CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

April 16, 2025 *sent via email*

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4
registrar@oeb.ca

Dear Ms. Marconi:

RE: CANADIAN NIAGARA POWER INC.,
LICENCE (ED-2023-0265) AMENDMENT AND ACCOUNTING ORDER APPLICATION
EB-2025-0081

Please find attached the interrogatory responses of Canadian Niagara Power Inc.(CNPI) in the above-cited Application. Despite the previous request for an extension, CNPI is pleased to provide these responses in line with the original deadline provided for in Procedural Order #1 of this matter.

Please direct any questions or correspondence in this matter to the undersigned.

Sincerely,

Oana Stefan

Digitally signed by Oana Stefan
Date: 2025.04.16 11:14:23 -04'00'

Oana Stefan
Manager, Regulatory Affairs
RegulatoryAffairs@FortisOntario.com

Cc: Michael Bell, OEB Case Manager

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Staff Question-1

Ref 1: EB-2014-0204, CNPI Tx Revenue Requirement for 2015 and 2016, Decision and Order, May 14, 2015, Section 1.0

Ref 2: EB-2025-0081, Application for Licence Amendment and Accounting Order, Pages 3-4

The International Power Line (IPL) facility, which connects the CNPI Tx system with the National Grid transmission system in Buffalo, New York, provides an alternative source of power to the CNPI Tx system during outages and planned maintenance. Although the need for the IPL occurs infrequently, the OEB previously accepted in CNPI's Tx revenue requirement decision (for 2015 and 2016 rates) the evidence that CNPI Tx may not be able to meet the IESO load restoration standard without the IPL.

CNPI provides Tx service to part of CNPI Dx service territory, specifically the Fort Erie service territory. When maintenance or other events prevent the use of the CNPI Tx assets that connect the Fort Erie service territory to the IESO-controlled grid, an alternative to taking a full outage in the Town of Fort Erie, is to supply the Town via the CNPI Tx connection to National Grid.

Load for Fort Erie was taken off of the IESO system and transferred to National Grid from August 20, 2023 to October 1, 2023, due to planned repair work on CNPI Tx's lines. During this time CNPI continued to purchase power from the IESO and Hydro One, for its Port Colborne customers and its Gananoque customers, respectively.

An approximately six-week outage is currently targeted to occur in Q3 2025 for Fort Erie due to planned repair work. CNPI anticipates further such circumstances may occur in the future and has therefore proposed permanent licence exemptions and associated accounting proposals, in the case where the use of CNPI's National Grid connection is required again in the future.

Question(s):

a) Please confirm that the use of CNPI's National Grid connection is for planned maintenance outages and is on an as-needed basis.

b) Please provide more details in terms of the frequency of these planned repair works on an annual basis in the anticipated future periods.

c) Please confirm that the use of CNPI's National Grid connection is required only for Fort Erie service territory, while the rest of its service territories are still connected to the IESO and Hydro One.

i. If not confirmed, please explain why not.

CNPI Response:

a) CNPI confirms this is the case. The IPL connection to National Grid may be used for planned or unplanned (emergency) outages, as-needed.

b) As discussed in the Application, there is a project planned to occur in August 2025 which is currently expected to last six weeks. Additionally, there is a potential project in the coming few years that may necessitate a similar weeks-long outage. The project has not yet been confirmed or planned (and may in fact not be required). Emergency outages requiring use of the IPL cannot be forecasted, however such outages occur infrequently.

c) Yes, CNPI confirms this is the case. Fort Erie is served by an isolated 115 kV system, so the power purchased from National Grid is only used to feed Fort Erie, and not the other areas of CNPI's distribution system.

I. N/A, confirmed above.

Staff Question-2

Ref: EB-2025-0081, Application for Licence Amendment and Accounting Order, Pages 4, 7

The cost of power purchased from National Grid during the August 20, 2023 to October 1, 2023 period was a total $1,079,772 USD (or $1,498,183 CAD). CNPI has assessed that the same power purchases from the Ontario grid would have cost $2,678,691, for a savings of almost $1.2 M CAD. This estimate does not account for the savings related to "savings in the levels of transmission, wholesale market service, and other charges on CNPI Distribution's IESO invoice."

OEB staff notes that the Ontario government amended O. Reg. 429/04 (Global Adjustment (GA) Reg) so that, effective July 1, 2023, GA will not be paid by Class B consumers for any electricity purchased from outside of Ontario. This is referred to as "contracted non-Ontario electricity" in the GA Reg. CNPI also referred to these avoided GA costs in its application.

