

IN THE MATTER OF the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. for an order or orders made pursuant to section 78 of the Act approving rates for the transmission of electricity.

Submissions of the Power Workers' Union

1. The following are the Power Workers' Union's ("PWU") submissions on the issues reviewed in the matter of Hydro One Network Inc.'s ("Hydro One") 2019 transmission revenue requirement application. These submissions do not specifically address all areas of application. The PWU supports and adopts the submissions of Hydro One in support of the application.
2. Hydro One's 2019 transmission revenue requirement is a mechanistic adjustment to the 2018 revenue requirement approved in proceeding EB-2016-0160. The parameter inputs used to derive the adjustment will be determined in the Hydro One Sault St. Marie proceeding.¹ The PWU supports the use of the proposed parameters on a preliminary basis.
3. The mechanistic adjustment is applied with a Revenue Cap Index approach similar to the Revenue Cap Index recently approved in Hydro One's distribution rates proceeding.² The proposed approach differs from the approach approved for the distribution custom IR in that it does not include a custom capital factor.
4. In contrast to rate riders used for distributors, Hydro One's regulatory accounts are treated as a component of the revenue requirement.³ The year-over-year changes to

¹ EB-2018-0218 – Accepted by OEB in PO 1

² EB-2017-0049 – Decision and Order, Page 20

³ Exhibit I, Tab 3, Schedule 6 (LPMA-6)

regulatory account disposition are applied at the revenue requirement level so it is appropriate for the mechanistic adjustment to be applied to the revenue requirement and not to 2018 rates.

5. Hydro One intends to file a 3-year custom IR application for its 2020-2022 transmission revenue requirements, followed by a single application for 2023-2027 distribution rates and transmission revenue requirements. Adopting a Revenue Cap Index for its transmission revenue requirement will allow Hydro One to operate under a consistent ratemaking methodology in both its transmission and distribution businesses prior to its 2023-2027 application. The consistent methodology will likely reduce complexities and contribute to a more efficient application process in the future than would otherwise be possible.

6. The PWU submits that the proposed Revenue Cap Index is reasonable for Hydro One's transmission revenue requirement. The PWU further submits that the mechanistic adjustment to the revenue requirement as proposed, subject to the parameters to be approved in EB-2018-0218, is the appropriate method to determine the 2019 revenue requirement.

7. The following table outlines the derivation of the proposed 2019 rates revenue requirement.⁴

Table 1 - Derivation of 2019 Rates Revenue Requirement

	2018 Amounts	Proposed Adjustments for 2019	Proposed 2019 Amounts
Total Approved Revenue Requirement (excluding Bill 2 adjustments)	\$1,623,777,363		
Bill 2 Adjustments	-\$962,852		
Total Revenue Requirement (including Bill 2 adjustments)	\$1,622,814,512	1.2%	\$1,642,288,286
Deduct: External Revenue	-\$28,500,000	Same as approved 2018 amount	-\$28,500,000
Deduct: WMS Revenue	-\$276,500	Same as approved 2018 amount	-\$276,500

⁴ Exhibit A, Tab 7, Schedule 1, Page 2 of 8, Table 1

Deduct: Export Tx Service Revenue	-\$40,050,000	Same as approved 2018 amount	-\$40,050,000
Deduct: Regulatory Assets Credit	-\$47,800,000	As per Exhibit A-6-1	-\$37,590,000
Add: Foregone Revenue	-\$10,571,073	Not Applicable	\$0
Add: LVSG Credit	\$14,129,893	1.2%	\$14,299,452
Rates Revenue Requirement	\$1,510,709,683¹		\$1,550,171,238

8. Following the adjustments for amounts related to Bill 2, the revenue requirement is increased by the Revenue Cap Index rate and adjusted by changes to revenue requirement offsets. The External Revenue, WMS Revenue, and Export Tx Service Revenue amounts are not adjusted because those revenues are not impacted by inflation.⁵

9. The largest revenue offsets, External Revenue and Export Tx Service Revenue, are subject to variance accounts to track the difference between forecast and actual revenues, ensuring ratepayers are kept whole should actual revenues exceed forecast revenues. Additionally, Hydro One's treatment of these revenues is consistent with distributors' miscellaneous service charges that are not updated in mechanistic applications.⁶ The Revenue Cap Index rate is appropriately applied to the Low Voltage Switchgear (LVSG) Credit since it is directly related to the revenue requirement assigned to the Transformation Connection pool.⁷

10. Hydro One is seeking disposition of the ten regulatory accounts in this application. A summation of these dispositions is listed as a Regulatory Account Credit to the revenue requirement. The PWU submits that disposition of these accounts is reasonable and is appropriately treated as an offset to the revenue requirement.

11. The PWU submits that the proposed revenue requirement and the proposed rates revenue requirement are appropriate, subject to the Revenue Cap Index parameters to be determined in EB-2018-0128.

⁵ Exhibit I, Tab 5, Schedule 13 (VECC-13)

⁶ Exhibit I, Tab 7, Schedule 4 (SEC-4)

⁷ Exhibit A, Tab 7, Schedule 1, Page 1 of 8

12. Hydro One intended to file a 4-year application but, due to delays caused by organizational changes and other factors,⁸ it subsequently filed this straightforward one-year application. This proceeding is greatly simplified by the mechanistic nature of this one-year application. The reduced complexity contributes to an accelerated application process that required only 50 days from issuance of the first (and only) procedural order to the submission filing date.

13. The PWU anticipates that intervenors may make submissions for a rate order effective date later than January 1, 2019 because the application was filed on October 26, 2018. The PWU disagrees with those submissions for the following reasons:

- a. The application is straightforward and OEB directions arising from the previous transmission proceeding have been deferred to the next application;
- b. it took nearly three months for the OEB to issue a procedural order;
- c. the period between issuance of the procedural order and Hydro One's reply submission is only two months;
- d. the time required to issue a decision is expected to be relatively short for this mechanistic application; and
- e. there were extenuating circumstances that led to a filing delay.

14. Hydro One has made efforts to improve the efficiency of this application by moving the determination of its productivity, stretch, and inflation factors to the Sault St. Marie proceeding and applying for a simple mechanistic adjustment. The PWU submits that January 1, 2019 is the appropriate rate order effective date for Hydro One's 2019 transmission rates.

All of which is respectfully submitted.

⁸ Exhibit I, Tab 3, Schedule 4 (LPMA-4)