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Energy
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DECISION AND ORDER

EB-2022-0243

UPPER CANADA TRANSMISSION, INC.

Application for electricity transmission revenue requirement to be effective January 1, 2023

BY DELEGATION, BEFORE: **Alex Share**
Manager, Generation & Transmission

[Date of issuance]

1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves changes to the transmission revenue requirement of Upper Canada Transmission, Inc., operating as NextBridge Infrastructure, LP (NextBridge), effective January 1, 2023. NextBridge's approved 2023 revenue requirement is \$54,003,549, representing an increase of 1.7% from the annualized revenue requirement of \$53,100,835 approved for 2022.

As a result of this Decision, there will be an estimated 0.04% increase to average transmission rates and a 0.005% increase to the average monthly bill for a transmission-connected customer. The total estimated bill impact on the average monthly bill of a medium density residential customer¹ consuming 750 kWh will be an increase of \$0.01 (0.005%). The total estimated bill impact on the average monthly bill of a general service customer² consuming 2,000 kWh and having a monthly demand of less than 50 kW will be an increase of \$0.01 (0.003%).

¹ Hydro One R1 customer

² Hydro One GSe < 50 kW customer

2 CONTEXT AND PROCESS

NextBridge is an OEB-licensed and rate-regulated electricity transmitter that carries on the business of owning and operating electricity transmission facilities that run from outside Thunder Bay to Wawa, Ontario, commonly referred to as the “East-West Tie line”. The company is seeking the OEB’s approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by approving 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.

In the OEB’s decision and order on NextBridge’s application for approval of electricity transmission revenue requirements for the period from April 1, 2022 to December 31, 2031³ (2022 Application), the OEB approved a Custom Incentive Rate-setting (Custom IR) methodology and determined that this framework would be used to determine NextBridge’s transmission revenue requirement for the years 2023 through 2027. The framework adjusts NextBridge’s annual transmission revenue requirement by a revenue cap index comprised of inflation, less a productivity factor and a stretch factor.

NextBridge filed its 2023 Custom IR update application on September 12, 2022 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with [Chapter 2](#) of the OEB’s *Filing Requirements for Electricity Transmission Applications*. This is the first application filed by NextBridge for an adjustment to its revenue requirement using the Custom IR methodology approved by the OEB in the 2022 Application.

The application was supported by pre-filed written evidence.

³ EB-2020-0150

3 CUSTOM IR ADJUSTMENT

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

The RCI approved by the OEB for NextBridge through its decision on the 2022 Application includes an inflation factor (“I”) and a productivity factor (“X”), which includes a stretch factor. The RCI is expressed as:

$$RCI = I - X$$

In NextBridge’s 2022 Application, the OEB approved an inflation factor of 2.0%, a productivity factor of 0.0%, and a stretch factor of 0.3% for use between 2023 and 2027.

The components of the Custom IR adjustment formula applicable to NextBridge for the 2023 rate year are set out in Table 1. They result in a total RCI of 1.7%.

Table 1: Custom IR Adjustment Formula

Components		Value
Inflation Factor (I)		2.00%
Productivity Factor (X)	Productivity	0.00%
	Stretch	0.30%
Revenue Cap Index (RCI) = I - X		1.70%

NextBridge’s base revenue requirement for the 2023 rate year is then determined by applying the RCI of 1.7% to NextBridge’s 2022 base revenue requirement. The result is a 2023 base revenue requirement of \$54,003,549, as shown in Table 2.

Table 2: Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement (\$)
2022	OEB-Approved Base Revenue Requirement	53,100,835 ⁴
2023	2022 Base Revenue Requirement x 2023 RCI = \$53,100,835 x 1.017	54,003,549

NextBridge has not requested approval to dispose any deferral and variance account balances in this proceeding. Accordingly, NextBridge's total revenue requirement for 2023 is equal to its base revenue requirement for 2023, as adjusted by the RCI.

NextBridge's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

NextBridge'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 NextBridge's 2023 revenue requirement by transmission rate pool.

Table 3: 2023 Revenue Requirement by Transmission Rate Pool (\$)

Network	Line Connection	Transformation Connection	Total
54,003,549	-	-	54,003,549

As it does not have any customer delivery points supplied directly from its assets, Nextbridge does not have charge determinants for setting UTRs.

NextBridge's 2023 revenue requirement represents approximately 2.6% of the total revenue requirement across all transmitters, based on the OEB-approved 2022 UTRs.

NextBridge estimated that its proposed 2023 revenue requirement would result in a 0.07% increase to average transmission rates and a 0.005% increase to the average monthly bill for a transmission-connected customer.

⁴ EB-2021-0150, Revenue Requirement Order, August 19, 2021. The OEB approved a pro-rated revenue requirement of \$39,825,626 for the period from April 1, 2022 to December 31, 2022. \$53,100,835 represents the annualized revenue requirement for 2022.

NextBridge further estimated that its proposed 2023 revenue requirement would result in an increase of \$0.01 (0.005%) to the average monthly bill of a medium density residential customer⁵ consuming 750 kWh, and an increase of \$0.01 (0.003%) to the average monthly bill of a general service customer⁶ consuming 2,000 kWh and having a monthly demand of less than 50 kW.

Findings

NextBridge's request for a 1.7% increase to its base revenue requirement for 2023 is in accordance with the Custom IR methodology and parameters set by the OEB in the 2022 Application. The OEB approves a 2023 revenue requirement of \$54,003,549 with an effective date of January 1, 2023.

⁵ Hydro One R1 customer

⁶ Hydro One GSe < 50 kW customer

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. The 2023 revenue requirement of \$54,003,549 for Upper Canada Transmission, Inc. is approved, with an effective date of January 1, 2023. Upper Canada Transmission, Inc.'s 2023 revenue requirement will be included in the OEB's determination of the 2023 Uniform Transmission Rates for Ontario.

DATED at Toronto, [date of issuance]

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar