October 16, 2017

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

Dear Ms. Walli:

Re: EB-2016-0160 – Hydro One Networks Inc. – Transmission Revenue Requirement and Charge Determinants – 2017-2018 – Draft Order

On September 28, 2017, the Ontario Energy Board ("OEB") issued its Decision in the above-referenced proceeding. On October 10, 2017, Hydro One Networks Inc. ("HON") filed it draft revenue requirement/charge determinant order and draft Uniform Transmission Rates order pursuant to that Decision. These are the comments of the Consumers Council of Canada ("Council") regarding HON's filing and proposed orders. The Council is only commenting on the proposals of HON to reflect the OEB's capital expenditure reductions on the 2017 and 2018 revenue requirements.

HON had proposed capital expenditures of $1,076.1 million for 2017 and $1,122.2 million for 2018. In its Decision the OEB approved a capital envelope of $950 million for 2017 and $1,000 million for 2018. This was a reduction of $126.1 million in 2017 and $122.2 for 2018.[1]

HON provided evidence in support of the draft rate order regarding the impacts of the OEB's Decision to reduce its capital spending. From the Council's perspective, the evidence provided by HON is not sufficient to demonstrate that its proposals are consistent with the intent of the OEB's Decision. HON has filed 1.5 pages of evidence explaining the adjustments, but has not provided a detailed explanation as to how HON will manage its budgets in light of the OEB's findings. The Council has the following specific concerns:

- Although the 2017 and 2018 capital expenditure reductions made by the OEB are $126.1 million and $122.2 million respectively, the impact in 2017 of these reductions are only $3.3 million in 2017.[2] The impact on 2018 is not yet known, as it will be subject to the OEB's published cost of capital parameters for 2018. Given the in-service capital calculations provided by HON our expectation is that it will be less in 2018;

- In its Decision the OEB expressed concerns with HON's Sustaining Budgets[3], but HON is proposing to increase the Sustaining in-service capital additions in 2018 relative to its initial

[1] EB-2016-0160 – Decision and Order dated September 28, 2017, p. 30
[2] "Implementation of the Decision", p. 1/5
[3] Decision, p. 30

proposals. In addition, HON has reduced the Development in-service additions for 2018 significantly [4]; and

- The ratio that HON is proposing between capital expenditures and in-service additions significantly varies significantly from the ratio that was proposed in HON's initial evidence and discussed during the hearing. This difference was not explained by HON in its evidence filed on October 10. That variance significantly impacts the adjustments to the revenue requirements arising from the OEB's Decision.

Overall, the Council has concerns that HON's proposals to implement the OEB's Decision with respect to capital have not been fully explained or justified. From the Council's perspective HON should provide a more detailed explanation as how it made the decisions to allocate or reduce its capital requirements and calculate the impacts of those decisions. Intervenors and OEB Staff should be given an opportunity to respond to any submissions made by HON and address any new evidence produced as a result of these initial submissions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

[4] 'Implementation of the Decision", p. 3