

## **OEB issues decision on Upper Canada Transmission's 2024 transmission revenue requirement application**

### **DECISION**

Today, the Ontario Energy Board (OEB) issued its Decision and Order on an application by Upper Canada Transmission 2, Inc.<sup>1</sup> (Upper Canada Transmission) for approval of its 2024 electricity transmission revenue requirement and associated transmission rates.

The OEB approved the settlement proposal between Upper Canada Transmission and the intervenors in the proceeding, finding that its implementation will result in reasonable outcomes for Upper Canada Transmission and ratepayers.

Specifically, the OEB approved Upper Canada Transmission's 2024 total transmission revenue requirement of \$96,134,597, consisting of a 2024 base transmission revenue requirement of \$74,416,898 and a one-time adjustment for 2024 only of \$21,717,699.

The bill impact for a typical residential customer in Ontario with a monthly consumption of 750 kWh is estimated to be \$0.30 or 0.22% per month in 2024, which the OEB determined to be just and reasonable.

### **APPLICATION AND APPROVED SETTLEMENT PROPOSAL**

Upper Canada Transmission's system consists of a 450 km 230 kV double circuit electric transmission line and related tower facilities located between Hydro One Networks Inc.'s Lakehead and Wawa Transformer Stations (East-West Tie Line). The focus of the application was for rate recovery and rate treatment of differences between actual construction costs versus the OEB's previously approved costs<sup>2</sup> for the East-West Tie Line.

Upper Canada Transmission applied for \$160.4 million in rate base additions, including:

- \$111.7 million for capital expenditures recorded in the COVID-19 Account
- \$48.7 million for the Construction Cost Variance Account

Upper Canada Transmission also sought approval for a new Debt Rate Variance Account to track any differences between its current actual cost of debt and the revised cost of debt that may arise due to new debt issuances.

Following a written interrogatory process, a settlement conference was held over several days in February 2024. Upper Canada Transmission filed a settlement proposal on May 3, 2024 that reflected a complete settlement among the parties on all issues.

<sup>1</sup> EB-2023-0091 Decision and Order, March 9, 2023, transferred Upper Canada Transmission, Inc.'s (operating as NextBridge) Electricity Transmission Licence to Upper Canada Transmission 2, Inc., (operating as East-West Tie Limited Partnership).

<sup>2</sup> EB-2020-0150, Decision and Order, June 17, 2021, and Revenue Requirement Order, August 19, 2021.

The approved settlement proposal included, amongst other matters, a \$30.0 million reduction to the applied for COVID-19 Account balance to be applied to rate base, a \$6.4 million reduction to the applied for 2024 revenue requirement to align with the \$30 million reduction in rate base and other adjustments and the establishment of the new Debt Rate Variance Account.

## INTERVENORS IN THE PROCEEDING

- Association of Major Power Consumers in Ontario
- Canadian Manufacturers & Exporters
- Coalition of Concerned Manufacturers and Businesses of Canada
- Consumers Council of Canada
- School Energy Coalition
- Vulnerable Energy Consumers Coalition

## 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.*

**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.

**Interrogatory** – In most OEB proceedings, parties are given an opportunity to ask questions in writing to other parties to obtain more information or to get clarifications about their evidence.

Most often, these written questions – or interrogatories – are addressed to the applicant.

The interrogatory process can help to simplify the issues; allow a better understanding of the issues; or make the proceeding faster and more efficient.

**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 or electricity transmitter 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 determines the revenue requirement for each of the province's licensed and rate-regulated electricity transmitters, which is then used to set the uniform transmission rates that apply to all customer bills throughout Ontario.

**Settlement conference** – The purpose of a settlement conference is for the applicant and intervenors to try and settle (reach agreement on) as many issues as possible, other than any issues that the OEB has indicated should not be settled and should proceed to hearing.

Settlement negotiations are confidential. Commissioners do not participate in a settlement conference and are not advised of the discussions that take place in the settlement conference.

Where the parties reach agreement, a settlement proposal is filed by the applicant for approval by the OEB

## **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.

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the Memorandum of Understanding between the Minister of Energy and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the Chief Executive Officer, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

## **Contact Us**

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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.*