settlement Process and Associated Journal Entries**

- i) In the tab “Data for Settlement & 1st TU” of the Excel Attachments A and B:

The National Grid volume is 7,500,000 kWh (cell C7).

The total GA volume is:

- a. 25,500,000 kWh excluding the National Grid kWh (cell C11)
- b. 33,000,000 kWh including the National Grid kWh (cell C10 and C14)

The actual CT 148 invoiced by the IESO is based on 25,500,000 kWh (i.e., excluding the National Grid kWh, cell C62).

However, the kWh used in the initial RPP settlement and subsequent true-ups are based on 33,000,000 kWh (i.e., including the National Grid kWh, cell C10 and C14).

CNPI Reply Submission:

CNPI agrees with the above initial interpretation. However, the Reply Submission Attachment B RPP settlement calculations are now based on a. above (25,500,000 kWhs excluding National Grid kWhs).

- ii) In the tab “JEs” of the Excel Attachments A and B:

JE#6 shows the following when recording the global adjustment on the IESO invoice, including:

Dr. Account 4705 - RPP GA Charges (CT 148) \$1,809,052

Dr. Account 4707 - GA Charges - Class B non-RPP (CT 148) \$702,248

Cr. Account 4705 - Power Purchased - RPP GA Avoided \$411,148



Cr. Account 4707 - GA Charges - Class B non-RPP GA Avoided \$159,602  
Cr. Account 2256 - IESO Accounts Payable \$1,940,550<sup>2</sup>

JE#7 shows the following when recording the RPP settlement 1<sup>st</sup> true-up:

Dr. Account 2256 – IESO Accounts Payable \$426,629

Cr. Account 4705 – Power Purchased \$426,629

CNPI Reply Submission:

CNPI agrees with the above. JE#7 has been updated based on calculations in the Reply Submission Attachment B.

iii) In the tab “Data for Settlement & 1st TU” of the Excel Attachments A and B:

\$1,809,052 (cell I17 less cell J64) + \$702,248 (cell I18 less cell J65) =  
\$2,511,300 (cell I63) **A**

This amount **A** represents the GA charged if CNPI Distribution reported the National Grid kWh to the IESO and the IESO then invoiced CNPI Distribution as part of CT 148.

\$1,940,550 (cell I62) **B**

This amount **B** represents the GA charged if CNPI Distribution did not report the National Grid kWh to the IESO and the IESO did not invoice CNPI Distribution as part of CT 148.

\$411,148 + \$159,602 = \$570,750 (cell I64) **C = A – B**

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<sup>2</sup> Journal entry #6 shows Cr. Account 2256 - IESO Accounts Payable total of \$3,374,712. The amount of \$1,940,550 is a sub-set of Account 2256 - IESO Accounts Payable.

This amount **C** represents the GA savings if CNPI Distribution did not report the National Grid kWh to the IESO and the IESO did not invoice CNPI Distribution as part of CT 148.

CNPI Reply Submission:

CNPI agrees with the above.

- iv) Accounting Order Journal Entries Revised in Interrogatory Responses in the Excel Attachments A and B:

Dr. Account 4705 - Power Purchased National Grid \$350,000

Cr. Account 2205 – Accounts Payable \$350,000

*To record National Grid purchased power costs.*

Dr. Account 4705 - RPP GA Charges (CT 148) \$1,809,052

Dr. Account 4707 - GA Charges - Class B non-RPP (CT 148) \$702,248

Cr. Account 4705 - Power Purchased - RPP GA Avoided \$411,148

Cr. Account 4707 - GA Charges - Class B non-RPP GA Avoided \$159,602

Cr. Account 2256 - IESO Accounts Payable \$1,940,550

*To record National Grid GA and savings. Underlying calculation does not reflect National Grid power purchased costs.*

Dr. Account 2256 – IESO Accounts Payable \$426,629

Cr. Account 4705 – Power Purchased \$426,629

*To record 1<sup>st</sup> RPP settlement true-up (assuming a calculated receivable from the IESO based on the illustrative example provided). Underlying calculation **does not incorporate** National Grid power purchased costs.*

Dr. Account 4707 - Charges GA \$159,602

Cr. Account 4705 - Power Purchased \$159,602

*To reclass GA costs avoided with kWhs purchased from National Grid to Account 4705 which, in turn, will be posted to Account 1588. This will allow for the sharing of GA costs avoided by all CNPI Distribution's customers (i.e. both RPP and non-RPP).*

