

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Cell: (416) 903-5240
Oded.Hubert@HydroOne.com

Oded Hubert

Vice President
Regulatory Affairs



BY COURIER

December 22, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli,

EB-2015-0141 – Rogers Communication Partnership et al. for Leave to Bring a Motion to Review and Vary Decision EB-2013-0416/EB2014-0247 – Hydro One Supplementary Evidence

Please find attached two (2) copies of supplementary evidence provided by Hydro One Networks Inc. as suggested in the Carriers' responses to Hydro One interrogatories #1 and #2 regarding the calculations of Hydro One's underlying costs, submitted to the OEB on December 11, 2015. In these responses "The Carriers submit that, if Hydro One desires this calculation be incorporated into the evidentiary record in this proceeding, it should supplement its own evidence in chief or submit reply evidence."

Hydro One has updated the costs in the attached schedule in advance of the Technical Conference scheduled for January 12, 2016 to be helpful to proceeding participants.

An electronic copy of the Supplementary Evidence has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

Enc.

cc. Intervenors (electronic)

HYDRO ONE SUPPLEMENTARY EVIDENCE

In this supplementary evidence Hydro One provides a number of calculation options for Telecom Joint Use pole attachment rates. The table attached includes pole attachment rates calculated as follows:

- using 2012 actuals corrected for two key inputs as requested in Hydro One interrogatories #1 and #2 to the Carriers;
- using 2014 actuals as suggested by the Carriers in their response to SEC interrogatory #1;
- using 2015 forecast numbers as suggested by a number of intervenors.

These calculations are being provided in advance of the Technical Conference scheduled for January 12, 2016 to be helpful to proceeding participants.

On December 11, 2015, the Carriers submitted interrogatory responses to the OEB. In response to Hydro One interrogatories #1 and #2, which requested that the Carriers calculate the pole attachment rate taking into account corrections to two key inputs, the Carriers submitted that, “if Hydro One desires this calculation be incorporated into the evidentiary record in this proceeding, it should supplement its own evidence in chief or submit reply evidence.” This supplementary evidence is in response to the Carriers’ suggestion.

In the EB-2013-0416 pre-filed evidence at Exhibit G2, Tab 5, Schedule 1, Hydro One requested the 2015 Telecom Joint Use Pole attachment rate be set at \$37.05. In preparing responses for the interrogatories posed by the Carriers, Hydro One identified two errors in the pole attachment calculation; 1) use of an incorrect pole count and 2) incorrect determination of the annual depreciation amount.

As identified by Hydro One in the response to Carriers’ interrogatory Exhibit I, Tab 4, Schedule 4, Part (a), the 2012 year end pole count used in the calculation of the 2015 proposed pole attachment charge was 1,730,300. The actual pole count that should have been used is 1,535,344. The depreciation cost of \$12.68 included in the original \$37.05 joint use charge calculation is found in Exhibit G2, Tab 5, Schedule 1. This depreciation cost was incorrectly calculated based

on the net book value for pole costs rather than net acquisition pole cost, which is equal to the gross pole cost minus capital contributions. Exhibit I, Tab 4, Schedule 5, Part b, shows the Net Acquisition value that should have been used to determine the correct depreciation value for 2012. The depreciation cost should be calculated as the Net Acquisition Value x HONI Approved Pole Depreciation Rate (1.7%) x 85% Allocation Factor (the 85% is used to remove power-associated assets)/Number of Poles.

The attached table provides the following information:

Column 1: Description of the inputs used to calculate the pole attachment charge.

Column 2: The current OEB approved pole attachment rate from the 2005 Decision.

Column 3: The requested 2015 pole attachment rate as calculated in the pre-filed evidence found in Exhibit G2, Tab 5, Schedule 1 for proceeding EB-2013-0416, based on 2012 actuals.

Column 4: The pole attachment rate proposed by the Carriers in their evidence submitted on November 20, 2015, paragraph #6 in proceeding EB-2015-0141.

Column 5: Hydro One's originally requested pole attachment rate updated to reflect the corrected pole count and depreciation values using 2012 actuals

Column 6: Hydro One's pole attachment rate calculated using 2014 actuals and corrected pole count and depreciation values.

Column 7: Hydro One's pole attachment rate calculated using the forecast 2015 input values, and corrected pole count and depreciation values.

At the foot of the table, Hydro One also includes the 2016 and 2017 values for columns 6 and 7, assuming a 1% inflation rate.

Table of Pole Attachment Rate Calculations

Column #1	Column #2	Column #3	Column #4	Column #5	Column #6	Column #7
Inputs	OEB-Approved Rate from 2005 Decision	Hydro One Pre-filed evidence	Carriers Proposal	Hydro One Corrected INPUT using 2012 Actuals	Hydro One Input using 2014 Actuals	Hydro One Input using Forecast 2015 costs
DIRECT COSTS						
Admin Costs	\$0.69	\$0.85	\$0.85	\$0.85	\$0.90	\$0.93
Loss in Productivity	\$1.23	\$1.51	\$1.51	\$1.51	\$1.60	\$1.65
Total Direct Costs	\$1.92	\$2.36	\$2.36	\$2.36	\$2.50	\$2.58
INDIRECT COSTS						
Net Embedded Cost (NEC)	\$478.00	\$745.86	\$745.86	\$840.57	\$953.98	\$1,025.37
Depreciation Cost	\$31.11	\$12.68	\$12.68	\$21.51	\$24.07	\$25.83
Pole Maintenance Cost	\$7.61	\$82.41	\$7.91	\$92.88	\$89.45	\$96.42
Capital Carrying Cost	\$54.49	\$63.32	\$63.32	\$71.36	\$80.99	\$80.69
Total Indirect Costs	\$93.21	\$158.41	\$83.91	\$185.75	\$194.51	\$202.94
ALLOCATION						
# of non-power attachers	2.5	2.5	2.5	2.5	2.5	2.5
Allocation Factor	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%
Indirect allocated	\$20.43	\$34.69	\$18.39	\$40.68	\$42.60	\$44.44
Pole Rate	\$22.35	\$37.05	\$20.75	\$43.04	\$45.10	\$47.02

2016 RATE **\$45.55** **\$47.49**

2017 RATE **\$46.00** **\$47.97**

ASSUMED
 INFLATION 1.0%

Explanation of Underlying Pole Attachment Rate Calculations

1. **Admin Costs of \$0.85** = Admin. Costs from 2005 decision (\$0.69), add inflation of 3% for 7 years: $\$0.69 \times (1.03)^7 = \0.85
2. **Loss of Productivity of \$1.51** = Loss of Productivity from 2005 decision (\$1.23), add inflation of 3% for 7 years: $\$1.23 \times (1.03)^7 = \1.51
3. **Admin Costs of \$0.90** = Admin. Costs from 2005 decision (\$0.69), add inflation of 3% for 9 years: $\$0.69 \times (1.03)^9 = \0.90
4. **Loss of Productivity of \$1.60** = Loss of Productivity Costs from 2005 decision (\$1.23), add inflation of 3% for 9 years: $\$1.23 \times (1.03)^9 = \1.60
5. **Admin Costs of \$0.93** = Admin. Costs from 2005 decision (\$0.69), add inflation of 3% for 10 years: $\$0.69 \times (1.03)^{10} = \0.93
6. **Loss in Productivity of \$1.65** = Loss in Productivity from 2005 Decision (\$1.23), add inflation of 3% for 10 years: $\$1.23 \times (1.03)^{10} = \1.65
7. **Net Embedded Cost (NEC) of \$745.86** = {[2012 Acquisition Value (\$2,285,926,192) - 2012 Accumulated Depreciation (\$767,617,956) = \$1,518,308,235] / 2012 Qty. of Poles 1,730,300} * 85%
8. **Net Embedded Cost (NEC) of \$840.57** = {[2012 Acquisition Value (\$2,285,926,192) - 2012 Accumulated Depreciation (\$767,617,956) = \$1,518,308,235] / Qty. of Poles = (1,535,344 poles)} * 85%
9. **Net Embedded Cost (NEC) of \$953.98** = {[2014 Acquisition Value (\$2,597,800,000) - 2014 Accumulated Depreciation (\$847,500,000) = \$1,750,300,000] / Pole Count as of May 2014: (1,559,522 poles)} * 85%
10. **Net Embedded Cost (NEC) of \$1025.37** = {[2015 Acquisition Value (\$2,810,044,338) - 2015 Accumulated Depreciation (\$913,502,183) = \$1,896,542,155] / Qty. of Poles as of June 2015 (1,572,181)} * 85%
11. **Depreciation Cost of \$12.68** = 2012 NEC as calculated in Line 7 above (\$745.86) * HONI Depreciation Rate (1.7%) = \$12.68

12. **Depreciation Cost of \$21.51** = [2012 Acquisition Value (\$2,285,926,192) * HONI Depreciation Rate (1.7%) * 85% allocation factor to remove any pole-associated assets] / Qty. of Poles (1,535,344)
13. **Depreciation Cost of \$24.07** = [2014 Acquisition Value (\$2,597,800,000) * HONI Depreciation Rate (1.7%) * 85% allocation factor to remove any pole-associated assets] / Qty. of Poles as of May 2014: (1,559,522)
14. **Depreciation Cost of \$25.83** = [2015 Acquisition Value (\$2,810,044,338) * HONI Depreciation Rate (1.7%) * 85% allocation factor to remove any pole-associated assets] / Qty. of Poles as of June 2015 (1,572,181)
15. **Pole Maintenance Costs of \$82.41** = (Using Originally Filed Pole Count of 1,730,300)
- Lines 2012: Lines Patrol \$8.65M + Defect Correction \$5.04M = \$13.69M;
(\$13.69M/1,730,300 poles) = \$7.91/pole
Forestry 2012: Brush Control \$34.7M + Line Clearing \$87.1M + Customer Notification \$7.1M = \$128.9M; (\$128.9M/1,730,300 poles) = \$74.50/pole
Total Maintenance: \$7.91 + \$74.50 = \$82.41 / pole
16. **Pole Maintenance Costs of \$92.88** = (Maintenance Costs are per Line 15 above, but using Revised Pole Count of 1,535,344)
- Lines 2012: (\$13.69M/1,535,344 Poles) = \$8.92/pole
Forestry 2012: (\$128.9M/1,535,344 poles) = \$83.96/pole
Total Maintenance: \$8.92 + \$83.96 = \$92.88 / pole
17. **Pole Maintenance Costs of \$89.45** = (Using Actual 2014 costs and 2014 Pole Count of 1,559,522)
- Lines 2014: Lines Patrol \$5.4M + Defect Correction \$3.3M = \$8.7M; (\$8.7M/1,559,522 Poles) = \$5.58/pole
Forestry 2014: Brush Control \$23.9M + Line Clearing \$97.7M + Customer Notification \$9.2M = \$130.8M; (\$130.8M/1,559,522 poles) = \$83.87/pole
Total Maintenance: \$5.58 + \$83.87 = \$89.45 / pole

18. **Pole Maintenance Costs of \$96.42**: Using forecast 2015 costs as filed in EB-2013-0416 Exhibit C1-2-2 and 2015 pole count of 1,572,181

Lines 2015: Lines Patrol \$5.7 Million + Defect Correction \$11.6 Million = \$17.3M;
\$17.3M/1,572,181 Poles = \$11/pole

Forestry 2015: Landowner Notification \$7.3 Million + Line Clearing \$95.4 Million + Brush Control \$31.6 Million = \$134.3M; \$134.3M/1,572,181 poles = \$85.42 /pole

Total Maintenance: \$11 + \$85.42 = \$96.42 / pole

19. **Capital Carrying Cost of \$63.32** = 2012 NEC as calculated in Line 7 above (\$745.86) *
2012 Before Tax Weighted Average Cost of Capital (8.49%)
20. **Capital Carrying Cost of \$71.36** = 2012 NEC as calculated in Line 8 above (\$840.57) *
2012 Before Tax Weighted Average Cost of Capital (8.49%)
21. **Capital Carrying Cost of \$80.99** = 2014 NEC as calculated in Line 9 above (\$953.98) *
2012 Before Tax Weighted Average Cost of Capital (8.49%)
22. **Capital Carrying Cost of \$80.69** = 2015 NEC as calculated in Line 10 above (\$1025.37) *
2015 Before Tax Weighted Average Cost of Capital (7.87%)