

Niagara Reinforcement LP

Application for electricity transmission revenue requirement beginning January 1, 2019 and related matters

DECISION ON INTERIM RATES December 20, 2018

Niagara Reinforcement LP (NRLP) filed an application with the Ontario Energy Board (OEB) on October 25, 2018 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B). NRLP is seeking approval for a new electricity transmission revenue requirement to be effective on an interim basis January 1, 2019.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by setting a revenue requirement for each transmitter. These individual revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that recover the revenue requirements uniformly from ratepayers across the province.

This application¹ is interrelated with two other applications being considered by the OEB:

- Approval for Hydro One Networks Inc. (Hydro One Networks) for leave to sell certain transmission assets to NRLP²
- Approval for an electricity transmitter licence for NRLP³

¹ EB-2018-0275

² EB-2018-0276

³ EB-2018-0277

NRLP requested approval of an interim revenue requirement to be included in the calculation of 2019 UTRs in order to provide monthly revenue for NRLP. NRLP submitted that it is important to NRLP, and its proposed First Nations partners, to receive revenue in 2019 after execution of the transaction, to allow for the satisfaction of financing arrangements and to provide income to the partners and their communities.

NRLP expects the transferred assets to be placed in-service by Hydro One Networks on May 31, 2019 and sold to NRLP on or about June 1, 2019.

NRLP requested provision for an interim 2019 revenue requirement of \$6,253,000 reflecting cost recovery for the portion of 2019 in which the transferred transmission assets are forecast to be in-service. There is no existing OEB-approved revenue requirement for NRLP. NRLP currently owns no assets, but Hydro One Networks is seeking approval to sell assets to NRLP.

NRLP requested that its proposed 2019 revenue requirement of \$6,253,000 be recovered entirely from the network pool⁴ in the 2019 UTRs, and that the charge determinants for the purpose of setting the UTRs be zero.⁵

NRLP has also requested the establishment of a 2019 Revenue Requirement Variance Account for NRLP to track differences between the estimated stub period revenue requirement of \$6,253,000 and the forecast costs that will be proposed in the revenue requirement application for 2020 to 2024. NRLP is proposing to only true-up certain components of its requested 2019 interim revenue requirement.

Findings

The OEB finds that request for approval for an interim revenue requirement effective January 1, 2019 is premature, and therefore not approved. The OEB will consider NRLP's full application and address the request for approval of a revenue requirement on an interim basis in due course.

NRLP has applied to the OEB for approval to sell certain transmission assets from Hydro One Networks to NRLP,⁶ and for an electricity transmitter licence for NRLP for these transmission assets.⁷ The OEB has not issued decisions on either of these applications, and both proceedings are in early stages of review.

⁴ December 7, 2018 letter to the OEB from NRLP

⁵ December 7, 2018 letter to the OEB from NRLP

⁶ EB-2018-0276

⁷ EB-2018-0277

The OEB has issued a decision setting the UTRs for 2019 on an interim basis,⁸ pending the consideration of applications by Hydro One Networks Inc.⁹, Hydro One Sault Ste. Marie LP¹⁰, and NRLP¹¹ for transmission revenue requirements. The OEB expects there to be opportunities to update the UTRs in 2019.

NRLP is forecasting that the sale will be complete and its assets to be in-service in June 2019. The OEB finds that it is not necessary for NRLP's proposed revenue requirement to be made interim at this time, several months in advance of the expected in-service date for its assets. There is another opportunity for NRLP's revenue requirement to be included in the final 2019 UTRs, if appropriate, therefore the OEB finds NRLP's request premature.

There is no need for the OEB to make a determination on NRLP's charge determinants, allocations to transmission rate pools, or need for variance accounts at this time.

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ONTARIO ENERGY BOARD

Original signed by

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Board Secretary

⁸ EB-2018-0236

⁹ EB-2018-0130

¹⁰ EB-2018-0218

¹¹ EB-2018-0275