



REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER

EB-2018-0275

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP

Application for 2020-2024 Transmission Rates

BEFORE: Lynne Anderson
Presiding Member

Cathy Spoel
Member

Emad Elsayed
Member

June 4, 2020

TABLE OF CONTENTS

1	INTRODUCTION AND SUMMARY.....	1
2	THE PROCESS	2
3	REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER	3
4	FOREGONE REVENUE	4
5	TRANSMISSION ACCOUNTING ORDERS	5
6	ORDER	6
	SCHEDULE A.....	8
	SCHEDULE B.....	10
	SCHEDULE C.....	14

1 INTRODUCTION AND SUMMARY

This is a Revenue Requirement and Charge Determinant Order of the Ontario Energy Board (OEB) on an application filed by Niagara Reinforcement Limited Partnership (NRLP) for approval of its transmission revenue requirements for the period commencing January 1, 2020 and for each following year through to December 31, 2024 (Application). The Application represents NRLP's first revenue requirement application. This Revenue Requirement and Charge Determinant Order pertains specifically to NRLP's revenue requirement for the January 1 to December 31, 2020 rate year.

The OEB has reviewed NRLP's draft Revenue Requirement and Charge Determinant Order and supporting schedules, and is satisfied that they accurately reflect the OEB's Decision and Order issued on April 9, 2020.

2 THE PROCESS

On April 9, 2020, the OEB issued a Decision and Order (Decision) in which it accepted the settlement proposal filed by NRLP and OEB staff.¹ The OEB directed NRLP to file a draft Revenue Requirement and Charge Determinant Order and supporting schedules (Draft Order) for the 2020 rate year that reflected the OEB's findings in its Decision. NRLP filed the Draft Order on April 23, 2020, including a calculation of the foregone revenue for the period from September 1, 2019 to December 31, 2019. NRLP filed an updated Draft Order on May 8, 2020 that included a detailed calculation of foregone revenue for the period January 1, 2020 to June 30, 2020.

OEB staff submitted in its May 15, 2020 comments on NRLP's Draft Order that NRLP had accurately reflected the Decision in its Draft Order. However, OEB staff submitted that the Transmission Accounting Orders entitled Earnings Sharing Mechanism Deferral Account and Tax Rate and Rule Changes Variance Account be revised to ensure the entities affected by them were clearly identified. OEB staff's requested revisions did not affect the substance or function of the Transmission Accounting Orders.

NRLP filed its response to OEB staff comments on May 22, 2020 in which it agreed to OEB staff's proposed changes to the two Transmission Accounting Orders.

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.

3 REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER

The OEB finds that NRLP has appropriately updated the revenue requirement for the OEB's 2020 cost of capital parameters. The OEB approves a 2020 base revenue requirement of \$8,662,167.

The OEB acknowledges that NRLP does not have charge determinants for setting Uniform Transmission Rates because NRLP does not have any customer delivery points supplied directly from its assets.

The OEB finds that the Draft Order accurately reflects the Decision.

4 FOREGONE REVENUE

The OEB approves foregone revenue of \$4,498,426 for the period from September 1, 2019 to December 31, 2019. This amount is based on the audited financial statements filed by NRLP.

The OEB also approves foregone revenue of \$2,036,040 for the period from January 1, 2020 to June 30, 2020, which on an annualized basis is \$3,992,259. The OEB accepts the submission of NRLP that the calculation of its foregone revenue for 2020 is not materially dependent on the revenue requirement for Hydro One's transmission operations, and therefore no update is required once Hydro One's final revenue requirement is approved.

The OEB will incorporate the foregone revenue into the determination of the Uniform Transmission Rates (UTRs). The OEB's expectation has been that updated UTRs will be issued effective July 1, 2020. However, if there is a delay in issuing new UTRs, the OEB agrees that the 2020 foregone revenue will need to be updated for the new effective date. The OEB expects that any update would be a mechanistic calculation. Foregone revenue will be recovered by NRLP between the implementation date of the final UTRs to the end of the year in which the final UTRs are established.²

² For July 1, 2020 final UTRs, foregone revenue will be recovered from July 1, 2020 to December 31, 2020. If final UTRs are deferred until January 1, 2021, foregone revenue will be recovered between January 1, 2021 and December 31, 2021.

