



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0013

UPPER CANADA TRANSMISSION INC.

**Application Requesting Approval of Mechanism to Record Costs
related to the East-West Tie Transmission Line**

BEFORE: Ken Quesnelle
Presiding Member and Vice Chair

Christine Long
Member and Vice Chair

July 06, 2017

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1 INTRODUCTION AND SUMMARY

This is the Decision of the Ontario Energy Board (OEB) in response to a request by Upper Canada Transmission, Inc. (UCT) for approval of a mechanism to record costs relating to the East-West Tie transmission line from and after the date of filing a leave to construct (LTC) application.

The OEB finds that UCT can continue to use the deferral account established for the recording of the actual costs of development, to record costs incurred from and after the date of filing a LTC application. The prudence and reasonableness of these costs will be subject to future review by the OEB.

2 BACKGROUND

The OEB's Phase 2 Decision and Order in EB-2011-0140 (the East-West Tie Line Designation proceeding) (August 2013 Decision) named UCT the designated transmitter for the development of the East-West Tie transmission line.

As the successful transmitter, UCT was given an economic incentive to develop the transmission line: it could recover development costs up to the approved budgeted amount, even if the line was found to be not necessary, assuming there was no fault on its part. The OEB approved recovery of UCT's budgeted development costs of \$22.4 million.

The August 2013 decision established a deferral account for the recording of the actual costs of development of the East-West Tie transmission line. The decision specified that the actual costs of development were to be recorded in this deferral account from the date of the decision up to the filing of a LTC application, or such other time as the OEB may order.

On January 19, 2017, UCT requested approval of a mechanism to record costs relating to the East-West Tie transmission line from and after the date of filing a LTC application. UCT proposed that the OEB either permit UCT to continue recording costs in the established deferral account until the OEB's determination of the LTC application or that the OEB establish a new deferral account to record costs from and after the date that a LTC application is filed.

On March 16, 2017, the OEB issued a letter requesting further information from UCT in order to determine whether to consider UCT's request. UCT responded to the OEB's request on March 27, 2017 and also indicated that it expects to file a LTC application for the East-West Tie transmission line in the second quarter of 2017.

The OEB issued an Invitation to Comment on April 20, 2017 inviting the Independent Electricity System Operator (IESO), AltaLink Ontario LP and OEB staff to comment on UCT's request. Submissions were filed by OEB staff and the IESO on May 1, 2017 and a final response was filed by UCT on May 8, 2017.

OEB staff made several submissions in support of UCT's request. One of OEB staff's submissions was that the establishment of a deferral account and the recording of costs in the account is no guarantee of the eventual recovery of the recorded costs. Ratepayers are protected, as the costs UCT seeks to record will be recovered from ratepayers only if prudence is demonstrated.

OEB staff further submitted that as a result of the extension of the in-service date, UCT is already recording costs beyond the original development budget. OEB staff argued that the costs that UCT seeks to record following the filing of its LTC application would fall into the same category as all costs above the original development budget: costs for which recovery may be possible if prudence is demonstrated.

The IESO stated that it has no concerns with UCT's request.

3 CONCLUSION & DECISION

The OEB has determined that it is appropriate to grant UCT's request.

The OEB notes that the IESO does not oppose UCT's request. The OEB accepts OEB staff's arguments in support of UCT's request.

In particular, the OEB agrees with OEB staff that the costs incurred subsequent to the filing of a LTC application are similar to costs that exceed the approved development costs budget in that UCT will be required to establish the prudence of the costs at the time of disposition of the account.

The OEB also recognises the unique circumstances of this particular project and finds that it is appropriate to allow for a future examination of associated cost drivers and the reasonableness of cost recovery.

The OEB finds that the deferral account established for the recording of the actual development costs can continue to be used by UCT to record costs incurred from and after the date of filing of a LTC application. The OEB will review the prudence and reasonableness of these costs at the time UCT files an application for the disposition of this account.

4 ORDER

The Ontario Energy Board orders that:

1. Upper Canada Transmission, Inc. may record costs incurred from and after the date of filing of a leave to construct application in the deferral account established by the OEB for the recording of the actual costs of development.

DATED at Toronto July 06, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary