



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

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**DECISION AND ORDER**

**EB-2018-0275**

**NIAGARA REINFORCEMENT LIMITED  
PARTNERSHIP**

**APPLICATION FOR A DEFERRAL ACCOUNT**

**BEFORE: Lynne Anderson**  
Presiding Member

**Emad Elsayed**  
Member

**Cathy Spoel**  
Member

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**September 26, 2019**

## 1 INTRODUCTION AND SUMMARY

Hydro One Networks Inc. (HONI) and Niagara Reinforcement Limited Partnership (NRLP) filed three separate but related applications with the Ontario Energy Board (OEB) on October 25, 2018. NRLP is a newly formed partnership formed to own certain assets related to HONI's Niagara Reinforcement Project (the NR Project). The NR Project was approved by the OEB in 2005<sup>1</sup> but construction was halted in 2006 and subsequently resumed in 2019. On September 3, 2019, HONI filed a letter confirming that the NR Project was placed in-service on August 30, 2019.

HONI amended and refiled the applications on August 1, 2019. These three applications are:

1. NRLP applied for an electricity transmission licence under section 60 of the *Ontario Energy Board Act, 1998* (OEB Act).<sup>2</sup>
2. HONI applied for leave of the OEB to sell certain electricity transmission assets regarding the NR Project to NRLP under section 86(1)(b) of the OEB Act.<sup>3</sup>
3. NRLP applied to establish a deferral account to record NRLP's revenue requirement prior to its inclusion in the Uniform Transmission Rates (UTR). NRLP also plans to file a 5-year revenue requirement application for 2020 to 2024 in October 2019.<sup>4</sup>

On September 12, 2019, the OEB issued a combined decision and order<sup>5</sup> for NRLP's transmission licence application and HONI's application for leave to sell distribution assets to NRLP. This Decision and Order (Decision) addresses the deferral account component of NRLP's application for the revenue requirement of the NR Project.

For the reasons indicated below, NRLP's request for the establishment of a new deferral account to record the revenue requirement for the NR project is approved without a hearing, pursuant to section 21(4)(b) of the OEB Act.

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<sup>1</sup> EB-2004-0476, Decision and Order, July 8, 2005

<sup>2</sup> EB-2018-0277

<sup>3</sup> EB-2018-0276

<sup>4</sup> EB-2018-0275

<sup>5</sup> EB-2018-0277 and EB-2018-0276, Decision and Order, September 12, 2019

## 2 THE PROCESS

On October 25, 2018, HONI and NRLP filed three interrelated applications regarding the NR Project with the OEB.

On March 1, 2019, HONI filed a letter on its own behalf and on behalf of Hydro One Indigenous Partnerships Inc. (HOIP), the General Partner of NRLP, requesting the applications be placed in abeyance.

The OEB issued a letter to HONI on March 15, 2019 stating that “The OEB grants the Applicants’ request, and will hold all three applications in abeyance until such time as the Applicants request that the OEB proceed with the applications or until the Applicants re-file the subject applications.”

HONI filed updated applications on August 1, 2019 and subsequently filed a redacted version of the updated applications on August 20, 2019.

On September 12, 2019, the OEB issued a combined decision and order for the two applications approving NRLP’s request for a transmission licence and HONI’s request for leave to sell the relevant transmission assets to NRLP.<sup>6</sup>

Pursuant to section 21(4)(b) of the OEB Act<sup>7</sup>, this Decision is issued without a hearing because the OEB has determined that no person will be adversely affected in a material way by the outcome of the proceeding, and NRLP has consented to the disposition of the proceeding without a hearing.

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<sup>6</sup> EB-2018-0276 and EB-2018-0277, September 12, 2019

<sup>7</sup>Section 21(4)(b) of the OEB Act states “) the Board determines that no person, other than the applicant, appellant or licence holder will be adversely affected in a material way by the outcome of the proceeding and the applicant, appellant or licence holder has consented to disposing of a proceeding without a hearing.

### 3 DEFERRAL ACCOUNT

As part of its revenue requirement application, NRLP is requesting a new deferral account, the NRP Transmission Line Revenue Deferral Account (NRLPDA), to record the revenue requirement relating to the transmission assets transferred from HONI regarding the NR Project. NRLP stated that the proposed deferral account would record the revenue requirement effective September 1, 2019 until the OEB-approved effective date of a subsequent NRLP 2020-2024 revenue requirement application. NRLP stated that the 2020-2024 application will be filed with the OEB in October 2019 and NRLP will ask the OEB to adjudicate the prudence and allow for recovery of the costs included in the NRLPDA as part of the 2020-2024 revenue requirement application.

NRLP noted that the deferral account is needed because there is no other mechanism that will allow NRLP to recover the costs for the four months in 2019 that the transmission assets will provide service to the Ontario ratepayers.

In accordance with the OEB's filing requirement for transmitters (Filing Requirement)<sup>8</sup>, NRLP stated that the eligibility criteria for a new deferral account have been met as follows:

- 1) Causation: NRLP stated that it has no current OEB-approved revenue requirement as it expects to file an application seeking approval of its 2020 revenue requirement in October 2019.<sup>9</sup> NRLP also noted that "without approval of this account, the lost revenue would significantly impact the operations of the transmitter, NRLP and its partners".<sup>10</sup>
- 2) Materiality: NRLP stated that it does not have a current OEB-approved revenue requirement. However, its materiality threshold would be \$0.05 million based on its estimated revenue requirement using the approach from the OEB's Filing Requirement.<sup>11</sup> NRLP believes that the materiality threshold has been satisfied because the estimated revenue requirement to be recorded in the deferral account is greater than \$4 million.
- 3) Prudence: NRLP stated that the completion of the project provides beneficial service to ratepayers at a favorable cost.<sup>12</sup> NRLP further stated that the final

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<sup>8</sup> OEB's Filing Requirements for Electricity Transmission Applications, dated February 11, 2016

<sup>9</sup> Appendix 10, page 3

<sup>10</sup> *Ibid*

<sup>11</sup> Appendix 10, page 4

<sup>12</sup> Appendix 10, page 5

determination of prudence will be made at the time NRLP applies for disposition of the deferral account.<sup>13</sup>

As required by the Filing Requirements, NRLP included a Draft Accounting Order outlining the proposed entries for recording NRLP's interim revenue requirement prior to the effective date of NRLP's first OEB-approved revenue requirement.

## Findings

The OEB has determined that it will approve the request for a deferral account without a hearing pursuant to section 21(4)(b) of the OEB Act. The OEB has determined that no person will be adversely affected in a material way by the outcome of the proceeding.

The OEB approves the establishment of a deferral account NRLPDA to record the revenue requirement for the transmission assets that were placed in-service on August 30, 2019 because the proposed deferral account has satisfied the three tests (causation, materiality and prudence) as set out in the Filing Requirements:

1. Causation: Section 2.10 of the Filing Requirements states that "The forecasted expense must be clearly outside of the base upon which revenue requirement(s) were derived." The OEB notes that the NRLP is a newly formed partnership for the sole purpose of operating the transmission assets that were transferred from HONI. On September 12, 2019, the OEB approved the licencing application by NRLP and granted leave for HONI to sell the assets to NRLP. As a result, the forecasted revenue requirement that is to be recorded in the deferral account is clearly outside of the base revenue requirement.
2. Materiality: Section 2.10 of the Filing Requirement states that "the forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the transmitter." The OEB understands that NRLP calculated a materiality threshold of \$0.05 million based on its estimated revenue requirements in 2009 to 2013. While the OEB is not approving NRLP's estimated revenue requirement at this time, the OEB accepts that the amount to be recorded in the deferral account will be material to NRLP.
3. Prudence: Section 2.10 of the Filing Requirement states that "The nature of the costs and forecasted quantum must be reasonably incurred, although the final

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<sup>13</sup> Appendix 10, page 5

determination of prudence will be made at the time of disposition.” The OEB granted<sup>14</sup> leave for HONI to construct the transmission assets that are being sold to NRLP, and these assets are providing transmission service to the Ontario ratepayers. However, the OEB emphasizes that the prudence of the amount recorded in the deferral account will be determined when NRLP requests disposition of the deferral account.

Although the OEB is approving the creation of the deferral account, it is making no findings at this time regarding whether the amounts booked in the account are prudent or to what extent they will ultimately be passed on to consumers through rates. This will be determined by the OEB when the applicant brings the account forward for disposition in a future proceeding.

The effective date of the deferral account is September 1, 2019, as requested by NRLP. The OEB is not approving the calculation of the interim revenue requirement or the specific accounting order put forward by NRLP at this time. The revenue requirement for the assets will be considered in the proceeding for the revenue requirement planned to be filed in October 2019. The methodology for recording entries in the deferral account, including the appropriateness of interest charges, will also be considered in that proceeding. The prudence of the balance recorded in the account will be determined when the account is brought forward for disposition.

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<sup>14</sup> EB-2004-0476, Decision and Order, July 8, 2005

## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB approves, effective September 1, 2019, the establishment of a deferral account (NRLPDA) by NRLP to record the revenue requirement related to the transmission assets that were transferred from HONI to NRLP for the NR Project.

### ADDRESS

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**DATED** at Toronto September 26, 2019

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary