Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6
Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

October 16, 2017

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

Dear Ms. Walli,

RE: EB-2016-0160- Comments of London Property Management Association on Hydro One Transmission 2017-2018 Draft Rate Order

These are the comments of the London Property Management Association ("LPMA") on the draft rate order filed by Hydro One Network Inc. ("HONI") in response to the Ontario Energy Board Decision and Order dated September 28, 2017 ("Board Decision").

LPMA has had the opportunity to review the draft comments of the School Energy Coalition ("SEC") related to the capital expenditures reduction and the tax adjustment. LPMA supports those comments.

With respect to the capital expenditures reduction, LPMA shares the SEC concern related to the allocation of the reductions in both 2017 and 2018 among the four capital expenditure categories. As illustrated by the figures included in Table 1 of the DRO, the overall reduction in 2017 capital expenditures as determined by the Board amounts to 11.7% of the proposed level. However, the sustaining amount has been reduced by only 2.3%, while the reductions in the development, operations and common & other categories are 40.3%, 48.8% and 21.5% respectively. Similarly, the 10.9% reduction in 2018 capital expenditure reductions is 10.9%, but the allocation provided by HONI is a 7.3% reduction in sustaining, 35.4% in development, 15.5% in common & other, and a 39.3% increase in operations. LPMA submits that the Board should direct HONI to explain the allocation of the reductions and how this allocation is consistent with the Board Decision.

LPMA also shares the SEC concerns with how HONI has translated the reduction in capital expenditures to the proposed reductions in in-service capital additions. In summary, HONI indicates that a reduction of $126.1 million in capital expenditures in

2017 results in a decrease of in-service capital additions of only $63.7 million. Similarly, the $122.2 million reduction in capital expenditures in 2018 results in a decrease in in-service additions of only $31.3 million.

LPMA submits that HONI has provided no evidence or justification to support the in-service capital reductions as proposed. Further HONI has provided no evidence or justification to support the significant change in the capital expenditure to in-service addition ratios (as calculated by SEC in their comments) from the ratios that underlie the original proposals. As noted by SEC, these ratios were tested during the hearing for reasonableness. The ratios used by HONI in the DRO – which are significantly different - have not been tested and HONI has failed to provide adequate information to justify the change.

With respect to the tax adjustment issue, LPMA submits that the Board Decision was clear with respect to the recapture ratio. In that decision, the Board estimated the transmission recapture ratio to be 71% based on the information it had before it. The Board directed HONI to file an updated Exhibit J11.3 and noted that this new information would determine if any of the recapture ratio calculations would need to be reduced. The Board indicated in the decision (page 91) that it would consider the information that HONI was to include in its DRO materials to determine whether that information prompts a need for revisions to its recapture ratio calculations. Based on the information provided by HONI in Exhibit 2.1 in the DRO, LPMA submits that the Board should update its recapture ratio and direct HONI to use the new ratio in the calculation of the revenue requirement. LPMA supports the comments and conclusions of SEC with respect to this issue.

Finally, LPMA submits that HONI has appropriately reflected the impact of the Board Decision related to OM&A (including the impact on the working capital component of rate base) and that HONI has appropriately reflected the wording for the In-Service Capital Additions Variance Account, as directed by the Board.

Sincerely,

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Randy Aiken
Aiken & Associates

cc: Applicant and Intervenors (by e-mail)