

1 **REGULATORY ACCOUNTS**

2  
3 **1. INTRODUCTION**

4  
5 The purpose of this evidence is to provide a description of Hydro One Transmission's  
6 Regulatory Accounts.

7  
8 All of the Regulatory Accounts reported by Hydro One Transmission have been  
9 established consistent with the Board's requirements as set out in the Accounting  
10 Procedures Handbook, subsequent Board direction, or as per specific requests initiated by  
11 Hydro One Transmission.

12  
13 Hydro One Transmission's outstanding deferral and variance accounts balances are  
14 summarized in Table 1 below:

15  
16 **Table 1: Transmission Summary of Regulatory Accounts Balances For Approval**  
17 **(\$ Million)**

<b>Description</b>	<b>Balance as at Dec 31, 2014</b>	<b>Balance as at Dec. 31, 2015</b>	<b>Balance as at Dec. 31, 2016</b>
Total Regulatory Accounts	<b>(70.9)</b>	<b>(130.7)</b>	<b>(95.6)</b>

18  
19 The forecast interest for 2016 is calculated by applying interest on the December 31,  
20 2015 year-end principal balances less any amounts approved for disposition in 2016  
21 using the OEB prescribed interest rate (per the Bankers' acceptance -3 months plus 0.25  
22 spread).

Witness: Samir Chhelavda

1 Information on each account and its balance is described in Section 2.0 and Section 3.0 of  
2 this exhibit. Details on regulatory accounts requested is found in Exhibit F1, Tab 1,  
3 Schedule 2. Details on the proposed disposition of the account balances is found in  
4 Exhibit F1, Tab 1, Schedule 3. Further details on deferral and variance accounts are  
5 provided in:

6

- 7 • Exhibit F2, Tab 1, Schedule 1: Regulatory Accounts for Approval
- 8 • Exhibit F2, Tab 1, Schedule 2: Planned Disposition of Regulatory Accounts -  
9 Schedule of Annual Recoveries
- 10 • Exhibit F2, Tab 1, Schedule 3: Continuity Schedule Regulatory Accounts

11

## 12 **2. REGULATORY ACCOUNTS REQUESTED FOR APPROVAL**

13

14 The Board's decision on Hydro One's Transmission Rates for 2015 and 2016 (EB-2014-  
15 0140) approved or required the establishment or continuance of certain regulatory  
16 accounts. Table 2 below, provides a list of the Transmission Regulatory Account  
17 balances requested for approval and disposition as part of 2017 and 2018 Transmission  
18 Rates.

1 **Table 2: Transmission Regulatory Accounts Requested for Approval (\$ Millions)**

Description	US of A Account Ref.	Balance as at Dec 31, 2014	Balance as at Dec 31, 2015	Balance as at Dec 31, 2016 (Forecast)
Excess Export Service Revenue	2405	(28.5)	(41.6)	(18.4)
External Secondary Land Use Revenue	2405	(24.5)	(44.9)	(26.7)
External Station Maintenance, E&CS and Other External Revenue	2405	(1.1)	(0.6)	0.7
Tax Rate Changes	1592	0.9	0.9	0.1
Rights Payments	2405	(3.4)	(4.9)	(3.0)
Pension Cost Differential	2405	11.3	14.1	6.0
Long-Term Transmission Future Corridor Acquisition and Development	1508	0.4	0.7	0.6
LDC CDM and Demand Response Variance Account	1508	(25.1)	(53.5)	(54.0)
External Revenue – Partnership Transmission Projects Account	2405	(0.9)	(0.9)	(0.9)
<b>Total Regulatory Accounts Seeking Disposition</b>		<b>(70.9)</b>	<b>(130.7)</b>	<b>(95.6)</b>
East West Tie Deferral	1508	1.0	1.1	1.1
SECTR Deferral	1508	-	0.6	0.6
North West Bulk Transmission Deferral	1508	-	0	0
In-Service Capital Additions Variance	NA	-	-	-
<b>Total Regulatory Accounts Not Seeking Disposition</b>		<b>1.0</b>	<b>1.7</b>	<b>1.7</b>

2

3 **2.1 Excess Export Service Revenue**

4

5 This variance account was initially created as a result of the Board’s decision of May 28,  
 6 2009 (EB-2008-0272). In its EB 2014-0140 decision, the Board approved continuance of  
 7 this account. The Board requested that Hydro One Transmission continue to capture any

Witness: Samir Chhelavda

1 differences between forecast export service revenue approved by the Board as part of  
2 2015 and 2016 Transmission Rates and the actual export service revenue. As part of its  
3 decision, the Board approved an Export Transmission Services (ETS) rate of \$1.85/MWh  
4 and approved the Hydro One Transmission forecast at \$30.9 million and \$31.7 million in  
5 revenue for both 2015 and 2016 respectively. The balance in this account is reported to  
6 the Board on a quarterly basis, consistent with the Board's Reporting and Record Keeping  
7 Requirements.