CNPI stated that the quantification of avoided GA costs will be calculated by multiplying kWhs purchased from National Grid by the actual GA 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, in OEB Account 1588.

Question(s):

a) At a high level, please provide the breakdown of the CAD $1.2 M savings per the IESO charge types.

b) Please demonstrate at a high level how the $1.2 M savings were calculated for avoided GA, including the multiplication of the kWhs purchased from National Grid by the actual GA Class B price as posted by the IESO.

c) Please explain why there are also "savings in the levels of transmission, wholesale market service, and other charges on CNPI Distribution's IESO invoice."

d) Please provide the breakdown of the amounts related to savings in the levels of transmission, wholesale market service, and other charges on CNPI Dx's IESO invoice.

i. Please confirm whether CNPI is planning to pass on these additional savings to its customers.

ii. If confirmed, please provide a high-level proposal, including the accounts and amounts impacted.

iii. If not confirmed, please explain why not.

e) Please provide a high-level comparison of the power purchase price between National Grid and the IESO/ Hydro One.

CNPI Response:

a) Due to the difference in pricing methodologies under IESO and NYSO pricing, CNPI has assumed that all of the avoided GA billings are considered savings, as there is no mechanism directly similar to the GA in the NYSO pricing. The remaining invoiced amounts are assumed to be Cost of Power related charges. The table below breaks down the estimated savings by Charge Type.

Table 1: Breakdown of Estimated Savings

		IESO Est Charges Avoided	NG Billing (CAD)	Variance	Notes - Estimated Avoided IESO Charges
CT 148	Global Adjustment	$ 1,628,346	$ -	$ (1,628,346)	Hourly NG kWh * Supply Loss Factor * GA Final Rate
CT 1150	Cost of Power / "Real Time Energy Settlement Amount for Non Dispatchable Loads"	$ 1,070,185	$ 1,498,183	$ 427,998	Hourly NG kWh * Supply Loss Factor * HOEP Hourly Rt
	Total	$ 2,698,532	$ 1,498,183	$ (1,200,349)	

CNPI notes the addition of a supply loss factor has adjusted the total avoided IESO charges by a non-material amount. The loss factor corresponds to the supply facilities loss factor from Appendix 2-R in CNPI's last COS (the factor used was 1.0070).

b) As outlined in the response above, the $1.2M represents a net savings amount (GA+COP).

The avoided Global Adjustment is calculated by multiplying the hourly MWh purchased from NG by the Supply Facilities Loss Factor, then by the final Class B GA per MWh from the IESO website. The GA price per MWh remains consistent for all intervals in a calendar month. The total estimated GA billings is approximately $1.6M.

The avoided HOEP is calculated by multiplying the hourly MWh purchased from NG by the Supply Facilities Loss Factor, then by the Hourly Ontario Energy Price per MWh for each hour of each month. The HOEP price is different for each hour in the data set. The total estimated HOEP billings is approximately $1.1M.

The total billings from NG amount to about $1.5M, for a net savings of $1.2M ($2.7M avoided costs less $1.5M NG billings).

A snapshot of the hourly calculations for estimated IESO avoided billings for some (a subset) of the hours in 2023 is shown below (showing only 24 of the affected 1008 hourly intervals plus totals and subtotals at the bottom).

Table 2: Snapshot Example- Savings Estimation Calculations

		Loss Factor (IESO Charges)				1.0070			
Date	Hour Beginning	Hourly HOEP Rate (per mWh)	Monthly Final GA Rate (per MWh)	Hourly Rate per MWh- combined GA and HOEP	MWh	MWh*Loss	Estimated HOEP If from IESO	Estimated GA If from IESO	Estimate on HOEP+Class B GA
2023-09-30	1:00	$ 34.69	$ 50.90	$ 85.59	20.285	20.426	$ 708.58	$ 1,039.69	$ 1,748.26
2023-09-30	2:00	$ 35.72	$ 50.90	$ 86.62	19.428	19.563	$ 698.79	$ 995.76	$ 1,694.55
2023-09-30	3:00	$ 29.04	$ 50.90	$ 79.94	18.927	19.059	$ 553.46	$ 970.08	$ 1,523.54
2023-09-30	4:00	$ 31.53	$ 50.90	$ 82.43	18.721	18.851	$ 594.38	$ 959.52	$ 1,553.90
2023-09-30	5:00	$ 29.71	$ 50.90	$ 80.61	18.897	19.028	$ 565.33	$ 968.54	$ 1,533.88
2023-09-30	6:00	$ 30.84	$ 50.90	$ 81.74	19.923	20.062	$ 618.70	$ 1,021.13	$ 1,639.83
2023-09-30	7:00	$ 27.27	$ 50.90	$ 78.17	20.961	21.107	$ 575.58	$ 1,074.33	$ 1,649.91
2023-09-30	8:00	$ 27.73	$ 50.90	$ 78.63	22.509	22.665	$ 628.51	$ 1,153.67	$ 1,782.19
2023-09-30	9:00	$ 32.36	$ 50.90	$ 83.26	24.041	24.208	$ 783.38	$ 1,232.19	$ 2,015.57
2023-09-30	10:00	$ 32.39	$ 50.90	$ 83.29	25.224	25.399	$ 822.69	$ 1,292.83	$ 2,115.51
2023-09-30	11:00	$ 32.57	$ 50.90	$ 83.47	26.337	26.520	$ 863.76	$ 1,349.87	$ 2,213.63
2023-09-30	12:00	$ 33.38	$ 50.90	$ 84.28	26.967	27.154	$ 906.42	$ 1,382.16	$ 2,288.58
2023-09-30	13:00	$ 33.12	$ 50.90	$ 84.02	27.044	27.232	$ 901.92	$ 1,386.11	$ 2,288.04
2023-09-30	14:00	$ 33.60	$ 50.90	$ 84.50	27.413	27.604	$ 927.48	$ 1,405.02	$ 2,332.50
2023-09-30	15:00	$ 36.99	$ 50.90	$ 87.89	28.053	28.248	$ 1,044.90	$ 1,437.83	$ 2,482.72
2023-09-30	16:00	$ 35.72	$ 50.90	$ 86.62	29.153	29.356	$ 1,048.59	$ 1,494.20	$ 2,542.79
2023-09-30	17:00	$ 33.03	$ 50.90	$ 83.93	29.799	30.006	$ 991.10	$ 1,527.31	$ 2,518.42
2023-09-30	18:00	$ 33.43	$ 50.90	$ 84.33	29.132	29.335	$ 980.65	$ 1,493.13	$ 2,473.78
2023-09-30	19:00	$ 32.38	$ 50.90	$ 83.28	28.785	28.985	$ 938.54	$ 1,475.34	$ 2,413.88
2023-09-30	20:00	$ 34.22	$ 50.90	$ 85.12	27.814	28.007	$ 958.41	$ 1,425.58	$ 2,383.99
2023-09-30	21:00	$ 29.90	$ 50.90	$ 80.80	26.355	26.538	$ 793.49	$ 1,350.80	$ 2,144.29
2023-09-30	22:00	$ 30.54	$ 50.90	$ 81.44	24.334	24.503	$ 748.33	$ 1,247.21	$ 1,995.54
2023-09-30	23:00	$ 27.76	$ 50.90	$ 78.66	22.683	22.841	$ 634.06	$ 1,162.59	$ 1,796.65
2023-10-01	0:00	$ 30.17	$ 85.00	$ 115.17	21.037	21.183	$ 639.10	$ 1,800.58	$ 2,439.68
Totals					**28,181.090**	**28,377.025**	**$ 1,070,185.37**	**$ 1,628,346.46**	**$ 2,698,531.82**
Total August				**August**	**7,221**	**7,271**	**$ 212,487**	**$ 553,336**	**$ 765,823**
Total September				**September**	**20,960**	**21,106**	**$ 857,699**	**$ 1,075,010**	**$ 1,932,709**

c) The other savings on the IESO invoice are related to the reduced level of consumption (kWh) and peak demand (kW) drawn from the Ontario grid, reducing the level of charges attracting certain charge types.

d)**Estimated Transmission Charges Avoided:** CNPI estimates the avoided transmission charges are $485,731. To arrive at this value, CNPI compared the total system load (inclusive of NG purchases) peak kW data against the backup for the actual IESO- billed Transmission Line, Connection, and Network transmission billings.

Table 3: Estimated Transmission Invoice Impact

		Aug-23	Sep-23	Total Impact- Load Shifting Est.
Line Estimate on TSL		$ 69,237.78	$ 78,762.84	
Connection Estimate on TSL		$ 234,464.28	$ 266,719.63	
Network Estimate on TSL		$ 422,507.79	$ 480,632.35	
TOTAL Estimated billings on TSL		**$ 726,209.85**	**$ 826,114.81**	
Actual IESO Billings				
Line Billings		$ 76,423.40	$ 30,594.96	
Connection Billings		$ 260,191.84	$ 103,605.66	
Network Billings		$ 433,039.76	$ 162,737.85	
Total Actual Billings on IESO Invoice		**$ 769,655.00**	**$ 296,938.47**	
Impact of Load Shifting on IESO Tx Billings		**$ 43,445.15**	**-$ 529,176.34**	**-$ 485,731.19**

The calculations indicate that as a result of load shifting activities, there was a net savings over the two months of approximately $486k. In August, the load shifting between stations appears to have caused a "double billing" increase, however this was offset by avoided billings of ($529k) in September.

Estimated Wholesale Market Charges Avoided:

Table 4: Estimated WMS Invoice Impact

	August	September	Total Estimated Avoided WMS
Wholesale Market Fees (excl CBR)	$ 140,642.64	$ 63,499.88	
AQEW IESO Invoice	32,434,190.00	19,800,110.00	
Effective Rate- WMS excl CBR per kWh- per above	**$ 0.004336**	**$ 0.003207**	
kWh purchased from NG	7,220,967.00	20,960,123.00	
Adjust for Tx Losses	7,271,172.27	21,105,852.59	
Effective WMS per kWh from a above	$ 0.004336	$ 0.003207	
Estimated Avoided WMS	**$ 31,529.59**	**$ 67,687.46**	**$ 99,217.05**

For Wholesale Market Service Charges, CNPI calculated a per-kWh effective WMS rate for each of the August and September invoices from the IESO. In reality, CNPI acknowledges that some WMS charges may not be billed on a per kWh basis. The per kWh effective WMS rate was applied to the loss-adjusted kWhs which were purchased from NG rather than IESO to arrive at estimated avoided WMS charges of $99k.

i. Yes, CNPI believes these savings should be passed through to customers.

ii. CNPI makes no further proposals to pass on these savings, as the existing flow through of these savings through the IESO invoice has already occurred. More specifically, the reduced IESO billings were reflected in USOA accounts 4708,4714,4746 and addressed with the 2023 balance disposition of the balances in RSVA accounts 1580, 1584, 1586.

iii. N/A, as noted above, CNPI proposes to pass through the savings to customers, and in fact the savings have already been passed through to customers as described under answer ii).

e) CNPI has provided the following analysis as a best-estimate comparative price under Ontario versus National Grid pricing, covering August and September 2023. This is a point in time analysis based on multiple assumptions.

For the Ontario pricing assumption, CNPI used the aggregate of a subset of its IESO invoiced amounts divided by the AQEW kWhs to arrive at an estimated effective price per kWh. CNPI selected those charges more directly related to electricity consumption (Class B GA, HOEP, Transmission Line, Connection and Network). Other IESO invoice charges were excluded from the analysis to attempt to reflect only wholesale, current-period costs (Ex: RPP Settlement, Fair Hydro Plan, OESP, Transmission Credits, FIT payments, etc.).

The effective pricing per kWh based on the NG invoice is also presented below.

Table 5: Pricing Comparison

	August	**September**	**Total**
Estimated Effective price per kWh for IESO Purchases			
GA	$ 2,129,726	$ 609,699	$ 2,739,425
WMS	$ 140,643	$ 63,500	$ 204,143
TX	$ 769,655	$ 296,938	$ 1,066,593
COP	$ 1,049,041	$ 553,808	$ 1,602,849
WMS-CBR	$ 33,159	$ 26,948	$ 60,107
Total	**$ 4,122,223**	**$ 1,550,893**	**$ 5,673,117**
AQEW (kWh)	32,434,190	19,800,110	52,234,300
Effective Rate per kWh - ON	**$ 0.13**	**$ 0.08**	**$ 0.11**
Estimated Effective price per kWh for NG Purchases	**August**	**September**	**Total**
NG Cost ($CAD)	**$ 346,989.52**	**$ 1,151,193.48**	**$ 1,498,183.00**
NG Purchases (kWh)	7,220,967	20,960,123	28,181,090
Effective Rate per kWh-NY	**$ 0.05**	**$ 0.05**	**$ 0.05**

Staff Question-3

Ref 1: EB-2025-0081, Application for Licence Amendment and Accounting Order, Pages 4, 5, 7

Ref 2: EB-2024-0011, 2025 IRM Decision and Rate Order, December 12, 2024, Page 9

Ref 3: Accounting Procedures Handbook, Issued: December 2011, Effective: January 1, 2012, Article 220, Page 37

CNPI noted that, as a result of O.Reg. 429/04, GA does not apply to power purchases from out of province suppliers, as is the case for purchases from National Grid.

