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BY EMAIL AND RESS

December 9, 2021

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

Dear Ms. Long:

EB-2021-0188 – Niagara Reinforcement Limited Partnership (NRLP) - Application for 2022 Transmission Revenue Requirement – Application Update

Hydro One Networks Inc. on behalf of Niagara Reinforcement Limited Partnership (NRLP), is submitting NRLP's annual transmission revenue cap index application for 2022 along with prefiled evidence in support of the application. This version of the application and prefiled evidence has been updated to reflect the inflation factor set out in the OEB's November 18, 2021 Decision and Order in EB-2021-0212.

An electronic copy of this application has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen Burke".

Kathleen Burke

APPLICATION SUMMARY

1.0 INTRODUCTION

This Schedule describes NRLP's 2022 transmission revenue requirement application (the "Application").

The 2022 transmission base revenue requirement of \$8,281,339 has been determined formulaically, using the revenue cap IR methodology approved in EB-2018-0275.

NRLP is requesting that the Ontario Energy Board (OEB) approve the total rates revenue requirement to be effective on January 1, 2022.

Approval of the 2022 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 \$0.02 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 0.01% or \$0.05 per month. More information regarding the monthly bill impacts may be found below in Section 3.3.

2.0 CUSTOM REVENUE CAP INDEX ADJUSTMENT

In the Decision for NRLP's Revenue Cap IR Application, the OEB accepted the Revenue Cap IR methodology approach for adjusting NRLP's transmission revenue requirement for the rate periods 2021 to 2024.¹

¹ Decision and Order, EB-2018-0275, Niagara Reinforcement Limited Partnership, Application for 2020-2024 Transmission Rates, April 9, 2020, p.6.

1 The approved formula for the Revenue Cap IR for the test year t+1 is equal to the revenue in year
2 t inflated by the Revenue Cap Index (RCI) set out below as:

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$$RCI = (0.5 \times I) - SCAF$$

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Where:

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“I” is the Inflation Factor, based on Hydro One Networks Inc.’s custom weighted two-factor
7 input price index;

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“SCAF” is the Settlement Capital Adjustment Factor, which was approved by the OEB to be
9 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
12 industry-specific inflation factor. At the time this Application was originally filed, the OEB had not
13 yet released the inflation factor applicable for revenue requirement applications beginning
14 January 1, 2022. On November 18, 2021 the OEB issued updated inflation factors to be used for
15 2022 rate adjustment applications, setting the 2022 electricity transmission factor at 2.5%. NRLP
16 has updated its application based on the 2.5% factor.

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Specific to the inflation factor, a reduction of half of the Inflation Factor was approved by the OEB
19 in order to reflect the specific circumstances of NRLP. Namely, there are no capital investments
20 forecast over the period of the Application (2020-2024); and OM&A expenses, which make up a
21 small portion of NRLP’s annual revenue requirement, are managed primarily through a Service
22 Level Agreement (SLA).

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24

In NRLP’s 2020 revenue cap IR application proceeding EB-2018-0275, the OEB approved a
25 settlement productivity factor (“Settlement Capital Adjustment Factor”, or SCAF) of 0.6%, which
26 the Settlement Agreement explained is established to, “account for NRLP’s circumstances
27 wherein the rate base of the company, and the resulting capital costs, generally decline over

1 time".² The OEB approved this Settlement Factor for the duration of NRLP's OEB-approved
2 revenue cap framework, i.e. until 2024.

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4 Table 1 summarizes the approved components of the RCI for 2022. The Inflation Factor in Table
5 1 will be updated annually. NRLP's RCI adjustment and components, apart from the annual update
6 for inflation, will remain unchanged throughout the 2021-2024 term.

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Table 1 – 2022 Custom Revenue Cap Index (RCI) by Component (%)

Custom Revenue Cap Index by Component (%)	2022
Inflation Factor (I)	2.50
50% of inflation factor	(1.25)
Settlement Capital Adjustment Factor (SCAF)	(0.60)
Total Revenue Cap Index (RCI)	0.65

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10 In the OEB's Decision and Order for NRLP's 2021 revenue requirement, and discussed in Exhibit
11 A-3-1, the OEB denied NRLP's proposed long-term debt rate of 2.58%, setting the rate at 2.34%.
12 This update reduced NRLP's 2021 revenue requirement to \$8,227,858. The updated cost of NRLP's
13 long-term debt was approved by the OEB for the years 2021 to 2024. Since the OEB approved the
14 long-term debt rate for the years 2021 to 2024, there is no long-term debt adjustment to the 2021
15 base revenue requirement calculation shown in Table 2. For completeness, Exhibit A-3-1,
16 Attachment 1 is included in this Application to show the derivation of the 2.34% long-term debt
17 rate.

² Decision and Order, EB-2018-0275, Niagara Reinforcement Limited Partnership, Application for 2020-2024 Transmission Rates, April 9, 2020, p.21.

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Table 2 – 2022 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2021	OEB-approved revenue requirement	\$8,227,858 ³
2022	2021 Base Revenue Requirement x RCI* = \$8,227,858 x 1.0065	\$8,281,339

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* RCI from Table 1.

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4 **3.0 DEFERRAL AND VARIANCE ACCOUNTS**

5 NRLP is not requesting approval to disburse any deferral and variance account balances in this
6 Application.

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8 **4.0 RATES**

9 **4.1 RATES REVENUE REQUIREMENT AND CHARGE DETERMINANTS BY RATE POOL**

10 The proposed 2022 rates revenue requirement for NRLP is \$8,281,339 as shown in Table 3 below.
11 NRLP does not have charge determinants for setting UTRs as it does not have any customer
12 delivery points supplied directly from its assets. As previously approved by the OEB, the NRLP
13 revenue requirement is allocated to the provincial Network rate pool only, as all its assets serve
14 the Transmission Network, with no Transformation or individual customer services.⁴

³Decision and Order, Niagara Reinforcement Limited Partnership, Application for electricity transmission revenue requirement beginning January 1, 2021, EB-2020-0225, December 17, 2020. OEB-Approved 2021 Base Revenue Requirement utilizing deemed LTD rate of 2.34%.

⁴ Most recently approved the OEB Decision and Order in EB-2021-0176.

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Table 3 – 2021 Rates Revenue Requirement by Rate Pool

	Network	Line Connection	Transformation Connection	UTR Revenue Requirement
2022 Base Revenue Requirement¹	\$8,281,339	-	-	\$8,281,339
2022 Deferral & Variance Accounts Disposition²	-	-	-	-
2022 Rates Revenue Requirement	\$8,281,339	-	-	\$8,281,339

¹ As per Table 2

² As per Section 3.0

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3 **4.2 BILL IMPACTS**

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

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

	Cost Component	¢/kWh	Source*
A	Commodity	12.58	IESO Monthly Market Report December 2019 (YTD Weighted Average Rate)
B	Wholesale Market Service Charges	0.39	IESO Monthly Market Report December 2019
C	Wholesale Transmission Charges	1.06	IESO Monthly Market Report December 2019
D	Distribution Service Charges	3.02	2019 Yearbook of Electricity Distributors
E	Total Monthly Cost for Tx-connected customers	14.03	E=A+B+C
F	Total Monthly Cost for Dx-connected customers	17.05	F=A+B+C+D
G	<i>Transmission as % of Total Cost for Tx-connected customers</i>	7.6%	G=C/E
H	<i>Transmission as % of Total Cost for Dx-connected customers</i>	6.2%	H=C/F

* 2020 Yearbook of Electricity Distributors not available at time of initial filing of this application

8 NRLP's proposed 2022 rates revenue requirement represents a 33.5% reduction from the
 9 approved 2021 rates revenue requirement, which incorporated a one year disposition of forgone

1 revenue and interest rates to the approved 2021 rates revenue requirement.⁵ NRLP's rates
 2 revenue requirement represents 0.7% of the total revenue requirement across all transmitters.⁶
 3 As such, the proposed 2022 rates revenue requirement results in a net impact of -0.22% on
 4 average transmission rates. A summary of the average bill impact as a result of the 2022 rates
 5 revenue requirement relative to the approved 2021 rates revenue requirement is presented in
 6 Table 5.

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

	2021*	2022**
Rates Revenue Requirement	\$ 12,455,767	\$ 8,281,339
% Change in Rates Revenue Requirement over prior year		-33.5%
% Impact of load forecast change		0.0%
Net Impact on Average Transmission Rates***		-0.22%
Transmission as a % of Tx-connected customer's Total Bill		7.6%
Estimated Average Transmission Customer Bill impact		-0.017%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Distribution Customer Bill impact		-0.014%

* 2021 Rates Revenue Requirement per Decision EB-2021-0176 dated June 24, 2021

** 2022 Rates Revenue Requirement per Table 3

***The calculation of net impact on transmission rates accounts for NRLP's 2021 rates revenue requirement as 0.7% of the total rates revenue requirement across all transmitters (0.7% x -33.5% = -0.22%) based on EB-2021-0176 2021 UTR Order, Schedule A dated on June 24, 2021

⁵ EB-2020-0251 - Decision and Rate Order for 2021 Uniform Transmission Rates issued on December 17, 2020

⁶ NRLP's UTR revenue requirement divided by all transmitters' rates revenue requirement (\$12,455,767/ \$ 1,879,548,293=0.7%), per EB-2021-0176 - Decision and Rate Order Schedule A for 2021 Uniform Transmission Rates and Revenue Disbursement Allocators issued on June 24, 2021

1 As discussed in Section 4.1, NRLP’s rates revenue requirement is wholly allocated to the Network
 2 rate pool. Subsequently, the total bill impact for a typical Hydro One medium density residential
 3 (R1) customer consuming 750 kWh monthly and a typical Hydro One General Service Energy less
 4 than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined based on the
 5 forecast increase in the customer’s Network Retail Transmission Service Rates (RTSR-N), which
 6 reflects the changes in UTRs since the current RTSRs were determined⁷, as detailed in Table 6
 7 below.

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Table 6 - 2022 Total Bill Impacts for Distribution-Connected Customers

	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer Consuming 2,000 kWh per Month
Total Bill as of Jul 1, 2021 ¹	\$127.23	\$400.10
RTSR included in 2021 Bill ²	\$12.51	\$26.52
<i>Estimated 2021 Monthly RTSR³</i>	\$12.53	\$26.57
<i>Estimated 2022 Monthly RTSR³</i>	\$12.51	\$26.52
2022 Change in Monthly Bill	(\$0.02)	(\$0.05)
<i>2022 change as a % of total bill</i>	-0.019%	-0.013%

¹Total bill including HST, based on time-of-use commodity prices effective May 1, 2021 and distribution rates effective July 1, 2021 approved per Distribution Rate Order EB-2020-0194, dated May 27, 2021

²The approved 2021 RTSR is based on the 2020 Ontario Interim Uniform Transmission Rate Schedules EB-2019-0296, issued on December 19, 2019

³The impact on RTSR-N is assumed to be the net impact on average transmission rates, adjusted for NRLP’s 2021 Network rate pool revenue disbursement allocator (1.064%) per 2021 Uniform Transmission Rates (UTRs) Schedule A EB-2021-0176, effective July 1, 2021

⁷ Hydro One’s current 2021 RTSRs are based on the 2020 Interim UTRs per EB-2019-0296, Decision and Rate Order dated December 19, 2019