Dr. Account 6035 - Other Interest Expense \$XX

Cr. Account 1588 - Power, Sub-Account Carrying Charges \$XX

*Assumes net credit balance in Account 1588 – RSVA Power. To record the carrying charges on the net monthly opening balance in Account 1588 - RSVA Power, Sub-Account Carrying Charges.*

Dr. Account 1589 - Global Adjustment, Sub-Account Carrying Charges \$XX

Cr. OEB 4405 - Interest and Dividend Income \$XX

*Assumes net debit balance in Account 1589 – RSVA Global Adjustment. To record the carrying charges on the net monthly opening balance in Account 1588 - RSVA Power, Sub-Account Carrying Charges.*

CNPI Distribution suggested that it had made some assumptions in its modeling, such as keeping certain inputs constant through the RPP true-up process, so as to minimize the number of moving parts.<sup>3</sup> Therefore no journal entries have been populated by CNPI Distribution in its Excel Attachments A or B to record either the 2<sup>nd</sup> RPP settlement true-up or the “RPP vs non-RPP Cost of Power Journal Entry True-up of CT 148”.

CNPI Reply Submission:

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<sup>3</sup> For example, CNPI Distribution kept the AQEW, National Grid, Embedded Generation, Class A, RPP and non-RPP retail kWh quantities and \$ amounts constant throughout the true-up example presented along with the average utility cost of power for RPP and non-RPP.

CNPI agrees with all of the above. Amounts above have been updated based on calculations provided in the Reply Submission Attachment B and a wording update has been made to the JE description of the 1<sup>st</sup> RPP settlement.

- v) Accounting Order Journal Entries Required Modifications as per OEB Staff's Submission in the Excel Attachments A and B:
- a) The following journal entry is not required given that any GA savings impacts should be recorded in both Accounts 1588 and 1589, as opposed to solely Account 1588, as per section #3 of this submission.

Dr. Account 4707 - Charges GA \$159,602

Cr. Account 4705 - Power Purchased \$159,602

CNPI Reply Submission:

CNPI agrees with the above and this entry has been removed from the updated Accounting Order as provided in Reply Submission Attachment A.

- b) The amounts in the following journal entry to record the 1<sup>st</sup> RPP settlement true-up need to be revised given that RPP sales volumes related to the supply obtained from the electricity purchased from National Grid should not be reflected in the IESO CT 142 settlement calculations with the IESO. The CT 142 settlement calculations are noted in section #4 of this submission.

Dr. Account 2256 – IESO Accounts Payable \$426,629

Cr. Account 4705 – Power Purchased \$426,629

CNPI Reply Submission:

CNPI agrees with the above and the numbers have been modified accordingly and have also been reflected in both Reply Submission Attachment A and Reply Submission Attachment B.

- c) The amounts in journal entries related to both the 2<sup>nd</sup> RPP settlement true-up or the “RPP vs non-RPP Cost of Power Journal Entry True-up of CT 148” need to reflect the fact that RPP sales volumes related to the supply obtained from the electricity purchased from National Grid should not be reflected in the IESO CT 142 settlement calculations with the IESO. The CT 142 settlement calculations are noted in section #4 of this submission.

CNPI Reply Submission:

CNPI agrees with the above and the numbers have been modified accordingly and have also been reflected in both Reply Submission Attachment A and Reply Submission Attachment B.

## Reply Submission Attachment A

## **DRAFT ACCOUNTING ORDER – Cross Border Power Purchases**

This accounting order is to address how Canadian Niagara Power Inc. ("CNPI") cross-border power purchases from National Grid ("NG") are to be incorporated into the Regulated Price Plan settlement process, as well as recorded in CNPI's OEB Accounts 1588 and 1589.

### **Commodity Pass-Through Accounts Background**

The OEB issued a letter on July 20, 2018<sup>1</sup>, advising electricity distributors of the OEB's initiative to standardize the accounting processes used by distributors related to Regulated Price Plan (RPP) wholesale settlements and procedures to improve the accuracy of the commodity pass-through accounts: Account 1588 – RSVA<sub>Power</sub>, and Account 1589 – RSVA<sub>GA</sub>. Accordingly, on February 21, 2019 the OEB provided an initial set of standardized requirements for regulatory accounting and RPP settlements ("Accounting Guidance"). All Distributors are expected to follow this Accounting Guidance. Since the 2018 letter and February 2019 guidance, the OEB has issued updates to the guidance in May 2023<sup>2</sup> and in June 2024<sup>3</sup>.

