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VIA RESS AND COURIER

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

Dear Ms. Walli:

**RE: EB-2016-0160 Hydro One Networks Inc. ("Hydro One") Transmission Rates Application – Actual 3<sup>rd</sup> Quarter ROE**

In its Decision on Motions for Full and Adequate Responses to Interrogatories and Technical Conference Questions released on November 1, 2016, the Board requested Hydro One to file:

"the actual 3<sup>rd</sup> quarter ROE (once available) along with the type of analysis that accompanied BOMA IR #30 explaining the reasons for any variance in actual ROE to date compared to the forecast ROE to date embedded in Hydro One's 2016 OEB approved revenue requirement."

Hydro One's actual 3<sup>rd</sup> quarter ROE and the accompanying explanation as requested by the Board is as follows:

Year-to-date actual ROE for the third quarter of 2016 is approximately 8.8% or 11.7% annualized.

Higher demand, experienced during a warmer than normal summer, contributed 0.8% annualized to the ROE. After adjusting for weather, the achieved annualized ROE is 10.9%, which is approximately 1.7% above the allowed ROE of 9.19%.

It is important to note that extrapolating OM&A expenses for the full year is not appropriate given fluctuations in spending patterns between quarters. In addition, the application of the half year rule results in greater depreciation expense as the year progresses. As a result, nine-month year-to-date depreciation expenses cannot be extrapolated for the full year given fluctuations between quarters.

Yours truly,

**McCarthy Tétrault LLP**

Per:

Gordon M. Nettleton  
GMN