CNPI stated that a quantification of GA costs avoided will be calculated by multiplying kWhs purchased from National Grid by the actual GA 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, in OEB Account 1588.

OEB staff notes that the balances related to the 2023 calendar year for Accounts 1588 and 1589 were not disposed in CNPI's 2025 IRM Decision and Rate Order.

OEB staff further notes that the OEB requires GA variances relating to Non-RPP Class B customers to be recorded in Account 1589, GA.

OEB staff also notes that CNPI's accounting entries on page 8 of its application show two journal entries to Account 4705 and Account 2205 that are equal and offsetting. Similarly, two journal entries to Account 4705 and Account 4707 are equal and offsetting.

Question(s):

a) Please confirm that CNPI is requesting that its accounting proposals be made effective July 1, 2023 because of the following. If this is not the case, please explain.

i. This is the effective date of the amendment to O.Reg. 429/04.

ii. The power purchased from National Grid took place from August 20, 2023 to October 1, 2023.

iii. Its 2023 Accounts 1588 and 1589 balances have not yet been disposed, either on an interim or final basis.

b) Please explain why the GA related costs avoided will be credited through the Account 1588 Power account only, as the OEB requires GA variances relating to Non-RPP Class B customers to be recorded in Account 1589, GA and GA variances related to the RPP customers were part of the RPP prices and therefore would need to be recorded in Account 1588.

c) Please explain why CNPI is stating that the avoided GA "will be set up as a payable back to all CNPI customers, in OEB Account 1588", when the accounting entries on page 8 are circular, resulting in no net payable in Account 1588. This is given the two journal entries to Account 4705 and Account 2205 that are equal and offsetting, and similarly the two journal entries to Account 4705 and Account 4707 that are equal and offsetting.

d) Please add CNPI's proposed journal entries for carrying charges in its Accounting Order, as well as updating the Accounting Order to reflect any changes resulting from interrogatory responses (e.g., to reflect any further savings).

CNPI Response:

a) CNPI confirms its request that the accounting proposals should be made effective July 1, 2023, in consideration of the combination of circumstances in items i. through iii. cited by OEB Staff.

b) CNPI had proposed that GA related costs avoided could be credited through the account 1588 Power as any balance accumulated in that account is disposed off to all of its customers and it was of CNPI's view that this would be the most direct way to proportionally allocate the GA avoided costs back to its customer base. CNPI would be receptive to modifying this proposed approach based on OEB's comments and responses to other interrogatory questions within this response package. This would include possibly establishing a new 1508 Sub-Account as discussed in Staff-Question-6. CNPI has not updated the accounting order draft at this stage to incorporate the possible creation of a 1508 Sub-Account.

c) The proposed journal entries outlined in the draft accounting order of the original application on page 8, are not expected to be circular in nature. CNPI has reproduced the entries proposed in the draft accounting order (Note: These are not intended to be a full replication of all possible entries as per 1588/1589 guidance, rather examples of entries most directly affected by the National Grid electricity purchases instead of from IESO), except that dollar values have now been added based on the settlement sample calculations that were submitted as part of the Application. CNPI notes that the values presented below are for illustrative purposes based on the settlement example provided in the initial Application.

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	$480,630	
Cr. OEB 4705 – Power Purchased		$480,630

To record RPP settlement true-up (assuming a calculated receivable from the IESO based on the illustrative example provided). Underlying calculation incorporates National Grid power purchased costs.

Dr. OEB 4705 - Power Purchased (RPP GA)	$1,809,052	
Cr. OEB 4707 - Charges GA		$1,809,052

To allocate CT 148 between RPP and non-RPP based on RPP settlement calculations. Underlying calculation assumes GA charged by IESO on total wholesale volume data. See entry below for additional reclassification for GA costs avoided on National Grid kWhs purchased.

Dr. OEB 4707 - Charges GA	$570,750	
Cr. OEB 4705 - Power Purchased		$570,750

To reclass GA costs avoided with kWhs purchased from National Grid to 4707 which, in turn, will be posted to 1588. This will allow for the sharing of GA costs avoided by all CNPI customers (i.e. both RPP and non-RPP).

d) An updated Accounting Order has been provided as **Attachment C** to incorporate interest charges.