8  
9 Included in the balance submitted for approval is interest forecast through to December  
10 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
11 date, reduced by the \$23.5 million balance approved by the Board for disposition in 2016  
12 as part of the EB-2014-0140 decision. This will result in a forecast liability account  
13 balance of \$18.4 million at the end of 2016.

## 14 15 **2.2 External Secondary Land Use Revenue**

16  
17 This variance account was created as a result of the Board's decision of May 28, 2009  
18 (EB-2008-0272). In its EB 2014-0140 decisions, the Board approved the continuance of  
19 this account requesting that Hydro One Transmission maintain a variance account to  
20 capture any difference between the forecast external secondary land use revenues  
21 approved by the Board, for each test year, as part of 2015 and 2016 Transmission Rates,  
22 and the actual secondary land use revenues for each of these years. The total external  
23 revenue, including secondary land use approved by the OEB in EB 2014-0140 was \$31.8  
24 million and \$32.2 million for 2015 and 2016 respectively.

25  
26 As at December 31, 2015, Hydro One Transmission had an excess external secondary  
27 land use revenue balance of \$44.9 million, inclusive of accrued interest. This account is

1 reported to the Board on a quarterly basis consistent with the Board's Reporting and  
2 Record Keeping Requirements.

3  
4 Included in the balance submitted for approval is interest forecast through to December  
5 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
6 date, reduced by the \$18.5 million balance approved by the Board for disposition in 2016  
7 as part of the EB-2014-0140 decision. This will result in a forecast liability account  
8 balance of \$26.7 million at the end of 2016.

9  
10 **2.3 External Station Maintenance, E&CS and Other External Revenue Account**

11  
12 This variance account was created as a result of the Board's decision of May 28, 2009  
13 (EB-2008-0272). In its EB 2014-0140 decisions, the Board approved continuance of this  
14 account. The Board requested that Hydro One Transmission continue to capture any  
15 differences between the Board approved and actual net external station maintenance,  
16 engineering & construction services revenue and other external revenue. The total  
17 external revenue, including station maintenance, E&CS and other approved by the OEB  
18 in EB 2014-0140 was \$31.8 million and \$32.2 million for 2015 and 2016 respectively.

19  
20 As at December 31, 2015, Hydro One Transmission had excess external station  
21 maintenance, engineering and construction services and other external net revenues of  
22 \$0.6 million, inclusive of interest accrued. The balance in this account is reported to the  
23 Board on a quarterly basis consistent with the Board's Reporting and Record Keeping  
24 Requirements.

25  
26 Included in the balance submitted for approval is interest forecast through to December  
27 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
28 date, reduced by the \$1.3 million balance approved by the Board for disposition in 2016

Witness: Samir Chhelavda

1 as part of the EB-2014-0140 decision. This will result in a forecast asset account balance  
2 of \$0.7 million at the end of 2016.

#### 3 4 **2.4 Tax Rate Change**

5  
6 This variance account was created as a result of the Board's decision of August 16, 2007  
7 (EB-2006-0501). In its EB 2014-0140 decisions, the Board approved continuance of this  
8 account. The variance account captures the tax impact to Hydro One Transmission of:

- 9 • differences that result from a legislative or regulatory change to the tax rates or rules;
- 10 and
- 11 • differences that result from a change in, or a disclosure of, a new assessment or
- 12 administrative policy that is published in the public tax administration or
- 13 interpretation bulletins by relevant federal or provincial tax authorities.

14  
15 As at December 31, 2015, Hydro One Transmission had recognized an asset balance of  
16 \$0.9 million, inclusive of interest accrued. This account is reported to the Board on a  
17 quarterly basis consistent with the Board's Reporting and Record Keeping Requirements.

18  
19 Included in the balance submitted for approval is interest forecast through to December  
20 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
21 date, reduced by the \$0.8 million balance approved by the Board for disposition in 2016  
22 as part of the EB-2014-0140 decision. This will result in a forecast asset account balance  
23 of \$0.1 million at the end of 2016.

