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July 5, 2021

BY EMAIL AND RESS

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:

Re: EB-2020-0150 – NextBridge Draft Rate Order for Electricity Transmission Revenue Requirements for the Period from April 1, 2022 to December 31, 2027

We are counsel for the Applicant in the above noted matter.

Further to the Board's Decision and Order dated June 17, 2021, attached please find the Draft Rate Order which provides the final revenue requirement and supporting schedules.

Schedule A "Revised Revenue Requirement" reflects the Board's direction to revise the 2022 revenue requirement and RCI formula. The 2022 revenue requirement has been reduced to reflect the Board's disallowance of \$200,000 in OM&A, a Return on Equity of 8.34%, and cost of debt aligned with the 2021 cost of capital parameters. Details are provided in the following Attachments:

- Attachment 1: Revised annual and prorated 2022 transmission revenue requirement
- Attachment 2: Transmission revenue requirements for each year of the Custom IR term (2023 to 2027) applying the OEB-approved RCI formula
- Attachment 3: Total bill impacts to customers on average and for a typical residential customer consuming 750 kW per month in 2022 for the OEB to assess

Schedule B "Accounting Orders" provides draft accounting orders for the new Foregone Transmission Revenue Deferral Account and Earnings Sharing Mechanism Deferral Account,

along with revised draft accounting orders for the Construction Cost Variance Account and Debt Rate Variance Account. Details are provided in the following Attachments:

- Attachment 1: Draft Accounting Order - Foregone Transmission Revenue Deferral Account
- Attachment 2: Draft Accounting Order - Earnings Sharing Mechanism Deferral Account
- Attachment 3: Draft Accounting Order - Construction Cost Variance Account
- Attachment 4: Draft Accounting Order - Debt Rate Variance Account

All of which is respectfully submitted.



George Vegh
Counsel

GV:mt

Schedule A
Revised Revenue Requirement

Attachment 1: Revised annual and prorated 2022 transmission revenue requirement

Attachment 2: Transmission revenue requirements for each year of the Custom IR term (2023 to 2027) applying the OEB-approved RCI formula

Attachment 3: Total bill impacts to customers on average and for a typical residential customer consuming 750 kW per month in 2022 for the OEB to assess

Attachment 1: Revised annual and prorated 2022 transmission revenue requirement

Table 1. Summary of Revenue Requirement (\$ Millions)

Component	Test Year
OM&A	4.7
Depreciation	9.3
Income Taxes	0.6
Return on Capital	38.5
Base Revenue Requirement	53.1

* The unrounded 2022 Revenue Requirement is \$53,100,835

Table 1a. NextBridge OM&A Expense (\$ Millions)

	Test Year
Operations & Maintenance	1.27
Regulatory	0.07
Compliance & Administration	1.47
Indigenous Participation	0.89
Indigenous Compliance	0.44
Property Taxes & Rights Payments	0.60
Total OM&A	4.74

Table 1b. Depreciation Expense (\$ Millions)

	Test Year
Depreciation	9.26
Total Expense	9.26

Table 1c. Corporate Income Taxes (\$ Millions)

	Test Year
Regulatory Taxable Income	(44.71)
Income Tax Rate	26.50%
Subtotal	(11.85)
Less: Credits	0.57
Total Income Taxes	0.57

Table 1d. NextBridge Cost of Capital

Test Year 12 Months				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	431.4	56%	2.85%	12.3
Short-term debt	30.8	4%	1.75%	0.5
Common equity	308.2	40%	8.34%	25.7
Total	770.4	100%	5.00%	38.5

Table 2. 2022 Revenue Requirement Converted to UTR Amount (\$ Millions)

2022 Revenue Requirement converted to UTR Amount (\$ Millions)		
2022	A = Cost of Service for 12 months	53.1
2022	B = Monthly Cost of Service or A/12	4.4
2022	C = 2022 UTR Amount or B * 9	39.8

*The unrounded 2022 revenue requirement converted to UTR amount is 39,825,626

Attachment 2: Transmission revenue requirements for each year of the Custom IR term (2023 to 2027) applying the OEB-approved RCI formula

Table 3. NextBridge Base Revenue Requirement by Year (\$ Millions)

Year	Formula	Base Revenue Requirement
2022	Cost of Service for 12 months (Base Rev. Req.)	53.1
2023	2022 Base Revenue Requirement x 1.017	54.0
2024	2023 Base Revenue Requirement x 1.017	54.9
2025	2024 Base Revenue Requirement x 1.017	55.9
2026	2025 Base Revenue Requirement x 1.017	56.8
2027	2026 Base Revenue Requirement x 1.017	57.8

*1.017 = 1.020 Inflation minus 0.003 Stretch

Attachment 3: Total bill impacts to customers on average and for a typical residential customer consuming 750 kW per month in 2022 for the OEB to assess

Table 4. Average Bill Impacts on Transmission and Distribution-Connected Customers (Test Year)

Category	2022
Rates Revenue Requirement (\$Millions)	\$ 53.1
% Increase in Rates Revenue Requirement over prior year	N/A
% Impact of load forecast change	N/A
NB Rates Revenue Requirement as a % of all transmitters	3.15%
Net Impact on Average Transmission Rates	3.15%
Transmission as a % of Tx-connected customer's Total Bill	7.6%
Estimated Average Bill impact	0.24%
Transmission as a % of Dx-connected customer's Total Bill	6.2%

