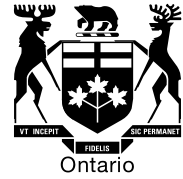


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BY E-MAIL

October 20, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Hydro One Networks Inc. Draft Accounting Order – Smart Grid Fund Pilot Deferral Account
Board File Number: EB-2016-0201

As directed by the Ontario Energy Board (OEB) in its September 23, 2016 Decision and Order, Hydro One filed its draft accounting order on October 7, 2016.

OEB staff were provided the opportunity to comment on the draft accounting order by October 21, 2016.

OEB staff has reviewed the draft accounting order. OEB staff submits that the transactions relating to billing and collecting expenses should be recorded in the USoA 53xx series. OEB staff also proposes some editorial changes as per the attached draft accounting order for further clarity, providing a revised version as shown below.

Yours truly,

Original Signed By

Roy Hrab
OEB staff
Case Manager, EB-2016-0201

Account 1508 Other Regulatory Assets – Sub-account SGF Pilot Deferral Account

Hydro One Networks Inc. shall establish this new deferral account effective October 1, 2016 to record costs associated with extending the existing SGF Pilot as approved by OEB in its decision for EB-2016-0201. As noted in the decision, these costs shall not exceed \$1 million in the account and all such amounts shall be limited to the costs for extending the pilots from October 1, 2016 to April 30, 2017.

The disposition of the deferral account will be subject to an OEB determination of prudence.

The accounting entries to be recorded are as follows:

USofA #	Account Description
Dr: 53XX	Billing and Collecting Expense account range
Cr: 2205	Accounts Payable

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “SGF Pilot Deferral Acct”
Cr: 53XX	Billing and Collecting Expense account range

To record rebates to customers as well as implementation and maintenance costs associated with the extension of the SGF pilot program.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “SGF Pilot Deferral Acct”
Cr: 4405	Interest Income

To record carrying charges on the principal balance of the “SGF Pilot Deferral Acct”.