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Vice President  
Regulatory Affairs



BY COURIER

October 27, 2016

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-2016-0201 – Hydro One Networks Inc. Response to OEB Staff Comments on Draft Accounting Order – SGF Pilot Deferral Account**

Per the Ontario Energy Board’s (“the Board”) direction in its September 23, 2016 Decision and Order for EB-2016-0201, Hydro One filed a draft accounting order with respect to the SGF pilot deferral account on October 7, 2016. Only Board staff filed written comments on the draft accounting order, which were received on October 20, 2016.

With respect to the transactions relating to billing and collecting expenses, Board staff have suggested a change to the account used from a 43XX account range to a 53XX account range. Hydro One has no issues with Board staff proposed changes to the accounting entries for this account range.

With respect to the interest improvement, Board staff believe the credit account entry should be to USoA #4405 Interest Income instead of to USoA #6035 Other Interest Expense (“#6035”) as submitted in Hydro One’s draft order. Hydro One expects to have an overall interest expense position in both its consolidated and Distribution financial statements and therefore expects any interest income relating to the SGF deferral account to offset the interest expense. This is the rationale for Hydro One’s proposed use of #6035 to record the credit entry with respect to Interest Improvement. Hydro One also notes that there is precedence found in previous Board decisions that support the use of #6035. The Board approved the use of #6035 to record interest improvement in its August 28, 2015 Section 92 Leave to Construct decision for EB-2013-0421. The Board also approved the use of #6035 to record interest improvement on the principal

balance of the North West Bulk Transmission Line Deferral Account in its May 7, 2015 decision to establish a deferral account for EB-2014-0311. As such, Hydro One requests the accounting entry to be recorded, should remain as per our draft submission as follows:

| <b>USofA #</b> | <b>Account Description</b>                                   |
|----------------|--|
| Dr: 1508       | Other Regulatory Assets – Sub account “SGF Deferral Account” |
| Cr: 6035       | Other Interest Expense                                       |

Hydro One has no issues with the Board staff proposed editorial changes.

As previously stated in its Draft Accounting Order cover letter of October 7, 2016, Hydro One submits that the ultimate disposition of this deferral account should be applied to all electricity consumers in Ontario given that the RPP pilot with which this deferral account is associated is expected to benefit all RPP electricity consumers in Ontario.

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

Cc: Intervenor  
AnitaVarjadic

**ATTACHMENT A**

**PROPOSED ACCOUNTING ENTRIES**

**Account 1508 Other Regulatory Assets – Sub-account SGF Pilot Deferral Account**

Hydro One Networks Inc. shall establish this new deferral account effective October 1, 2016 to record costs associated with extending the existing SGF pilot as approved by OEB in its decision for EB-2016-0201. As noted in the decision, these costs shall not exceed \$1 million in the account and all such amounts shall be limited to the costs for extending the pilots from October 1, 2016 to April 30, 2017.

The disposition of the deferral account will be subject to an OEB determination of prudence.

The accounting entries to be recorded are as follows:

|                |  |
|----------------|--|
| <b>USofA #</b> | <b>Account Description</b>                   |
| Dr: 53XX       | Billing and Collecting Expense account range |
| Cr: 2205       | Accounts Payable                             |

|                |  |
|----------------|--|
| <b>USofA #</b> | <b>Account Description</b>                                   |
| Dr: 1508       | Other Regulatory Assets – Sub account “SGF Deferral Account” |
| Cr: 53XX       | Billing and Collecting Expense account range                 |

To record rebates to customers as well as implementation and maintenance costs associated with the extension of the SGF pilot program.

|                |  |
|----------------|--|
| <b>USofA #</b> | <b>Account Description</b>                                   |
| Dr: 1508       | Other Regulatory Assets – Sub account “SGF Deferral Account” |
| Cr: 6035       | Other Interest Expense                                       |

To record interest improvement on the principal balance of the “SGF Deferral Account”.