

January 3, 2019

**RESS, EMAIL & COURIER**

Ontario Energy Board  
2300 Yonge Street  
Suite 2700, P.O. Box 2319  
Toronto, Ontario M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro One Networks Inc. - 2019 Transmission Revenue Requirement (EB-2018-0130) - Response to Environmental Defence Intervenor Status Request**

We are counsel to Hydro One Networks Inc. (“Hydro One”), applicant in the above-referenced proceeding. This letter is in response to the December 18, 2018 intervenor status request letter from Environmental Defence. In its letter, Environmental Defence describes its reason for intervening as being for the purpose of addressing the question of whether Hydro One must in the present application comply with the direction of the Board in EB-2016-0160 to explore cost effective opportunities for transmission loss reductions and to report on these initiatives as part of its next rate application.

Hydro One’s application is for a Revenue Cap Index (RCI) adjustment to determine its 2019 transmission revenue requirement. As noted in Exhibit A, Tab 3, Schedule 1 of Hydro One’s pre-filed evidence, the RCI approach to setting transmission rates contemplates that annual adjustment applications filed during an RCI plan term be mechanistic in nature. It is on this basis that Hydro One indicated that, in the present RCI adjustment application, it did not intend to address the directions arising from the OEB’s decision in EB-2016-0160. Rather, Hydro One indicated that those directions will, more appropriately, be addressed in its planned 2020-2022 Custom IR application.

In determining that the Board’s direction on transmission line losses is not a matter to be addressed in the present application, Hydro One considered the mechanistic nature of the application, the specific nature of the Board’s direction on line losses and its relevance to the current application, as well as the Board’s filing requirements.

With respect to the direction and its relevance to the current application, Hydro One determined that the Board’s direction on line losses and the information requested through that direction would have no impact on the requested RCI adjustment.

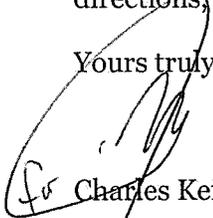
Hydro One also considered that, given the mechanistic nature of its request for an annual adjustment to its revenue cap, which does not involve a rebasing, it is not appropriate for the

Board to consider all issues that it would typically consider in a rebasing application at the outset of a new RCI or Custom IR plan term.

Hydro One also determined that addressing the Board's direction on line losses in its planned 2020-2022 Custom IR application, and not in the current RCI adjustment application, would be consistent with the Board's filing requirements and Handbook. Although the Board has not issued filing requirements specifically for annual RCI adjustment applications, the Board's filing requirements and Handbook each note that the RCI rate-setting methodology for transmitters is analogous to the Price Cap IR rate-setting methodology for distributors.<sup>1</sup> By analogy to the filing requirements for Price Cap IR applications, RCI adjustment applications are not intended to address directions given in prior Board decisions. This is consistent with the Board's direction, in section 3.4 of the Chapter 3 Filing Requirements for distributors filing Price Cap IR applications, that the IRM application process should be mechanistic, not involve issues specific to only one or a few distributors or that are more complicated relative to issues that are typical of an IRM application, or that are potentially contentious. Further, although the Chapter 2 filing requirements - for transmission Custom IR and incentive-based revenue index plan applications, as well as for distribution cost of service rate applications – expressly require applicants to identify Board directions from previous decisions or orders and to clearly indicate how those directions are being addressed,<sup>2</sup> the Chapter 3 filing requirements for Price Cap IR applications include no such requirement.<sup>3</sup>

Based on the foregoing, it is Hydro One's view that the issues Environmental Defence has stated that it wishes to address through its intervention are beyond the scope of the proceeding. As such, Hydro One requests that if the Board is inclined to grant intervenor status to Environmental Defence that it do so subject to clarification that the scope of the proceeding does not include consideration of the extent to which Hydro One has addressed prior Board directions, including the direction with respect to line losses.

Yours truly,



for Charles Keizer

cc: L. Gibbons, Hydro One  
J. Gibbons, Consultant to Environmental Defence  
K. Elson, Counsel to Environmental Defence

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<sup>1</sup> See Handbook for Utility Rate Applications, Oct. 13, 2016, p. 24; Filing Requirements for Electricity Transmission Applications, Ch. 2 – Revenue Requirement Applications, Feb. 11, 2016, p. 1.

<sup>2</sup> See Filing Requirements for Electricity Transmission Applications, Ch. 2 – Revenue Requirement Applications, Feb. 11, 2016, p. 13; Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications, Ch. 2 – Cost of Service, July 12, 2018, p. 8.

<sup>3</sup> See Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications, Ch. 3 – Incentive Rate-Setting Applications, July 12, 2018, s. 3.1.2.