From: [redacted]
To: [redacted]
Subject: Letter of Comment -
Date: June 29, 2017 10:56:34 AM

Original Message-----
From: webmaster@ontarioenergyboard.ca [mailto:webmaster@ontarioenergyboard.ca]
Sent: June-11-17 10:11 PM
To: registrar
Subject: Letter of Comment - [redacted]

The Ontario Energy Board

-- Comment date --
2017-06-11

-- Case Number --
EB-2017-0049

-- Name --
Parker Gallant

-- Phone --
[redacted]

-- Company --
[redacted]

-- Address --
[redacted]

-- Comments --
EB-2017-0049 Hydro One Rate Increase application

My views/thoughts and “What the OEB needs to consider”

1. The OEB must consider the fact Hydro One has publicly declared1(a) their intent to pay 70% to 80% of their net income after taxes as dividends to
shareholders. No other publicly owned LDC pays out at that level. Toronto
Hydro has recently informed the City of Toronto they will reduce their
dividend.1.(b) It should be a point of the review by the OEB to limit the payout dividend rate by Hydro One to no more than the average of all of the other LDC dividend payout rates as the higher payout rate increases borrowing needs and resulting interest payments thereby increasing the need for the raising of distribution rates!
2. The OEB is currently in the process of endeavouring to have the distribution rates become more of a “fixed” cost moving away from variable rates currently embedded within the rate application system. Hydro One's application ventures away from that path even though they cite the move to fixed rates on their website!2.(a) The OEB needs to re-establish their regulatory purpose.
3. A review of the Yearbook of Distributors3.(a) filings on the OEB website comparing Hydro One's filings for 2014 with 2015 (2016 filings not posted
yet) indicates OMA costs fell by $103 million from 2014 to 2015 while depreciation increased by $14 million. One would suspect the reported drop in OMA costs would have caused a drop in Hydro One's distribution costs but no reduction was forthcoming. One must assume the increased depreciation was due to the OEB approving the completion of capital spending moving previously approved spending within a variance account to current rate recovery status.
Presumably due to the drop in OMA costs; Hydro One reported an after-tax profit in their distribution business of $257.3 million an increase of $68,1 million in fiscal 2015.
4. We would note either Hydro One has been effective at getting ratepayers to conserve OR their out of

line distribution rates have driven ratepaying households into “energy poverty”. The foregoing is evident in comparing the year ended December 31, 2015 with the comparable year ended December 31, 2016. Distribution volumes fell 8.6% whereas Transmission volumes increased 1.7% signaling distribution rates are out of line with other LDC! A further 1.1% reduction in distributed electricity is evident in reviewing the 1st Quarter of 2017 as compared to the 1st Quarter of 2016! NB:

5. We would note that asset classifications of: “Goodwill” and “Intangible Assets” now cumulatively represent $676 million having increased from $400 million in 2012. Those assets now represent 6.7% of Hydro One's equity base and in line with the OEB's annual setting of the ROE allowed by the LDC has the effect of inflation of Hydro One's rate increases.

It is time to discount the $676 million when considering the current application. Hydro One has inflated the goodwill (in particular) by enticing local councils to sell their LDC to Hydro One at prices that exceed normal acquisition activities in the private market. That in turn impacts not only the ratepayers of the acquired LDC but also (via the inclusion of the goodwill) impact all other Hydro One ratepayers.

6. Of note in respect to the OEB's responsibility is the January 14, 2016 “Review of the Cost of Capital for Ontario's Regulated Utilities”6.(a) wherein we find the following under the heading “Electricity Distributors” and labeled # 4) under “The differences between the OEB approved and the actual results can be attributed to the following:”: is the following: “4) The utility’s ability to manage its costs leading to under or over spending, and demand pressures”! Ontario's ratepayers should rightly expect the OEB to not only “attribute” differences between “approved and the actual results” for the foregoing reason but to also bear that in mind on a comparative basis with all LDC ensuring that “over spending” is not granted the freedom given to Hydro One in the past and in the future! Costs for the same relative activities should be similar for all LDC!

Parker Gallant
June 11, 2017

NB: What that suggests is having the highest distribution rates during a time when the grid has a large surplus of electricity has two negative effects on ratepayers. The first is that reducing consumption will have a detrimental impact on the HOEP driving it down further particularly during the shoulder seasons when demand is low and secondly the reduced revenue to Hydro One will cause them to apply for rate increases associated with the revenue drop thereby increasing distribution rates. It is a downward spiral for ratepayers! We would also point out that while Hydro One experienced an 8.6% drop in consumption the IESO report that consumption from 2015 to 2016 remained flat at 137 TWh.

1.(a)
https://www.theglobeandmail.com/globe-investor/investment-ideas/research-reports/hydro-one-will-be-a-dividend-stock-worth-considering/article26829880/
(b)
https://ca.news.yahoo.com/toronto-hydro-cuts-citys-dividend-172637812.html
2.(a)
http://www.hydroone.com/Norfolk/Pages/MovingtoFixedDistributionRates.aspx
3.(a)
https://www.oeb.ca/utility-performance-and-monitoring/natural-gas-and-electricity-utility-yearbooks
6.(a)https://www.oeb.ca/oeb/_Documents/EB-2009-0084/OEB_Staff_Report_CostofCapital_Review_20160114.pdf

Please note I have also attached this file in PDF format. I also request you redact my e-mail, phone and address when placing it in the public domain.

File is also attached in PDF format.

-- Attachment --
https://www.oeb.ca/sites/default/files/uploads/comment-form/Hydro%20One%20re%20Rate%20Increase%20application.pdf