



Ontario | Commission
Energy | de l'énergie
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DECISION AND ORDER

EB-2021-0188

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP

**Application for electricity transmission revenue requirement
beginning January 1, 2022**

By Delegation, Before: Nancy Marconi

[Date of Issuance]

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1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves the application filed by Niagara Reinforcement Limited Partnership (NRLP) for its 2022 annual transmission revenue requirement effective January 1, 2022, pursuant to section 78 of the *Ontario Energy Board Act, 1998* (OEB Act).

The OEB sets rates for rate-regulated electricity transmitters in Ontario by setting a revenue requirement for each transmitter. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

NRLP is an OEB-licensed electricity transmitter located in the Niagara region of southern Ontario. NRLP's assets, placed in-service on August 30, 2019, consist of a 76 km double circuit 230 kV transmission line connecting the Allanburg and Middleport Transformer Stations.

In the OEB's Decision and Order on NRLP's 2020 transmission revenue cap incentive rate-setting mechanism application¹ (2020 Application), the OEB approved the proposed Revenue Cap Incentive Rate (IR) methodology and determined that this framework would be used to determine NRLP's transmission revenue requirement for the years 2021 through 2024. The framework adjusts NRLP's revenue requirement by a revenue cap index comprised of an inflation factor multiplied by 50% and a settlement capital adjustment factor.

NRLP's application for its 2022 annual transmission revenue requirement is approved for the reasons set out below. This Decision is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

As a result of the OEB's findings in this Decision and Order, NRLP's 2022 rates revenue requirement will be \$8,281,339, representing a reduction of 33.5% from the rates revenue requirement of \$12,455,767 approved for 2021, which included a one-year disposition of foregone revenue and interest².

The total bill impact for a typical medium density residential (Hydro One R1) customer consuming 750 kWh monthly will be a decrease of 0.02% or \$0.02 per month. The total bill change for a typical General Service Energy less than 50 kW (Hydro One GSe < 50

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

² EB-2020-0251, Decision and Order, December 17, 2020

kW) customer consuming 2,000 kWh monthly will be a decrease of 0.01% or \$0.05 per month.

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2 THE PROCESS

NRLP filed its Revenue Cap IR application on August 26, 2021 under section 78 of the OEB Act and in accordance with [Chapter 2](#) of the OEB's *Filing Requirements for Electricity Transmission Applications*. This is the second application filed by NRLP for an adjustment to its revenue requirement using the Revenue Cap IR methodology approved by the OEB in the 2020 Application, in which the OEB determined that the approved methodology would be used to determine NRLP's revenue requirement for the years 2021 through 2024.

NRLP's application was supported by pre-filed written evidence. OEB staff filed a clarification question regarding NRLP's evidence on September 24, 2021, and NRLP filed its response on September 29, 2021.

At the time NRLP filed its application, the OEB had not yet released the inflation factor applicable to applications for approval of revenue requirements effective January 1, 2022. NRLP indicated in its application that it would file an update to the revenue requirement calculation for 2022 rates once that inflation factor was released. On December 9, 2021, NRLP filed an update to the revenue requirement calculation for its 2022 rates, incorporating the inflation factor released by the OEB on November 18, 2021.

As noted above, this proceeding is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

3 REVENUE CAP ADJUSTMENT AND BILL IMPACTS

The OEB determines the revenue requirement for each of the province’s licensed and rate-regulated electricity transmitters, and those OEB-approved revenue requirements are used to set UTRs that apply throughout Ontario.

NRLP’s application requested OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved Revenue Cap IR methodology, in which the base revenue requirement for the prospective rate year is equal to the revenue requirement in the current year, inflated by a Revenue Cap Index (RCI).

The RCI approved by the OEB for NRLP through its decision on the 2020 Application includes an inflation factor (“I”) and settlement capital adjustment factor (“SCAF”). The RCI is expressed as:

$$\text{RCI} = (0.5 \times I) - \text{SCAF}$$

The formula ensures that NRLP’s revenue requirement increases at a rate that is less than inflation.

The Inflation Factor is 2.5%, which is the OEB-approved industry-specific inflation rate for 2022 applications, effective January 1, 2022. The Inflation Factor is updated annually.

The OEB approved a settlement capital adjustment factor of 0.6% in NRLP’s 2020 Application for use between 2020 and 2024.

The components of the Revenue Cap IR adjustment formula applicable to NRLP are set out in Table 1. They result in a total RCI of 0.65%.

Table 1: Components of the Revenue Cap IR Adjustment Formula

Components	Amount
50% of Inflation Factor (I) (0.5 x 2.5% ³)	1.25%
Settlement Capital Adjustment Factor (SCAF)	(0.60)%
Total Revenue Cap Index (RCI)	0.65%

³ EB-2021-0212, Decision and Order, November 18, 2021

NRLP's base revenue requirement for the 2022 rate year is then determined by applying the RCI of 0.65% to NRLP's 2021 base revenue requirement. The result is a 2022 base revenue requirement of \$8,281,339, as shown in Table 2.

Table 2 – NRLP's Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement
2021	OEB-Approved NRLP Base Revenue Requirement	\$8,227,858 ⁴
2022	2021 Base Revenue Requirement x 2022 RCI = \$8,227,858 x 1.0065	\$8,281,339

Transmission rates have been established on a uniform basis for all transmitters in Ontario since April 30, 2002. NRLP's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

NRLP's revenue requirement is allocated to the provincial Network rate pool only, as all its assets serve the transmission network with no transformation or individual customer services. Table 3 summarizes NRLP's 2022 rates revenue requirement by transmission rate pool.

Table 3 – NRLP's 2022 Rates Revenue Requirement by Transmission Rate Pool

Transmitter	Network	Line Connection	Transformation Connection	Total
2022 Base Revenue Requirement	\$8,281,339	-	-	\$8,281,339
2022 Deferral & Variance Accounts Disposition	-	-	-	-
2022 Rates Revenue Requirement	\$8,281,339	-	-	\$8,281,339

In its Decision and Order on 2021 UTRs⁵, the OEB approved the 2021 UTR rate schedules which included NRLP's 2021 base revenue requirement of \$8,227,858,

⁴ EB-2020-0225 Decision and Order, December 17, 2020

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

foregone revenue of \$4,148,691, and interest of \$79,218, for a total 2021 NRLP rates revenue requirement of \$12,455,767.

NRLP's 2022 base revenue requirement of \$8,281,339 is therefore \$53,481, or 0.6% higher than NRLP's OEB-approved 2021 base revenue requirement of \$8,227,858. NRLP's proposed 2022 rates revenue requirement is \$4,174,428, or 33.5% lower than its approved 2021 rates revenue requirement of \$12,455,767, which incorporated a one-year disposition of foregone revenue and interest into the approved 2021 rates revenue requirement.

NRLP's 2021 rates revenue requirement represents approximately 0.7% of the total revenue requirement across all transmitters, based on the approved 2021 UTRs. NRLP estimated that its proposed 2022 rates revenue requirement will result in a 0.22% decrease to average transmission rates and a 0.017% decrease to average transmission customer bills, as shown in Table 4.

Table 4 – Comparison of NRLP's 2021 and 2022 Rates Revenue Requirement, Average Bill Impacts on Transmission Connected Customers

	2021	2022
NRLP 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%

NRLP estimated that its proposed 2022 rates revenue requirement will result in a decrease of 0.019% to typical distribution customer monthly bills for a typical medium density residential customer (Hydro One R1) consuming 750 kWh monthly and a decrease of 0.013% for a typical General Service Energy less than 50 kW customer (Hydro One GSe < 50 kW) consuming 2,000 kWh monthly, as shown in Table 5 below.

Table 5 - Typical Customer Monthly Bill Impacts

	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 July 1, 2021	\$127.23	\$400.10
RTSR included in 2021 Bill	\$12.51	\$26.52
<i>Estimated 2021 Monthly RTSR</i>	\$12.53	\$26.57
<i>Estimated 2022 Monthly RTSR</i>	\$12.51	\$26.52
2022 Change in Monthly Bill	(\$0.02)	(\$0.05)
2022 change as a % of total bill	(0.019%)	(0.013%)

NRLP has not requested approval to disburse any deferral and variance account balances.

NRLP has requested that its proposed revenue requirement be reflected in rates effective January 1, 2022. If implementation cannot occur by then, NRLP has requested an interim order making its current transmission revenue requirement and charges effective on an interim basis as of January 1, 2022 and the continuation of the Foregone Revenue Deferral Account to recover any differences between the interim rates and the final rates effective January 1, 2022, based on the OEB's Decision and Order.

Findings

The OEB finds that the revenue requirement proposed by NRLP to provide transmission service in 2022 is in accordance with the methodology and parameters set by the OEB in the 2020 Application, and that the corresponding bill impacts are reasonable. The OEB approves a 2022 rates revenue requirement of \$8,281,339 with an effective date of January 1, 2022. The OEB anticipates that it will establish new UTRs for 2022 in time for implementation as of January 1, 2022. As a result, no deferral account will be required to track foregone revenue.

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. NRLP's 2022 rates revenue requirement of \$8,281,339 is approved, with an effective date of January 1, 2022. NRLP's resultant revenue requirement will be included in the OEB's determination of the 2022 Uniform Transmission Rates for Ontario.

DATED at Toronto [Date of Issuance]

ONTARIO ENERGY BOARD

Christine E. Long
Registrar

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