#### 24 25 **2.5 Rights Payments**

26  
27 This account was established based on the Board's decision on Hydro One's  
28 Transmission Rates for 2011 and 2012 (EB-2010-0002). In its EB 2014-0140 decisions,

Witness: Samir Chhelavda

1 the Board approved continuance of this account. The Board requested that Hydro One  
2 Transmission use a variance account to capture the difference between the forecast Rights  
3 Payments approved by the Board for 2015 and 2016 Transmission Rates and the actual  
4 Rights Payments.

5  
6 As at December 31, 2015, Hydro One Transmission has recorded a liability balance of  
7 \$4.9 million, inclusive of interest accrued. This account is reported to the Board on a  
8 quarterly basis consistent with the Board's Reporting and Record Keeping Requirements.

9  
10 Included in the balance submitted for approval is interest forecast through to December  
11 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
12 date, reduced by the \$1.9 million balance approved by the Board for disposition in 2016  
13 as part of the EB-2014-0140 decision. This will result in a forecast liability account  
14 balance of \$3.0 million at the end of 2016.

## 15 16 **2.6 Pension Costs Differential**

17  
18 This account tracks the difference between the OM&A pension cost estimates based on  
19 actuarial assessments used for Hydro One's Proposed Transmission Rate application and  
20 the actual OM&A pension contributions. This account was established based on the  
21 Board's decision on Hydro One Transmission's Rates for 2011 and 2012 (EB-2010-  
22 0002). In its EB 2014-0140 decisions, the Board approved continuance of this account.

23  
24 As at December 31, 2015, Hydro One Transmission has recognized an asset balance of  
25 \$14.1 million, inclusive of interest accrued. This account is reported to the Board on a  
26 quarterly basis consistent with the Board's Reporting and Record Keeping Requirements.

27  
Witness: Samir Chhelavda

1 Included in the balance submitted for approval is interest forecast through to December  
2 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
3 date, reduced by the \$8.2 million balance approved by the Board for disposition in 2016  
4 as part of the EB-2014-0140 decision. This will result in a forecast asset account balance  
5 of \$6.0 million at the end of 2016.

6  
7 **2.7 Long-term Transmission Future Corridor Acquisition and Development**  
8 **Account**

9  
10 This deferral account, approved during EB-2012-0031, records transmission planning and  
11 study costs associated with preliminary corridor routing considerations for new  
12 transmission infrastructure. In order to ensure land corridor availability in near-urban  
13 areas, long term investment planning is required. The costs recorded in the account will  
14 be associated with land assessment work such as environmental studies and assessments,  
15 preliminary engineering studies, public and First Nations/Métis consultations, etc. The  
16 outcome of this work will be helpful in making siting determinations for new corridors  
17 and in setting aside the required land for planning purposes, thus ensuring its availability  
18 and affordability when the project proceeds.

19  
20 As at December 31, 2015, Hydro One Transmission has recognized an asset balance of  
21 \$0.7 million, inclusive of interest accrued. This amount is expected to grow over the next  
22 few years. This account is reported to the Board on a quarterly basis consistent with the  
23 Board's Reporting and Record Keeping Requirements.

24  
25 Included in the balance submitted for approval is interest forecast through to December  
26 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
27 date. This will result in a forecast asset account balance of \$0.6 million at the end of  
28 2016.

Witness: Samir Chhelavda

1 **2.8 LDC CDM and Demand Response Variance Account**

2  
3 This account was established upon the Settlement Agreement approved by the Board in  
4 EB-2012-0031 relating to Hydro One Transmission's 2013 and 2014 rates. The account  
5 tracks the difference between the forecast and actual CDM savings and Demand  
6 Response results of the OPA-funded, LDC-delivered programs for 2013 and 2014.

7  
8 Hydro One used the annual results reported for the previous year by the OPA in  
9 September of 2014 and 2015 (for 2013 and 2014 results, respectively) and recorded to  
10 this variance account the difference between the actual CDM savings reported by the  
11 OPA and the forecast for 2013 and 2014. As at December 31, 2015, Hydro One  
12 Transmission has recognized a liability balance of \$53.5 million, inclusive of interest  
13 accrued. This account is reported to the Board on a quarterly basis consistent with the  
14 Board's Reporting and Record Keeping Requirements.

15  
16 Included in the balance submitted for approval is interest forecast through to December  
17 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
18 date. This will result in a forecast liability account balance of \$54.0 million at the end of  
19 2016.

