

BY EMAIL

May 15, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: Niagara Reinforcement Limited Partnership (NRLP)
Application for 2020-2024 Transmission Revenue Cap Incentive Rate-
Setting Application**

Ontario Energy Board File Number: EB-2018-0275

In accordance with the OEB's Decision and Order in the above referenced proceeding, please find attached OEB staff's comments on NRLP's draft Revenue Requirement and Charge Determinant Order and supporting schedules for the 2020 rate year filed on May 8, 2020.

NRLP, copied on this filing, is reminded that its responses to OEB staff's comments are due no later than May 22, 2020.

Yours truly,

Original Signed By

Andrew Bishop
Project Advisor – Generation and Transmission

cc: Ms. Linda Gibbons, Hydro One Networks Inc.

Encl.

ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON DRAFT REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER AND SUPPORTING SCHEDULES

ELECTRICITY TRANSMISSION REVENUE REQUIREMENTS
FOR THE PERIOD COMMENCING JANUARY 1, 2020 AND FOR
EACH FOLLOWING YEAR THROUGH TO DECEMBER 31, 2024

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP

EB-2018-0275

MAY 15, 2020

INTRODUCTION

NRLP filed a revenue cap incentive rate-setting application with the OEB on October 25, 2019 under section 78 of the *Ontario Energy Board Act, 1998*. NRLP's Application sought approval of its proposed revenue requirement for each year commencing January 1, 2020 and through to December 31, 2024. The Application also requested that, in the event the revenue requirement was not made effective by January 1, 2020, the OEB approve NRLP's proposed 2020 revenue requirement of \$9.39 million on an interim basis effective January 1, 2020. The OEB issued an Interim decision and order on December 19, 2019 approving NRLP's interim revenue requirement request.

A Settlement Conference was held on February 12, 2020 between NRLP and OEB staff (Parties).¹ The Parties resolved all issues associated with the Application at the Settlement Conference and filed a Settlement Proposal with the OEB on March 6, 2020.

The OEB issued its Decision and Order on NRLP's application on April 9, 2020, in which it accepted the Settlement Proposal as filed. The OEB's Decision and Order also directed NRLP to file the following by April 23, 2020:

- The audited balance of the NRP Transmission Line Revenue Deferral Account (NRLPDA), and
- A Draft Revenue Requirement and Charge Determinant Order and supporting schedules for the 2020 rate year (the draft order) that reflects the OEB's findings in its Decision and Order, including a detailed calculation of foregone revenue for the January 1, 2020 to June 30, 2020 period.

In its April 23, 2020 filing, NRLP indicated that the January 1, 2020 to June 30, 2020 foregone revenue calculation could only be provided once Hydro One Networks Inc.'s (Hydro One) 2020 load forecast had been approved by the OEB as part of Hydro One's application for electricity transmission revenue requirements for the January 1, 2020 to December 31, 2022 period.² In its letter dated April 27, 2020, the OEB indicated that a decision on Hydro One's January 1, 2020 to December 31, 2022 transmission revenue

¹ No intervenors registered to participate in this proceeding. Accordingly, Procedural Order No. 2 established that OEB staff would be a party to the Settlement Conference and to any Settlement Proposal arising from the Settlement Conference.

² EB-2019-0082

requirements had been issued approving, among other things, Hydro One's 2020 load forecast. Accordingly, the OEB directed NRLP to review the decision and file an update to its draft order that included a detailed calculation of foregone revenue for the period January 1, 2020 to June 30, 2020 by May 8, 2020.

OEB staff's submission is based on the information provided by NRLP through its May 8, 2020 filing.

1. Revenue Requirement

In the approved Settlement Proposal, NRLP agreed to update its 2020 base revenue requirement to reflect the OEB's cost of capital parameters for rates effective in 2020. The changes to the cost of capital reduced NRLP's base revenue requirement from \$9.39 million to \$8.66 million.

OEB staff submits that NRLP's updated base revenue requirement, including its underlying components, is consistent with the Decision and Order in this proceeding.

2. Foregone Revenue: September 1, 2019 to December 31, 2019

In its Decision and Order, the OEB indicated that foregone revenue for the September 1, 2019 to December 31, 2019 period, as recorded in the NRLPDA, would be recovered by NRLP through the final 2020 Uniform Transmission Rates (UTRs). Accordingly, the OEB required NRLP to file the audited balance of the NRLPDA as part of its draft order.

NRLP's May 8, 2020 filing included its 2019 audited financial statements indicating an audited NRLPDA balance of \$4.498 million. OEB staff submits that NRLP's use of its audited financial statements to determine the foregone revenue associated with the September 1, 2019 to December 31, 2019 period is consistent with the requirements of the Decision and Order in this proceeding.

OEB staff notes that NRLP indicated that the Decision and Order accepted the Settlement Proposal. NRLP stated that the Settlement Proposal provided for the "discontinuance of the Foregone Revenue Deferral Account once the foregone revenue has been recovered through the UTRs."³ OEB staff submits that NRLP should instead

³ Initial April 23, 2020 filing of the Draft Revenue Requirement and Charge Determinant Order, page 2

have referenced the discontinuance of the NRLPDA, as opposed to a Foregone Revenue Deferral Account, as the OEB did not approve the use of a Foregone Revenue Deferral Account, nor did the Settlement Proposal refer to one.

3. Charge Determinants and Uniform Transmission Rates

NRLP has no charge determinants for setting UTRs because it does not have any customer delivery points supplied directly from its assets. All assets associated with NRLP are classified as Network assets and NRLP’s revenue requirement will be recovered entirely from the network pool.

