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Frank D'Andrea

Vice President
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November 21, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

EB-2017-0050 Hydro One Networks Inc. - Distribution Rate Application – Former Service Areas of Woodstock Hydro Services Inc, Norfolk Power Distribution Inc, Haldimand County Hydro Inc.

Hydro One Networks Inc. (“Hydro One”) submitted an application on August 14, 2017 for the implementation of electricity distribution rates to be effective January 1, 2018 for the service areas formerly served by Norfolk Power Distribution Inc. (“Norfolk Power”), Haldimand County Hydro Inc., and Woodstock Hydro Services Inc. (“the Application”). On September 26, 2017 and October 27, 2017, OEB Staff contacted Hydro One, with followup questions regarding Hydro One’s evidence to which Hydro One provided responses. Hydro One is currently awaiting the OEB’s draft decision in this proceeding.

In the Application, Hydro One sought approval to recover a total debit Group 1 Deferral and Variance Account (“DVA”) balance of approximately \$3.4 million for the Norfolk Power service area over a one-year period. Under a one-year disposition period, the recovery of these balances would result in total bill impacts of \$6.47 (5.4%) for a typical Residential customer and \$17.63 (5.6%) for a typical General Service < 50 kW customer of the former Norfolk Power service area.¹ Total bill impacts range from about 4% to about 6% for average customers in other classes, depending on the rate class. Low consumption residential customers will see bill impacts of close to 9% as a result of the additional impacts from moving to fully-fixed distribution rates.

Upon reconsideration of the proposed total bill impacts, Hydro One wishes to request to increase the disposition period of the Group 1 DVA balances for the former Norfolk Power service area

¹ A typical Residential customer consumes 750 kWh/month and a typical General Service < 50kW consumes 2,000 kWh/month.

from one year to two years in order to mitigate the bill impact to its customers. As a result of this proposal, the total bill impact for a typical Residential customer would be \$3.17 (2.6%) and \$8.60 (2.7%) for a typical General Service < 50 kW customer. The total bill impacts for average customers in the other classes of the former Norfolk Power service area would range from about 2% to about 3%, depending on the rate class.

Hydro One believes this request is appropriate for the following reasons:

- Though these impacts are below the OEB's 10% threshold for mitigation of total bill impacts, the impacts are sufficiently material to warrant mitigation in the form of a two year disposition period. For illustrative purposes, the total DVA balance for disposition is \$3.4 million which is a significant balance when compared to the base distribution revenue requirement of \$11.6 million that the OEB approved for Norfolk Power when it last rebased in EB-2011-0272.
- The sole driver for these impacts is the disposition of DVA balances as customers in the former Norfolk Power service area are otherwise subject to a distribution rate freeze as per Hydro One's acquisition agreement. Therefore, the bill impacts can be effectively mitigated by Hydro One's updated proposal.
- A two year disposition will result in total bill impacts that better align with customer expectations given the government's Fair Hydro Plan commitments.

Hydro One is not proposing any changes to the disposition periods of DVA balances for the former Haldimand County Hydro Inc., and Woodstock Hydro Services Inc. service areas. The bill impacts for customers in the former Haldimand County Hydro Inc. service area are primarily driven a large credit rider that will expire on December 31, 2017. As a result, the bill impact cannot be mitigated by similarly extending the disposition period of DVA balances. In the case of the former Woodstock Hydro Services Inc. service area, the Group 1 DVA balances result in credit riders. Therefore, there is no need to mitigate the impact to customers.

If further clarification or additional information is needed please feel free to contact us at Regulatory@HydroOne.com.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Encls.

cc Georgette Vlahos, OEB - Applications Division