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Frank D'Andrea

Vice President, Chief Regulatory Officer,
Chief Risk Officer

BY COURIER

October 18, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

EB-2016-0160 - Hydro One Networks' 2017-2018 Transmission Revenue Requirement & Charge Determinants & EB-2017-0280 - Uniform Transmission 2017 Rates - Reply Submission

On October 10, 2017, Hydro One Networks Inc. (“**Hydro One**”) filed a draft revenue requirement/charge determinant order and draft UTR order with supporting schedules (collectively, the “**DRO**”) and additional tax-related information pursuant to the OEB’s decision in the above-noted proceeding (the “**Decision**”).

By October 16, 2017, submissions on the DRO were filed with the OEB by Canadian Niagara Power Inc. (“**CNPI**”), Schools Energy Coalition (“**SEC**”), Association of Major Power Consumers in Ontario (“**AMPCO**”), London Property Management Association, Building Owners and Manufacturers’ Association (“**BOMA**”), Consumers Council of Canada, Canadian Manufacturers and Exports, and OEB Staff.

The submissions focused on the following topics:

1. the appropriate figure to use for CNPI’s 2017 revenue requirement in the DRO;
2. the changes in forecast capital spending and in-service additions over the 2017-2018 period and whether there was a sufficient explanation for them;
3. the income tax expense that should appropriately be reflected in the DRO; and
4. the calculation of the foregone transmission revenue amount.

Hydro One’s responses are set out in this reply submission (“**Reply**”).

1. CNPI Revenue Requirement

Hydro One has adjusted the 2017 revenue requirement for CNPI to be \$4,647,201 consistent with the information provided by CNPI in its submission dated October 13, 2017. This results in changes to the DRO Exhibits 5.0, 5.1 and 9.0, updated drafts of which are collectively attached as Attachment 1 to this Reply. Note that the 2017 UTR rate schedule provided in Exhibit 5.2 does not change as the corrected CNPI 2017 revenue requirement does not result in a change to the proposed 2017 UTRs.

2. Adjusted 2017-2018 Capital Spending and In-service Additions Forecasts

a. 2017-2018 Capital Forecast

Multiple parties made submissions on the appropriateness of Hydro One’s adjusted 2017-2018 capital and in-service additions forecasts, commenting on the concentrated reduction to Development capital spending when the Decision focused on the pacing of the Sustainment capital program.

The Decision was issued just before the fourth quarter of 2017, almost half way through the rate term, impacting all areas of investment in Hydro One’s business. As stated in the Decision, the OEB approves a capital envelope, as opposed to a specific set of projects, deferring to Hydro One’s judgment, expertise and tools to prioritize work and manage risk to achieve its objective of responsible asset management. Hydro One based the capital reductions on the current status of the capital projects and programs, execution risks and Hydro One’s overall capital planning and redirection processes.

There was a clerical error in the reporting of the revised capital forecasts in the DRO. The corrected information is provided in Table 1 and reflects changes in the Sustainment and Development capital forecasts. (There are no changes to the updated in-service additions forecast provided in the DRO.)

Table 1: 2017-2018 Capital Forecast

	Test Years Evidence		Test Years Decision	
	2017	2018	2017	2018
Sustaining	776.8	842.1	744.7	795.4
Development	196.4	170.2	131.4	94.9
Operations	25.4	30.8	13.0	42.9
Common Corporate Cost Capital	77.6	79.1	60.9	66.8
Total	1,076.1	1,122.2	950.0	1,000.0

Reductions in Sustainment capital forecasts reflect slowed pacing of tower coatings and stations and lines investments. Reductions in the Development capital forecast were largely driven by changes in customer demand and project forecasts. (Hydro One developed the 2017-2018 capital forecast for its application in early 2016.) The Development projects most impacted are investments at Clarington TS, Lisgar TS, Runnymede TS and Hanmer TS.

Because Development capital and portions of Sustainment capital are demand-driven, Hydro One may see further changes in this forecast (increase or decrease) before the 2017-2018 rate term ends and will manage within the OEB-approved capital envelope accordingly.

b. 2017-2018 In-service Additions Forecast

Hydro One does not see the full impact of the capital reductions reflected in the 2017-2018 in-service additions forecast because (a) transmission capital projects are often multi-year projects and many of these in-service additions are the result of projects initiated in earlier years, and (b) the Decision was issued just before the fourth quarter of 2017 and the cancellation of projects already well into execution is not a prudent or cost effective practice. The concerns raised by the parties' submissions do not take these considerations into account. Hydro One does not believe it is prudent to halt projects that are planned to be placed in-service in 2017, given that prior funding and expenditures have been committed and the underlying need for these investments has been established.

Both SEC and AMPCO have suggested that the in-service additions proposed by Hydro One in its DRO are contrary to the evidence of the proceeding and have both proposed implementing an overall capital spending to in-service ratio to Hydro One's test year capital expenditure for the purposes of setting rates. Hydro One does not apply one ratio to overall capital spending when

determining in-service additions. As evidenced in the proceeding,¹ Hydro One uses in-service addition ratios for capital programs based on historical trends. The in-service additions for capital projects are forecasted based on the projected in-service dates and based on total net costs. The approach recommended by SEC and AMPCO is an overly simplistic and incorrect way to determine in-service additions, especially when attempting to apply cuts to capital spending for work already in execution. It does not align with the reality of operating a business with multi-year construction projects. There is no evidentiary basis to support this approach, and it should be disregarded altogether.

To the extent that actual in-service additions are lower than forecast, the asymmetrical in-service variance account protects ratepayers against the risk of over-collecting related costs.

Several submissions sought more detail supporting the adjusted 2017-2018 capital and in-service additions forecasts in the DRO. At this time, Hydro One is not in a position to provide granular detail on the specific projects and programs in locations across the system that will be impacted by the reductions and to what degree. In Attachment 2 to this Reply, Hydro One has reflected the forecasted 2017-2018 changes in Sustainment, Development, Operating, and Common Corporate capital spending at the subcategory level (consistent with Exhibit B1-3-1 Attachment 1). Actual impacts managed at the project and program level may vary significantly. At the subcategory level of investment, however, Hydro One expects the changes to be smaller. In Attachment 3 to this Reply, Hydro One has also provided updated Exhibits D2-1-1, D2-3-1, D2-3-2 and D2-3-3, reflecting the impact of the Decision to rate base and depreciation, as request by OEB Staff.

Hydro One intends to file its next transmission application in the first half of 2018. As per the Decision, Hydro One will file a report detailing the execution of its “OEB-approved” 2017-2018 capital plan (both capital spending and in-service additions) at the program level, showing the status of each project with variance explanations on scope, cost or schedule for investments with total budgeted costs greater than \$3 million.

¹ Exhibit K.10.2 (Cross-examination Compendium of the School Energy Coalition - Finance Panel), pp.3-4, indicates that in-service dates are used to determine when a project investment is in-serviced while ratios are used to determine when program investments are in-serviced.

3. Income Tax Expense

Hydro One disputes assertions that it failed to comply with the Decision by submitting a DRO that reflects the OEB-directed 71% Recapture Ratio (as defined in the Decision). The Decision directed Hydro One to allocate 71% of the deferred tax asset to Hydro One's non-regulated segment for shareholders' benefit and 29% to the regulated segment for the ratepayers' benefit. Hydro One was further directed to provide additional tax related information for an updated calculation of the Recapture Allocation Method. Hydro One complied with this direction.

Hydro One is in the process of preparing and filing a Notice of Motion to Review and Vary Decision 2016-0160. Part of this motion concerns the correctness of section 15 of the Decision (Income Tax Expense) and the formulation of the allocation methodologies.

In Attachment 4 to this Reply, Hydro One has provided the additional information requested by OEB Staff regarding (a) the "Capital Gains" figure used in Exhibit 2.1, Attachment 1 of the DRO and (b) the impact of the updated information contained therein on the Recapture Ratios calculated in Table 15.2 of the Decision. In Attachment 5 to this Reply, in response to BOMA's submission, Hydro One has provided a further explanation of the reduction in income tax expense reflected in the DRO.

4. Foregone Transmission Revenue Deferral Account

In response to the OEB Staff's assertion that foregone revenue (or credits) should be calculated based on actuals, Hydro One advises that it used the forecast 2017 charge determinants for determining the 2017 foregone revenue consistent with the approach used to determine the 2008 transmission foregone revenue (in proceeding EB-2007-0681) and the 2015 distribution foregone revenue (in proceeding EB-2013-0416), both of which tied the calculation of foregone revenue to forecast demand.

Actual 2017 monthly peak charge determinants have been below forecast values for all months up to the end of August 2017. As a result, the absolute amount of foregone revenue for each transmission rate pool would be less than as determined in Exhibit 9.0. The net impact on foregone revenue would depend on the relative variance between the three rate pools' charge determinants. Hydro One anticipates that the impact of using actual charge determinants in the foregone revenue calculation would be small and well within the variance in revenues introduced as a result of rounding UTR rates.

Consistent with OEB Staff comments, Hydro One requests that, if Hydro One's 2018 revenue requirement is not approved in time to implement new UTRs by January 1, 2018, the OEB will declare the current rates interim as of January 1, 2018 and establish a similar Foregone Transmission Revenue Deferral Account for the 2018 rate period.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Encls.

cc. EB-2016-0160 parties (electronic)
Ontario Transmitters (electronic)

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2016-0160
Exhibit 5.0

Uniform Transmission Rates and Revenue Disbursement Allocators
 (Effective for Period January 1, 2017 to December 31, 2017)
 (Implementation for October 1, 2017)

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,583,681	\$901,910	\$1,841,498	\$6,327,089
CNPI	\$2,632,187	\$662,446	\$1,352,567	\$4,647,201
H1N SSM	\$22,976,658.16	\$5,782,569	\$11,806,709	\$40,565,936
H1N	\$818,422,450	\$205,973,576	\$420,551,820	\$1,444,947,847
B2MLP	\$33,700,000	\$0	\$0	\$33,700,000
All Transmitters	\$881,314,976	\$213,320,502	\$435,552,594	\$1,530,188,073

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	522.894	549.258	549.258	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	244,865.656	236,890.824	202,461.050	
B2MLP	0.000	0.000	0.000	
All Transmitters	249,073.906	240,388.166	203,721.750	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.54	0.89	2.14	
	↓	↓	↓	
FNEI Allocation Factor	0.00407	0.00423	0.00423	
CNPI Allocation Factor	0.00299	0.00311	0.00311	
H1N SSM Allocation Factor	0.02607	0.02711	0.02711	
H1N Allocation Factor	0.92863	0.96555	0.96555	
B2MLP Allocation Factor	0.03824	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	



Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010. Set as Interim on December 29, 2015 under EB-2015-0368.

Note 2: CNPI Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2014-0204 dated June 25, 2015.

Note 3: H1N SSM 2017 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2016-0356, issued September 28, 2017.

Note 4: H1N Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2016-0160, issued September 28, 2017.

Note 5: B2M LP 2017 Revenue Requirement per Board Decision and Order EB-2016-0349 dated June 29, 2017.

Note 6: Calculated data in shaded cells.

**Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2016-0160
 Exhibit 5.1**

2017 Revenue Requirement and Charge Determinant Assumptions for Other Transmitters

**Table 1
 Approved Annual Revenue Requirement and Charge Determinants**

Transmitter	Annual Revenue Requirement (\$)	Annual Charge Determinants (MW)			Approval Reference
		Network	Line Connection	Transformation Connection	
Five Nations Energy Inc. (FNEI)	\$6,327,089	187.120	213.460	76.190	<i>Note 1</i>
Canadian Niagara Power Inc. (CNPI)	\$4,647,201	522.894	549.258	549.258	<i>Note 2</i>
Hydro One Sault Ste. Marie Inc. (H1N SSM)	\$40,565,936	3,498.236	2,734.624	635.252	<i>Note 3</i>
Bruce to Milton Limited Partnership (B2M LP)	\$33,700,000	-	-	-	<i>Note 4</i>

Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010. Set as Interim on December 29, 2015 under EB-2015-0368.

Note 2: CNPI Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2014-0204 dated June 25, 2015.

Note 3: H1N SSM 2017 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2016-0356, issued September 28, 2017.

Note 4: B2M LP 2017 Revenue Requirement per Board Decision and Order EB-2016-0349 dated June 29, 2017.

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2016-0160
Exhibit 9.0

2017 Foregone Revenue Calculation

HONI Transmission Charge Determinant Forecast for the Year 2017, After Deducting the Load Impact of CDM and Embedded Generation (MW)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,081	20,558	20,269	18,074	19,383	21,977	22,833	21,929	20,197	18,234	19,535	20,795	244,866
Line Connection	20,138	19,728	19,307	17,381	19,002	20,933	22,160	21,140	19,647	18,029	18,878	20,547	236,891
Transformation Connection	17,264	16,973	16,645	14,788	16,304	18,010	19,103	18,095	17,142	14,829	15,862	17,446	202,461

Monthly Charge Determinant Share of Annual Total

% Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	8.61%	8.40%	8.28%	7.38%	7.92%	8.98%	9.32%	8.96%	8.25%	7.45%	7.98%	8.49%	100.00%
Line Connection	8.50%	8.33%	8.15%	7.34%	8.02%	8.84%	9.35%	8.92%	8.29%	7.61%	7.97%	8.67%	100.00%
Transformation Connection	8.53%	8.38%	8.22%	7.30%	8.05%	8.90%	9.44%	8.94%	8.47%	7.32%	7.83%	8.62%	100.00%

2017 UTR Charge Determinant (including all Transmitters)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,444	20,912	20,617	18,384	19,717	22,355	23,226	22,306	20,544	18,548	19,871	21,152	249,074
Line Connection	20,436	20,020	19,592	17,637	19,283	21,242	22,488	21,452	19,937	18,295	19,157	20,850	240,388
Transformation Connection	17,372	17,079	16,749	14,880	16,405	18,122	19,222	18,208	17,248	14,921	15,961	17,555	203,722

2016 Approved UTRs

	\$/kw-month	Hydro One Revenue Allocators
Network	3.66	0.93219
Line Connection	0.87	0.96648
Transformation Connection	2.02	0.96648

1. 2017 Revenue at 2016 Approved Rates and 2017 Load Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	73.2	71.3	70.3	62.7	67.3	76.3	79.2	76.1	70.1	63.3	67.8	72.2	849.8
Line Connection	17.2	16.8	16.5	14.8	16.2	17.9	18.9	18.0	16.8	15.4	16.1	17.5	202.1
Transformation Connection	33.9	33.3	32.7	29.1	32.0	35.4	37.5	35.5	33.7	29.1	31.2	34.3	397.7
Total	124.3	121.5	119.5	106.6	115.5	129.5	135.7	129.7	120.5	107.8	115.1	124.0	1,449.6

Total to end of September = 1102.8

2017 Forecast UTR Reflecting Board Decision

	\$/kw-month	Hydro One Revenue Allocators
Network	3.54	0.92863
Line Connection	0.89	0.96555
Transformation Connection	2.14	0.96555

2. 2017 Revenue at Proposed UTR Rates and 2017 Load Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	70.5	68.7	67.8	60.4	64.8	73.5	76.4	73.3	67.5	61.0	65.3	69.5	818.8
Line Connection	17.6	17.2	16.8	15.2	16.6	18.3	19.3	18.4	17.1	15.7	16.5	17.9	206.6
Transformation Connection	35.9	35.3	34.6	30.7	33.9	37.4	39.7	37.6	35.6	30.8	33.0	36.3	420.9
Total	123.9	121.2	119.2	106.3	115.3	129.2	135.4	129.4	120.3	107.5	114.8	123.7	1,446.3

Total to end of September = 1100.3

2017 Foregone Revenue (2 - 1)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	-2.7	-2.6	-2.6	-2.3	-2.5	-2.8	-2.9	-2.8	-2.6	-2.3	-2.5	-2.6	-31.0
Line Connection	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	4.4
Transformation Connection	2.0	1.9	1.9	1.7	1.9	2.1	2.2	2.1	2.0	1.7	1.8	2.0	-26.6
Total	-0.3	-0.3	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3	-0.2	-0.3	-0.3	-0.2	-3.3

Total to end of September = -2.5

Adjusted Forecast Capital Spending (\$Millions)

<u>Transmission Capital (\$millions)</u>	<u>Test Years Evidence</u>		<u>Test Years Decision</u>	
	2017	2018	2017	2018
Sustaining Capital				
<u>Transmission Stations</u>				
Circuit Breakers	1.1	0	0.4	3.0
Power Transformers	0	0	1.1	0.5
Other Power Equipment	0	0	0.1	0.2
Ancillary Systems	1.3	0	1.2	0.5
Station Environment	0	0	0.2	0.0
Integrated Station Investments	457.8	404.7	469.0	397.4
Tx Transformers Demand and Spares	25.3	25.8	28.2	67.2
Protection and Automation	45.2	59.1	27.0	58.1
Site Facilities and Infrastructure	6.7	6.7	13.8	10.6
Total Transmission Stations Capital	537.5	496.2	541.0	537.5
<u>Transmission Lines</u>				
Overhead Lines Refurbishment Projects, Component Replacement Programs and Secondary Land Use Projects	237	323.4	196.5	227.8
Underground Cables Refurbishment and Replacement	2.3	22.5	7.2	30.1
Total Transmission Lines Capital	239.3	345.9	203.7	257.9
Total Sustaining Capital	776.8	842.1	744.7	795.4

	<u>Test Years Evidence</u>		<u>Test Years Decision</u>	
	2017	2018	2017	2018
Development Capital				
Inter Area Network Transfer Capability	79.8	59.8	36.0	39.0
Local Area Supply Adequacy	43.8	45.7	46.9	28.0
Load Customer Connection	58.1	57.4	33.8	18.1
Generator Customer Connection	0.0	0.0	0.0	1.2
P&C Enablement for Distributed Generation	0.0	0.0	0.6	0.0
Risk Mitigation	12.6	5.2	10.9	4.3
Power Quality	2.1	2.1	2.3	4.1
TS Upgrades to Facilities Distribution Generation	0.0	0.0	0.0	0.0
Performance Enhancement	0.0	0.0	0.0	0.3
Smart Grid	0.0	0.0	0.9	0.0
Total Development Capital	196.4	170.2	131.4	94.9
Operations Capital				
Grid Operating and Control Facilities	11.4	19.3	7.7	29.1
Operating Infrastructure	14.0	11.5	5.4	13.8
Total Operations Capital	25.4	30.8	13.0	42.9
Capital Common Corporate Costs and Other Costs				
Transport and Work, and Service Equipment	24.1	25.0	17.5	16.6
Information Technology (including Cornerstone)	31.4	28.1	34.4	28.9
Facilities & Real Estate	18.4	20.9	9.1	21.3
Other (including CDM)	3.7	5.1	0.0	0.0
Total Capital Common Corporate Costs and Other Costs	77.6	79.1	60.9	66.8
Total Transmission Capital	1076.1	1122.2	950.0	1000.0

HYDRO ONE NETWORKS INC.
TRANSMISSION
D2-1-1 (Updated for Decision)

Statement of Utility Rate Base
 Test Years (2017 and 2018)
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	2017	2018
	<u>Electric Utility Plant</u>		
1	Gross plant at cost	\$ 16,609.3	\$ 17,537.1
2	Less: accumulated depreciation	<u>(6,112.7)</u>	<u>(6,416.3)</u>
3	Net plant in service	\$ <u>10,496.6</u>	\$ <u>11,120.8</u>
4	Construction work in progress	<u>0.0</u>	<u>0.0</u>
5	Net utility plant	\$ <u>10,496.6</u>	\$ <u>11,120.8</u>
	<u>Working Capital</u>		
4	Cash working capital	\$ 14.1	\$ 15.0
5	Materials and Supplies Inventory	12.0	12.2
6	Total working capital	\$ 26.1	\$ 27.2
7	Total rate base	<u>\$ 10,522.7</u>	<u>\$ 11,148.0</u>

HYDRO ONE NETWORKS INC.
TRANSMISSION
D2-2-1 (Updated for Decision)

Continuity of Property, Plant and Equipment
 Historical (2013, 2014, 2015), Bridge (2016) & Test (2017, 2018) Years
 Year Ending December 31
 Total - Gross Balances
 (\$ Millions)