The above guidance references do not explicitly consider the treatment cross border power purchase arrangements.

### **RPP Settlements Calculation Impact of Cross-Border Purchases**

For purposes of RPP Settlement calculations, CNPI will incorporate the cross-border purchases from NG as follows:

- kWhs purchased from NG shall not be included in the GA and Energy Volume totals.
- total dollars charged by NG to CNPI for kWhs purchased shall be included in the Total 4705 costs similar to Charge Type 101/1115 or any subsequent equivalent charge type from the IESO.
- a quantification of Global Adjustment costs avoided will be calculated by multiplying kWhs purchased from NG by the actual Global Adjustment Class B price as posted by the IESO, for that settlement period, and will be set up as a payable back to all CNPI customers, pro-rated into OEB Accounts 1588 and 1589 based on RPP vs non-RPP Class B relative percentages.

### **Sample Journal Entries Related to Cross-Border Purchases**

An illustrative example in Excel, using the OEB issued illustrative commodity model as a basis<sup>4</sup>, has also been provided as part of this order. This includes showing which OEB accounts are impacted by the cross-border purchase costs and the associated RPP Settlement calculations.

CNPI will incorporate the cost of cross-border purchases into OEB issued 1588/1589 guidance as it relates to journal entries, similar to illustrative example provided and noted above. Although below is not an exhaustive list, below are examples of the 1588/1589 journal entries outlined in the OEB 1588/1589

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<sup>1</sup> OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts, July 20, 2018

<sup>2</sup> Accounting Guidance Update related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment: Implementing the Ultra-Low Overnight (ULO) Regulated Price Plan Option Ontario Energy Board File No. EB-2022-0160, May 23, 2023

<sup>3</sup> Draft Accounting Guidance related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment resulting from the IESO's Market Renewal Program, June 12, 2024

<sup>4</sup> Updated Illustrative Commodity Model, May 23, 2023

guidance that are most directly related/impacted by the cross-border power purchased. The values presented below are for illustrative purposes only and are sourced from the Reply Submission Attachment B provided in CNPI's reply submission in EB-2025-0081.

Dr. OEB 4705 – Power Purchased National Grid	\$ 350,000	
Cr. OEB 2205 – Accounts Payable		\$ 350,000

To record National Grid purchased power costs.

Dr. OEB 2205 – Accounts Payable	\$ 426,629	
Cr. OEB 4705 – Power Purchased		\$ 426,629

To record RPP settlement true-up (assuming a calculated receivable from the IESO based on the illustrative example provided). Underlying calculation does not incorporate National Grid power purchased costs.

Dr. Account 4705 - RPP GA Charges (CT 148)	\$ 1,809,052	
Dr. Account 4707 - GA Charges - Class B non-RPP (CT 148)	\$ 702,248	
Cr. Account 4705 - Power Purchased - RPP GA Avoided		\$ 411,148
Cr. Account 4707 - GA Charges - Class B non-RPP GA Avoided		\$ 159,602
Cr. Account 2256 - IESO Accounts Payable		\$ 1,940,550

To record actual Global Adjustment charges from IESO invoice along with Global Adjustment savings as a result of power purchased from National Grid, with a proration of the savings based on estimated RPP/Non-RPP proportions.

Note: Carrying charges will be recorded on all outstanding principal balances consistent with OEB guidance (see below). Similarly, disposition of balances in 1588/1589 to occur in accordance with OEB guidance.

Dr. OEB 6035 - Other Interest Expense	\$XX	
Cr. OEB 1588 - RSVA Power, Sub-Account Carrying Charges		\$XX

Assumes net credit balance in OEB 1588 – RSVA Power. To record the carrying charges on the net monthly opening balance in Account 1588 - RSVA Power, Sub-Account Carrying Charges.

Dr. OEB 1589 - RSVA Global Adjustment, Sub-Account Carrying Charges	\$XX	
Cr. OEB 4405 - Interest and Dividend Income		\$XX



Assumes net debit balance in OEB 1589 – RSVA Global Adjustment. To record the carrying charges on the net monthly opening balance in Account 1588 - RSVA Power, Sub-Account Carrying Charges.

## Reply Submission Attachment B

*Filed As Excel*