Staff Question-4

Ref 1: EB-2025-0081, Application for Licence Amendment and Accounting Order, Pages 3, 4

Ref 2: EB-2024-0011, 2025 IRM Decision and Rate Order, December 12, 2024, Page 2 and Tariff of Rates and Charges

CNPI stated that load for Fort Erie was taken off of the IESO system and transferred to National Grid from August 20, 2023 to October 1, 2023. During this time CNPI continued to purchase power from the IESO for its Port Colborne customers, and from Hydro One for its Gananoque customers.

CNPI stated that it serves approximately 31,000 customers in the areas of Port Colborne, Fort Erie, and Gananoque and surrounding area. CNPI stated that for its service in the Town of Fort Erie, CNPI's customer base in this area is approximately 17,900 customers.

Questions:

a) Please confirm that as per its 2025 IRM Decision tariff of rates and charges, rates are harmonized across the Town of Fort Erie, City of Port Colborne and Town of Gananoque. If this is not the case, please explain.

b) Please confirm that CNPI's customers for Fort Erie represent approximately 58% of its total customers. If this is not the case, please explain.

c) Please confirm that only CNPI's customers for Fort Erie were connected to National Grid. If this is not the case, please explain.

d) Please describe whether it is possible to credit GA costs avoided (as well as any other savings) only to CNPI's Fort Erie customers or whether it is not possible because of harmonized rates.

CNPI Response:

a) Confirmed, the rates for Fort Erie, Port Colborne, and Gananoque have been harmonized since 2017.

b) Confirmed, this is the approximate proportion of customers.

c) Confirmed, this is the case.

d) CNPI believes this would technically be possible, however consistent with the rate harmonization in place across all service areas, CNPI recommends applying consistent rates across all service areas. This approach would be consistent with the current approach taken on other pass-through charges, including for example transmission rates (which are harmonized across the service territories even though some service areas attract HONI subtransmission costs, while others attract UTRs). Similarly, some parts of the service territory attract low voltage rates while others do not. There would be secondary benefits from maintaining rate harmonization among the service territories, including simplicity of administration, rate implementation cost savings and avoided record keeping complexity.

Staff Question-5

Ref 1: EB-2025-0081, Application for Licence Amendment and Accounting Order, Pages 7, 8

Ref 2: EB-2025-0081, Application for Licence Amendment and Accounting Order, Appendix B Sample Calculations

Ref 3: Update to Accounting Procedures Handbook Update - Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment issued in February 2019 resulting from the implementation of a new optional ultra-low overnight price plan, May 23, 2023

Per References 1 & 2, CNPI provided an illustrative example by using the commodity model dated May 23, 2023 to show OEB accounts impacted by purchase costs from National Grid and the associated RPP Settlement calculations.

OEB staff notes the journal entries proposed in References 1 & 2 do not demonstrate that the savings generated from its purchases from National Grid have been refunded to the ratepayers in the impact areas.

OEB staff also notes the sample calculation in Reference 2 is missing the steps such as:

• 1st True-up & RPP settlement process

• Rate Application Impact

• Detailed Journal Entries

• T-Accounts

For RPP settlements, CNPI stated that kWhs purchased from National Grid shall be included in the GA and energy volume totals, similar to AQEW IESO values.

Question(s):

a) Please use the updated Accounting Guidance in Reference 3 to update the sample calculation.

b) Please include any steps which are missing from CNPI's sample provided at Reference 2, as well as how savings generated from its cross-board power purchases from National Grid have been shown as refunded to the ratepayers in its updated Excel model.

c) Please explain why CNPI is proposing to continue to report to the IESO the volumes supplied by National Grid and including these volumes in the CT 142 RPP settlement calculations.

d) At a high level, please quantify and explain the impact on Accounts 1588 and 1589 if CNPI does not report to the IESO the volumes supplied by National Grid and does not include these volumes in the CT 142 RPP settlement calculations.

CNPI Response:

a) CNPI had used components of the updated Accounting Guidance in Reference 3. For more transparency, CNPI has populated the Illustrative model in its entirety (except the 'Rate Application Related' tab) and included the Excel file as a response to this interrogatory. See **Attachment A**. CNPI reiterates that this is an illustrative model only, although values presented in this illustrative model roughly represent what the August 2023 RPP settlements may look like based on the approach presented. CNPI has made some assumptions in its modeling such as keeping certain inputs constant through the RPP true-up process so as to minimize noise around timing

differences. For example, CNPI 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 unity cost of power for RPP and non-RPP.

b) See updated illustrative model provided in a) above. The GA avoided costs, for example, have been quantified and specifically identified in the 'Final RSVA Balances' tab of the model and are part of the $0.40M ending net credit in 1588 and $0.05M net debit in 1588 as presented in the same tab and also the T-account tab. CNPI notes that an offset to this savings is the higher Cost/kWh calculated for the National Grid invoice as compared to the Cost/kWh on the IESO Charge Type 101 and this variance flows through the settlement calculations (similar to avoided GA), with any remaining variance after settlement ultimately sitting in 1588. For purposes of the illustrative modeling, CNPI has assumed that 100% of the National Grid billed costs would be incorporated into the equivalent of charge type 101 IESO billed costs with the commodity charges portion of the settlement calculations.

c) To clarify, CNPI is proposing to include all RPP sales volumes in its CT 142 settlements calculations because this represents total load sold to RPP customers within CNPI Niagara's distribution network. This is reflective of CNPI's interpretation of the OEB issued guidance around the settlement process. Furthermore, based on CNPI's overall system design combined with the intermittent nature of power being purchased from National Grid, there would not be a direct method that could be reasonably or efficiently taken to segregate power sold to customers that were supplied by National Grid versus other sources. An attempt to segregate both customer load and then also IESO billing (i.e. the IESO issues one monthly invoice for all power purchased from the grid within its Niagara region as a whole which includes both Fort Erie and Port Colborne regions) information at this level of granularity would require, CNPI believes, a high degree of estimation and assumptions, as well as additional administrative burden . Additionally, CNPI had previously achieved harmonization of its rates which include Fort Erie, Port Colborne and Gananoque regions. CNPI believes that the settlement approach taken as it relates to consumption based values incorporated into the underlying calculations is generally consistent with how another LDC (ORPC) has carried out their respective settlement process. However, in the case of ORPC, out-of-province power is more consistently purchased than the intermittent purchases expected to be made by CNPI.

d) As mentioned in c) above, based on the design of the system, the segregation of kWhs sold for purposes of RPP settlements of load excluding National Grid cannot be easily determined; many high-level assumptions would need to be made. For the Illustrative sample provided, which looked at an example of the month of August 2023, in using several high-level assumptions (i.e. pro-rata approach to all of the consumption based inputs into the calculation including Class A), CNPI roughly estimates that this would result in a $0.16 M credit in 1588 and a debit of $0.08M debit in 1589. This is in comparison to roughly a $0.56M credit in 1588 and debit of $0.21M in 1589 for the modeling as originally submitted and provided in Staff-Question-5a.

Staff Question-6

Ref 1: EB-2023-0047, Ottawa River Power Corporation, 2024 IRM Decision and Rate Order, April 9, 2024, Pages 14-17

Ref 2: EB-2024-0050, Ottawa River Power Corporation, 2025 IRM Decision and Rate Order, March 20, 2025, Page 15

In Ottawa River Power Corporation's (ORPC) 2024 IRM decision, the OEB approved the establishment of Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up. This new rate mechanism allowed ORPC to refund the over-collection of GA from ratepayers since July 1, 2023 and pass GA savings to ratepayers on a go-forward basis so ORPC does not over-collect GA, amongst other items.

ORPC filed an Excel Appendix K which was a template demonstrating how the balance in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, as well as the proposed rate rider per kWh to be refunded to its customers annually, will be calculated.

The OEB approved ORPC's proposed Power Purchased True-Up Rate credit rate rider per kWh to be refunded to all of its customers, effective May 1, 2024 for 12-months. The OEB determined that it is appropriate for ORPC to apply to the OEB to update this rate rider in each of its rate applications going forward. This rate rider was updated (i.e., a new rate rider effective May 1, 2025 for 12-months) and approved in ORPC's 2025 IRM decision.

Question(s):

a) Please explain whether CNPI considered ORPC's approach to refund avoided GA costs (i.e., through the generation of a separate rate rider and a new DVA), rather than CNPI's approach to flow through credits to Account 1588 related to avoided GA costs.

b) Please explain why CNPI did not use ORPC's approach.

c) Please provide a high-level illustrative example to demonstrate how the approach utilized by ORPC could be used by CNPI for avoided GA costs, as well as any other associated savings.

CNPI Response:

a) CNPI did consider ORPC's approach and had initially determined that ORPC's scenario may be slightly different as CNPI will be purchasing out-of-province power on an intermittent basis, whereas ORPC has plans to purchase power from out-of-province on an on-going regular basis. Also, it was noted that ORPC has a contractual obligation to pay half of the Global Adjustment avoided back to its supplier which adds an additional layer of complexity to ORPC's scenario as compared to CNPI as CNPI does not have that same obligation. Given the planned infrequent nature of CNPI's purchases from out-of-province, CNPI had decided to initially propose to keep the GA savings within 1588 with the theory that the savings would then refunded back to all of CNPI's customer base.

b) See a) above. CNPI believes that the ORPC scenario is slightly different than that of CNPI's and so CNPI proposes to continue with the current requested approach as originally submitted. However, CNPI would be open to adopt a similar approach to that of ORPC's in that, rather than keeping the quantified GA savings in 1588, an additional set of accounting journal entries could be recorded to move the savings to a net new, Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up similar to that of ORPC. That account, CNPI expects, would attract interest in accordance with other Group 1 and 2 accounts. Disposition could occur after the transactions have been fully completed, processed and financially recorded in the CNPI 1508 Sub-Account (including the financial recording and submission of the 2nd RPP true-up). See c) below for additional information.

c) CNPI has reproduced the illustrative model as provided in Staff-Question 5a and added an additional journal entry to reclass the GA savings out of 1588 and into a 1508 Sub-Account. See **Attachment B**. CNPI would then propose that the accumulated variance in that account would be requested for disposition, and upon approval, a rate rider calculated on a basis similar to other Group 1 disposition rate rider calculations. The allocation of the disposed amounts would be consistent with the billing determinants used to allocate the disposition of 1588 account balances.

Staff Question-7

Ref: EB-2025-0081, Application for Licence Amendment and Accounting Order, Section 2, Page 3

Preamble:

The application states that CNPI has requested an exemption from section 3.2 of the Retail Settlement Code, to be effective during periods when CNPI's regular Tx connection to the IESO-controlled grid is unavailable due to planned or unplanned outages on the related transmission assets.

Section 3.2 of the Retail Settlement Code outlines the methodology for calculating the Dx system losses and unaccounted for energy by a distributor when determining retail settlement costs of its consumer.

Question:

a) Please explain why an exemption from section 3.2 of the Retail Settlement Code is necessary for purchase of power from the National Grid through NYISO during periods of planned or unplanned outage?

CNPI Response:

a) The exemption is required for the accurate calculation of distribution losses during periods where power is purchased from National Grid.
More specifically, the Retail Settlement Code section 3.2 considers wholesale purchases of energy used for the purposes of calculating the distribution loss factor to include supply from embedded retail generators, load transfers, host distributors, and IESO purchases.
National Grid does not directly meet the definition of any of these parties.
CNPI believes the power purchases from NG should be considered as part of the wholesale power purchases for CNPI for the purpose of calculating the distribution loss factor.

In reviewing the required exemptions, CNPI consulted the ORPC exemptions for a similar out-of-province power purchase arrangement, which included an exemption from RSC Section 3.2.

Attachment A- Filed as Live Excel

Attachment B- Filed as Live Excel

Attachment C- Updated Draft Accounting Order

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[1], 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 – $RSVA_{Power}$, and Account 1589 – $RSVA_{GA}$. 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[2] and in June 2024[3].

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 be included in the GA and Energy Volume totals similar to AQEW IESO values
- total dollars charged by NG to CNPI for kWhs purchased 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, in OEB Account 1588

Sample Journal Entries Related to Cross-Border Purchases

An illustrative example in Excel, using the OEB issued illustrative commodity model as a basis[4], 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 guidance that are most directly related/impacted by the cross-border power purchased.

Dr. OEB 4705 – Power Purchased National Grid $XX

[1] OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts, July 20, 2018
[2] 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
[3] 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
[4] Updated Illustrative Commodity Model, May 23, 2023

Cr. OEB 2205 – Accounts Payable $XX

To record National Grid purchased power costs.

Dr. OEB 2205 – Accounts Payable $XX

Cr. OEB 4705 – Power Purchased National Grid $XX

To record RPP settlement true-up (assuming a calculated receivable from the IESO based on the illustrative example provided). Underlying calculation incorporates National Grid power purchased costs.

Dr. OEB 4705 Power Purchased RPP GA $XX

Cr. OEB 4707 Charges GA $XX

To allocate CT 148 between RPP and non-RPP based on RPP settlement calculations. Underlying calculation assumes GA charged by IESO on total wholesale volume data. See entry below for additional reclassification for GA costs avoided on National Grid kWhs purchased.

Dr. OEB 4707 Charges GA $XX

Cr. OEB 4705 Power Purchased $XX

To reclass GA costs avoided with kWhs purchased from National Grid to 4707 which, in turn, will be posted to 1588. This will allow for the sharing of GA costs avoided by all CNPI customers (i.e. both RPP and non-RPP).

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.