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u> (a)	<u>Additions</u> (b)	<u>Retirements</u> (c)	<u>Sales</u> (d)	<u>Transfers In/Out</u> (e)	<u>Closing Balance</u> (f)	<u>Average</u> (g)	<u>Capital Contributions True-Up Adjustment</u> (h)	<u>Gross plant at cost</u> (i)
<u>Historic</u>										
1	2013	13,833.2	703.8	(67.0)	0.0	(5.6)	14,464.4	14,148.8		14,148.8
2	2014	14,464.4	917.0	(23.0)	(551.5)	(1.0)	14,805.9	14,635.2		14,635.2
3	2015	14,805.9	652.3	(40.4)	(19.8)	0.0	15,398.1	15,102.0		15,102.0
<u>Bridge</u>										
4	2016	15,398.1	911.7	(70.9)	0.0	(23.6)	16,215.2	15,806.65	(11.8)	15,794.8
<u>Test</u>										
5	2017	16,215.2	867.7	(56.2)	0.0	(11.7)	17,015.1	16,615.16	(5.9)	16,609.3
6	2018	17,015.1	1178.4	(120.0)	0.0	(7.2)	18,066.3	17,540.69	(3.6)	17,537.1

HYDRO ONE NETWORKS INC.
TRANSMISSION
D2-2-2 (Updated for Decision)

Continuity of Property, Plant and Equipment - Accumulated Depreciation
 Historical (2013, 2014, 2015), Bridge (2016) & Test (2017, 2018) Years
 Year Ending December 31
 (\$ Millions)

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Provision</u>	<u>Retirements</u>	<u>Sales</u>	<u>Transfers In/Out</u>	<u>Closing Balance</u>	<u>Average</u>
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Historic</u>								
1	2013	4,839.2	323.3	(67.0)	(5.0)	(1.2)	5,089.3	4,964.3
2	2014	5,089.3	319.0	(23.0)	(24.8)	(0.1)	5,360.4	5,224.9
3	2015	5,360.4	343.0	(40.4)	(10.9)	3.3	5,655.5	5,508.0
<u>Bridge</u>								
4	2016	5,655.5	365.5	(70.9)		0.0	5,950.2	5,802.8
<u>Test</u>								
5	2017	5,950.2	381.3	(56.2)		0.0	6,275.3	6,112.7
6	2018	6,275.3	402.0	(120.0)		0.0	6,557.3	6,416.3

HYDRO ONE NETWORKS INC.
TRANSMISSION
D2-2-3 (Updated for Decision)

Continuity of Property, Plant and Equipment - Construction Work in Progress
 Historical (2013, 2014, 2015), Bridge (2016) & Test (2017, 2018) Years
 Year Ending December 31
 (\$ Millions)

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Capital Expenditures</u>	<u>Transfers To Plant</u>	<u>Closing Balance</u>
		(a)	(b)	(c)	(d)
<u>Historic</u>					
1	2013	721.3	697.2	(678.8)	739.7
2	2014	739.7	814.5	(885.7)	668.4
3	2015	668.4	896.8	(677.8)	887.4
<u>Bridge</u>					
4	2016	887.4	1003.8	(911.7)	979.5
<u>Test</u>					
5	2017	979.5	950.0	(867.7)	1061.8
6	2018	1061.8	1000.0	(1178.4)	883.4

1 **Ontario Energy Board Staff (Staff)**

2
3 **Submission:**

- 4
- 5 1. From the updated information provided in the draft RR/CD order Exhibit 2.1,
6 Attachment 1, an explanation as to why the “Capital Gains” component of the table
7 differs from the balances used in Tables 15.1 and 15.2 of the Decision.
8
 - 9 2. What is the impact that the updated information provided in the draft RR/CD order at
10 Exhibit 2.1, Attachment 1 will have on the Recapture Ratios calculated in Table 15.2
11 of the Decision.

12
13 **Response:**

- 14
- 15 1. The Capital Gains reported in Table 15-1 and 15-2 of the Decision were determined by the
16 OEB based on the information that was provided in Undertaking J11.13, which was the
17 departure tax calculation as agreed with Ontario. This calculation was determined in
18 September 2015 based on estimated valuation and tax basis.

19
20 Exhibit 2.1 Attachment 1 is based on final valuations and tax basis at October 31, 2015.

21
22 For the reasons above, the Capital Gains are different between Decision Table 15-1 and 15-2
23 versus Order Exhibit 2.1.

- 24
- 25 2. The impact of the updated information on the Recapture Ratios are as follows:

26

	FMV Bump	Gain	Recapture	Recapture Ratio
Transmission	5,567	2,646	2,921	52%
Distribution	4,171	2,196	1,976	47%
Norfolk	55	55	-	0%
Hydro One Networks	9,794	4,897	4,897	50%

27