20  
21 **2.9 External Revenue – Partnership Transmission Projects Account**

22  
23 This account was approved by the Board in EB-2012-0031 to allow Hydro One to record  
24 costs related to services provided by Hydro One Network employees to partnership  
25 companies, e.g. for work not directly to the benefit of Hydro One Transmission's  
26 ratepayers. These costs would be invoiced to the appropriate partnered company, and  
27 current transmission revenues equal to the invoiced amount would be recorded in this  
28 account for reduction of future transmission revenue requirements.

Witness: Samir Chhelavda

1 The balance in this account reflects the external revenue garnered as a result of the  
2 services provided to and on behalf of B2M LP to create the partnership. Most all of these  
3 services were provided before B2M LP was an established entity and, as such, the LP had  
4 no ability to procure these services independently. The LP has subsequently paid  
5 Networks for the services rendered.

6  
7 All amounts submitted to this account were provided on a cost basis in compliance with  
8 the Affiliate Relationship Code.

9  
10 As at December 31, 2015, Hydro One Transmission has recognized a liability balance of  
11 \$0.9 million, inclusive of interest accrued. This account is reported to the Board on a  
12 quarterly basis consistent with the Board's Reporting and Record Keeping Requirements.

13  
14 Included in the balance submitted for approval is interest forecast through to December  
15 31, 2016 to reflect carrying charges anticipated through to the proposed implementation  
16 date. This will result in a forecast liability account balance of \$0.9 million at the end of  
17 2016.

18  
19 **3. REGULATORY ACCOUNTS NOT BEING REQUESTED FOR**  
20 **DISPOSITION**

21  
22 **3.1 East West Tie Deferral Account**

23  
24 This account was approved by the Board on July 12, 2012 in Hydro One's application  
25 (EB-2012-0180) to establish a deferral account related to the East-West Tie Line  
26 proceeding (EB-2011-0140).

1 Hydro One was permitted to track costs in the EWTDA that relate to the following two  
2 categories:

- 3  
4 1. costs incurred by Hydro One Transmission as incumbent transmitter to support  
5 the Board through the designation process and to eventually facilitate the line's  
6 connection; and  
7
- 8 2. expenditures incurred relating to preliminary engineering and other station  
9 connection work required to accommodate the East West Tie line.  
10

11 With the OEB having announced the successful bidder for the EWT project, Hydro One  
12 is seeking only to continue the second category of the prior approved account, that as the  
13 incumbent transmitter, will track costs for expenditures incurred relating to preliminary  
14 engineering and other station connection work required to accommodate the East West  
15 Tie line. At December 31, 2015 the account has a balance of \$1.1 million Hydro One is  
16 not requesting disposition of the balance in this account.  
17

### 18 **3.2 SECTR Deferral Account**

19

20 This account was approved by the Board in its decision on EB-2013-0421 relating to the  
21 Supply to Essex County Transmission Reinforcement project (SECTR project). This  
22 account was established to record all construction project costs relating to the SECTR  
23 project. Once the OEB's new cost allocation rules are in place after the Decision has  
24 been issued on Phase 2 of this proceeding, Hydro One will apply the costs retroactively.  
25

26 Hydro One is tracking costs relating to the SECTR project in this deferral account and at  
27 December 31, 2015 the account has a balance of \$0.6 million. Hydro One is not  
28 requesting disposition of the balance in this account.

Witness: Samir Chhelavda

1     **3.3     North West Bulk Transmission Deferral Account**

2  
3     This account was approved by the Board in EB-2014-0311, to establish a deferral account  
4     that records expenses relating to the North West Bulk Transmission Line associated with  
5     preliminary design/engineering, cost estimation, public engagement/consultation, routing  
6     and siting, and Environmental Assessment preparation work. These costs would not  
7     qualify as construction work in progress (“CWIP”) and therefore would be OM&A costs.  
8     These OM&A costs were not included in the rates for 2014 or 2015-2016, thereby  
9     necessitating the establishment of this deferral account.

10  
11     As at December 31, 2015, no liability balance has been recognized by Hydro One  
12     Transmission, but the balance is expected to grow in 2016. This account is reported to  
13     the Board on a quarterly basis consistent with the Board's Reporting and Record Keeping  
14     Requirements.

15  
16     Hydro One expects a forecast asset account balance of \$1.5 million to be recorded in this  
17     account by the end of 2016. Hydro One is not requesting the disposition of the forecast  
18     balance until the audited balance becomes available at a later date.

