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Joanne Richardson

Director – Major Projects and Partnerships Regulatory Affairs

BY EMAIL AND RESS

September 15, 2020

Ms. Christine E. Long Board Secretary Ontario Energy Board Suite 2700, 2300 Yonge Street P.O. Box 2319 Toronto, ON M4P 1E4

Dear Ms. Long:

EB-2020-0225 – Niagara Reinforcement Limited Partnership's 2021 Transmission Revenue Requirement Application

Hydro One Networks Inc. on behalf of Niagara Reinforcement Limited Partnership ("NRLP"), is submitting NRLP's annual Transmission Revenue Cap IR Application ("the Application") for the year 2021 and evidence in support of the Application.

An electronic copy of the Application and evidence has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

Joanne Richardson

Filed: 2020-09-15 EB-2020-0225 Exhibit A Tab 1 Schedule 1 Page 1 of 1

EXHIBIT LIST

Ex	Tab	Sch	Att	Contents	
A				ADMINISTRATION	
A	1	1		Exhibit List	
A	2	1		Application	
A	2	1	1	Certification of Evidence	
A	3	1		mmary of OEB Directives and Compliance with Past OEB cisions	
A	3	1	1	2021 Cost of Long-Term Debt	
A	4	1		Application Summary	

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APPLICATION

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Niagara Reinforcement Limited Partnership for an Order or Orders made pursuant to section 78 of the *Ontario Energy Board Act, 1998* approving rates and other charges for the transmission of electricity to be effective January 1, 2021.

1. The Applicant, Niagara Reinforcement LP ("NRLP"), is an Ontario limited partnership with its head office in Toronto. NRLP carries on the business, among other things, of owning and operating the transmission facilities related to the Niagara Reinforcement Project in southwestern Ontario, specifically circuits Q26M and Q35M connecting Allanburg Transformer Station and Middleport Transformer Station.

2. In the Ontario Energy Board's (the "Board" or the "OEB") Decision and Order for NRLP's Revenue Cap Incentive Rate-setting ("IR") application (EB-2018-0275), the OEB approved the proposed Revenue Cap IR methodology and determined that this framework would be used to determine NRLP's revenue requirement for the years 2021 through to 2024.

3. This is an Application for NRLP's 2021 transmission revenue requirement to be determined formulaically, using the Revenue Cap IR methodology approved in EB-2018-0275.

Filed: 2020-09-15 EB-2020-0225 Exhibit A Tab 2 Schedule 1 Page 2 of 5

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4. NRLP hereby applies to the OEB for an Order approving a total rates revenue requirement of \$8,375,826 for 2021, to be effective on January 1, 2021, along with an amendment to the 2021 Uniform Transmission Rates to allow for recovery of this amount¹.

5. NRLP is not requesting approval to disburse any additional deferral and variance account balances beyond those amounts approved by the OEB in the EB-2018-0275 application.

6. The total bill impact for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly is a decrease of 0.02% or \$0.03 per month. A typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly will see a total bill decrease of 0.02% or \$0.08 per month. More information regarding the monthly bill impacts may be found in Exhibit A, Tab 4, Schedule 1.

7. In preparing this Application, NRLP has been guided by the OEB's *Filing Requirements for Electricity Transmission Rate Applications*.

8. The written evidence filed with the OEB may be amended from time to time prior to the OEB's final decision on the Application.

¹ In EB-2020-0180 (2020 Uniform Transmission Rates) p. 9, the OEB determined that transmitters shall submit 2020 foregone revenue calculations for disposition as part of the process for establishing 2021 UTRs. Therefore, the presented Rates Revenue Requirement excludes amounts related to the disposition of the NRLP Deferral Account.

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NOTICE AND FORM OF HEARING REQUESTED

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9. The application may be viewed on the Internet at the following address: www.nrlp.ca.

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10. The persons affected by this Application are all persons affected by Ontario's Uniform Transmission Rates. It is impractical to set out their names and addresses because they are too numerous.

