Q. Further to the response to PUB-NLH-095 where Hydro listed recovery mechanisms in other jurisdictions, provide for each deferral mechanism listed as existing in other Canadian jurisdictions a comparison, including all similarities and differences, with Hydro's equivalent mechanism.

A. Please refer to PUB-NLH-312 Attachment 1.

Deferral Mechanism / Utility	**Applicable To**	**How it Works**	**Hydro's Equivalent Mechanism**
Energy Supply Variance			
Nova Scotia Power(NSPI)	Fuel	NSPI recovers fuel variations through its Fuel Adjustment Mechanism (FAM) for variations from its base cost of fuel, which is included in base rates and adjusted through a GRA or every two years, if there is no GRA. The FAM rider gets adjusted in November of each year based on 10 months actual and two months forecasted and becomes effective January 1 of the next year. The rider is comprised of two components: an actual adjustment and a balance adjustment.	Hydro's RSP captures variances in fuel oil quantity and cost with respect to the forecast level. Hydro is proposing in this GRA to amortize and recover in rates its Isolated System diesel fuel and power purchase cost variances from the approved Test Year.
Manitoba Hydro	Gas Operations	Variances in the commodity portion of the cost of gas (~50% of the cost of gas) compared with the base cost of gas are reconciled quarterly through a rate rider. The fixed portion of the cost of gas, which includes storage and transportation go into a deferral account and reconciled annually with the difference from the forecast level passed through a rider.	
Interest Deferral			
Nova Scotia Power(NSPI)	Derivative instruments	NSPI manages its exposure to normal operating and market risks relating to commodity prices and foreign exchange using financial instruments including foreign exchange forwards and swaps, and coal, oil and gas options, forwards and swaps, as well as contracts for the physical purchase and sale of natural gas. These contracts are collectively considered derivatives. The change in fair value of the derivatives is deferred to a regulatory asset or liability. The gain or loss is recognized when the derivatives settle. Gains or losses resulting from settlement	Hydro amortizes costs associated with foreign exchange losses over a period of 28 years.

		of these derivatives are considered to be related to fuel for generation and purchased power and refunded to or collected from customers in future rates through the company's Fuel Adjustment Mechanism (FAM).	
Fortis Alberta	Automated metering (AMR) foreign exchange deferral	Fortis Alberta had an AMR program in which they eliminated manual meter reading at most of their sites. During the 2-3 years in which the new meters were installed, Fortis Alberta was purchasing the meters from the U.S. The commission required that a deferral account be set up to mitigate the risk inherent in foreign exchange rates. The deferral account was a part of base rates and trued up at the time of Fortis's general rate case.	Not applicable to Hydro as it pertains to AMR.
BC Hydro	**Foreign exchange gains and losses**	The British Columbia Utilities Commission (BCUC) approved the deferral and amortization of foreign exchange gains and losses on the translation of foreign denominated long-term monetary items, using the straight-line pool method, for the fiscal year beginning April 1, 2002 and future periods. Applying this method, the gains and losses are amortized over the weighted remaining term to maturity of the associated US debt, which is currently approximately 15 years.	Hydro amortizes costs associated with foreign exchange losses over a period of 28 years.
BC Hydro	**Finance charges**	As a result of economic uncertainty and the potential volatility of interest rates, in the F09/F10 RRA Decision the BCUC directed BC Hydro to establish a regulatory account to defer any differences between forecast and actual finance charges for F2009 and F2010. The F11 RRA NSA and the F12-F14 RRA decision extended this regulatory account to the end of F2014. The account is amortized over the length of the subsequent test period.	Not applicable to Hydro.
Load Variations			

