OEB issues decision on Wataynikaneyap Power's 2024 transmission rate application

DECISION

On November 30, 2023, the Ontario Energy Board (OEB) issued its Decision and Order on an application by Wataynikaneyap Power LP (WPLP) for approval of its proposed 2024 electricity transmission revenue requirement and associated transmission rates relating to transmission lines and associated facilities in northwestern Ontario. Once complete, WPLP's transmission system will reinforce the transmission system in that region and extend transmission service to connect 16 remote First Nation communities to the electricity grid. Hydro One Remote Communities Inc. (HORCI) will be providing distribution services to all 16 of the communities once connected to the grid.

The OEB approved the settlement proposal filed by WPLP on November 6, 2023, finding that it will result in reasonable outcomes for WPLP and ratepayers.

The OEB approved WPLP's 2024 revenue requirement of $152.8 million, effective January 1, 2024, to be recovered as follows:

- $33.6 million, recovered through the Uniform Transmission Rate Network pool
- $119.2 million, recovered through a fixed monthly charge paid by HORCI and recovered from all ratepayers under the Rural or Remote Electricity Rate Protection program

As a result of the approved settlement proposal, transmission rates for all customers will increase slightly. For reference, the total bill impact on a typical residential customer with monthly consumption of 750 kWh is estimated to be an increase of $0.43 or 0.32% per month.

APPLICATION AND APPROVED SETTLEMENT PROPOSAL

WPLP is a partnership involving 24 First Nations and Fortis Inc.

WPLP's transmission system is currently under construction and will comprise 22 stations and approximately 1,742 km of lines in northwestern Ontario.

Key features of the settlement proposal, which represented a full settlement of all the issues, include:

- A reduction of approximately $12.9 million (7.8%) in the revenue requirement compared with what WPLP requested in its application.

- Disposition of $68.4 million of audited 2021 and 2022 known COVID-19 costs ($42.1 million and $26.3 million respectively) and removing $6.4 million of unaudited forecast 2023 COVID-19 costs from rate base. The $6.4 million of unaudited costs will remain in a deferral account until they have been audited and approved for disposition in a future rate proceeding.

- A reduction of $1.5 million (5%) in operations, maintenance and administration (OM&A) costs on an envelope basis compared with what WPLP requested in its application.

- Continuation of existing deferral and variance accounts and adjustments to WPLP's proposed disposition period of current amounts. The net impact of these adjustments is a reduction of $9.28 million from the amount proposed in the application.

The OEB found that the settlement proposal represents an acceptable outcome from a public interest perspective, and that the reduction in revenue requirement is reasonable and should not compromise the safety and reliability of WPLP's assets.

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this backgrounder, along with a plain language description for each one.

Deferral and variance accounts (DVAs) are commonly used regulatory tools that allow a utility an opportunity to address costs that were unknown or uncertain when its rates were set.

A deferral account tracks the cost of a project or program which the utility could not forecast when its current rates were set. When the costs are known, the utility can request OEB approval to recover the costs in future rates.

A variance account tracks the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower or higher, then the utility can request OEB approval to return the difference to customers as a credit or to recover the difference through rates.

Rate base is the total dollar value of all of the assets used by a utility to provide energy service: wires, poles, meters, IT equipment, etc. An allowance for working capital is included and the utility is allowed to earn the OEB-approved rate of return on this total rate base value.

Revenue requirement is the total annual cost for a utility to provide service to its customers. It includes the cost of salaries, equipment, capital projects depreciation, taxes, interest and a return on equity.

The OEB approves a utility's revenue requirement when it decides a cost-based application and uses it to set rates that the utility can charge its customers.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued November 30, 2023, which is the official OEB document.