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11. NRLP consents, pursuant to Section 21(4)(b) of the OEB Act, that this proceeding be disposed of without a hearing for the following reasons:

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a. Relative to the current, final, OEB-approved 2020 NRLP base revenue requirement, the proposed 2021 NRLP base revenue requirement in this Application represents an approximate reduction of \$300,000 in base revenue requirement. This is driven by an adjustment in the cost of longterm debt that has been directed by the OEB. Information on the cost of

the long-term debt adjustment is provided at Exhibit A, Tab 3, Schedule 1.

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b. Relative to the adjusted 2020 NRLP base revenue requirement, which accounts for the adjustment in the cost of long-term debt, the proposed 2021 NRLP base revenue requirement in this Application represents an increase of only \$25,052 as a result of the Revenue Cap Index formula and does not meet NRLPs materiality threshold. Information on this difference is also provided at Exhibit A, Tab 4, Schedule 1, Table 2.

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12. NRLP therefore states that this Application will not adversely affect customers in any material way and therefore proposes that it be disposed of without a hearing.

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PROPOSED EFFECTIVE DATE

13. NRLP requests that the OEB's rate order be effective January 1, 2021. In order to address the possibility that the requested rate order cannot be made effective by that time, NRLP requests an interim rate order making its current transmission revenue requirement and charges effective on an interim basis as of January 1, 2021, and continuing the NRLP Deferral Account to recover any differences between the interim rates and final rates effective January 1, 2021, based on the OEB's Decision and Order herein.

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CONTACT INFORMATION

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14. NRLP requests that a copy of all documents filed with the Board by each party to this application be served on the Applicant and the Applicant's counsel, as follows:

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The Applicant:

Ms. Eryn Mackinnon

Senior Regulatory Coordinator – Regulatory Affairs

Hydro One Networks Inc.

2021

Mailing Address: 7th Floor, South Tower

22 483 Bay Street

Toronto, Ontario M5G 2P5

24

25 Telephone: (416) 345-4479

26 Fax: (416) 345-5866

Email: regulatory@HydroOne.com

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1	The Applicant's Counsel:	
2	Michael Engelberg	
3	Assistant General Coun-	sel
4	Hydro One Networks In	c.
5	Mailing Address:	8 th Floor, South Tower
6		483 Bay Street
7		Toronto, Ontario M5G 2P5
8	Telephone:	(416) 277-4692
9	Fax:	(416) 345-6972
10	Email:	mengelberg@HydroOne.com
11		
12		
13	DATED at Toronto, Ontario, this 15 th	day of September, 2020.
14		
15	В	y its counsel,
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17	γ	nichael angellerg
18	1	pichael angellerg
19	_	V
20	N	fichael Engelberg

Filed: 2020-09-15 EB-2020-0225 Exhibit A-02-01 Attachment 1 Page 1 of 1

CERTIFICATION OF EVIDENCE

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3	TO: ONTARIO ENERGY BOARD	
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5		
6	The undersigned, being Hydro One Networks Inc.'s (HONI) Vice-President	of
7	Regulatory Affairs, Frank D'Andrea, hereby certifies for and on behalf of NRLP that:	
8		
9	1. NRLP has engaged HONI to prepare and submit this Application on its behalf;	
10	2. I am a senior officer of HONI;	
11	3. This certificate is given pursuant to Chapter 1 of the Ontario Energy Board	d's
12	Filing Requirements for Electricity Transmission Applications (last revised	or
13	February 11, 2016); and	
14	4. The evidence submitted in support of Niagara Reinforcement Limit	ec
15	Partnership's 2021 transmission revenue requirement application (EB-2020-022	25)
16	is accurate, consistent and complete to the best of my knowledge.	
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18	DATED this 15 th day of September, 2020.	
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21	Freend D'andres	
22	Thenk Nonver	
23		-
24	FRANK D'ANDREA	

Filed: 2020-09-15 Eb-2020-0225 Exhibit A Tab 3 Schedule 1 Page 1 of 2

SUMMARY OF OEB DIRECTIVES AND COMPLIANCE WITH PREVIOUS PROCEEDINGS

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This Schedule provides a summary of directives and undertakings from past OEB proceedings and provides a status update or explains the steps that NRLP has taken to address the OEB's direction as part of this Application.

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1.0 EB-2018-0275 – NRLP APPROVAL FOR 2020 BASE TRANSMISSION REVENUE REQUIREMENT

NRLP filed its initial application to the OEB for approval of its base transmission revenue requirement in 2020. The proposal was to establish a 2020 base transmission revenue requirement through an incentive rate-setting framework, which takes the form of a revenue cap index mechanism.

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In its Decision and Order, the OEB approved the incentive rate-setting framework for determining NRLP's rates in 2020 and indicated that it expects NRLP to continue to use this Board-approved framework throughout the OEB-approved rebasing period (i.e. from 2021 to 2024) by filing annual Revenue Cap IR adjustment applications.

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1.1 LONG-TERM COST OF DEBT UPDATE & SETTING THE ADJUSTED 2020 BASE REVENUE REQUIREMENT

As directed by the OEB in the EB-2018-0275 decision, NRLP is updating the long-term debt rate to reflect the actual cost of long-term debt as part of this Application.

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At the time of filing EB-2018-0275, NRLP did not have any actual existing debt at thirdparty market rates. Instead, NRLP used the OEB's deemed long-term debt rate for debt up to April 29, 2020, and a forecast of the debt refinancing scheduled for April 30, 2020. NRLP had forecast a weighted average cost of long-term debt of 3.05% for 2020. As Filed: 2020-09-15 Eb-2020-0225 Exhibit A Tab 3 Schedule 1 Page 2 of 2

- described in the Settlement Proposal, the OEB directed NRLP to incorporate any changes
- resulting from the 2020 refinancing of the long-term debt into its revenue requirement
- update for 2021¹. Table 1 illustrates the updated long-term debt rate calculation.

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Table 1 – Adjusted Weighted Average of Long Term Debt Rate

Long Term Debt Rate	Period of Use	Total Months Elapsed	
3.05%	January 1 to April 30, 2020	4 months	
2.34%	May 1, 2020 to December 31, 2020	8 months	
2.58%	Updated Weighted Average LTD Rate for	2020	

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This update reduces the cost of long-term debt to 2.58% rather than continuing to utilize the deemed long-term debt rate of 3.05% approved in EB-2018-0275. This adjustment is necessary to establish an adjusted 2020 base revenue requirement for determining the 2021 base revenue requirement as contemplated by the decision in EB-2018-0275. The breakdown of the debt instruments supporting the long-term debt rate beginning May 1, 2020, are provided as Attachment 1 of this Schedule. The adjusted 2020 base revenue requirement resulting from the long-term debt update is discussed in Exhibit A, Tab 4, Schedule 1.

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2.0 EB-2020-0180 - 2020 UNIFORM TRANSMISSION RATES ("UTR")

In EB-2020-0180, the OEB determined that the approved interim 2020 Ontario Uniform Transmission Rates would remain in place for the remainder of 2020. The resulting 2020 foregone revenue and accrued interest shall be submitted for disposition as part of the process for establishing 2021 UTRs. NRLP expects to file these amounts and supporting schedules at the time of the 2021 UTR rate-setting process.

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¹ EB-2018-0275, Decision and Order, Page 4 – April 9, 2020

Filed: 2020-09-15 EB-2020-0225 Exhibit A-03-01 Attachment 1 Page 1 of 1

Niagara Reinforcement Limited Partnership Cost of Long-Term Debt Capital 2021 Year ending December 31

				Principal Amount	Premium Discount and	Net Capital Total	Employed Per \$100 Principal		<u>Total Amount</u> at	t Outstanding at	Avg. Monthly	Carrying	Projected Average
Line	Offering	Coupon	Maturity	Offered	Expenses	Amount	Amount	Effective	12/31/2020	12/31/2021	Averages	Cost	Embedded
No.	Date	Rate	Date	(\$Millions)	(\$Millions)	(\$Millions)	(Dollars)	Cost Rate	(\$Millions)	(\$Millions)	(\$Millions)	(\$Millions)	Cost Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(1)	(m)
1	30-Apr-20	1.780%	28-Feb-25	24.3	0.1	24.2	99.63	1.86%	24.3	24.3	24.3	0.5	
2	30-Apr-20	2.180%	28-Feb-30	24.3	0.1	24.2	99.58	2.23%	24.3	24.3	24.3	0.5	
3	30-Apr-20	2.730%	28-Feb-50	18.2	0.1	18.1	99.42	2.76%	18.2	18.2	18.2	0.5	
4		Subtotal							66.9	66.9	66.9	1.5	2.24%
			0 1 4 -						00.9	00.9	00.9		2.2470
5		Treasury OM										0.02	
6			ng-related fees									0.05	
7		Total							66.9	66.9	66.9	1.6	2.34%

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APPLICATION SUMMARY - UPDATED EXHIBIT

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1.0 INTRODUCTION

- 4 This Schedule describes NRLP's 2021 transmission revenue requirement application ("the
- 5 Application").

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- 7 The 2021 transmission base revenue requirement of \$8,375,826 has been determined
- formulaically, using the revenue cap IR methodology approved in EB-2018-0275.

9

- NRLP is requesting that the Ontario Energy Board ("OEB") approve the total rates revenue
- requirement to be effective on January 1, 2021.¹

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- Approval of the 2021 rates revenue requirement results in a total bill decrease for a typical
- Hydro One medium density residential (R1) customer consuming 750 kWh monthly of
- 0.02% or \$0.03 per month. A typical Hydro One General Service Energy less than 50 kW
- 16 (GSe < 50 kW) customer consuming 2,000 kWh monthly will see a total bill decrease of
- 17 0.02% or \$0.08 per month. More information regarding the monthly bill impacts may be
- found in Section 3.3.

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2.0 CUSTOM REVENUE CAP INDEX ADJUSTMENT

- In the Decision for NRLP's Revenue Cap IR Application, the OEB accepted the Revenue
- 22 Cap IR methodology approach for adjusting NRLP's transmission revenue requirement for
- the rate periods 2021 to 2024.

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¹ The proposed 2021 rates revenue requirement excludes amounts related to the disposition of 2020 foregone revenue and accrued interest.

Updated: 2020-10-23 EB-2020-0225 Exhibit A Tab 4 Schedule 1 Page 2 of 9

The approved formula for the Revenue Cap IR for the test year t+1 is equal to the revenue

in year t inflated by the Revenue Cap Index ("RCI") set out below as:

RCI = (0.5 x I) - SCAF

4 Where:

5 "I" is the Inflation Factor, based on Hydro One Networks Inc.'s custom weighted two-

6 factor input price index;

"SCAF" is the Settlement Capital Adjustment Factor, which was approved by the OEB

8 to be equal to 0.6%.

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In its Decision and Order for NRLP's 2020 revenue requirement, the OEB approved the use of an industry-specific inflation factor. At the time of filing of this Application, the

use of an industry-specific inflation factor. At the time of filing of this Application, the

OEB has not yet released the inflation factor applicable for revenue requirement

applications beginning January 1, 2021. NRLP will be providing an update to the revenue

requirement calculation for 2021 rates once it is released. Currently, the inflation rate used

is 1.8%, which was the OEB-approved industry-specific inflation rate for 2020 applications

effective January 1, 2020².

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Specific to the inflation factor, a reduction of half of the Inflation Factor was approved by

19 the OEB in order to reflect the specific circumstances of NRLP. Namely, there are no

capital investments forecast over the period of the Application (2020-2024); and OM&A

expenses, which make up a small portion of NRLP's annual revenue requirement, are

managed primarily through an SLA.

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In NRLP's 2020 revenue cap IR application proceeding EB-2018-0275, the OEB approved

a settlement productivity factor ("Settlement Capital Adjustment Factor", or "SCAF") of

26 0.6%, which the Settlement Agreement explained is established to, "account for NRLP's

 $^{^2}$ The current application adopts the inflation factor of 1.8% as a placeholder consistent with the EB-2019-0082 Draft Rate Order, May 28, 2020, p 10, Table 2

Filed: 2020-09-15 EB-2020-0225 Exhibit A Tab 4 Schedule 1 Page 3 of 9

- circumstances wherein the rate base of the company, and the resulting capital costs,
- 2 generally decline over time"³ The OEB approved this Settlement Factor for the duration
- of NRLP's OEB-approved revenue cap framework, i.e. until 2024.

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- In the OEB's Decision and Order for NRLP's 2020 revenue requirement, and discussed in
- 6 Exhibit A, Tab 3, Schedule 1, the OEB directed NRLP to incorporate any changes resulting
- from the 2020 refinancing of the long-term debt into its revenue requirement update for
- 8 2021. Table 2 provides the 2021 base revenue requirement updated for both the long-term
- 9 debt rate and the Revenue Cap index formula

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Table 1 summarizes the approved components of the RCI for 2021. The Inflation Factor in Table 1 will be updated annually. NRLP's RCI adjustment and components, apart from the annual update for inflation, will remain unchanged throughout the 2021-2024 term.

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Table 1 – 2021 Custom Revenue Cap Index (RCI) by Component (%)

Custom Revenue Cap Index by Component (%)	2021
Inflation Factor (I)	1.80
Less:	
50% of inflation factor	(0.9)
Settlement Capital Adjustment Factor (SCAF)	(0.6)
Total Revenue Cap Index (RCI)	0.3

-

³ EB-2018-0275 – Decision and Order – Page 4 – April 9, 2020

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Table 2 – 2021 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2020	OEB-approved revenue requirement	\$8,662,1674
	Less: long-term debt rate adjustment for 2021 revenue requirement calculation	\$311,393
2020	Base reset for reduction in long-term debt rate ⁵ (impact of long-term debt rate being updated for 2021 to 2024)	\$8,350,774 ⁶
2021	2020 Base Revenue Requirement x RCI* = \$8,350,774 x 1.003	\$8,375,826

^{*} RCI from Table 1.

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3.0 DEFERRAL AND VARIANCE ACCOUNTS

- 5 NRLP is not requesting approval to disburse any additional deferral and variance account
- balances beyond those amounts approved by the OEB in the EB-2018-0275 application.

⁴ OEB-Approved 2020 Base Revenue Requirement utilizing deemed LTD rate of 3.05%

⁵ Refer to Exhibit A, Tab 3, Schedule 1, and Exhibit A, Tab 3, Schedule 1, Attachment 1for the calculation of the 2021 LTD rate.

⁶ Adjusted 2020 Base Revenue Requirement utilizing weighted average LTD rate of 2.58% as described in Exhibit A, Tab 3, Schedule 1.

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4.0 RATES

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4.1 RATES REVENUE REQUIREMENT AND CHARGE DETERMINANTS BY RATE POOL

5 The proposed 2021 rates revenue requirement for NRLP is \$8,375,826 as shown in Table

6 3 below. NRLP does not have charge determinants for setting UTRs as it does not have

any customer delivery points supplied directly from its assets. The NRLP revenue

requirement is allocated to the provincial Network rate pool only, as all its assets serve the

9 Transmission Network, with no Transformation or individual customer services.

Table 3 – 2021 Rates Revenue Requirement by Rate Pool

	Network	Line Connection	Transformation Connection	UTR Revenue Requirement
2021 Base Revenue Requirement ¹	\$8,375,826	-	-	\$8,375,826
2021 Deferral & Variance Accounts Disposition ²	\$0	-	-	\$0
2021 Rates Revenue Requirement	\$8,375,826	-	-	\$8,375,826

¹ As per Section 2, Table 2

² As per Section 3

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4.2 BILL IMPACTS

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An update to the estimated average transmission cost as a percentage of the total bill for a transmission and a distribution-connected customer is presented in Table 4.

Table 4 – Estimated Transmission Cost as a Percentage of Total Electricity Market Costs

Bill Component	¢/kWh
Commodity ¹	12.58
Wholesale Market Service Charges ¹	0.39
Wholesale Transmission Charges ¹	1.06
Distribution Service Charges ²	3.02
Total Cost	17.05
Transmission as % of Total Cost for Dx-connected customers	6.2%
Transmission as % of Total Cost for Tx-connected customers	7.6%

¹ Source: IESO Monthly Market Report, December 2019

A summary of the average bill impact as a result of the 2021 rates revenue requirement relative to the approved 2020 rates revenue requirement is presented in Table 5.

² Source: 2019 Yearbook of Electricity Distributors

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Table 5 – Average Bill Impacts on Transmission and Distribution-Connected

Customers

	2020	2021
Rates Revenue Requirement (\$)	13,160,593 ¹	$8,375,826^3$
% Change in Rates Revenue Requirement over prior year		-36.4%
% Impact of load forecast change		N/A
Net Impact on Average Transmission Rates		$-0.3\%^{2}$
Transmission as a % of Tx-connected customer's Total Bill		7.6%
Estimated Average Bill impact		-0.02%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Bill impact		-0.02%

Notes:

- 1) 2020 approved rates revenue requirement per EB-2020-0180, Decision and Order, Schedule A, July 31, 2020, and NRLP charge determinants described in Section 4.1.
- 2) NRLP's 2020 rates revenue requirement represents 0.8% of the total revenue requirement across all transmitters (0.8% x 36.4% = -0.3%)
- 3) 2021 rates revenue requirement per Table 3

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- 4 The total bill impact for a typical Hydro One medium density residential (R1) customer
- 5 consuming 750 kWh monthly and a typical Hydro One General Service Energy less than
- 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined based on
- the forecast increase in the customer's Retail Transmission Service Rates (RTSR), as
- 8 detailed in Table 6 below.

Updated: 2020-10-23 EB-2020-0225

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Exhibit A

Table 6 - 2021 Total Bill Impacts for Distribution-Connected Customers

	Typical Medium Density (HONI R1) Residential Customer 750 kWh	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer 2,000 kWh
Total Bill as of January 1, 2020 ¹	\$126.53	\$386.88
RTSR included in 2020 Customer's Bill (based on 2019 Final UTR)	\$12.27	\$25.87
Estimated 2020 Monthly RTSR ²	\$12.35	\$32.93
2020 increase in Monthly Bill	\$0.08	\$0.22
2020 increase as a % of total bill	0.07%	0.06%
Estimated 2021 Monthly RTSR ²	\$12.32	\$32.85
2021 increase in Monthly Bill	(\$0.03)	(\$0.08)
2021 increase as a % of total bill	-0.02%	-0.02%

¹Total bill including HST, based on time-of-use commodity prices effective May 1, 2020, and 2020 distribution rates approved per Distribution Rate Order EB-2019-0043 (includes impacts of all components of the Fair Hydro Plan and excludes foregone charges).

5.0 FOREGONE REVENUE CALCULATION

In the Decision for NRLP's Custom IR Application, the OEB approved NRLP's base

transmission revenue requirement of \$8,662,167 effective January 1, 2020, and also

approved foregone revenue of \$4,498,426 from the period from September 1, 2019, to

December 31, 2019, resulting in a 2020 rates revenue requirement of \$13,160,593. The

8 OEB also approved foregone revenue of \$2,036,040 for the period from January 1, 2020,

to June 30, 2020, based on the expectation that updated UTRs would be issued effective

July 1, 2020. However, in EB-2020-0180 (the 2020 UTR Decision) the OEB determined

that approved interim 2020 UTRs would remain in place for the remainder of 2020.⁷ As a

²The impact on RTSR is assumed to be the net impact on the network transmission rate, as per Table 2, adjusted for NRLP's revenue disbursement allocator per 2020 UTR Order, Schedule A (EB-2020-0180).

⁷ EB-2020-0180 2020 UTR Decision and Order, July 30, 2020, p. 17

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result, the difference between the approved amount and the interim amount was not

2 collected in 2020 as originally expected.

- 4 NRLP plans to submit the full-year 2020 foregone revenue and accrued interest⁸ for
- 5 disposition as part of the process for establishing 2021 UTRs. NRLP expects to file these
- amounts and supporting schedules at the time of the 2021 UTR rate-setting process, as
- 7 requested by the OEB in the 2020 UTR Decision. 9 NRLP plans to request that the amount
- be collected over a one-year period.

 $^{^8}$ EB-2020-0180 2020 UTR Decision and Order, July 30, 2020, p. 9

⁹ EB-2020-0180 2020 UTR Decision and Order, July 30, 2020, p. 17