BC Hydro	**Energy Deferral Accounts**	The purpose of the cost of energy variance accounts is to defer the difference between forecast and actual costs of energy, for recovery in a future period. The cost of energy variance accounts are used to smooth BC Hydro's net income when energy costs are higher or lower than forecast. BC Hydro recovers the balances in the cost of energy variance accounts using the Deferral Account Rate Rider (DARR).In accordance with the BCUC decision on its F12-F14 RRA, BC Hydro applies a 5 per cent rate rider to all customer bills which is applied against the Energy Deferral Accounts to recover the account balances.	Variations in Hydro's load are accounted for in the Load Variation component of its RSP.
BC Hydro	**Heritage Deferral Account**	The Heritage Deferral Account (HDA) is one of the energy deferral accounts noted above and captures variances between the forecast and the actual cost for the following components of the Heritage Payment Obligation: cost of energy; variable costs related to thermal generation; significant unplanned major maintenance costs greater than $1 million related to single event equipment or infrastructure failure or caused by weather related events; and significant unplanned major capital expenditures having an incremental annual impact on BC Hydro's income statement greater than $1 million related to single event equipment or infrastructure failure or caused by weather related events.	Variations in Hydro's load are accounted for in the Load Variation component of its RSP.
	Non-Heritage Deferral Account	The Non-Heritage Deferral Account (NHDA) is also an Energy Deferral Account and captures variances between forecast and actual net energy costs in excess of the Heritage Energy limit of 49,000 GWh.	Variations in Hydro's load are accounted for in the Load Variation component of its RSP.
Conservation Demand Management (CDM)/Demand Side			

Management (DSM)			
Nova Scotia Power(NSPI)		NSPI's previous DSM program started around 2009 and ended in late 2010 or early 2011. Expenditures associated with this program were deferred and amortized over a six year period. NSPI's current DSM programs are administered by Energy Nova Scotia and the costs are recovered through a rider.	NSPI's current program, which recovers DSM costs through a rider is similar to Hydro's proposed CDM recovery mechanism.
BC Hydro		**Demand Side Management** Under previous CGAAP and IFRS, demand side management (**DSM**) expenditures do not qualify for capitalization. In 1995, the BCUC directed all regulated gas, electric and steam heat utilities in British Columbia to defer and amortize into rates, costs associated with DSM activities that achieve energy savings. The DSM activities and associated costs generate energy savings to customers over a period of time longer than the year of expenditure, so the deferral and amortization of these costs aligns the recognition of costs with the period that customers receive benefits. The costs in the DSM Regulatory Account reflect expenditures made on DSM activities, and include the direct and indirect expenditures related to achieving energy savings. Prior to F2013, these costs were amortized over a ten-year period. In its decision on the F12-F14 RRA, the BCUC directed that the amortization period for historical and future DSM costs be increased from 10 years to 15 years.	Variations in Hydro's load are accounted for in the Load Variation component of its RSP.
Hydro One		In 2004 the OEB issued a procedural order that addressed the opening of deferral accounts, one of which included the tracking of expenses associated with CDM initiatives. Funding for Hydro One's CDM plan, estimated to be $39.5M was to be through its Incremental market adjusted revenue account (MARR). The CDM initiatives were to continue through 2007.	Variations in Hydro's load are accounted for in the Load Variation component of its RSP.
Manitoba Hydro		DSM is treated as a regulated asset on the balance sheet and included in base rates. The cost of DSM assets are deferred	Manitoba Hydro's treatment of DSM differs from Hydro's

		and amortized over a 10 year period. The amortization expense is targeted to those customer classes that participate. This procedure is used on both, the gas and electric side of the business.	proposed recover of CDM costs in that recovery is through base rate revenue requirement.
Hearing / Regulatory Costs			
Fortis Alberta		Fortis Alberta is currently in a Performance Based Ratemaking (PBR) regime where there is no cost of service standard. However, when there is a rate case, Fortis Alberta pays the cost of the intervenors that are not able to provide their own funding. A deferral account was set up to account for the uncertainty of these costs. Fortis Alberta's PBR is formula based and a filing is made at the end of each year. At that time the deferral account is reconciled and differences in rate case costs, identified in a Y-factor, is rolled into base rates for recovery in the next year.	Hydro is proposing to defer its external regulatory costs and amortize it over a three-year period.
Manitoba Hydro		Hearing and regulatory costs are deferred and amortized, generally over a two year timeframe. Costs are in base rates.	Manitoba Hydro's treatment of regulatory costs is similar to Hydro's.
AltaLink		AltaLink accrues hearings costs in a reserve account based on the prior period balance, plus the estimated cost of its experts and designated intervenors for the current year. The company has a GRA every year or every two years, at which time any hearing cost balances are trued up.	Hydro is proposing to defer its external regulatory costs and amortize it over a three-year period.
Asset Removal / Site Restoration Costs			
Fortis Alberta		Information for Asset Removal / Site Restoration Costs were not able to be obtained for Fortis Alberta	
BC Hydro		**Future Removal and Site Restoration**	In Order No. P.U. 9(2012), the Board ordered that Hydro

		In the F05/F06 RRA Decision, the BCUC directed BC Hydro to establish a Future Removal and Site Restoration (**FRSR**) regulatory liability equal to the future dismantling costs that had been previously recovered in rates, and to charge future dismantling costs for assets for which an asset retirement obligation has not been recorded against this regulatory account. This regulatory account is drawn down as actual expenditures on dismantling costs are incurred.	recognize and record asset retirement obligations and indicated that regulatory treatment of AROs would appropriately be considered within the context of a GRA. In 2012, Hydro continued to record and report, in the audited financial statements, 4 AROs and corresponding expenses in accordance with Canadian GAAP.
Manitoba Hydro		Manitoba Hydro has ownership of a pipeline that crosses a provincial boundary. The Canadian National Energy Board has asked Manitoba Hydro and other utilities in Canada that hold these types of assets, to accrue expenses for its eventual decommissioning. This is a small, but active pipeline and the company has no immediate plans for decommissioning it. The accounting treatment of this pipeline is the subject of a future hearing.	
Transmission Costs			
Enmax		Enmax has a Transmission Access Charge deferral account that collects the price variance between the various charges that Enmax pays to the ISO for its share of the transmission wires cost and what it collects from its customers through its System Access Service Rates, which are static rates. Every quarter Enmax collects the plus or minus difference through a Transmission Access Deferral Account Rider. There is also reconciliation on an annual basis that clears out the deferral account.	Not applicable to Hydro.
Fortis Alberta	Distribution costs	Refers to the costs that Fortis Alberta pays to the transmission system operator that are recovered by Fortis on a forecast basis. There are two riders. The company has a quarterly rider that attempts to line up transmission revenues with costs for activity during the past quarter. The quarterly rider passes through to customers on a $/kWh basis. There is also an annual rider that reconciles actual costs and volumes over the	Not applicable to Hydro.

		past year and recovers or refunds the variances through a future rider in the following year.	
Hydro One		In its May 28, 2009 decision, the OEB established two deferral accounts for Hydro One Networks, Inc.: (1) a Transmission System Code and Cost Responsibility Changes Account to book future costs of transmitters making investments as part of the Transmitter Designation process and the mechanism for recovery of those costs; and (2) an IPSP (Integrated Power System Plan) and Other Preliminary Planning Costs Account to capture preliminary planning costs for IPSP and other long term projects. The OEB indicated that the recording of costs in a Board-authorized deferral account is not a guarantee for recovery. Stakeholders will have the opportunity to scrutinize the prudence of any costs in the account.	Not applicable to Hydro.
Environmental Costs			
BC Hydro		**Environmental Provisions** BC Hydro is required under Canadian Generally Accepted Accounting Principals (CGAAP) to record a loss provision to recognize environmental liabilities related to new PCB Regulations, as well as the remediation of asbestos at its facilities and the remediation of environmental contamination at its Rock Bay property. The BCUC approved the establishment of the Environmental Provisions Regulatory Account in the amount of the loss provision liability recognized by BC Hydro and to periodically adjust the amounts in the regulatory account to match the changes required under CGAAP in the loss provision liability. The Environmental Provisions Regulatory Account preserves BC Hydro's ability to seek recovery of actual environmental costs in rates in a future period.	Not applicable to Hydro.

