



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

DECISION AND ORDER

EB-2018-0276

HYDRO ONE NETWORKS INC.

**Application for leave to sell distribution assets to
Niagara Reinforcement Limited Partnership**

EB-2018-0277

**NIAGARA REINFORCEMENT LIMITED
PARTNERSHIP**

Application for an Electricity Transmission Licence

BY DELEGATION, BEFORE: Brian Hewson

Vice President,
Consumer Protection & Industry Performance

September 12, 2019

INTRODUCTION AND SUMMARY

Niagara Reinforcement Limited Partnership (NRLP) and Hydro One Networks Inc. (HONI) filed three separate but related applications on September 27, 2018 with the Ontario Energy Board (OEB). The applications were amended and refiled on August 1, 2019.

This Decision and Order addresses two of these applications:

1. NRLP applied for an electricity transmission licence under section 60 of the *Ontario Energy Board Act, 1998* (OEB Act) (EB-2018-0277); and
2. HONI applied for leave of the OEB to sell certain electricity transmission assets, consisting of a new 76 km double circuit 230 kV transmission line connecting Allanburg Transmission Station and Middleport Transmission Station which include the 230 kV circuits named Q26M and Q35M (the NR Assets) to NRLP under section 86(1)(b) of the OEB Act (EB-2018-0276).

The OEB combined these two applications into one proceeding, pursuant to section 21(5) of the OEB Act. This Decision and Order is being issued by the Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act.

For the reasons indicated below, NRLP's application for a licence is approved and HONI's request for leave is approved.

BACKGROUND

HONI seeks approval to sell the NR Assets to NRLP, a limited partnership formed for the purpose of the proposed transaction. NRLP is currently wholly owned by Hydro One Inc. through its wholly owned subsidiaries. The general partner will be Hydro One Indigenous Partnerships GP Inc. (HOIP). NRLP would become a licensed electricity transmitter for the purpose of owning and operating the NR Assets.

Along with these applications, NRLP filed an application for a deferral account¹ to track 2019 revenue requirement for the period that the assets will be in-service. NRLP is

¹ EB-2018-0275

expecting to file a revenue requirement application for 2020-2024 revenue requirement in October 2019.

Application by NRLP for an Electricity Transmission Licence

For the purpose of owning and operating the NR Assets, NRLP applied for an electricity transmission licence under section 60 of the OEB Act. In determining whether to approve NRLP's electricity transmission licence application, the OEB has considered NRLP's financial position, technical capability and conduct to assess its ability to own and operate a transmission facility in Ontario.

NRLP intends to own and operate the transmission assets of the Niagara Reinforcement project under the direction and management of the general partner, HOIP, which will carry out the general partner responsibilities of NRLP, including management and oversight of NRLP. HOIP will be responsible for ensuring that the transmission assets transferred to NRLP are operated and maintained in accordance with all applicable regulatory standards and HONI's maintenance and operating practices. HOIP will carry out these functions through an operations and management services agreement with HONI. In support of its application, NRLP noted that HONI has experience with operating of the transmission assets owned by B2M LP, a partnership similar in nature to NRLP.

Based on the ownership structure, commitment to meet all applicable regulatory requirements and the existence of the HONI operating and maintenance arrangements, the OEB finds that NRLP can reasonably be expected to conduct its business appropriately and to operate the NR Assets reliably, with the appropriate technical capability. The OEB therefore finds that it is in the public interest to grant the requested electricity transmission licence.

In its application for a licence, NRLP requested that the licence include a condition permitting NRLP to adopt USGAAP for the purpose of its financial reporting. As noted above, concurrent with the matters that are the subject of this Decision and Order, NRLP applied for a deferral account to record certain revenues and costs related to bringing the NR Assets into service. The OEB finds that the request for approval to use USGAAP is more properly dealt with in the consideration of the request for a deferral account as it is a rates-related matter.

Application by HONI Pursuant to Section 86(1)(b) of the OEB Act

HONI applied for leave of the OEB to sell the NR Assets to NRLP under section 86(1)(b) of the OEB Act which states:

*No transmitter or distributor, without first obtaining from the Board an order granting leave, shall,
(b) sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public;*

The assets to be transferred consist of a new 76 km double circuit 230 kV transmission line connecting Allanburg Transmission Station and Middleport Transmission Station. These line assets include the 230 kV circuits named Q26M and Q35M and they are part of the NR Assets. The proposed transfer price of the NR Assets is \$120M and represents the estimated future gross book value of the NR Assets.

As stated in the application, the revenue requirement for these assets is not included in any current or future HONI Transmission revenue requirement approved by the OEB.

HONI also stated that the proposed transaction results in an inter-company transfer of assets. The transferred assets will be operated and maintained by HONI in the same manner as related transmission facilities in Ontario. Performance and reliability will not be impacted by a change in the ownership of the assets.

The OEB finds that the proposed transfer is reasonable and is not anticipated to have any negative effects. However, for greater clarity the OEB notes that the leave to sell the NR Assets does not constitute an approval of the value of the NR Assets for the purpose of rates or any entitlement of NRLP to recover the full cost of the assets. The prudence of the cost of these assets will be determined by the OEB in the future transmission rate proceedings.

IT IS ORDERED THAT:

1. The application by Niagara Reinforcement Limited Partnership for an electricity transmission licence is granted, on such conditions as are contained in the attached licence.

2. Hydro One Networks Inc. is granted leave to sell Niagara Reinforcement Assets to Niagara Reinforcement Limited Partnership.

DATED at Toronto September 12, 2019

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance