



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

REVENUE REQUIREMENT ORDER

EB-2020-0150

UPPER CANADA TRANSMISSION INC.

Application for approval of electricity transmission revenue requirements for the period from April 1, 2022 to December 31, 2027

BEFORE: Emad Elsayed
Presiding Commissioner

Allison Duff
Commissioner

Pankaj Sardana
Commissioner

August 19, 2021



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1 OVERVIEW

This is a Revenue Requirement Order of the Ontario Energy Board (OEB) arising from the approval of an application filed by Upper Canada Transmission, Inc., operating as NextBridge Infrastructure LP (NextBridge). NextBridge sought to charge electricity transmission rates for the period commencing April 1, 2022 and for each following year through to December 31, 2031 (Application). NextBridge also requested the establishment of deferral and variance accounts. The Application represents NextBridge's first revenue requirement application.

On June 17, 2021, the OEB issued a decision on the Application approving a Custom IR term from April 1, 2022 to December 31, 2027. The OEB required NextBridge to file a draft rate order, incorporating the OEB's findings in the decision complete with detailed calculations and supporting material. The OEB has reviewed NextBridge's draft rate order and supporting schedules, and is satisfied that they accurately reflect the OEB's Decision and Order issued on June 17, 2021.

The OEB approves the proposed transmission revenue requirement of \$39,825,626 for the period from April 1, 2022 to December 31, 2022. The OEB also approves NextBridge's proposed base transmission revenue requirement for each year of the Custom IR term from January 1, 2023 to December 31, 2027 subject to adjustments, in the form of rate riders, that will be considered in NextBridge's update application to be filed in 2023 for 2024 rates.

The OEB reviewed NextBridge's latest version of the Draft Rate Order (DRO)¹ and supporting correspondence regarding the Construction Cost Variance Account and Debt Rate Variance Account² and concludes that they accurately reflect the OEB's Decision and Order.

The OEB accepts NextBridge's presentation of bill impacts. As a result of this Rate Order, it is estimated that the total monthly bill for a typical residential medium density R1 customer with an average monthly consumption of 750 kWh will increase \$0.33 or 0.31%. A typical general service energy less than 50 kW (GSe<50 kW) customer consuming 2,000 kWh monthly would see a total bill increase of \$0.71 or 0.21% per month.

¹ July 21, 2021 revised DRO.

² NextBridge's August 10, 2021 letter

2 PROCESS

The OEB's Decision and Order directed NextBridge to file a DRO by July 7, 2021, incorporating the OEB's findings in its Decision, complete with detailed calculations and supporting material, including:

- Revised annual and prorated 2022 transmission revenue requirement
- Transmission revenue requirements for each year of the Custom IR term (2023 to 2027) applying the OEB-approved RCI formula
- Total bill impacts to customers on average and for a typical residential customer consuming 750 kWh per month in 2022 for the OEB to assess
- Draft accounting orders for the Foregone Transmission Revenue Deferral Account and the Earnings Sharing Mechanism Deferral Account
- Revised draft accounting orders for the Construction Cost Variance Account and the Debt Rate Variance Account
- All other requirements specified by the OEB in the Decision for inclusion in the draft rate order

NextBridge filed a DRO pursuant to the Decision and Order for this proceeding on July 5, 2021.

OEB staff and School Energy Coalition (SEC) submitted comments on NextBridge's DRO on July 14, 2021. NextBridge filed its response to OEB staff comments, including a revised DRO, on July 21, 2021.

OEB staff submitted a letter on August 6, 2021, in response to NextBridge's revised DRO. NextBridge filed a letter on August 10, 2021, with revised draft Construction Cost Variance Account and Debt Rate Variance Account accounting orders.

3 REVENUE REQUIREMENTS

3.1 Revised annual and prorated 2022 transmission revenue requirement

NextBridge filed its revised annual and prorated 2022 transmission revenue requirement. No parties raised issues with the calculation of the rates.

Findings

The OEB finds that the revised DRO reflects the OEB's Decision and Order, including revised and prorated 2022 transmission revenue requirement of \$39,825,626 for the period from April 1, 2022 to December 31, 2022. The OEB also finds that the revised DRO appropriately addressed OEB staff's requests for clarification.

3.2 Transmission revenue requirements for each year of the Custom IR term - 2023 to 2027

NextBridge filed its revised base revenue requirement for each year of the Custom IR term (2023 to 2027). No parties raised issues with the calculation of the rates.

Findings

The OEB finds that NextBridge's updated base revenue requirement for each year of the Custom IR term (2023 to 2027), including its underlying components, is consistent with the Decision and Order. This base revenue requirement is subject to adjustments, in the form of rate riders that will be considered in NextBridge's update application to be filed in 2023 for 2024 rates. In the Decision and Order, the OEB noted that NextBridge indicated that such an application would have the same effect as a one-time update to the revenue requirements for the remaining Custom IR term.³

³ EB-2020-0150 / Decision and Order / June 17, 2021 / p. 43.

3.3 Bill Impacts

NextBridge filed its revised total bill impacts to customers on average and for a typical residential customer consuming 750 kW per month in 2022.

OEB staff submitted that in its reply submission, NextBridge should provide detailed calculations of the \$12.27 RTSR included in a R1 Customer's Bill (based on 2019 Interim UTR) for a typical Medium Density (HONI R1) Residential Customer consuming 750 kWh and detailed calculations of the estimated 2022 \$12.60 RTSR, as shown in Table 5 of the DRO. In its reply submission, NextBridge provided detailed RTSR calculations.

Findings

The OEB finds that NextBridge's total bill impacts to customers on average are reasonable and are consistent with the Decision and Order. The OEB also finds that NextBridge provided adequate support for its RTSR calculations in the revised DRO, as requested by OEB staff.

4 ACCOUNTING ORDERS

4.1 Foregone Transmission Revenue Deferral Account

NextBridge provided a new draft accounting order for the Foregone Transmission Revenue Deferral Account.

OEB staff proposed revisions to the accounting order specifying rate year, effective and end dates, and accrued interest rates. In its reply submission, NextBridge accepted OEB staff's proposed revisions to the Foregone Transmission Revenue Deferral Account accounting order.

Findings

The OEB finds that the new draft accounting order for the Foregone Transmission Revenue Deferral Account is consistent with the Decision and Order and that NextBridge adequately responded to OEB staff requests for additional information related to this Accounting Order.

4.2 Earnings Sharing Mechanism Deferral Account

NextBridge provided a new draft accounting order for the Earnings Sharing Mechanism Deferral Account.

OEB staff proposed revisions to the accounting order. The proposed revisions clarified calculation of regulatory net income for earnings sharing and specified effective and end dates, and accrued interest rates. In its reply submission, NextBridge accepted OEB staff's proposed revisions to the Earnings Sharing Mechanism Deferral Account accounting order.

Findings

The OEB finds that the new draft accounting order for the Earnings Sharing Mechanism Deferral Account is consistent with the Decision and Order and that NextBridge adequately responded to OEB staff requests for additional information related to this Accounting Order.

4.3 Construction Cost Variance Account

NextBridge provided a revised draft accounting order for the Construction Cost Variance Account.

OEB staff proposed revisions to the accounting order specifying the rate year of the application update, effective and end dates, and accrued interest rates. In its reply submission, NextBridge proposed an end date for the account of December 31, 2024 and the rate year 2025 for the application update. In its letter of August 6, 2021, OEB staff proposed an end date for the account of December 31, 2023 and the rate year 2024 for the application update. NextBridge accepted OEB staff's proposed revisions to the Construction Cost Variance Account accounting order.

Findings

The OEB finds that NextBridge adequately responded to OEB staff requests for additional information related to the Construction Cost Variance Account Accounting Order. In its August 10, 2021 response letter to OEB staff's comments, NextBridge also agreed to revise the disposition date for this account to the 2024 rate year application rather than 2025 as proposed in its reply submission. Given that the expected in-service date is March 31, 2022, the OEB finds that the December 31, 2023 end date for this account to be reasonable. This provides nine months after the expected in-service date which should be sufficient from OEB's perspective.

This timing (rate year 2024 application) would also be consistent with NextBridge's original application⁴ as well as the OEB's Decision and Order.⁵

If circumstances arise beyond NextBridge's control such that all construction related costs are not incurred by December 31, 2022 or the financial audit is not complete by December 31, 2023, the OEB agrees with NextBridge that the OEB should be advised and a request made for an extension with reasons.

⁴ Exhibit H, Tab 1, Schedule 1, Page 4.

⁵ Decision and Order, June 17, 2021, Page 41.

4.4 Debt Rate Variance Account

NextBridge provided a revised draft accounting order for the Debt Rate Variance Account.

OEB staff proposed revisions to the accounting order effective and end dates, and accrued interest rates. In its reply submission, NextBridge proposed an end date for the account of December 31, 2024 and disposition of the account in 2025. In its letter of August 6, 2021, OEB staff proposed an end date for the account of December 31, 2023, and the rate year 2024 for the application update. In its August 10, 2021 letter, NextBridge accepted OEB staff's proposed revisions to the Debt Rate Variance Account accounting order.

Findings

The OEB finds that NextBridge adequately responded to OEB staff requests for additional information related to the Debt Rate Variance Account Accounting Order. For the same reasons provided under the Construction Cost Variance Account Accounting Order, the OEB finds that the December 31, 2023 end date of this account, as proposed by OEB staff and agreed to by NextBridge, is reasonable under the current circumstances.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB approves NextBridge's transmission revenue requirement of \$39,825,626 for the period from April 1, 2022 to December 31, 2022.
2. The OEB approves NextBridge's proposed base transmission revenue requirement for each year from January 1, 2023 to December 31, 2027 as shown in Schedule A.
3. The Transmission Accounting Order entitled Foregone Transmission Revenue Deferral Account as shown in Schedule B shall be made effective as of the project in-service date.
4. The Transmission Accounting Order entitled Earnings Sharing Mechanism Deferral Account as shown in Schedule C shall be made effective as of the project in-service date.
5. The Transmission Accounting Order entitled Construction Cost Variance Account as shown in Schedule D shall be made effective as of the project in-service date.
6. The Transmission Accounting Order entitled Debt Rate Variance Account as shown in Schedule E shall be made effective as of the project in-service date.
7. Intervenors shall submit their cost claims no later than August 26, 2021.
8. NextBridge shall file with the OEB and forward to intervenors any objections to the claimed costs no later than September 2, 2021.
9. Intervenors shall file with the OEB and forward to NextBridge any reply to any objections to the cost claims no later than September 9, 2021.
10. NextBridge shall pay the OEB's cost incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto August 19, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
REVENUE REQUIREMENT ORDER
UPPER CANADA TRANSMISSION, INC.
EB-2020-0150
AUGUST 19, 2021

Table - NextBridge Base Transmission Revenue Requirements for each year of the Custom IR term (2023 to 2027)

Year	Formula	Base Revenue Requirement (\$ Millions)
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

SCHEDULE B
REVENUE REQUIREMENT ORDER
UPPER CANADA TRANSMISSION, INC.
EB-2020-0150
AUGUST 19, 2021

TRANSMISSION 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 as part of the annual UTR update for the 2024 rate year.
3. The effective date of this account is the project in-service date, and the end date is the effective disposition date of the account which is expected to be December 31, 2023.
4. This account will accrue interest based on OEB-prescribed interest rates. Simple interest will be calculated based on the opening monthly balance of the account.
5. 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

- to record foregone revenue prior to UTR revision

<i>USofA#</i>	<i>Account Description</i>
Dr: 1508	Other Regulatory Assets – Sub account: Foregone Transmission Revenue Deferral Account
Cr: 6035	Other Interest Expense

-to record interest on the principal balance of the variance account.

SCHEDULE C
REVENUE REQUIREMENT ORDER
UPPER CANADA TRANSMISSION, INC.
EB-2020-0150
AUGUST 19, 2021

TRANSMISSION 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 effective date of this account is the project in-service date and the end date is December 31, 2027 (the end of the Custom IR term).
3. The balance in the account will be disposed in 2024 and at the end of the Custom IR Term.
4. For the purpose of earnings sharing, the regulatory net income will be calculated in the manner prescribed under the Reporting and Record Keeping Requirements (RRR) filings.
5. This account will accrue interest based on OEB-prescribed rates. Simple interest will be calculated based on the opening monthly balance of the account.
6. The following are the proposed accounting entries for this deferral account:

USofA# Account Description
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

USofA# Account Description
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

SCHEDULE D
REVENUE REQUIREMENT ORDER
UPPER CANADA TRANSMISSION, INC.
EB-2020-0150
AUGUST 19, 2021

TRANSMISSION 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 as approved by the OEB and the actual final project construction costs, including IDC.
2. The effective date of this account is the project in-service date, and the end date is December 31, 2023.
3. The account will accrue interest at the OEB-prescribed interest rate. Simple interest will be calculated based on the opening monthly balance of the account.
4. 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, rate year 2024.
5. The following are the proposed accounting entries for this variance account:

If actual construction cost is greater than forecasted:

USofA # Account Description

Dr: 1508 Other Regulatory Assets – Sub-account: Construction Cost Revenue
 Requirement Variance

Cr: 4110 Transmission Service Revenue
- to record the revenue requirement differential

USofA # Account Description

Dr: 1508 Other Regulatory Assets – Sub-account: Construction Cost Revenue
 Requirement Variance

Cr: 6035 Other Interest Expense
-to record interest on the principal balance of the variance account.

If actual construction cost is less than forecasted:

USofA # Account Description

Dr: 4110 Transmission Service Revenue

Cr: 1508 Other Regulatory Assets – Sub-account: Construction Cost Revenue
 Requirement Variance

- to record the revenue requirement differential

USofA # Account Description

Dr: 6035 Other Interest Expense

Cr: 1508 Other Regulatory Assets – Sub-account: Construction Cost Revenue
 Requirement Variance

-to record interest on the principal balance of the variance account.

SCHEDULE E
REVENUE REQUIREMENT ORDER
UPPER CANADA TRANSMISSION, INC.
EB-2020-0150
AUGUST 19, 2021

TRANSMISSION 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. The effective date of this account is the project in-service date and the end date is December 31, 2023.
3. This account will accrue interest based on OEB-prescribed interest rates. Simple interest will be calculated based on the opening monthly balance of the account.
4. 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, rate year 2024. The account will be discontinued after the disposition.
5. The following are the proposed accounting entries for this variance account:

If actual debt rate is greater than deemed rate:

<i>USofA #</i>	<i>Account Description</i>
Dr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance
Cr: 4110	Transmission Service Revenue

- to record the revenue requirement impact on the debt rate variance

<i>USofA #</i>	<i>Account Description</i>
Dr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance,
Cr: 6035	Other Interest Expense

-to record interest on the principal balance of the variance account.

If actual debt rate is less than deemed rate:

<i>USofA #</i>	<i>Account Description</i>
Dr: 4110	Transmission Service Revenue
Cr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance

- to record the revenue requirement impact on the debt rate variance

<i>USofA #</i>	<i>Account Description</i>
Dr: 6035	Other Interest Expense
Cr: 1508	Other Regulatory Assets – Sub-account: Debt Rate Variance,

-to record interest on the principal balance of the variance account.