



BY EMAIL AND WEB POSTING

April 13, 2021

**To: All Registered Stakeholders
All Other Interested Parties**

**Re: Consultation on the Deferral Account – Impacts Arising from the COVID-19
Emergency (EB-2020-0133)**

The OEB has determined the applicability of the COVID-19 deferral account guidelines to certain utilities. This letter is to advise all participants in the consultation of the determination, with a brief rationale.

Shortly after the Ontario Government declared a state of emergency in response to the COVID-19 pandemic, the Ontario Energy Board (OEB) established a deferral account for all rate-regulated electricity and natural gas utilities, to record incremental costs associated with the pandemic.

The OEB has been consulting with utilities and other stakeholders on establishing guidelines for the account and expects to issue guidelines later this spring.

After considering [stakeholder comments](#), the OEB has determined that the guidelines will not apply to Ontario Power Generation Inc. (OPG) or to “greenfield utilities”, namely, Wataynikaneyap Power LP (Wataynikaneyap), NextBridge Infrastructure LP (NextBridge), and EPCOR Natural Gas LP (EPCOR) in respect of its Southern Bruce operations.¹

OPG

In their comments on the [OEB staff proposal](#) for the rules and principles to govern the operation of the account, some ratepayer groups suggested that the OEB’s account guidance should not apply in full to OPG, and that instead, any pandemic-related impacts on OPG should be addressed in an OPG payment amounts application. The School Energy Coalition (SEC) argued that OPG should be required to record all

¹ Upper Canada Transmission, Inc. is operating as NextBridge Infrastructure LP

pandemic-related costs and savings in the account, but that the rules regarding recovery (including potentially net credits) should be addressed in the 2022-2026 payment amounts proceeding currently before the OEB.²

OPG disagreed, and urged the OEB to adopt an industry-wide approach: “the consultation should focus on the appropriate common principles and criteria that can be used by the industry to assess the net cost impacts, and the circumstances surrounding them, that are eligible for inclusion and recovery through the account.”³ OPG submitted that SEC’s proposed approach would run counter to the intended purpose of the account, which was never to “serve as a true up for any and all pandemic-related impacts”, and that SEC’s proposed approach could turn the account into a mechanism for retroactive adjustments to the approved 2020 and 2021 payment amounts.⁴

The OEB is of the view that there are sufficient differences between OPG and other utilities to warrant an OPG-specific approach to the treatment of any pandemic-related issues. OPG is the only rate-regulated generator; it is not affected in the same way as electricity and natural gas distributors and transmitters by, for instance, decreases in demand or increases in bad debt. While the regulatory principles underlying the account guidelines may be informative, the OEB considers that the appropriate ratemaking treatment of any pandemic-related impacts on OPG should be determined in a payment amounts proceeding – if not the current proceeding for 2022-2026 payment amounts, then another one.

Greenfield Utilities

In their comments on the OEB staff proposal, and in earlier comments on the issues list for the COVID-19 deferral account consultation, some utilities argued that utility systems that are new or under construction raise unique issues in terms of the pandemic impacts and that a generic industry-wide approach to recovery may not be appropriate.

In particular, Wataynikaneyap and NextBridge, which are each developing electricity transmission systems that are not yet in service and for which rates have not yet been approved, proposed to track any pandemic impacts in their approved construction work in progress (CWIP) accounts.⁵ Wataynikaneyap explained that some aspects of the OEB staff proposal, such as the “means test” tied to a utility’s achieved return on equity, would only work for utilities with approved rates.⁶

EPCOR argued that its Southern Bruce natural gas system is unlike other utilities because (a) most, if not all, of the incremental pandemic-related costs are capital costs associated with constructing the pipeline and connecting new customers, and (b) it is

² SEC, Comments on Staff Proposal, January 25, 2021, Page 11

³ OPG, Reply Comments on Staff Proposal, February 11, 2021, Pages 3-4

⁴ *Ibid.*

⁵ Wataynikaneyap, Comments on Staff Proposal, January 25, 2021, pages 1-2; NextBridge, Comments on Draft Issues List, June 11, 2020, page 1

⁶ Wataynikaneyap, Comments on Staff Proposal, January 25, 2021, page 2

operating in a “unique regulatory context” including a 10-year “rate stability period” from January 1, 2019 to December 31, 2028.⁷ EPCOR said it was “seeking guidance for its specific circumstances as part of [the consultation on the COVID-19 deferral account] or through a separate proceeding if that is the OEB’s desire.”

The OEB agrees that the circumstances for these greenfield utilities, and the impacts of the pandemic on them, substantially differ from other electricity and natural gas utilities, and a generic application of the guidelines to these entities would likely be impractical. Therefore, any ratemaking implications of the COVID-19 pandemic for these utilities should be determined in these utilities’ respective rate proceedings.

NextBridge’s application for 2022-2031 transmission revenue requirements is currently before the OEB – it will be up to the panel hearing that application to determine whether and how to address any pandemic related issues in that proceeding, including whether to defer any such issues to another proceeding. Wataynikaneyap is expected to file its first application for transmission rates shortly. Wataynikaneyap may opt to provide a proposal for the treatment of pandemic-related issues, including the best timing to review such issues. EPCOR may likewise provide a proposal in a future annual incentive rate-setting mechanism application, or if necessary, in a standalone application.

Closing

The OEB acknowledges the helpful input provided by stakeholders in this consultation to date, in particular the thorough and thoughtful comments on the OEB staff proposal.

Any questions related to the COVID-19 deferral account consultation may be sent to Fiona O’Connell at fiona.oconnell@oeb.ca.

Yours truly,

Original Signed By

Christine E. Long
Registrar

⁷ EPCOR, Comments on Staff Proposal, January 25, 2021, pages 2-4