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Vice President
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November 11, 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-2016-0082 Hydro One Networks Inc. - Distribution Rate Application – Former Service Areas of Woodstock Hydro Services Inc, Norfolk Power Distribution Inc, Haldimand County Hydro Inc.

Hydro One Networks Inc. (“**Hydro One**”) submitted a Distribution Rate Application on October 18, 2016 for each of the former service territories of Woodstock Hydro Services Inc., Norfolk Power Distribution Inc., and Haldimand County Hydro Inc. Board Staff subsequently contacted Hydro One, seeking clarification with a number of questions. With this letter Hydro One is submitting responses to these questions, along with six Excel file attachments.

If further clarification or additional information is needed please feel free to contact us at Regulatory@HydroOne.com at any time.

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

cc Georgette Vlahos, Applications Division

Hydro One Networks Inc.
Former Service Areas of Woodstock Hydro Services Inc.,
Norfolk Power Distribution Inc., Haldimand County Hydro Inc.
Application Analysis Response (EB-2016-0082)

Question 1

2017 RTSR Workform – Norfolk Power

Ref: Tab 5 - UTRs and Sub-Transmission

Ref: Tab 6 - Historical Wholesale

OEB staff is unable to verify the rates entered in the Network, Line Connection, and Transformation Connection columns applicable for the IESO and Hydro One. OEB staff notes that the rates used as a placeholder (until new rates are available) should be the 2015 rates as found on Tab 5 – UTRs and Sub-Transmission. Please explain the use of the rates entered on Tab 6 – Historical Wholesale. If any changes are required, please re-file the RTSR Model for the former Norfolk Power service area.

IESO				Network			Line Connection			Transformation Connection		
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount			
January	40,723	\$3.22	131,128	40,824	\$0.79	32,251	11,694	\$1.77	20,698			
February	40,906	\$3.22	131,717	41,007	\$0.79	32,396	11,727	\$1.77	20,757			
March	37,359	\$3.22	120,296	37,536	\$0.79	29,653	10,919	\$1.77	19,327			
April	32,869	\$3.22	105,838	34,670	\$0.79	27,389	9,881	\$1.77	17,489			
May	39,070	\$3.22	125,805	41,827	\$0.79	33,043	11,424	\$1.77	20,220			
June	42,010	\$3.22	135,272	45,058	\$0.79	35,596	12,304	\$1.77	21,778			
July	49,200	\$3.22	158,424	52,841	\$0.79	41,744	14,066	\$1.77	24,897			
August	43,509	\$3.22	140,099	45,211	\$0.79	35,717	11,883	\$1.77	21,033			
September	42,178	\$3.22	135,813	45,461	\$0.79	35,914	13,271	\$1.77	23,490			
October	34,419	\$3.22	110,829	34,419	\$0.79	27,191	10,494	\$1.77	18,574			
November	35,811	\$3.22	115,311	36,499	\$0.79	28,834	11,045	\$1.77	19,550			
December	34,845	\$3.22	112,201	36,540	\$0.79	28,867	11,277	\$1.77	19,960			
Total	472,899	\$ 3.22	\$ 1,522,735	491,893	\$ 0.79	\$ 388,595	139,985	\$ 1.77	\$ 247,773			

Hydro One				Network			Line Connection			Transformation Connection		
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount			
January	15,655	\$2.65	\$ 41,486	15,794	\$0.64	\$ 10,108	15,794	\$1.50	\$ 23,691			
February	14,443	\$2.65	\$ 38,274	14,505	\$0.64	\$ 9,283	14,505	\$1.50	\$ 21,758			
March	13,383	\$2.65	\$ 35,465	13,383	\$0.64	\$ 8,565	13,383	\$1.50	\$ 20,075			
April	12,093	\$2.65	\$ 32,046	12,159	\$0.64	\$ 7,782	12,159	\$1.50	\$ 18,239			
May	14,286	\$2.65	\$ 37,858	14,286	\$0.64	\$ 9,143	14,286	\$1.50	\$ 21,429			
June	15,909	\$2.65	\$ 42,159	15,909	\$0.64	\$ 10,182	15,909	\$1.50	\$ 23,864			
July	21,622	\$2.65	\$ 57,298	21,622	\$0.64	\$ 13,838	21,622	\$1.50	\$ 32,433			
August	17,685	\$2.65	\$ 46,865	18,487	\$0.64	\$ 11,832	18,487	\$1.50	\$ 27,731			
September	13,440	\$2.65	\$ 35,616	13,603	\$0.64	\$ 8,706	13,603	\$1.50	\$ 20,405			
October	13,100	\$2.65	\$ 34,715	13,350	\$0.64	\$ 8,544	13,350	\$1.50	\$ 20,025			
November	14,601	\$2.65	\$ 38,693	14,827	\$0.64	\$ 9,489	14,827	\$1.50	\$ 22,241			
December	15,000	\$2.65	\$ 39,750	15,000	\$0.64	\$ 9,600	15,000	\$1.50	\$ 22,500			
Total	181,217	\$ 2.65	\$ 480,225	182,925	\$ 0.64	\$ 117,072	182,925	\$ 1.50	\$ 274,388			

Hydro One Network Inc.'s Response to Question 1:

As noted on page 9 of this Application (EB-2016-0082), Norfolk Power Distribution Inc. ("NDPI") was integrated into Hydro One Network Inc. ("Hydro One") in 2015. As such, the required input for Tab 6 (i.e. monthly actual units and amount billed to NDPI for transmission services provided in 2015) is not readily available. Given this data limitation, Tab 6 of the 2017 RTSR workform was completed using 2011 billed actuals included in NDPI's most recent RTSR workform, which was filed with the Board as a part of EB-2012-0151.

The Uniform Transmission Rates ("UTR") and Sub-Transmission Rates ("ST" Rates) found on Tab 6 are Board approved 2011 rates (not 2015 rates), but these values are not the basis for setting the 2017 RTSR. The 2017 RTSR workform derives the 2017 RTSRs using the latest UTRs and ST Rates (Board approved 2016 rates).

Even without the use of 2015 actual billing information, given that the currently approved RTSRs were set using 2013 UTRs and ST rates, the proposed 2017 RTSRs better reflect what customers should be paying for transmission services since they are aligned with the most current UTRs and ST rates. The 2017 proposed RTSR should result in much smaller variances accumulating in the RTSR Retail Settlement Variance Account ("RSVA"), and in any case, customers will be held harmless given that any over- or under-recovery of RTSR charges is tracked in the RSVA.

Question 2

2017 RTSR Workform – Haldimand County Hydro

Ref: Tab 5 - UTRs and Sub-Transmission

Ref: Tab 6 - Historical Wholesale

OEB staff is unable to verify the rates entered in the Network, Line Connection, and Transformation Connection columns applicable for the IESO and Hydro One. OEB staff notes that the rates used as a placeholder (until new rates are available) should be the 2015 rates as found on Tab 5 – UTRs and Sub-Transmission. Please explain the use of the rates entered on Tab 6 – Historical Wholesale. If any changes are required, please re-file the RTSR Model for the former Haldimand County Hydro service area.

