

DECISION AND ORDER**WATAYNIKANEYAP POWER LP****EB-2021-0134 – Application for 2022 Electricity Transmission Rates and Other Charges****DECISION**

On September 30, 2021, the Ontario Energy Board (OEB) issued its [Decision and Order](#) on an application by Wataynikaneyap Power LP (WPLP) for approval of electricity transmission rates relating to new transmission lines and associated facilities in northwestern Ontario.

The new transmission lines will enable 16 remote First Nation communities to be connected to the provincial electricity grid and be served by Hydro One Remote Communities Inc. (HORCI). These communities are currently provided electricity through diesel generation.

In its Decision and Order, the OEB approved a Settlement Proposal that was put forward by participants in the hearing. The OEB was satisfied that the terms of the Settlement Proposal should result in reasonable outcomes for WPLP, Ontario electricity transmission service customers and HORCI customers.

The OEB has therefore approved a revenue requirement of \$41.5 million¹, to be recovered as follows:

- \$20.3 million will be included in the Uniform Transmission Rates (UTR) that are recovered from all Ontario ratepayers. This portion of the revenue requirement relates to the line to Pickle Lake portion of the project, and the rates will take effect on April 1, 2022, which is the date that the line to Pickle Lake is expected to go into service.
- \$21.3 million will be recovered through a fixed monthly charge paid by HORCI starting May 1, 2022. This portion of the revenue requirement relates to the new transmission lines running north from Pickle Lake and Red Lake that will connect to distribution systems and directly serve the First Nation communities as the lines are completed.

The transmission rates will remain in effect for one year, and WPLP will need to file further applications for subsequent years.

BACKGROUND

WPLP is a partnership involving 24 First Nations² and Fortis Inc.

The OEB approved the construction of the transmission lines that are the subject of today's Decision and Order in April 2019.³ The project, which is currently under construction and will be comprised of 22 stations and approximately 1,736 km of lines, was declared by the Province to be needed as a priority project in 2016.⁴

¹ Numbers in this document may not add up precisely due to rounding.

² Bearskin Lake First Nation*, Cat Lake First Nation, Deer Lake First Nation*, Kasabonika Lake First Nation*, Keewaywin First Nation*, Kingfisher Lake First Nation*, Kitchenuhmaykoosib Inninuwug*, Lac des Mille Lacs First Nation, Lac Seul First Nation, Mishkeegogamang First Nation, McDowell Lake First Nation, Muskrat Dam First Nation*, North Caribou First Nation*, North Spirit Lake First Nation*, Ojibway Nation of Saugeen, Pikangikum First Nation, Poplar Hill Nation*, Sachigo Lake First Nation*, Sandy Lake First Nation*, Slate Falls First Nation, Wabigon Lake Ojibway Nation, Wapekeka First Nation*, Wawakapewin First Nation*, Wunnumin Lake First Nation*. Of the 24 participating First Nations, 15 (marked with an *) will be connected to the WPLP transmission system during the 2021-2024 construction period. Pikangikum First Nation has already been connected.

³ [EB-2018-0190, Decision and Order, April 1, 2019, WPLP leave to construct application](#)

⁴ [New Line to Pickle Lake and Connection of Remote First Nation Communities](#)

The line to Pickle Lake is expected to come into service in April 2022, and other segments of the lines are expected to come into service between 2022 and 2024.

APPLICATION AND SETTLEMENT PROPOSAL

This is the first transmission rate application by WPLP in relation to the new transmission lines.

WPLP initially applied for a \$72.4 million 2022 revenue requirement, but later updated its application to reflect the fact that fewer communities would be connected in 2022 than originally expected because of construction delays.

The Settlement Proposal, which represented a complete settlement of all issues, included agreement on modifications to WPLP's proposed revenue requirement and associated rates and charges, as well as to other aspects proposed in the application.

The following outlines the key elements of the Settlement Proposal approved by the OEB:

ITEM REQUESTED	SETTLEMENT PROPOSAL AS APPROVED
<p>TOTAL REVENUE REQUIREMENT 2022** (p. 4)</p> <p>\$47.7 million</p> <ul style="list-style-type: none"> • \$24.1 million (UTR) • \$23.5 million (HORCI) 	<p>\$41.5 million</p> <ul style="list-style-type: none"> • \$20.3 million (UTR) • \$21.3 million (HORCI)
<p>AVERAGE TOTAL RATE BASE** (p.4)</p> <p>2022 – \$448.2 million</p> <ul style="list-style-type: none"> • \$218.1 million (UTR) • \$230.1 million (HORCI) 	<p>2022 – \$418.6 million</p> <ul style="list-style-type: none"> • \$203.7 million (UTR) • \$214.9 million (HORCI)
<p>COVID COST RECOVERY (p. 5)</p> <ul style="list-style-type: none"> • To recover 50% of its 2020 COVID-related incremental construction costs through revenue requirement adders in each of 2022 and 2023 	<p>WPLP will recover its audited 2020 year-end balance of COVID costs as an expense through disposition of the balance over a 4-year period (i.e., 25% in each of 2022, 2023, 2024 and 2025).</p> <p>The OEB noted that acceptance of recovering these costs as Operations, Maintenance & Administration (OM&A) expenses should not be construed as providing the OEB's views on the capitalization of COVID costs generally.</p>
<p>REPORTING (p. 6)</p> <ul style="list-style-type: none"> • To continue filing semi-annual progress reports as required under the OEB's decision granting leave to construct 	<p>WPLP will include additional information in its semi-annual reports:</p> <ol style="list-style-type: none"> A current schedule of expected connection dates for each community that is, at the time of the semi-annual report, not yet connected Details of any updates to WPLP's current operations, and material changes to its long-term operating plans with respect to operations, operating and maintenance systems and practices Updated information, in respect of each community for which an independent power authority (IPA) will be transferring their distribution system assets to HORCI, on the status of each such IPA community in meeting the transfer conditions included in the IPA community's transfer agreements with Indigenous Services Canada

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	<p>(ISC) and HORCI, subject to WPLP being able to obtain this information from ISC along with consent from ISC to provide it on the public record in WPLP's semi-annual reports</p> <p>d) High-level status updates, in respect of each of the communities currently served by HORCI and which will be connected to WPLP's transmission system, on key milestones relating to those communities' efforts to become ready for connection to WPLP's transmission system</p>
<p>OM&A (p.7)</p> <ul style="list-style-type: none"> • \$9.4 million** 	<p>The Settlement Proposal accepted WPLP's proposed 2022 OM&A spending levels and also reflected agreement that WPLP will prepare and file benchmarking studies in its 2023 transmission rate application to compare:</p> <ul style="list-style-type: none"> • WPLP's OM&A spending levels on a per line kilometer basis and on a per station basis relative to comparable Ontario and Canadian transmitters • WPLP's compensation costs relative to Hydro One's compensation costs <p>The OEB noted that (a) the filing of benchmarking studies by WPLP related to OM&A and compensation costs as part of its 2023 transmission rate application, comparing its performance to other transmitters, is a good step in the right direction; and (b) the proposed development and monitoring of performance measures as well as the reporting of milestones would be beneficial.</p>

***Reflects updated evidence filed by WPLP July 30, 2021*

REGULATORY TERMS

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

Transmission - Electricity

Transmission is an intermediate step in the delivery of electricity from generators to customers. Transmitters take electricity from generators and transmit it via high voltage transmission lines to distributors, where it is converted to lower voltages and provided to customers. The OEB licenses and sets the rates of electricity transmitters unless they are exempt by regulation.

Each year, electricity transmitters apply to the OEB requesting changes to their transmission rates. The OEB approves the revenue requirements and allocation of costs for the individual transmitters in separate proceedings and uses them to calculate UTRs. The OEB sets retail transmission rates for each electricity distributor, which is how the UTRs are passed through to their customers.

Rate Base

Rate base is the total dollar value of all the assets used by a utility to provide energy service: wires, meters, IT equipment, etc.

Revenue Requirement

The revenue requirement is the total cost for a utility to provide energy service. It includes the cost of salaries, equipment, capital projects, depreciation, taxes, interest and a return on the equity invested by shareholders. The revenue requirement is used to set rates for customers.

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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 today, which is the official OEB document.