Pension Costs			
Fortis Alberta		Pension costs relate to employees that were still on a defined benefit plan when Fortis Alberta bought the company from Aquila, who bought the company from TransAlta. A deferral account was established to account for the risk in carrying the defined benefit costs. The deferral account has largely gone away, but when it did exist it was in base rates and reconciled at the time of the company's general rate application.	Hydro has a pension deferral that is included in base rates.
BC Hydro		**Non-Current Pension Costs** The BCUC approved the establishment of a regulatory account to defer the difference between forecast and actual non-current pension costs in F2010. The F11 RRA NSA provided that this regulatory account be extended for F2011 and that the closing F2011 balance in the regulatory account be amortized over a five-year period beginning in F2012. In the F12-F14 RRA Decision, the BCUC approved the continuation of the Non-Current Pension Costs Regulatory Account for the F2012 - F2014 period. The balance in the account is amortized over the average remaining service life. **IFRS Pension and Other Post-Employment Benefits** On transition to IFRS, BC Hydro was required to recognize on its balance sheet all unamortized experience gains and losses on the pension and other post-employment benefit plans not previously recognized in its financial statements. BC Hydro proposed the establishment of the IFRS Pension Regulatory Account. BC Hydro also proposed to amortize the balance in the IFRS Pension Regulatory Account over a period of 20 years, which results in approximately the same revenue requirement impact as would have resulted under previous CGAAP. The establishment of the IFRS Pension Regulatory Account, and its amortization over 20 years was approved by the BCUC in the	Hydro has a pension deferral that is included in base rates.

		F12-F14 RRA Decision.	
Hydro One	Pension costs	The pension cost deferral account is used to track the difference between the actual pension costs booked using the actuarial assessment provided by Mercer, and the estimated pension costs paid to Hydro One by customers through a rate adder. Deferral account balances are reconciled at the time of Hydro One's next rate case and collected from or paid back to customers through a rider over a one or two year period. As of June 30, 2009 Hydro One had a pension cost deferral of $0.2M due to customers in its deferral account No. 2405. In the OEB's decision dated 5/28/2009, the Board ordered that this deferral account continue and that the balance be disposed of over an 18-month period. In Hydro One's financial statements as of 12/31/2012 it is stated that the company has a contributory defined benefit pension plan covering all regular employees of Hydro One. The Hydro One pension plan does not segregate assets in a separate account for individual subsidiaries, nor is the accrual cost of the pension plan allocated to, or funded separately by, entities within the consolidated group. Accordingly, for purposes of these financial statements, the pension plan is accounted for as a defined contribution plan and no deferred pension asset or liability is recorded.	Hydro has a pension deferral that is included in base rates.
Municipal Tax			
Fortis Alberta		Municipal tax relates to Fortis Alberta's linear property tax for assets in approximately 240 communities in the service area, each of which charges different tax rates. Rider A1 charges or recovers from customers the difference in the tax rates between what was forecast for each year versus what was actually charged.	Hydro's municipal tax is included in base rates.

Smart Metering			
BC Hydro	**Smart Metering and Infrastructure Program (SMI)**	The Smart Metering and Infrastructure Regulatory Account is used to capture costs associated with the SMI Program. The BCUC approved the establishment of a regulatory account to defer the operating costs incurred by BC Hydro with respect to the SMI Program in F2009, F2010 and F2011 respectively. In accordance with CGAAP, BC Hydro began amortizing existing revenue meter assets at an accelerated rate once the SMI Program received BC Hydro Board approval. The BCUC authorized BC Hydro to accelerate the rate of depreciation on its existing meters and to include the increased amortization incurred in F2011 in the SMI Regulatory Account. In the F12-F14 RRA Decision, BC Hydro was authorized to defer all net SMI costs over the F2012 to F2014 period to allow for a better matching of the timing of the costs and benefits of the SMI Program.	Not applicable to Hydro.
Toronto Hydro (TH)	Smart Meter Disposition Rider (SMDR); Smart Meter Funding Adder (SMFA); and Smart Meter Incremental Revenue Rate Rider (SMIRR).	On 8/1/2013 TH applied to the OEB for the disposition and recovery of amounts related to Smart Meter activities in 2008-2010. TH's Smart Meter program was largely complete by the end of 2010 and virtually finalized by the end of 2012. TH has requested disposition of the 2008, 2009, and 2010 year-end balances of the Smart Meter Deferral Account by way of the SMDR effective for 36-months from May 1, 2014. TO has also requested that 2009-2011 incremental revenue requirements for the 2008-2010 smart meter capital amounts be disposed of. TO has now requested discontinuance of the Smart Meter Funding Adder and implementation of a Smart Meter Incremental Revenue Requirement Rate Rider to account for the incremental revenue requirement consequences of its Smart Meter capital until its next rate case.	Not applicable to Hydro.