IESO				Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount			
January	53,210	\$3.57	189,960	55,877	\$0.80	44,701	55,877	\$1.86	103,931	\$	148,632		
February	45,742	\$3.57	163,298	51,602	\$0.80	41,282	51,602	\$1.86	95,980	\$	137,261		
March	45,654	\$3.57	162,985	50,760	\$0.80	40,608	50,760	\$1.86	94,413	\$	135,021		
April	30,427	\$3.57	108,627	41,904	\$0.80	33,524	41,904	\$1.86	77,942	\$	111,466		
May	35,256	\$3.57	125,863	41,609	\$0.80	33,287	41,609	\$1.86	77,393	\$	110,680		
June	53,468	\$3.57	190,882	57,399	\$0.80	45,919	57,399	\$1.86	106,762	\$	152,680		
July	66,616	\$3.57	237,818	61,677	\$0.80	49,341	61,677	\$1.86	114,719	\$	164,060		
August	62,437	\$3.57	222,901	62,792	\$0.80	50,234	62,792	\$1.86	116,794	\$	167,027		
September	58,705	\$3.57	209,577	55,336	\$0.80	44,269	55,336	\$1.86	102,926	\$	147,195		
October	39,092	\$3.57	139,558	44,955	\$0.80	35,964	44,955	\$1.86	83,616	\$	119,580		
November	50,173	\$3.57	179,117	52,561	\$0.80	42,048	52,561	\$1.86	97,763	\$	139,811		
December	50,276	\$3.57	179,484	54,906	\$0.80	43,925	54,906	\$1.86	102,125	\$	146,049		
Total	591,055	\$ 3.57	\$ 2,110,068	631,377	\$ 0.80	\$ 505,102	631,377	\$ 1.86	\$ 1,174,362	\$	1,679,464		

Hydro One				Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount			
January	2,699	\$2.65	\$ 7,153	2,675	\$0.64	\$ 1,712	2,675	\$1.50	\$ 4,012	\$	5,724		
February	2,160	\$2.65	\$ 5,723	1,866	\$0.64	\$ 1,194	1,866	\$1.50	\$ 2,799	\$	3,994		
March	4,264	\$2.65	\$ 11,300	4,212	\$0.64	\$ 2,695	4,212	\$1.50	\$ 6,317	\$	9,013		
April	8,712	\$2.65	\$ 23,086	8,734	\$0.64	\$ 5,590	8,734	\$1.50	\$ 13,101	\$	18,691		
May	3,477	\$2.65	\$ 9,213	3,479	\$0.64	\$ 2,226	3,479	\$1.50	\$ 5,218	\$	7,445		
June	5,507	\$2.65	\$ 14,594	5,552	\$0.64	\$ 3,553	5,552	\$1.50	\$ 8,327	\$	11,881		
July	10,068	\$2.65	\$ 26,682	10,139	\$0.64	\$ 6,489	10,139	\$1.50	\$ 15,208	\$	21,697		
August	2,456	\$2.65	\$ 6,509	2,634	\$0.64	\$ 1,686	2,634	\$1.50	\$ 3,951	\$	5,636		
September	866	\$2.65	\$ 2,295	1,912	\$0.64	\$ 1,223	1,912	\$1.50	\$ 2,867	\$	4,091		
October	9,385	\$2.65	\$ 24,871	9,461	\$0.64	\$ 6,055	9,461	\$1.50	\$ 14,192	\$	20,247		
November	5,242	\$2.65	\$ 13,890	5,279	\$0.64	\$ 3,379	5,279	\$1.50	\$ 7,919	\$	11,298		
December	7,928	\$3.07	\$ 24,376	7,838	\$0.69	\$ 5,397	7,838	\$1.61	\$ 12,583	\$	17,980		
Total	62,764	\$ 2.70	\$ 169,693	63,779	\$ 0.65	\$ 41,200	63,779	\$ 1.51	\$ 96,495	\$	137,695		

Hydro One Network Inc.'s Response to Question 2:

As noted on page 9 of this Application (EB-2016-0082), Haldimand County Hydro Inc. ("HCHI") was integrated into Hydro One in 2016. As such, the required input for Tab 6 (i.e. monthly actual units and amount billed to HCHI for transmission services provided in 2015) is not readily available. Given this data limitation, Tab 6 of the 2017 RTSR workform was completed using 2012 billed actuals included in HCHI's most recent RTSR workform, which was filed with the Board as a part of EB-2013-0134.

The UTRs and ST Rates found on Tab 6 are Board approved 2012 rates (not 2015 rates), but these values are not the basis for setting the 2017 RTSR. The 2017 RTSR workform derives the 2017 RTSRs using the latest UTRs and ST Rates (Board approved 2016 rates).

Even without the use of 2015 actual billing information, given that the currently approved RTSRs were set using 2014 UTRs and ST rates, the proposed 2017 RTSRs better reflect what customers should be paying for transmission services since they are aligned with the most current UTRs and ST rates. The 2017 proposed RTSR should result in much smaller variances accumulating in the RTSR RSVA, and in any case, customers will be held harmless given that any over- or under-recovery of RTSR charges is tracked in the RSVA.

Question 3

2017 RTSR Workform – Woodstock Hydro

Ref: Tab 5 - UTRs and Sub-Transmission

Ref: Tab 6 - Historical Wholesale

OEB staff is unable to verify the rates entered in the Network, Line Connection, and Transformation Connection columns applicable for the IESO. OEB staff notes that the rates used as a placeholder (until new rates are available) should be the 2015 rates as found on Tab 5 – UTRs and Sub-Transmission. Please explain the use of the rates entered on Tab 6 – Historical Wholesale. If any changes are required, please re-file the RTSR Model for the former Woodstock Hydro service area.

IESO	Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January	59,961	\$3.57	214,061	60,253	\$0.80	48,202	60,253	\$1.86	112,071	\$ 160,273
February	56,616	\$3.57	202,119	57,301	\$0.80	45,841	57,301	\$1.86	106,580	\$ 152,421
March	56,866	\$3.57	203,012	56,866	\$0.80	45,493	56,866	\$1.86	105,771	\$ 151,264
April	52,711	\$3.57	188,178	53,149	\$0.80	42,519	53,149	\$1.86	98,857	\$ 141,376
May	67,212	\$3.57	239,947	66,783	\$0.82	55,026	68,783	\$1.86	127,936	\$ 182,963
June	73,770	\$3.57	263,359	74,379	\$0.80	59,503	74,379	\$1.86	138,345	\$ 197,848
July	73,082	\$3.57	260,903	73,082	\$0.80	58,466	73,082	\$1.86	135,933	\$ 194,398
August	69,128	\$3.57	246,787	69,583	\$0.80	55,666	69,583	\$1.86	129,424	\$ 185,091
September	65,490	\$3.57	233,799	65,965	\$0.80	52,772	65,965	\$1.86	122,695	\$ 175,467
October	54,266	\$3.57	193,730	55,365	\$0.80	44,292	55,365	\$1.86	102,979	\$ 147,271
November	58,664	\$3.57	209,430	58,664	\$0.80	46,931	58,664	\$1.86	109,115	\$ 156,046
December	64,158	\$3.57	229,044	65,420	\$0.80	52,336	65,420	\$1.86	121,681	\$ 174,017
Total	751,924	\$ 3.57	\$ 2,684,369	756,810	\$ 0.80	\$ 607,048	758,810	\$ 1.86	\$ 1,411,387	\$ 2,018,435

Hydro One Network Inc.'s Response to Question 3:

As noted on page 9 of this Application (EB-2016-0082), Woodstock Hydro Services Inc. (“WHSI”) was integrated into Hydro One in 2016. As such, the required input for Tab 6 (i.e. monthly actual units and amount billed to WHSI for transmission services provided in 2015) is not readily available. Given this data limitation, Tab 6 of the 2017 RTSR workform was completed using 2012 billed actuals included in WHSI’s most recent RTSR workform, which was filed with the Board as a part of EB-2013-0182.

The UTRs found on Tab 6 are Board approved 2012 rates (not 2015 rates), but these values are not the basis for setting the 2017 RTSR. The 2017 RTSR workform derives the 2017 RTSRs using the latest UTRs (Board approved 2016 rates).