19  
20     **3.4     In Service Capital Additions Variance Account**

21  
22     As per the Settlement Agreement approved by the Board, relating to Hydro One  
23     Transmission’s 2015 and 2016 rates in EB-2014-0140, parties agreed that Hydro One  
24     will establish a net cumulative asymmetrical variance account for 2014, 2015 and 2016 to  
25     track the impact on revenue requirement of any in-service addition shortfall compared to  
26     OEB approved amounts, for disposition in a future rates application.

1 Once the 2016 actual in service additions amount becomes available in 2017, Hydro One  
2 will assess the net cumulative variance between the Board Approved and actual amounts  
3 for the period 2014 to 2016. Consistent with the terms in the Settlement Agreement, if  
4 the cumulative in service additions exceed the OEB approved amount, no entry will be  
5 made; if the cumulative in service additions are lower than the OEB approved amount,  
6 Hydro One will record a balance in this variance account and the balance will be sought  
7 for disposition in the next Transmission rate application.

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**REGULATORY ACCOUNTS REQUESTED**

**1. INTRODUCTION**

This Exhibit requests approval to continue or to establish new deferral accounts for Hydro One Transmission as follows:

- Excess Export Service Revenue
- External Secondary Land Use Revenue
- External Station Maintenance, E&CS Revenue and Other Revenue
- Tax Rate Changes
- Rights Payments
- Pension Cost Differential
- East West Tie Deferral Account – Incumbent Transmitter
- Long-Term Transmission Future Corridor Acquisition and Development Account
- North West Bulk Transmission Line (NWBTL) Account
- Supply to Essex County Transmission Reinforcement (SECTR) Account
- External Revenue – Partnership Transmission Projects Account
- In-Service Capital Additions Variance Account

The need for these accounts and the accounting and control process are described in further detail in the remainder of this exhibit.

**1.1 Discontinued Regulatory Account**

Hydro One is not seeking continuance of the following accounts in 2017 and 2018:

- LDC CDM and Demand Response Variance Account

Witness: Samir Chhelavda

1     **2.     DESCRIPTION OF REGULATORY ACCOUNTS REQUESTED**

2  
3     **2.1     Excess Export Service Revenue**

4  
5     Hydro One Transmission proposes to continue to record the difference between the actual  
6     export service revenue and the revenues approved by the Board as part of 2017 and 2018  
7     Transmission Rates. Export transmission revenues are directly dependent on the findings  
8     of the Board on the Export Transmission Service rate.

9  
10    **2.2     External Secondary Land Use Revenue**

11  
12    Hydro One Transmission proposes to continue to record the difference between the actual  
13    External Secondary Land Use Revenues and the revenues approved by the Board as part  
14    of 2017 and 2018 Transmission Rates.

15  
16    **2.3     External Station Maintenance, E&CS Revenue and ‘Other’ External  
17            Revenue**

18  
19    Hydro One Transmission proposes to continue to record the difference between the actual  
20    External Station Maintenance, E&CS Revenues and Other External Revenues against the  
21    estimated revenues approved by the Board as part of 2017 and 2018 Transmission Rates.

22  
23    **2.4     Tax Rate Changes**

24  
25    Hydro One Transmission will continue to use this account to track the revenue  
26    requirement impact of legislative or regulatory changes to tax rates or rules compared to  
27    costs approved by the Board as part of 2017 and 2018 Transmission Rates.

Witness: Samir Chhelavda

1    **2.5    Rights Payments**

2  
3    Hydro One Transmission proposes to continue to record the difference between the actual  
4    Rights Payments paid and those approved by the Board as part of 2017 and 2018  
5    Transmission Rates.

6  
7    **2.6    Pension Costs Differential**

8  
9    Hydro One Transmission proposes to continue to record the difference between the actual  
10   pension costs booked using the actuarial assessment provided by Towers Willis Watson  
11   and filed with the Financial Services Commission of Ontario in May 2012, and the  
12   estimated pension costs approved by the Board as part of 2017 and 2018 Transmission  
13   Rates.

14  
15   **2.7    East West Tie Deferral Account**

16  
17   This account is a continuation of the account accepted in EB-2012-0031. However, upon  
18   the Board's decision on the successful bidder for the EWT project, Hydro One is seeking  
19   to continue only the second category of the prior approved account, whereby Hydro One,  
20   as the incumbent transmitter, will track costs for expenditures incurred relating to  
21   preliminary engineering and other station connection work required to accommodate the  
22   East West Tie line.

1 **2.8 Long-Term Transmission Future Corridor Acquisition and Development**  
2 **Account**

3 This account is a continuation of the account accepted in EB-2012-0031. This deferral  
4 account records transmission planning and study costs associated with preliminary  
5 corridor routing considerations for new transmission infrastructure.

6  
7 Due to the variable and unpredictable nature of the work and the low materiality of the  
8 costs, Hydro One Transmission has not included the costs for the above-noted unplanned  
9 work as part of its 2017 or 2018 requested revenue requirement. Hydro One  
10 Transmission continues to collect the costs in this deferral account and will seek its  
11 disposition in a future rates application.

12  
13 **2.9 North West Bulk Transmission Line (NWBTL)**

14  
15 Hydro One proposes to continue the use of this account to record the expenses incurred  
16 for preliminary design/engineering, cost estimation, public engagement/consultation,  
17 routing and siting, and Environmental Assessment preparation work associated with the  
18 NWBTL Project before the costs can be recorded in transmission construction work in  
19 progress (“CWIP”). Hydro One did not include these costs in the revenue requirement  
20 request and will continue to record such expenses in this account in 2017 and 2018.

21  
22 **2.10 Supply to Essex County Transmission Reinforcement (SECTR)**

23  
24 This account was approved by the Board in EB-2013-0421 for the purpose of recording  
25 construction costs relating to the Board-approved SECTR Project. Hydro One will  
26 continue to track costs associated with the SECTR project in this account until the OEB’s  
27 new cost allocation rules are in place.

Witness: Samir Chhelavda

1 **2.11 External Revenue – Partnership Transmission Projects Account**

2  
3 The intent of this deferral account is to record costs for services provided by Hydro One  
4 employees for work they are performing for partnership companies, whether partnered  
5 with Hydro One Networks Inc. or Hydro One Inc., working on competitive or other  
6 partnership transmission projects.

7  
8 Hydro One has and will identify specific employees to work with partnership companies  
9 in which the company has a vested interest. The company will track employee time and  
10 any expenses and the resulting costs will be invoiced to the appropriate partnered  
11 company. The amount of invoiced costs will be recorded in the External Revenue  
12 Partnership Transmission Project Account for reduction to future revenue requirements.

13  
14 **2.12 In Service Capital Additions Variance Account**

15  
16 Hydro One proposes the continuation of this variance account to record the net  
17 cumulative variance over 2017 and 2018 between the Board approved in service capital  
18 additions and the actual amounts. The account balance will be calculated on a cumulative  
19 basis over the two year period and no entries will be made on an annual basis, given the  
20 unpredictable nature of transmission projects, due to outage constraints and other  
21 externally driven factors that may delay or advance the project completion date. It is  
22 expected that Hydro One has the ability to manage in-service additions on a portfolio  
23 basis to minimize the variance between what the Board approves in this application and  
24 the actual amount in 2017 and 2018 on an overall basis.

1 **3. DESCRIPTION OF REGULATORY ACCOUNTS NOT SEEKING**  
2 **CONTINUATION**

3  
4 **3.1 LDC CDM and Demand Response Variance Account**

5  
6 This account was established as part of the Settlement Agreement that pertained to 2013  
7 and 2014 transmission rates. Hydro One has received the actual CDM and Demand  
8 Response results from the OPA for 2013 and 2014, and has recorded the variance in this  
9 account. In Hydro One's 2015 and 2016 rates application, the parties accepted Hydro  
10 One's CDM forecast in the load forecast, and did not request that Hydro One record any  
11 variance for 2015 and 2016.

12  
13 Hydro One is seeking for the Board's approval to discontinue this account as no further  
14 principal balance will be recorded.

1                   **PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

2

3           **1.       INTRODUCTION**

4

5       The purpose of this evidence is to outline the planned disposition of Hydro One  
6       Transmission's Regulatory Accounts.

7

8           **2.       PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

9

10       Hydro One Transmission is requesting disposition of the actual audited Regulatory  
11       Account values as at December 31, 2015, plus forecast interest improvement accrued in  
12       2016, on the principal balances as at December 31, 2015 less any amounts approved for  
13       disposition in 2016 by the Board in the EB-2014-0140 rate filing for Transmission rate  
14       years 2015 and 2016.

15

16       It is expected that new Transmission rates will be effective and implemented on January  
17       1, 2017 and that disposition of the accounts requested will commence on that date.

18       Hydro One Transmission's requested reduction to the Revenue Requirement of \$95.6  
19       million is detailed in Table 1:

**Table 1: Transmission Disposition of Regulatory Account Balances**  
**(\$ Millions)**

<b>Description</b>	<b>Forecast Balance as at Dec 31, 2016</b>
Excess Export Service Revenue	(18.4)
External Secondary Land Use Revenue	(26.7)
External Station Maintenance and E&CS Revenue	0.7
Tax Rate Changes	0.1
Rights Payments	(3.0)
Pension Cost Differential	6.0
Long-Term Transmission Future Corridor Acquisition and Development	0.6
CDM Variance Account	(54.0)
External Revenue – Partnership Transmission Projects Account	(0.9)
<b>Total Regulatory Accounts for Approval</b>	<b>(95.6)</b>

With the setting of new uniform Transmission rates in 2017 and 2018, Hydro One Transmission is requesting an adjustment to the Revenue Requirement over the standard 24-month period, which is consistent with the test years of this application.

1

**REGULATORY ACCOUNTS FOR APPROVAL**

**HYDRO ONE NETWORKS INC.  
 TRANSMISSION**

**Regulatory Accounts for Approval**

As at December 31, 2016

(\$ Millions) Test

<b>Line No.</b>	<b>Particulars</b>	<b>Balance as at Dec 31, 2015</b>	<b>Forecast Balance as at Dec 31, 2016</b>
		(a)	(b)
1	Excess Export Service Deferred Revenue	(41.6)	(18.4)
2	External Secondary Land Use Revenue	(44.9)	(26.7)
3	External Stations, EC&S Revenue and Other Revenue	(0.6)	0.7
4	Tax Rate Changes Account	0.9	0.1
5	Rights Payments	(4.9)	(3.0)
6	Pension Cost Differential	14.1	6.0
7	Long-Term Transmission Future Corridor Acquisition and Development	0.7	0.6
8	LDC CDM and Demand Response Variance Account	(53.5)	(54.0)
9	External Revenue – Partnership Transmission Projects Account	(0.9)	(0.9)
	<b>Total Regulatory Accounts</b>	<b>(130.7)</b>	<b>(95.6)</b>

(a) 2015 interest is based on the OEB prescribed rates.

(b) 2016 includes disposition amounts as approved by the Board in EB 2014-0140 and forecast interest improvement for 2016

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Witness: Samir Chhelavda

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## **SCHEDULE OF ANNUAL RECOVERIES**

### **HYDRO ONE NETWORKS TRANSMISSION**

#### **Planned Disposition of Regulatory Accounts**

Schedule of Annual Recoveries\*

Year Ending December 31

(\$ Millions)

<u>Line No.</u>	<u>Particulars</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
		(a)	(b)	(c)
1	Adjustment to Revenue Requirement	(47.8)	(47.8)	(95.6)

\* Note: Above figures do not include interest improvement during the recovery period

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Witness: Samir Chhelavda

**HYDRO ONE NETWORKS INC.**  
**TRANSMISSION**  
Continuity Schedules - Regulatory Accounts

Year ending December 31, 2014								
Account Description	Account Number	Opening Principal	Transactions during the year	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
Excess Export Service Revenue	2405	(40.9)	13.4	(27.5)	(1.0)	(0.0)	(1.1)	(28.5)
External Secondary Land Use Revenue	2405	(31.8)	8.3	(23.6)	(0.9)	0.0	(0.9)	(24.5)
External Stations Maintenance, E&CS & Other External Revenue	2405	(6.2)	5.1	(1.0)	(0.3)	0.2	(0.0)	(1.1)
Tax Rate Changes	1592	(3.0)	3.9	1.0	(0.6)	0.5	(0.1)	0.9
Rights Payments	2405	(3.5)	0.2	(3.3)	(0.1)	(0.0)	(0.1)	(3.4)
Pension Costs Differential	2405	20.1	(9.4)	10.8	0.7	(0.2)	0.5	11.3
Long-Term Transmission Future Corridor Acquisition and Development	1508	0.1	0.3	0.4	0.0	0.0	0.0	0.4
LDC CDM and Demand Response Variance Account	1508	0.0	(24.7)	(24.7)	0.0	(0.4)	(0.4)	(25.1)
External Revenue – Partnership Transmission Projects Account	2405	0.0	(0.9)	(0.9)	0.0	0.0	0.0	(0.9)
<b>Total</b>		<b>(65.2)</b>	<b>(3.7)</b>	<b>(68.8)</b>	<b>(2.2)</b>	<b>0.1</b>	<b>(2.1)</b>	<b>(70.9)</b>

