



EB-2016-0160

Hydro One Networks Inc. Transmission

Application for electricity transmission revenue requirement and related changes to the Uniform Transmission Rates beginning January 1, 2017 and January 1, 2018

DECISION and PROCEDURAL ORDER No. 5 November 22, 2016

Hydro One Networks Inc. (Hydro One) filed a cost of service application with the Ontario Energy Board (OEB) on May 31, 2016 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its transmission revenue requirement and to the Ontario Uniform Transmission Rates, to be effective January 1, 2017 and January 1, 2108.

On July 27, 2016, the OEB issued Procedural Order No. 1 approving intervenor status for fifteen parties and also approving cost award eligibility for ten of those intervenors. Procedural Order No.1 also established the dates for filing of interrogatories and for Hydro One's reply to those interrogatories.

On August 31, 2016, Hydro One provided responses to the interrogatories and sought confidential treatment for a number of documents attached to eight of its interrogatory responses. On September 8, 2016 the OEB issued Procedural Order No. 2 establishing the process for submissions on Hydro One's request for confidentiality. After the steps outlined in Procedural Order No. 2 were completed, the OEB released its Decision on Confidentiality (Decision) on September 21, 2016.

On October 12, 2016 the OEB issued its Decision on the Issues List and Procedural Order No. 3. The OEB approved the Issues List for this proceeding, set out the process

for addressing three Motions and called for advance notice from OEB staff and any cost eligible intervenors proposing to file expert evidence in this proceeding.

On October 28, 2016 the OEB issued its Decision and Procedural Order No. 4 concerning matters regarding Hydro One's Motion to Review and Vary the Decision on Confidentiality and the filing of intervenor evidence. The Procedural Order also amended the dates of the Oral Hearing.

A. CONTEXT

On November 1, 2016, in its Decision on Motions for Full and Adequate Responses to Interrogatories and Technical Conference Questions (November 1 Order), the OEB directed Hydro One to provide further information pertaining to certain of its responses to interrogatories and technical conference questions. The further information to be provided by November 11, 2016 pertained to:

- NATF Peer Review and Transmission Reliability Reports;
- Business Plans;
- Internal Audit Reports;
- Asset Investment Economic Analysis; and
- Estimates of Transmission Losses and their Costs.

On November 3, 2016 Hydro One filed a request that the existing Uniform Transmission Rates (UTRs) for 2016 be declared interim as of January 1, 2017. Included therein was a request for the establishment of a foregone revenue deferral account to capture revenue foregone between January 1, 2017 and the date when the 2017 UTRs are updated.

On November 9, 2016 Environmental Defence (ED) filed its evidence on transmission losses. The filing of this evidence had been authorized by OEB's Procedural Order No. 4 dated October 28, 2016. Included in this evidence are references to other jurisdictions where various approaches are applied to assist in regulating and managing transmission losses.

On November 10, 2016 Hydro One filed "Additional Evidence" in response to OEB's November 1 Order. This evidence included Hydro One's contention that providing any estimates of transmission losses and their cost is "inappropriate" because any measures that might be taken to reduce such losses are prohibitively costly and produce loss reduction levels that are negligible.

On November 10, 2016 Hydro One filed a letter explaining why the confidential status temporarily afforded by the OEB to two specific internal audit reports should be maintained. This relief was requested on the grounds that these reports fall within the requirements outlined in the OEB's Practice Direction on Confidential Filing and that Hydro One's internal auditing and reporting processes will be adversely impacted by disclosure. The two reports were filed in confidence on November 17, 2016.

On November 15, 2016 Hydro One posed five written interrogatories to ED on its November 9 evidence related to transmission losses. Responses to these questions were received on November 21, 2016.

On November 17, 2016 ED submitted a letter contending that Hydro One had not complied with the transmission losses and cost estimate provisions of the November 1 Order. ED asked the OEB to require Hydro One to provide those estimates before the oral hearing commences on November 24, 2016.

On November 18, 2016 Hydro One filed a response to ED effectively suggesting that the documentary record with respect to transmission cost estimates be closed. This request by Hydro One is premised on the notion that what is now in the record about the cost of transmission losses and their remediation provides an appropriate basis for the OEB to hear and determine matters at issue related to such losses.

This Decision deals with these requests for further relief made by Hydro One and ED and elaborates upon the OEB's expectations in relation to certain of the further information items which the November 1 Order required Hydro One to provide.

B. FINDINGS

Interim Rate Relief

Hydro One's request regarding the 2016 UTRs and the corresponding deferral account will be addressed by the OEB at the outset of the oral hearing on November 24, 2016.

Estimates of Transmission Losses and their Costs

The OEB reiterates its interest in transmission losses. The OEB notes that Hydro One's view that this topic should be disregarded in its entirety for transmission system planning and operational purposes is not shared by ED. There are outstanding questions related to the extent, if any, to which transmission losses should be considered by the OEB in its regulation of Hydro One under the auspices of the

Renewed Regulatory Framework (RRF). These questions can be explored and the OEB expects Hydro One witnesses on these matters to be presented at an early stage of the oral hearing. The OEB can and will control the hearing process to the extent necessary to prevent the hearing from becoming unduly delayed as a consequence of questioning on matters related to transmission losses.

Regardless of the approach that one might use to estimate the cost of transmission losses, it is reasonable to assume that the costs of such losses are significant. In these circumstances, the OEB does not require Hydro One to provide the cost estimates requested by ED before the commencement of the hearing. Rather the OEB reserves on the need for these cost estimates until it hears the evidence of the witnesses who will be testifying on matters related to transmission losses.

NATF Peer Review and Transmission Reliability Reports

The November 1 Order directed Hydro One to report its ranking among the 21 members of NATF against which it was benchmarked for each benchmark used in each report. The information required is the actual ranking for each benchmark. In Schedule B of the Additional Evidence, Hydro One provided quartile rankings. These quartile rankings are insufficient. Hydro One is hereby directed to submit a revised schedule to show, for each benchmark, its actual ranking among the 21 participants in the survey prior to the commencement of the oral hearing.

Business Plans

In its November 10, 2016 Additional Evidence, Hydro One confirms that "...neither a new strategic plan nor a current business plan is in place to be filed." Hydro One effectively states that all that it can offer in response to the OEB's November 1 Order is the Transmission Rate Application that is before the OEB in this proceeding.

The OEB is concerned about this unusual situation and hereby directs Hydro One's witnesses to elaborate on this as a preliminary matter at the outset of the oral hearing.

Continued Confidentiality of the Two Internal Audit Reports

The OEB has reviewed the contents of each of the two Internal Audit Reports filed confidentially in response to the November 1 Order. Hydro One did not refer to the particular portions of these documents that contain information that is "commercially sensitive" or that puts at risk the continuing effectiveness of the internal audit process. While each report refers to some good and not so good practices and procedures that

were reviewed by the auditors, the OEB finds nothing in either report that could reasonably be construed as information that is “commercially sensitive” or risking the continuous effectiveness of the internal audit process.

One of the priority objectives of the RRF is to assure that best practices are being adopted and followed to achieve a continuous improvement outcome. The OEB expects Hydro One to disclose on the public record facts related to situations that are not optimal in terms of business practices along with the details of the action plans established to remediate such situations.

The OEB denies Hydro One’s request for continuing confidentiality protection for the two internal audit reports filed in response to the November 1 Order.

IT IS THEREFORE ORDERED THAT:

1. Hydro One shall file, prior to the commencement of the oral hearing on November 24, 2016, a revised schedule to show, for each benchmark, its actual ranking among the 21 participants in the survey.

All filings to the OEB must quote the file number, EB-2016-0160, be made in searchable /unrestricted PDF format electronically through the OEB’s web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB’s address provided below. Filings must clearly state the sender’s name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Harold Thiessen at

harold.thiessen@ontarioenergyboard.ca and OEB Counsel, Maureen Helt at maureen.helt@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, November 22, 2016

ONTARIO ENERGY BOARD

Original signed by

Kirstin Walli
Board Secretary