Even without the use of 2015 actual billing information, given that the currently approved RTSRs were set using 2014 UTRs, the proposed 2017 RTSRs better reflect what customers should be paying for transmission services since they are aligned with the most current UTRs. The 2017 proposed RTSR should result in much smaller variances accumulating in the RTSR RSVA, and in any case, customers will be held harmless given that any over- or under-recovery of RTSR charges is tracked in the RSVA.

Question 4

Ref: Continuity Schedules

Please provide separate continuity schedules and the resulting threshold calculations for the Group 1 DVA balances as at December 31, 2015, in Excel format, for the former service territories of Norfolk Power, Haldimand County Hydro and Woodstock Hydro.

Hydro One Network Inc.'s Response to Question 4:

Three excel files have been included as Attachment 1, 2, 3:

Attachment 1: "Nov 11 2016 IRM Haldimand total.xlsm"

The audited balance of Group 1 accounts as of December 31, 2015, including the Board prescribed interest of 1.1% per annum in 2016 is a credit of \$3,042,172. Since we filed the Application on October 18, 2016, we have updated the 2016 interest rate from 0.96% to the Board prescribed value of 1.1%. This update has changed the balance from the previously stated value of \$3,037,805 to \$3,042,172. The total claim per kWh calculated in the IRM model is \$0.0072, which exceeds the Board's pre-set disposition threshold.

Attachment 2: "Nov 11 2016 IRM Woodstock.xlsm"

The audited balance of Group 1 accounts as of December 31, 2015, including the Board prescribed interest of 1.1% per annum in 2016 is - \$75,209. Since we filed the Application on October 18, 2016, we have made the following updates:

- i. Including the 2016 Board prescribed interest of 1.1% per annum; and
- ii. Removing "Variance WMS – Sub-account CBR (Class A and B)" from "RSVA – Wholesale Market Service Charge" on tab 3.

These recent updates have changed the balance from the previously stated value of \$7,941 to - \$75,209. The total claim per kWh calculated in the IRM model is \$0.0002, which is below the Board's pre-set disposition threshold.

Attachment 3: "Nov 11 2016 IRM Norfolk.xlsm"

The audited balance of Group 1 accounts as of December 31, 2015, including the Board prescribed interest of 1.1% per annum in 2016 is \$18,594. Since we filed the Application on October 18, 2016, we have included the 2016 Board prescribed interest of 1.1% per annum. This update has changed the balance from the previously stated value of \$18,652 to \$18,594. The total claim per kWh (using the 2014 total metered kWh information in the Board's 2014¹ Yearbook of Electricity Distributors) is \$0.00005, which is below the Board's pre-set disposition. Please note that the threshold calculation was done manually as the IRM model does not allow kWh entry ($18,594 / 357,179,989 = 0.00005$).

¹ As noted on page 10 of this Application (EB-2016-0082), NPDI was integrated into Hydro One in 2015. As a result, the 2015 total metered kWh information is no longer available in the Board's 2015 Yearbook of Electricity Distributors. As such, 2014 kWh information was used to do the threshold test.

Question 5

Ref: Haldimand County Hydro DVA Balances

Ref: Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)

HONI indicates that for the former service territories of Norfolk Power and Woodstock Hydro, the total balances respectively do not meet the disposition threshold and therefore HONI is not requesting disposition of the deferral and variance account balances applicable to these former service territories.

The balance of the Group 1 accounts for the former service territory of Haldimand County Hydro is a credit of approximately \$3 million which exceeds the preset disposition threshold. HONI has provided reasoning for not proposing disposition of the Group 1 DVA balances applicable to the former Haldimand County Hydro service territory.

- (a) Please provide further rationale supporting HONI's request, keeping in mind the EDDVAR Report which indicates that the systematic disposition of Group 1 Accounts should mitigate inter-generational inequities and the accumulation of large account balances.
- (b) Please confirm if there are any cash flow implications if HONI was ordered to dispose of these account balances by the OEB.

One of the reasons cited for deferring disposition is that HONI contributed to the Group 1 balances as the only customer in Haldimand County Hydro's "Embedded Distributor" rate class prior to integration. As such, HONI requires additional time to consider the appropriate treatment of the disposition of accounts to this former rate class.

- (c) Is HONI able to determine the dollar amount it has solely contributed to the total Group 1 balance as part of Haldimand County Hydro's Embedded rate class. If yes, please provide the breakdown.

Hydro One Network Inc.'s Response to Question 5 (a):

Hydro One is currently preparing to implement several billing changes that require processing through Hydro One's billing system at the same time. Specifically, these changes are: i) implementation of the Ontario government's 8% electricity rebate (effective January 1, 2017); ii) increasing the Rural or Remote Electricity Rate Protection ("RRRP") credit (effective January 1, 2017); and iii) implementation of new Hydro One distribution rates (effective January 1st, 2017).

Hydro One remains of the view that implementing the new HCHI Global Adjustment and Deferral/Variance Disposition rate riders for January 1st, 2017 will be challenging. However, after further examination of the work required to integrate this change, Hydro One now believes that it will be able to dispose of the HCHI Group 1 account balances in 2017 as part of this Application.

As such, Hydro One requests disposition of the HCHI Group 1 account balances in this Application, with associated rate riders effective from January 1st to December 31st, 2017.

Hydro One Network Inc.'s Response to Question 5 (b):

Hydro One has no concerns regarding cash flow implications if it were ordered to dispose of these account balances by the Board.

Hydro One Network Inc.'s Response to Question 5 (c):

Yes. Hydro One is able to determine the dollar amount it has solely contributed to the total Group 1 balance as part of Haldimand County Hydro's Embedded rate class.

Consistent with the approach used in HCHI's 2014 rate application (EB-2013-0134), Hydro One proposes to identify the Group 1 account variances specific to HCHI's Embedded Distributor (Hydro One Networks Inc.) separately from its other rate classes. An Excel spreadsheet which reconciles the two separate sets of retail settlement variance account principal and interest balances as of December 31, 2015 to what was filed as part of HCHI's 2015 Reporting and Record Keeping Requirements ("RRR") submission is included as Attachment 4 ("two sets of RSVA balances.xls").

Two distinct and separate IRM models (provided by the Board) have been used to calculate the applicable disposition amounts and the associated rate riders for HCHI's embedded distributor rate class and its other rate classes.

These two IRM models are included as Attachment 5 and 6:

Attachment 5: “Nov 11 2016 IRM Haldimand excludes embedded distributor.xlsm”

This model is used to report the account balances and calculate the rate riders for HCHI’s other rate classes. HCHI’s 2015 actual year-end total balance for Group 1 Accounts (excluding embedded distributor class) including interest projected to December 31st, 2016² is a credit of \$3,317,016. Hydro One proposes to dispose of this credit amount over a twelve-month period, with rate riders effective from January 1st to Dec 31st, 2017.

Attachment 6: “Nov 11 2016 IRM Haldimand embedded distributor only.xlsm”

This model is used to report the account balances for HCHI’s embedded distributor rate class (Hydro One was the only customer). The embedded distributor class’ 2015 actual year-end total balance for Group 1 Accounts including interest projected to December 31st, 2016³ is \$274,844. This amount is supposed to be collected from the embedded distributor class (Hydro One) through rate riders. However, since this rate class is no longer applicable post integration of HCHI into Hydro One, to be consistent with the treatment of the other HCHI rate classes, we propose transferring this amount to Hydro One’s equivalent RSVA accounts, effective January 1st, 2017.

² The total credit includes 2015 year-end balance plus projected interest from January 1, 2016 to December 31, 2016. The Board prescribed 2016 interest rate of 1.1% per annum is used.

³ Similar to the other HCHI rate classes, this total credit includes 2015 year-end balance plus projected interest from January 1, 2016 to December 31, 2016. The Board prescribed 2016 interest rate of 1.1% per annum is used.