Year ending December 31, 2015								
Account Description	Account Number	Opening Principal	Transactions during the year	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
Excess Export Service Revenue	2405	(27.5)	(12.7)	(40.1)	(1.1)	(0.4)	(1.5)	(41.6)
External Secondary Land Use Revenue	2405	(23.6)	(20.0)	(43.6)	(0.9)	(0.4)	(1.3)	(44.9)
External Stations Maintenance, E&CS & Other External Revenue	2405	(1.0)	0.5	(0.5)	(0.0)	(0.0)	(0.1)	(0.6)
Tax Rate Changes	1592	1.0	0.0	1.0	(0.1)	0.0	(0.0)	0.9
Rights Payments	2405	(3.3)	(1.4)	(4.7)	(0.1)	(0.0)	(0.2)	(4.9)
Pension Costs Differential	2405	10.8	2.7	13.4	0.5	0.1	0.6	14.1
Long-Term Transmission Future Corridor Acquisition and Development	1508	0.4	0.3	0.7	0.0	0.0	0.0	0.7
LDC CDM and Demand Response Variance Account	1508	(24.7)	(27.8)	(52.5)	(0.4)	(0.6)	(1.0)	(53.5)
External Revenue – Partnership Transmission Projects Account	2405	(0.9)	0.0	(0.9)	0.0	(0.0)	(0.0)	(0.9)
<b>Total</b>		<b>(68.8)</b>	<b>(58.4)</b>	<b>(127.3)</b>	<b>(2.1)</b>	<b>(1.3)</b>	<b>(3.4)</b>	<b>(130.7)</b>

Year ending December 31, 2016								
Account Description	Account Number	Opening Principal	Transactions during the year (Note 1)	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
Excess Export Service Revenue	2405	(40.1)	22.4	(17.7)	(1.5)	0.8	(0.7)	(18.4)
External Secondary Land Use Revenue	2405	(43.6)	17.7	(25.9)	(1.3)	0.5	(0.8)	(26.7)
External Stations Maintenance, E&CS & Other External Revenue	2405	(0.5)	1.1	0.6	(0.1)	0.1	0.1	0.7
Tax Rate Changes	1592	1.0	(0.8)	0.2	(0.0)	0.0	(0.0)	0.1
Rights Payments	2405	(4.7)	1.8	(3.0)	(0.2)	0.1	(0.1)	(3.0)
Pension Costs Differential	2405	13.4	(7.7)	5.7	0.6	(0.4)	0.2	6.0
Long-Term Transmission Future Corridor Acquisition and Development	1508	0.7	(0.1)	0.6	0.0	0.0	0.0	0.6
LDC CDM and Demand Response Variance Account	1508	(52.5)	0.0	(52.5)	(1.0)	(0.5)	(1.5)	(54.0)
External Revenue – Partnership Transmission Projects Account	2405	(0.9)	0.0	(0.9)	(0.0)	(0.0)	(0.0)	(0.9)
<b>Total</b>		<b>(127.3)</b>	<b>34.4</b>	<b>(92.8)</b>	<b>(3.4)</b>	<b>0.6</b>	<b>(2.8)</b>	<b>(95.6)</b>

Note 1: Includes amounts approved for disposition in 2016 by the Board in the EB-2014-0140 rate filing for Transmission rate years 2015 and 2016

**HYDRO ONE NETWORKS INC.**  
**TRANSMISSION**  
 Continuity Schedules - Regulatory Accounts

**Continuity Schedule of Regulatory Accounts Not Requesting Disposition**  
**Year ending December 31, 2014**

Account Description	Account Number	Opening Principal	Transactions during the year	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
East-West Tie Deferral Account	1508	0.8	0.3	1.0	0.0	0.0	0.0	1.0
Total		0.8	0.3	1.0	0.0	0.0	0.0	1.0

**Year ending December 31, 2015**

Account Description	Account Number	Opening Principal	Transactions during the year	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
East-West Tie Deferral Account	1508	1.0	0.1	1.1	0.0	0.0	0.0	1.1
SECTR Deferral Account	1508	0.0	0.6	0.6	0.0	0.0	0.0	0.6
Total		1.0	0.7	1.7	0.0	0.0	0.0	1.7

**Year ending December 31, 2016**

Account Description	Account Number	Opening Principal	Transactions during the year	Closing Principal	Opening Interest	Interest	Closing Interest	Total Principal plus Interest
East-West Tie Deferral Account	1508	1.1	0.0	1.1	0.0	0.0	0.0	1.1
SECTR Deferral Account	1508	0.6	0.0	0.6	0.0	0.0	0.0	0.6
Total		1.7	0.0	1.7	0.0	0.0	0.0	1.7