The Decision and Order provided that NRLP’s approved 2020 revenue requirement will be incorporated into the 2020 final UTRs. Any foregone revenue for NRLP between the effective date of January 1, 2020 and June 30, 2020 will be recovered between July 1, 2020 and December 31, 2020. Additionally, the Decision and Order provided that the audited balance of the NRLPDA will also be recovered by NRLP during the same period.

NRLP’s draft order demonstrates that it has calculated its 2020 revenue requirement to be \$17,152,852, which is comprised of the values shown in Table 1.

Table 1: NRLP 2020 Revenue Requirement Calculation

Input	Value
Approved 2020 Revenue Requirement (base)	\$ 8,662,167
NRLPDA Balance	\$ 4,498,426
Annualized 2020 Foregone Revenue	\$ 3,992,259 ⁴
Total	\$ 17,152,852

As indicated in sections 1 and 2 of this submission, OEB staff accepts the values shown in Table 1 related to NRLP’s 2020 base revenue requirement (\$8,662,167) and the balance in the NRLPDA (\$4,498,426).

With respect to NRLP’s annualized 2020 foregone revenue calculation (\$3,992,259), OEB staff has tested NRLP’s estimate by independently calculating its expected

⁴ The annualized 2020 foregone revenue shown in Table 1 represents the annualized value of NRLP’s foregone revenue calculation for the January 1, 2020 to June 30, 2020 period of \$2,036,040 provided at Exhibit 3.2 of the DRO.

balance. OEB staff's calculations are consistent with those prepared by NRLP. On that basis, OEB staff submits that all inputs used by NRLP to determine its 2020 revenue requirement, as shown in Table 1, are accurate and consistent with the Decision and Order in this proceeding.

OEB staff notes that NRLP's annualized 2020 foregone revenue calculation has been determined without the benefit of knowing Hydro One's final approved 2020 revenue requirement. OEB staff's calculations indicate that the calculation of 2020 foregone revenue for NRLP, or for other transmitters, would not differ in any material way, but notes that, without Hydro One's approved 2020 revenue requirement, the foregone revenue calculations cannot be confirmed. To address this, OEB staff submits that it would be necessary to update the annualized 2020 foregone revenue calculation for NRLP once Hydro One's final approved 2020 revenue requirement is determined in that proceeding, in which case 2020 UTRs, revenue allocation factors and foregone revenues could be updated consistently based on the same final and approved data.

OEB staff notes that NRLP's foregone 2020 revenue calculation is based on an assumption that final 2020 UTRs will become effective and implemented on July 1, 2020. If the final 2020 UTRs are implemented later than July 1, 2020, it would be necessary to recalculate the foregone revenue, likely as part of the final 2020 UTR proceeding.

4. Transmission Accounting Orders

At paragraphs 5 and 6 of Section 5 (Order) of the Decision and Order, the OEB found that the following two Transmission Accounting Orders should be established and made effective as of January 1, 2020:

1. The Transmission Accounting Order entitled Earnings Sharing Mechanism Deferral Account, as provided at Exhibit J-1-1, Attachment 1 of the approved Settlement Proposal.
2. The Transmission Accounting Order entitled Tax Rate and Rule Changes Variance Account, as provided at Exhibit J-1-1, Attachment 2 of the approved Settlement Proposal.

In addition, pursuant to paragraph 7 of Section 5 (Order) of the Decision and Order, the existing Transmission Accounting Order entitled NRP Transmission Line Revenue Requirement Deferral Account, provided at Exhibit J-1-1, Attachment 3 of the approved Settlement Proposal, will be closed once the foregone revenue has been recovered through UTRs.

As part of its May 8, 2020 filing, NRLP enclosed copies of these previously approved Transmission Accounting Orders. Accordingly, OEB staff has reviewed each to confirm they are consistent with those previously approved by the OEB.

OEB staff submits that the May 8, 2020 versions of the Transmission Accounting Orders are consistent with those previously approved by the OEB. However, OEB staff suggests that the Transmission Accounting Orders entitled Earnings Sharing Mechanism Deferral Account and Tax Rate and Rule Changes Variance Account be revised as set out below. The revisions requested by OEB staff have no effect on the substance or function of the accounting orders; rather, the purpose is to ensure that the entities affected by them are clearly identified.

Earnings Sharing Mechanism Deferral Account Accounting Order

The following sentence is found on line 10 of Exhibit 6, p. 1 of the draft order filing:

The portion of NRLP owned by Hydro One is subject to tax - this cost will be included as part of the calculation of ROE.

OEB staff submits that this sentence should be amended as shown below:

*The portion of NRLP owned by Hydro One **Networks Inc.** is subject to tax - this cost will be included as part of the calculation of ROE.*

Tax Rate and Rule Changes Variance Account Accounting Order

A reference to this accounting order is found on Exhibit 6, p. 2 of the draft order. For additional clarity, OEB staff submits that an additional sentence should be added to the first paragraph of this Accounting Order, as follows:

Hydro One Networks Inc. and Hydro One Indigenous Partnerships GP Inc. are the only taxable corporate partners of NRLP. This new account will only be applicable to these companies.

5. Correction to Table Headings

The tables found at Exhibits 1.3 and 1.4 of the draft order incorrectly reference B2M LP. OEB staff requests that these tables be corrected to reference NRLP.

All of which is respectfully submitted