



# **Ontario Energy Board Commission de l'énergie de l'Ontario**

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## **DECISION AND ORDER**

**EB-2015-0313**

### **HYDRO ONE NETWORKS INC.**

**2016 Transmission Revenue Requirement**

**BEFORE: Ken Quesnelle**  
Presiding Member

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**January 14, 2016**

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## 1 INTRODUCTION AND SUMMARY

Hydro One Networks Inc. (Hydro One) is one of five licensed electricity transmitters in Ontario that recover their revenues through Ontario's uniform transmission rates (UTR). The Ontario Energy Board (OEB) approves the revenue requirements and charge determinants of the individual transmitters and uses them to calculate the UTR.

Hydro One filed an application with the OEB on September 16, 2014 seeking approval for changes to its electricity transmission revenue requirements for 2015 and 2016. The Board assigned file number EB-2014-0140 to the application.

Hydro One also submitted a proposed comprehensive settlement agreement that it reached with intervenors representing ratepayers and other groups that participated in Hydro One's last transmission rate hearing (EB-2012-0031).

The OEB approved the Settlement Agreement in an oral hearing on December 2, 2014.

On January 8, 2015, the OEB issued a rate order setting the 2015 transmission revenue requirement and charge determinants for Hydro One. These were then used to calculate the 2015 Uniform Transmission Rates (UTR) in conjunction with the 2015 decisions of the four other transmitters in the UTR pool. The 2015 UTR were issued in a separate proceeding (EB-2014-0357) on the OEB's own motion.

For the approval of its 2016 transmission revenue requirement and charge determinants, Hydro One filed a Draft Rate Order (DRO) on November 10, 2015. The OEB assigned file number EB-2015-0313 to the DRO. Hydro One requested a total revenue requirement of \$1,480.7 million, and approval of the allocation percentages of these revenues to the three transmission rate pools.

## 2 THE PROCESS

The total amount to be recovered for Hydro One Transmission in 2016 is derived from the OEB's EB-2014-0140 Decision. The findings in this Decision involve only the implementation of findings in that previous decision. The OEB has therefore determined that no person will be adversely affected in a material way by the outcome of this proceeding. In accordance with section 21 (4) (b) of the Act, this matter has been determined without a hearing.

### 3 2016 REVENUE REQUIREMENT AND CHARGE DETERMINANTS

Hydro One requested approval of a 2016 revenue requirement to recover the amount as approved in EB-2014-0140, updated to reflect the OEB's approved 2016 cost of capital parameters. Hydro One requested no change to the 2016 charge determinants for each rate pool as approved by the OEB in EB-2014-0140.

In support of its application, Hydro One provided exhibits incorporating a long term debt rate of 5.0%. Hydro One's application also contained a short term debt rate of 1.65% and return on equity of 9.19% as approved by the OEB for 2016 in accordance with the cost of capital report<sup>1</sup>. On the basis of the 2016 parameters, the revised 2016 cost of capital for Hydro One is reduced from \$694.7 million to \$661.5 million. This revision results in a 2016 base revenue requirement of \$1,567.6 million.

The total proposed 2016 revenue requirement is as follows:

**Table 1: Revenue Requirement**

<b>Particulars</b>	<b>Amount</b>
2016 BASE REVENUE REQUIREMENT	\$1,567.6 MILLION
DEDUCT: EXTERNAL REVENUES	\$ 32.2 MILLION
DEDUCT: EXPORT TX SERVICE REVENUES	\$ 31.7 MILLION
DEDUCT: WHOLESALE METER SERVICE AND EXIT FEE	\$ 0.2 MILLION
DEDUCT: REGULATORY ACCOUNTS	\$ 36.1 MILLION
ADD: LOW VOLTAGE SWITCH GEAR CREDITS	\$ 13.0 MILLION
2016 TOTAL RATES REVENUE REQUIREMENT	\$1,480.5 MILLION

<sup>1</sup> Ontario Energy Board Letter, October 15, 2015 Re: Cost of Capital Parameter Updates for 2016 Applications

Hydro One's approved charge determinants to be incorporated into the calculation of UTRs are as follows:

**Table 2: Charge Determinants (MW)**

	<b>Network</b>	<b>Line Connection</b>	<b>Transformation Connection</b>
2016	249,552	241,956	207,936

**Findings**

The OEB finds that Hydro One has reasonably and appropriately reflected the OEB's transmission Decision and has made the appropriate updates in its cost of capital, reflecting the OEB's cost of capital parameter updates of October 15, 2015. The OEB approves Hydro One's 2016 rates revenue requirement and charge determinants as submitted.

The OEB approves the use of the approved amounts for the calculation of the 2016 UTR and resulting transmission revenue shares. The 2016 UTR will be issued in a separate decision, incorporating the 2016 revenue requirements and charge determinants of the other four transmitters who recover their revenue requirements through the UTR.

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## 4 2016 OTHER CHARGES

Hydro One also submitted the detailed calculations of two additional charges unique to its transmission operations: The Wholesale Meter Service and Exit Fee Schedule and the Low Voltage Switchgear Credit.

### Findings

The OEB approves Hydro One's 2016 Wholesale Meter Service and Exit Fee Schedule and the Low Voltage Switchgear Credit as submitted.

## 5 ORDER

### THE BOARD ORDERS THAT:

1. The Hydro One Transmission rates revenue requirement for 2016, \$1,480,470,830 million, and the allocation of these revenues to the rate pools as shown in Exhibit 1.0 in Appendix A, is approved.
2. The Hydro One Transmission charge determinants for each rate pool as shown in Exhibit 2.0 in Appendix A, are approved.
3. The Wholesale Meter Service and Exit Fee Schedule, attached as Exhibit 3.0 in Appendix A, is approved.
4. The Low Voltage Switchgear Credit, shown on Exhibit 4.0 in Appendix A, is approved.

**DATED** at Toronto January 14, 2016

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary



**APPENDIX A**

**HYDRO ONE NETWORKS INC.  
TRANSMISSION**

**EB-2015-0313  
DECISION AND RATE ORDER  
JANUARY 14, 2016**

**EXHIBIT 1**

**HYDRO ONE NETWORKS INC.  
TRANSMISSION**

**EB-2015-0313**

**DECISION AND RATE ORDER**

**JANUARY 14, 2016**

**Hydro One Networks Inc.**  
Implementation of Decision with Reasons on EB-2014-0140

2016 Revenue Requirement by Rate Pool Excluding B2M LP

	Supporting Exhibit	2016 Rate Pool Revenue Requirement Excluding B2M LP (\$ Million)					
		Network (Note 3)	Line Connection	Transformation Connection	Uniform Rates Sub-Total	Wholesale Meter	Total
OM&A	1.1	224.7	43.7	101.2	369.6	0.1	369.7
Other Taxes (Grants-in-Lieu)	Note 1	42.0	9.4	15.7	67.0	0.0	67.0
Depreciation of Fixed Assets	1.2	214.1	46.7	103.3	364.1	0.0	364.1
Capitalized Depreciation	Note 2	(4.2)	(0.9)	(1.6)	(6.7)	0.0	(6.7)
Asset Removal Costs	Note 2	20.9	4.7	8.1	33.7	0.0	33.7
Other Amortization	Note 2	3.8	0.9	1.4	6.1	0.0	6.1
Return on Debt	1.4	177.4	42.9	71.8	292.1	0.0	292.1
Return on Equity	1.4	224.4	54.3	90.7	369.4	0.0	369.4
Income Tax	1.5	45.6	9.9	16.6	72.2	0.0	72.2
<b>Base Revenue Requirement</b>		<b>948.7</b>	<b>211.6</b>	<b>407.2</b>	<b>1567.4</b>	<b>0.2</b>	<b>1567.6</b>
Less Regulatory Asset Credit	1.8	(31.0)	(1.7)	(3.3)	-36.1	0.0	(36.1)
<b>Total Revenue Requirement</b>		<b>917.6</b>	<b>209.9</b>	<b>403.8</b>	<b>1531.3</b>	<b>0.2</b>	<b>1531.5</b>
Less External Revenues	1.6	(19.8)	(4.2)	(8.2)	(32.2)	0.0	(32.2)
Less Export Revenues	1.7	(31.7)			(31.7)		(31.7)
Plus LVSG Credit	8.0			13.0	13.0		13.0
<b>Total Rates Revenue Requirement</b>		<b>866.1</b>	<b>205.6</b>	<b>408.7</b>	<b>1480.5</b>	<b>0.2</b>	<b>1480.7</b>

Note 1: Included in OEB Approved 2016 OMA total in Exhibit 1.1.

Note 2: Included in OEB Approved 2016 Depreciation total in Exhibit 1.2.

Note 3: The revenue requirement allocated to the Network rate pool excludes the proposed B2M LP 2016 revenue requirement shown in Exhibit 2.0

**EXHIBIT 2**

**HYDRO ONE NETWORKS INC.  
TRANSMISSION**

**EB-2015-0313**

**DECISION AND RATE ORDER**

**JANUARY 14, 2016**

**Hydro One Networks Inc.**  
Implementation of Decision with Reasons on EB-2014-0140

2016 Charge Determinants  
(for Setting Uniform Transmission Rates for January 1, 2016 to December 31, 2016)

	2016 Total MW (Note 1)
Network	249,552
Line Connection	241,956
Transformation Connection	207,936

*Note 1: 2016 charge determinant per Settlement Agreement Section II, Appendix C, Page 2 of 3.*

*Note 2: There is no customer load directly connected to the B2M LP system, therefore exclusion of B2M LP assets do not impact HONI charge determinants.*

**EXHIBIT 3**

**HYDRO ONE NETWORKS INC.  
TRANSMISSION**

**EB-2015-0313**

**DECISION AND RATE ORDER**

**JANUARY 14, 2016**

**HYDRO ONE NETWORKS INC.**  
**Ontario, Canada**

**WHOLESALE METER SERVICE**  
**And**  
**EXIT FEE SCHEDULE**

Rate Schedule: HON-MET  
Issued: To be determined  
Ontario Energy Board

**APPLICABILITY:**

This rate schedule is applicable to the *metered market participants*\* that are transmission customers of Hydro One Networks (“Networks”) and to *metered market participants* that are customers of a Local Distribution Company (“LDC”) that is connected to the transmission system owned by Networks.

\* The terms and acronyms that are italicized in this schedule have the meanings ascribed thereto in Chapter 11 of the Market Rules for the Ontario Electricity Market.

**a) Wholesale Meter Service**

The *metered market participant* in respect of a *load facility* (including customers of an LDC) shall be required to pay an annual rate of \$7,900 for each *meter point* that is under the transitional arrangement for a *metering installation* in accordance with Section 3.2 of Chapter 6 of the Market Rules for the Ontario Electricity Market.

The Wholesale Meter Service rate covered by this schedule shall remain in place until such time as the rate is revised by Order of the Ontario Energy Board.

**b) Fee for Exit from Transitional Arrangement**

The *metered market participant* in respect of a *load facility* (including customers of an LDC) or a *generation facility* may exit from the transitional arrangement for a *metering installation* upon payment of a one-time exit fee of \$ 5,200 per *meter point*.

<b>EFFECTIVE DATE:</b> January 1, 2016	<b>BOARD ORDER:</b> EB-2014-0140	<b>BREPLACING BOARD ORDER:</b> EB-2014-0140 January 1, 2015	<b>Page 2 of 2</b> Wholesale Meter Service Rate & Exit Fee Schedule for Hydro One Networks Inc.
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**EXHIBIT 4**

**HYDRO ONE NETWORKS INC.  
TRANSMISSION**

**EB-2015-0313**

**DECISION AND RATE ORDER**

**JANUARY 14, 2016**

**Hydro One Networks Inc.**  
 Implementation of Decision with Reasons on EB-2014-0140

Low Voltage Switchgear (LVSG) Credit  
 Effective January 1, 2016

<b>Charge Determinant (MW)</b> <i>(Note 1)</i>	<b>Transformation Pool Revenue Requirement Before LVSG Credit (\$M)</b> <i>(Note 2)</i>	<b>Rate Before LVSG Credit (\$/kw/month)</b>	<b>Average Monthly NCP Demand for Toronto Hydro and Hydro Ottawa (MW)</b> <i>(Note 3)</i>	<b>LVS Proportion (%)</b> <i>(Note 4)</i>	<b>Final LSVG Credit (\$M)</b>
(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (C)x(D)x(E)
207,936	395.7	1.903	3005	19.0%	13.0

*Note 1: Per Exhibit 5.0*

*Note 2: Equals Total Revenue Requirement for Transformation Connection Pool less Non-Rate Revenues allocated to Transformation Connection Pool, as per information in Exhibit 3.0.*

*Note 3: Per EB-2014-0140, Section III, Subsection ii, Exhibit H1, Tab 3, Schedule 1*

*Note 4: Per EB-2012-0031 Exhibit G1, Tab 4, Schedule 1, page 1.*