Table 5. Typical Customer Monthly Bill Impacts

Typical Medium Density (R1) Residential Customer Bill Impacts	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 May 13, 2020	\$108.85	\$338.82
RTSR included in R1 Customer's Bill (based on 2019 Interim UTR)	\$12.27	\$25.87
<i>Estimated 2022 Monthly RTSR</i>	\$12.60	\$26.58
2022 increase in Monthly Bill	\$0.33	\$0.71
<i>2022 increase as a % of total bill</i>	<i>0.31%</i>	<i>0.21%</i>

Schedule B
Accounting Orders

Attachment 1: Draft Accounting Order - Foregone Transmission Revenue Deferral Account

Attachment 2: Draft Accounting Order - Earnings Sharing Mechanism Deferral Account

Attachment 3: Draft Accounting Order - Construction Cost Variance Account

Attachment 4: Draft Accounting Order - Debt Rate Variance Account

Attachment 1

DRAFT ACCOUNTING ORDER –
Foregone Transmission Revenue Deferral Account

1. This account is established to track the foregone revenue in the period, if any, between the project in-service date and the date that the UTR is revised to reflect the NextBridge revenue requirement.
2. The balance in the account will be disposed at the next annual UTR update.
3. The following are the proposed accounting entries for this variance account:

<i>USofA#</i>	<i>Account Description</i>
Dr: 1508	Other Regulatory Assets – Sub account: Foregone Transmission Revenue Deferral Account
Cr: 4110	Transmission Services Revenue
	<i>- to record foregone revenue prior to UTR revision</i>

<i>USofA#</i>	<i>Account Description</i>
Dr: 1508	Other Regulatory Assets – Sub account: Foregone Transmission Revenue Deferral Account
Cr: 6035	Other Interest Expense
	<i>-to record interest on the principal balance of the variance account.</i>

Attachment 2

DRAFT ACCOUNTING ORDER –
Earnings Sharing Mechanism (ESM) Deferral Account

1. This account will track the 50-50 sharing between shareholders and customers on earnings greater than or equal to 100 basis points over the OEB-approved ROE of 8.34%. The 8.34% ROE is approved for the complete Custom IR term as the point of comparison for determining if earnings sharing is triggered, and as the basis for calculating entries into the ESM deferral account.
2. The balance in the account will be disposed in 2024 and at the end of the Custom IR Term.
3. The following are the proposed accounting entries for this deferral account:

<i>USofA#</i>	<i>Account Description</i>
Dr: 4395	Rate-Payer Benefit Including Interest – Subaccount: ESM
Cr: 2435	Accrued Rate-Payer Benefit – Subaccount: ESM

- to record any cumulative over-earnings in the Custom IR Term

<i>USofA#</i>	<i>Account Description</i>
Dr: 4395	Rate-Payer Benefit Including Interest – Subaccount: ESM
Cr: 2435	Accrued Rate-Payer Benefit – Subaccount: ESM

- to record interest improvement on the principal balance of the ESM deferral account

Attachment 3

REVISED DRAFT ACCOUNTING ORDER –
Construction Cost Variance Account

1. This account will track any difference in revenue requirement due to differences between forecasted construction costs in this Application and the actual final project construction costs, including IDC.
2. To ensure all accounting is finalized, an audit has taken place and alignment with the disposition of the Debt Cost Variance Account, NextBridge proposes the disposition of this account in the second annual update following the in-service date.
3. The following are the proposed accounting entries for this variance account:

<i>USofA #</i>	<i>Account Description</i>
Dr/Cr: 1508	Other Regulatory Assets – Sub-account: Construction Cost Revenue Requirement Variance
Dr/Cr: 4110	Transmission Service Revenue
	<i>- to record the revenue requirement differential</i>

<i>USofA #</i>	<i>Account Description</i>
Dr/Cr: 1508	Other Regulatory Assets – Sub-account: Construction Cost Revenue Requirement Variance
Dr/Cr: 6035	Other Interest Expense
	<i>-to record interest on the principal balance of the variance account.</i>

Attachment 4

REVISED DRAFT ACCOUNTING ORDER –
Debt Rate Variance Account

1. This account will track the difference in the long-term and short-term debt rate used in the calculation of NextBridge's revenue requirement in this Order and the actual long-term and short-term debt rate secured by NextBridge to finance the project. NextBridge's actual cost of debt is not known and will not be known until closer to in-service date. Once the actual debt rate is known, this account will record the revenue requirement differential from in-service date up until the point where the actual cost of debt is reflected in NextBridge's revenue requirement that is included in the UTR.
2. To ensure all accounting is finalized, an audit has taken place and alignment with the disposition of the Construction Cost Variance Account, NextBridge proposes the disposition of this account in the second annual update following the in-service date. The account will be discontinued after the disposition.
3. The following are the proposed accounting entries for this variance account:

USofA # Account Description
Dr/Cr: 1508 Other Regulatory Assets – Sub-account: Debt Rate Variance
Dr/Cr: 4110 Transmission Service Revenue
- to record the revenue requirement differential

USofA # Account Description
Dr/Cr: 1508 Other Regulatory Assets – Sub-account: Debt Rate Variance,
Dr/Cr: 6035 Other Interest Expense
-to record interest on the principal balance of the variance account.