5 TRANSMISSION ACCOUNTING ORDERS

The OEB approves the accounting orders filed by NRLP, including the administrative revisions provided as part of the reply submission to respond to OEB staff's submission. The administrative revisions included changes to column headings and references to corporate entities, and a corrected reference to NRLP's deferral account.

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The revenue requirement for Niagara Reinforcement Limited Partnership to be included in the calculation of Uniform Transmission Rates effective January 1, 2020 is approved at \$8,662,167, on the basis of the settlement proposal accepted by the OEB.
2. Foregone revenue for Niagara Reinforcement Limited Partnership for the period from September 1, 2019 to December 31, 2019 to be included in the calculation of Uniform Transmission Rates is approved at \$4,498,426, on the basis of Niagara Reinforcement Limited Partnership's audited financial statements.
3. The allocation of the approved revenue requirement to the electricity transmission rate pools as shown in Schedule A is approved.
4. Foregone revenue for Niagara Reinforcement Limited Partnership for the period from January 1, 2020 to June 30, 2020 to be included in the calculation of Uniform Transmission Rates is approved at \$3,992,259 (annualized), on the basis of the calculations filed by Niagara Reinforcement Limited Partnership and set out in Schedule B. The foregone revenue calculation will be updated if Uniform Transmission Rates are made effective on a date after July 1, 2020.
5. The Transmission Accounting Order entitled Earnings Sharing Mechanism Deferral Account as shown in Schedule C shall be made effective as of January 1, 2020.
6. The Transmission Accounting Order entitled Tax Rate and Rule Changes Variance Account as shown in Schedule C shall be made effective as of January 1, 2020.

DATED at Toronto June 4, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar and Board Secretary

SCHEDULE A
ALLOCATION OF REVENUE REQUIREMENT BY RATE POOL
NRLP
EB-2018-0275
JUNE 4, 2020

2020 Revenue Requirement by Rate Pool

<i>(\$ millions)</i>	2020 Rate Pool Revenue Requirement (\$)			Uniform Transmission Rates Revenue Requirement
	Network	Line Connection	Transformation Connection	
OM&A	849,524	0	0	849,524
Depreciation	1,591,666	0	0	1,591,666
Income Tax	61,288	0	0	61,288
Return on Capital	6,159,689	0	0	6,159,689
Total Revenue Requirement	8,662,167	0	0	8,662,167
NRP Transmission Line Revenue Deferral Account (NRLPDA)	4,498,426	0	0	4,498,426
Rates Revenue Requirement	13,160,593	0	0	13,160,593

SCHEDULE B
FOREGONE REVENUE
NRLP
EB-2018-0275
JUNE 4, 2020

2020 Foregone Revenue Calculations (NRLP)

Table 1. HONI Transmission Charge Determinant Forecast for the Year 2020, After Deducting the Load Impact of CDM and Embedded Generation (MW)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	19,819	19,585	18,899	17,431	18,573	20,969	21,952	21,462	19,838	17,848	18,963	19,916	235,253
Line Connection	19,027	18,888	18,096	16,875	18,261	20,052	21,443	20,836	19,425	17,750	18,431	19,770	228,853
Transformation Connection	16,265	16,204	15,558	14,317	15,623	17,203	18,432	17,785	16,900	14,558	15,443	16,739	195,027

Table 2. Monthly Charge Determinant Share of Annual Total

% Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	8.42%	8.32%	8.03%	7.41%	7.89%	8.91%	9.33%	9.12%	8.43%	7.59%	8.06%	8.47%	100.00%
Line Connection	8.31%	8.25%	7.91%	7.37%	7.98%	8.76%	9.37%	9.10%	8.49%	7.76%	8.05%	8.64%	100.00%
Transformation Connection	8.34%	8.31%	7.98%	7.34%	8.01%	8.82%	9.45%	9.12%	8.67%	7.46%	7.92%	8.58%	100.00%

Table 3. 2020 UTR Charge Determinant (including all Transmitters)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	20,177	19,938	19,241	17,746	18,908	21,348	22,348	21,850	20,196	18,170	19,305	20,276	239,504
Line Connection	19,321	19,179	18,376	17,135	18,543	20,362	21,774	21,157	19,725	18,024	18,715	20,075	232,386
Transformation Connection	16,370	16,309	15,658	14,410	15,724	17,314	18,551	17,899	17,009	14,652	15,543	16,847	196,285

Table 4. Interim 2020 UTR

	\$/kW-month	NRLP	Revenue Allocators
Network	3.92		0.00960
Line Connection	0.97		0.00000
Transformation Connection	2.33		0.00000

Table 5. 2020 Revenue at 2020 Interim UTR and 2020 Charge Determinants (\$M) (3*4)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.8	9.0
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Total	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.8	9.0

Table 6. Proposed 2020 UTR (Approved Interim 2020 UTR, updated for NRLP's approved 2020 revenue requirement and H1N's 2020 Charge Determinants)

	\$/kW-month	NRLP Revenue Allocators
Network	4.10	0.01341
Line Connection	1.00	0.00000
Transformation Connection	2.42	0.00000

Table 7. 2020 Revenue at Proposed 2020 UTR and 2020 Charge Determinants (\$M) (3*6)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	1.1	1.1	1.1	1.0	1.0	1.2	1.2	1.2	1.1	1.0	1.1	1.1	13.2
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Total	1.1	1.1	1.1	1.0	1.0	1.2	1.2	1.2	1.1	1.0	1.1	1.1	13.2

Table 8. 2020 Forgone Revenue (Rev at Proposed Rates - Rev at Interim Rates) (\$M) (7-5)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4	4.2
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4	4.2

Table 9. Derivation of Annualized Foregone Revenue

Rate Pool	Sum of 12 Monthly Charge Determinants (A)	Sum of Monthly Charge Determinants for Jul-Dec (B)	Foregone Revenue for January to June 2020 (C)	Annualized Foregone Revenue (D=A/B*C)
Network	239,504	122,146	\$2,036,040	\$3,992,259
Line Connection	232,386	119,470	\$0	\$0
Transformation Connection	196,285	100,501	\$0	\$0
			\$2,036,040	\$3,992,259

SCHEDULE C
ACCOUNTING ORDERS
NRLP
EB-2018-0275
JUNE 4, 2020

Transmission Accounting Order – Earnings Sharing Mechanism Deferral Account

The “Earnings Sharing Mechanism (“ESM”) Deferral Account” shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points in any year of the five-year term through NRLP’s transmission revenue. NRLP shall use a methodology which is similar to what is outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE shall use the actual mid-year rate base for that period. The ROE calculation shall be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income. 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.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2020. NRLP shall record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	Account Description
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the five-year term.

USofA #	Account Description
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate Payer Benefit

To record interest improvement on principal balance of ESM deferral account.

Transmission Accounting Order – Tax Rate and Rule Changes
Variance Account

NRLP proposes the establishment of a new “Tax Rate and Rule Changes Variance Account” to track the revenue requirement impact of legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB in NRLP’s 2020 to 2024 transmission rates. Hydro One Networks Inc. and Hydro One Indigenous Partnerships Inc. are the only taxable corporate partners of NRLP. This new account will only be applicable to these companies.

The account will be established as Account 1592, PILS and Tax Variances for 2006 and Subsequent Years effective January 1, 2020. NRLP will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR: 1592	PILS and Tax Variances for 2006 and Subsequent Years
CR: 4110	Transmission Services Revenue

Initial entry to record the revenue requirement impact of legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB.

USofA #	Account Description
DR: 1592	PILS and Tax Variances for 2006 and Subsequent Years
CR: 6035	Other Interest Expense

To record interest improvement on the principal balance of the tax rate and rule changes variance account.