Ontario Energy Board

Commission de l'Énergie de l'Ontario

EB-2005-0241

IN THE MATTER OF the *Ontario Energy Board Act*, *1998*, S.O.1998, c.15, (Sched. B);

AND IN THE MATTER OF an Application by Great Lakes Power Limited pursuant to section 78 of the *Ontario Energy Board Act, 1998,* for an Order or Orders approving or fixing just and reasonable rates for the transmission of electricity.

PARTIAL DECISION AND ORDER

By letter dated January 17, 2005, Great Lakes Power Limited ("GLPL" or "the Applicant") asked the Board to make interim the components of the currently approved Uniform Transmission Rate Order that are applicable to GLPL to allow GLPL to recover a claimed revenue deficiency while holding the other transmitters that provide service under this rate order neutral. The transmission rates that GLPL sought to vary are pooled wholesale rates that were approved by Decision and Order of the Board issued on April 30, 2002, under file numbers RP-2001-0034, RP-2001-0035, RP-2001-0036, and RP-1999-0044 for four transmitters: Great Lakes Power Ltd., Canadian Niagara Power Inc., Five Nations Energy Inc., and Hydro One Networks Inc.

GLPL also requested a deferral account to record its revenue deficiencies under current transmission rates that GLPL estimated to be $5.1661 million and $11.6344 million in 2005 and 2006 respectively. These deficiencies are mainly due to GLPL undertaking a 164 km, 230 kV transmission reinforcement project, from Hydro One's Wawa Transformer Station to GLPL's Third Line Transformer Station in Sault Ste. Marie, that is estimated to cost $85.5 million. The Board granted GLPL leave to construct this project on March 31, 2004 under Board file number RP-2003-0120/EB-2003-0162.

As part of its Leave to Construct application, GLPL had requested a deferral account to record deferred recovery of the incremental revenue requirement resulting from the project. The Board denied this request, noting that acceding to it would be unfair to the other transmitters who had undertaken works or been granted leave to construct works that would increase their revenue requirements, while setting "a precedent that will lead to many complications and inefficiencies."

The Board further stated that a rates application was the proper forum to change a transmitter's revenue requirement prospectively, adding that such a rates application could reflect any Board-approved or anticipated capital expenditures.

On March 8, 2005, GLPL filed an application and supporting prefiled evidence with the Board seeking, among other things, approval of:

- a 2005 revenue requirement of $30.1990 million;
- a 2006 revenue requirement of $37.1365 million; and
- amendments to the Uniform Transmission Rates to allow for the recovery of GLPL's proposed 2005 and 2006 revenue requirements while holding Canadian Niagara Power Inc., Five Nations Energy Inc., and Hydro One Networks Inc. revenue neutral.

The Board has considered GLPL's request and finds it appropriate for the Board to approve an accounting order establishing a deferral account in which to record GLPL's revenue deficiency under existing rates incurred beginning January 1, 2005. In making this order, the Board cautions that approval of this accounting order does not make any determination with respect to either the total balance recoverable in rates by the utility or its allocation among rate classes: any such determination will be made after GLPL brings forward a proposed balance for recovery and disposition and the Board has had the opportunity to review the proposal.

The Board finds that it is now appropriate for the Board to approve the request for a deferral account because expenditures are now being made against the project and they may be officially recorded until the rate application is finally processed.

The Board will not make the transmission rates interim at this time for three reasons:

- It appears that the Applicant was not requesting that rates be changed at this time but only made "interim." This has no practical benefit for the utility or the ratepayer;
- Retroactive recovery impacts remain an issue whether rates are made interim or not; and
- The creation of the deferral account provides the Applicant with the opportunity to recover expenditures being made now, assuming they are eventually approved by the Board.

THE BOARD THEREFORE ORDERS THAT:

1. GLPL shall establish a deferral account in which to record the revenue deficiency incurred by GLPL under currently approved transmission rates beginning January 1, 2005. In addition, GLPL is entitled to include carrying costs on the balance in the deferral account with such carrying cost being the short-term interest rate included in GLPL's revenue requirement for 2005. GLPL is directed to prepare and submit a draft accounting order to the Board reflecting this order.

ISSUED at Toronto, March 22, 2005.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary