Hydro One Networks Inc.

483 Bay Street, South Tower, 8th Floor
Toronto, Ontario, Canada
M5G 2P5

LAW
Michael Engelberg, Assistant General Counsel
Telephone: (416) 345-6305
Fax: (416) 345-6972
E-mail: mengelberg@HydroOne.com

BY COURIER

December 13, 2017

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

Dear Ms. Walli:

EB-2017-0320 - Motion to Review and Vary Procedural Order No. 6 issued in OEB Proceeding EB-2016-0272 - Hydro One Networks Inc's. Reply Submission

On October 24, 2017, the Ontario Energy Board issued a Notice of Hearing and Procedural Order No. 1. In accordance with the OEB's directions, please find attached Hydro One Networks Inc.'s reply submission with respect to the above referenced proceeding.

An electronic copy of this has been filed through the Ontario Energy Board's Regulatory Electronic Submission System (RESS).

Yours very truly,

ORIGINAL SIGNED BY MICHAEL ENGELBERG

Michael Engelberg

Cc: All parties in EB-2016-0276

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF applications filed by Hydro One Inc., Orillia Power Distribution Corporation and Hydro One Networks Inc. seeking various approvals under section 18, 74, 77(5), 78, 86(1)(a) and 86(2)(b) of the *Ontario Energy Board Act, 1998* to complete the purchase of Orillia Power Distribution Corporation by Hydro One Inc.

AND IN THE MATTER OF motions by Hydro One Inc. and Orillia Power Distribution Corporation pursuant to Rule 8 and Rules 40 through 42 of the Ontario Energy Board's *Rules of Practice and Procedure* for an order or orders to vary Procedural Order No. 6 issued in Ontario Energy Board Proceeding EB-2016-0276

REPLY SUBMISSIONS OF HYDRO ONE INC.

EB-2017-0320

Hydro One Inc. ("**Hydro One**") provides this reply to the submissions of Ontario Energy Board Staff ("**Board Staff**") and School Energy Coalition ("**SEC**") with respect to Hydro One's motion to review and vary Procedural Order No. 6 in EB-2016-0276.

I. INTRODUCTION

Since the Ontario electricity industry was restructured under the *Energy Competition Act, 1998*, consolidation has been a long-standing topic of discussion. The Commission on the Reform of Ontario's Public Services, the Distribution Sector Review Panel, and the Premiers Advisory Council on Government Assets all endorsed consolidation and recommended the reduction of the number of local distribution companies ("**LDCs**") in Ontario.

As Board Staff noted[1], the Board has introduced policies to encourage consolidations, including, most recently, the *Handbook to Electricity Distributor and Transmitter Consolidations* (the "***Handbook***") released in 2016. Board policies and decisions on merger, acquisition, amalgamation and divestiture ("**MAAD**") applications have established and consistently applied a number of principles to create a predictable regulatory environment for applicants.

On July 27, 2017, the Board issued Procedural Order No. 6 in EB-2016-0276 (the "**Orillia MAAD Application**"), which effectively stayed the Orillia MAAD Application until a decision is rendered in Hydro One's electricity distribution rates application[2] for the years 2018 to 2022. As Hydro One outlined in its Motion to Review[3], P.O. No. 6 frustrates the purpose and intent of not only OEB policies but also past Board decisions, as it is not consistent with a predictable regulatory environment for applicants. Moreover, P.O. No. 6 disrupts more than a decade of guidance provided by the Board.

II. PROCEDURAL HISTORY

On August 15, 2016, the Corporation of the City of Orillia (the "**City**"), Orillia Power Corporation and Hydro One entered into an agreement for Orillia Power Corporation and the City to sell, and Hydro One to purchase, the shares of Orillia Power Distribution Corporation ("**Orillia Power**") for $41.3 million. The closing of the transaction is dependent upon, *inter alia*, approval from the Board.

On September 27, 2016, and updated on October 11, 2016, Hydro One submitted the Orillia MAAD Application seeking leave: (a) to acquire all shares of Orillia Power; (b) to defer rebasing of Orillia Power for 10 years; (c) to include a negative rate rider to Orillia Power's electricity rates to reduce base distribution electricity rates by 1%, and to maintain those reduced rates for years 1 to 5; (d) to set rates using the Price Cap Index adjustment mechanism during the extended deferred rebasing period, resulting in a rate increase of less than inflation in years 6 to 10; (e) for an earnings sharing mechanism ("**ESM**") during the extended deferred rebasing period consistent with the *Handbook*, resulting in a guaranteed $3.4 million refund to Orillia Power ratepayers in years 11 and beyond; and (f) to use an

[1] OEB Staff Submissions, p. 3
[2] EB-2017-0049
[3] Hydro One Notice of Motion, p. 3

incremental capital investment module ("**ICM**"), if necessary, during the extended deferred rebasing period in accordance with the *Handbook*.

After final submissions, the Board issued P.O. No. 6, which adjourned the hearing of the application until a decision is reached in Hydro One's electricity distribution rate application.

On August 14, 2017, Hydro One submitted its Motion to Review, under Rule 42.01 of the Board's *Rules of Practice and Procedure*. The motion raises a question as to the correctness of P.O. No. 6 on the grounds that the Board made a mixed error in law and fact for the following reasons[4]: (1) P.O. No. 6 is inconsistent with Board policies and previous decisions, which establish that MAAD applications are about ongoing cost structures and not about the approval for future rates; (2) the Board erred in finding that Hydro One's electricity distribution rates application for years 2018 to 2022 for current Hydro One customers will inform the Board on whether or not the "no harm" test is satisfied in the Orillia MAAD Application; (3) the Board erred in finding that the rebasing of rates for Hydro One's three previously-acquired LDCs in year 2021 of Hydro One's distribution rates application is relevant to the Orillia MAAD Application; and (4) P.O. No. 6 was procedurally unfair and prejudicial because it caused a significant delay to the Orillia MAAD Application and did not provide the opportunity for submissions prior to the decision.

On October 24, 2017, the Board issued a Notice of Hearing and P.O. No. 1 in EB-2017-0320 to provide for cross-examinations and the filing of submissions on the Motion to Review.

III. THRESHOLD TEST

Board Staff referenced[5] the Natural Gas Electricity Interface Review Decision in order to analyze the threshold test. Hydro One agrees that this should be the starting point for this analysis: "In demonstrating that there is an error, the applicant must be able to show that the findings are contrary to the evidence that was before the panel, that the panel failed to address a material issue, that the panel made inconsistent findings, or something of a similar nature."

Rule 42.01 of the Board's *Rules of Practice and Procedure* provides that the applicant on a motion to review must establish that there are grounds to question the correctness of the order or decision, in this case, P.O. No. 6. These submissions will show that Hydro One meets the threshold test by providing grounds that question the correctness of P.O. No. 6.

[4] Hydro One Notice of Motion, p. 3-4
[5] OEB Staff Submissions, p. 5

III.A ERROR IN DECISION

The Panel made Inconsistent Findings

In the Combined Decision[6], the Board first established the "no harm" test. The Board provided further guidance in the *Handbook*, which states that it will approve a MAAD application if there is a positive or neutral effect on the statutory objectives set out in section 1 of the *Ontario Energy Board Act, 1998*. The *Handbook* makes clear that rate-setting will not be addressed in a MAAD application but will, rather, be addressed in a separate rate application; however, P.O. No. 6 nevertheless brought rate-setting into the scope of the Orillia MAAD Application, which is inconsistent with Board policies and past decisions. Hydro One submits that doing so was a material error in law or fact, and the motion meets the threshold test on the basis that the Board made inconsistent findings.

SEC argues in its submissions that the findings are not inconsistent because the Board should be guided by its statutory objectives, rather than by its own policies, because the policies are "non-binding"[7]. Hydro One responds that the Board has conducted a thorough analysis of its statutory objectives in the Combined Decision, the *Handbook*, and in previous decisions, and the Board has developed these policies and decisions in light of its statutory objectives. Although policies and previous decisions are not necessarily binding, these documents form part of the "*common law*" derived from custom and precedent rather than statutes, and they help to ensure the existence of a predictable regulatory environment. Furthermore, if policies (such as the *Handbook*) are "non-binding" as SEC has postulated, then by the same argument, the Board is not bound to the application of the "no harm" test since it is not explicitly stated in statute. This is irreconcilable within the regulatory framework surrounding MAAD applications. For these reasons, SEC's arguments must be rejected.

Findings Are Contrary to the Evidence that was Before the Panel

The evidence on the record is complete and clearly demonstrated that: (i) there will be no adverse impact on the price, adequacy, reliability and quality of electricity service for Orillia Power; (ii) there will be no adverse impact on the promotion of electricity conservation and demand management, the use of electricity generated from renewable energy sources, and it facilitates the implementation of a smart grid in Ontario; (iii) the implementation of Hydro One's ESM benefits and protects Orillia Power customers during the extended deferred rebasing period by guaranteeing a share of excess earning of $3.4 million; and, (iv) the transaction eliminates the duplication of effort between Hydro One and Orillia Power and results in a single electricity service provider for the Orillia area, the northeastern portion of Simcoe County, which will ultimately create downward pressure on cost structures across both Hydro One and Orillia Power service areas.

Hydro One submits that the findings in P.O. No. 6 are contrary to the tested evidence that was before the Board in the Orillia MAAD Application and the Board erred by relying on information outside of that

[6] RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257
[7] SEC Submissions, p. 7

tested evidence. In its Motion to Review, Hydro One submitted that the distribution rate application is not relevant to Orillia Power because there is no information pertaining to Orillia Power in the distribution rate application. Board Staff concurred, "Indeed the distribution rates case has no information about Orillia Power at all. (The fact that actual rates are not addressed in the MAADs application is consistent with the Handbook…).[8]" Hydro One therefore submits that the original Panel made an error.

SEC seems to have misunderstood this argument by stating in its submissions, "Thus, fundamental to the Motions is the idea that rates after the deferred rebasing period are irrelevant, and the Board panel in the MAADs Proceeding simply got it wrong in determining that those rates might be relevant.[9]" Hydro One has never asserted that rates beyond the 10-year deferral period are irrelevant. Rates after the deferred rebasing period *are* relevant; however, those rates will be assessed in a future rate application involving an open, fair, transparent and robust process where the Board will consider the costs to serve those customers and ensure the protection of such customers. In Hydro One's view, it would be inappropriate to discuss rates after the deferred rebasing period within the Orillia MAAD Application because to do so would be incongruent with the *Handbook* and all previous MAAD applications which have received Board approval without consideration of the rate impacts beyond the deferral period. Board Staff has emphasized that "it will not necessarily be helpful to the OEB to have the complete record and decision from the distribution rates case available before making a decision on the Orillia MAADs application … The OEB may find itself no better off having waited for that decision.[10]" Hydro One states categorically that the record and decision from the distribution rates case will not be helpful to the Board for the Orillia MAAD Application.

Therefore, Hydro One states that the record is complete in the Orillia MAAD Application: the original Panel made findings contrary to the evidence that was before the Panel, thereby making an identifiable and material error of law or fact. Hydro One submits that the motion meets the threshold test in this respect.

III.B PROCEDURAL FAIRNESS

Right to Be Heard

Hydro One agrees, in principle, with Board Staff that the threshold test has been passed on the "right to be heard" issue[11]. However, Hydro One disagrees with Board Staff and SEC's submissions that the moving parties had an opportunity to address the relevance of the distribution rate case in the Orillia MAAD Application. As Board Staff correctly pointed out, the issue "was not explored thoroughly

[8] OEB Staff Submissions, p. 9-10
[9] SEC Submissions, p. 7
[10] OEB Staff Submissions, p. 10
[11] OEB Staff Submissions, p. 7

through the interrogatory process.[12]" Hydro One's distribution rate application was submitted on March 31, 2017. SEC introduced new evidence from the distribution rate application in its final submissions for the Orillia MAAD Application on April 21, 2017, well after the evidentiary phase of this proceeding had ended with interrogatory responses on January 20, 2017. Hydro One submits that for SEC to do so was improper and should not have been accepted by the Board as the information in SEC's final submissions had not been tested before the original Panel[13]. Hydro One was not afforded the opportunity to make submissions on this issue prior to the issuance of P.O. No. 6.

Delay

On the subject of delay, Board Staff submitted that "the OEB may not have had a full appreciation of the potential impacts that a lengthy delay would have on the application[14]", and SEC submitted that "[i]t is not unreasonable for applicants before the Board to expect that the Board will meet its own target timelines, or be relatively close to them.[15]" Hydro One agrees.

The Board provides performance standards for the processing of applications on its website[16], which indicates 130-180 days as the total period elapsed to Board decision for a section 86 application. In the Orillia MAAD Application, the total period elapsed was already well in excess of these performance standards when P.O. No. 6 was issued, and the decision in P.O. No. 6 further exacerbates this delay.

Although *delay* is the issue at hand, SEC seems to have incorrectly focused on *approval* in its final submissions by stating, "It is, however, completely unreasonable to assume that the Board will approve your application as proposed[17]". Hydro One contends that it would, in fact, be reasonable and prudent for applicants to expect that guidelines and policies are substantially followed so as to provide a predictable regulatory environment for applicants. Neither Hydro One nor Orillia Power, nor any other applicant in a MAAD application, could have reasonably expected that a decision in a MAAD application would be halted due to a pending distribution rates application, which is not discussed in any policies or guidelines and has not previously been a reason to stay any LDC's MAAD application. A regulated utility should understand the requirements of its regulator and should reasonably expect approval of an application that has been prepared with due diligence and in accordance with the applicable requirements, provided that it meets the previously established tests. The issue of delay persists despite SEC's arguments, because the Board has not yet made a decision to either approve or deny the Orillia MAAD Application.

[12] OEB Staff Submissions, p. 10
[13] Submissions referring to evidence are allowed to only refer to evidence that was pre-filed, heard in the hearing, as an answer to an interrogatory, or permitted by special order or Procedural Order.
[14] OEB Staff Submissions, p. 10
[15] SEC Submissions, p. 5
[16] https://www.oeb.ca/industry/applications-oeb/performance-standards-processing-applications
[17] SEC Submissions, p. 5

Therefore, Hydro One submits that the motion meets the threshold test on procedural fairness grounds due to delay and the lack of opportunity to make submissions prior to the issuance of P.O. No. 6. The two affected parties should have been given the opportunity to make submissions, prior to the issuance of P.O. No. 6 as to whether it would be appropriate for the Board to, in effect, stay the Orillia MAAD Application.

IV. MERITS

IV.A DELAY

Board Staff submissions state, "Given the significant delay that waiting for the distribution case would entail, and the potential operational issues being faced by Orillia Power in the interim, OEB staff suggests that the adjournment is not the optimal course.[18]" Hydro One agrees, and repeats and relies on section III.B of these submissions[19]. Mr. Hipgrave, in his affidavit and testimony, discussed operational challenges as a result of the delay, and Orillia Power will add to that evidence by providing full and complete submissions on the effect of the unprecedented delay on their business.

Furthermore, Hydro One submits that by effectively staying the Orillia MAAD Application by issuing P.O. No. 6, the Board erred because the threshold test for a stay of proceedings under the *Statutory Powers Procedure Act*[20] was not met. Hydro One submits that pursuant to that statute, a party seeking the stay must show that a continuation of the proceeding would cause substantial prejudice or injustice and that the stay would not cause an injustice to the party not seeking the stay. In the Orillia MAAD Application, neither Applicant nor any intervenor sought a stay, nor did any intervenor file any evidence that continuing with the proceeding (i.e. having the Board issue its decision as to whether to grant or reject the Orillia MAAD Application after final submissions were made on May 5, 2017) would cause substantial prejudice or injustice to an intervenor. The only evidence as to prejudice was the evidence provided by Orillia Power as a result of P.O. No. 6, which evidence is that a stay has caused, and is continuing to cause, prejudice to Orillia Power.

IV.B RELEVANCY OF RATES

SEC states that "most of the guidance associated with MAADs is in non-binding policy documents"[21]. This issue has already been addressed, and Hydro One repeats and relies on the information contained within section III.A of these submissions[22].

As SEC properly noted, "The Board has said, quite reasonably, that generally speaking when costs go down over time, the customers benefit. The underlying rate paradigm in Ontario is cost of service.

[18] OEB Staff Submissions, p. 10
[19] Refer to p. 4-5 of these submissions under the sub-heading "Delay"
[20] R.S.O. 1990, c. S. 22
[21] SEC Submissions, p. 9
[22] Refer to p. 2-3 of these submissions under the sub-heading "The Panel made Inconsistent Findings"

Lower costs mean lower rates. Therefore, if it is possible to determine that there will be long term, sustainable cost reductions as a result of a merger or acquisition, in most cases the customers will ultimately benefit by way of lower prices.[23]" Ms. Richardson correctly explained on the record that "It's a benefit to all the customers if the costs are down … The cost structures form the rates. So if your revenue requirement is lower, that's a benefit to the customers.[24]" Hydro One has demonstrated in the Orillia MAAD Application that the cost to serve Orillia Power ratepayers will be lower versus the status quo. This satisfies the "no harm" test and any information pertaining to rates is outside the scope of the Orillia MAAD Application.

Board Staff submissions agreed that "any information from the distribution rate application is not directly relevant to the consolidation application.[25]" They correctly pointed out that "Orillia Power is not part of the [distribution rate] application, and there is no direct information in the application regarding what Orillia Power's rates or overall cost structures would be"[26] and "the relevance of the information from the distribution rates case will be largely speculative.[27]"

On the one hand, Board Staff state that "the OEB has been clear that a MAADs case is not the place to discuss actual rates – that is the purview of a rates case.[28]" Hydro One agrees. On the other hand, however, Board Staff submit that Hydro One should "file more information regarding what the overall cost structures … are expected to be following the deferral period" and the Board may be informed by "more information on the rate structure that it will employ for Orillia Power after the deferred rebasing period, including a forecast of Orillia Power's allocated costs and how that compares with the status quo.[29]"

Hydro One contends that the submissions of Board Staff appear to be internally inconsistent. Rate structures and cost allocation methodologies are fundamental components that are intertwined with the preparation of a rates proceeding. This would require information for years 11 and beyond, which is not available at this time. Hydro One is able to guarantee generally where rates and costs will be during the deferred rebasing period through to year 10 because several variables and factors have been set in policies and guidelines. However, no such information is provided in policies and guidelines for years 11 and beyond. Hence the reason why the *Handbook* and previous MAAD decisions have unanimously agreed that a separate rate hearing closer to the time those rates come into effect is the most appropriate, reasonable and prudent course of action. Otherwise, an analysis of 2028 Orillia Power rates – eleven years from now – would need to be conducted based on a number of factors that Hydro One

[23] SEC Submissions, p. 10
[24] Transcript, p. 54-55
[25] OEB Staff Submissions, p. 9
[26] OEB Staff Submissions, p. 9
[27] OEB Staff Submissions, p. 10
[28] OEB Staff Submissions, p. 11
[29] OEB Staff Submissions, p. 11

cannot reasonably foresee at this time, including but not limited to, information on service territory, customer mix, rate class structure, economic conditions, government policies, political climate, and regulatory environment. This endeavour would be just as speculative as drawing inferences and making conclusions from Hydro One's current distribution rates application, as P.O. No. 6 would have the Board do. At this point in time, Hydro One can definitively state that the cost to serve Orillia Power ratepayers will be lower versus the status quo after the 10-year deferred rebasing period, as a result of savings and efficiencies, which will materialize only upon Board approval.

As SEC accurately stated, "First, a MAADs application is a difficult situation in which to consider rates in any detail. Second, rates in the longer term are very hard to predict.[30]" The distribution rate paradigm in Ontario has never explored rates beyond 10 years for any stand-alone LDC, much less a utility that will be integrating operations with another LDC. For these reasons, Hydro One submits that any information pertaining to rates, or to the fundamental components that form those rates (i.e. cost allocation and rate structure), is irrelevant to the Board's "no harm" test as there is no deterministic data available. Furthermore, all such information will be subject to scrutiny in a future section 78 proceeding. By analyzing costs instead of rates, the Board still achieves its statutory objectives within the current MAAD regime, despite SEC's incorrect arguments[31] that Hydro One's position "disregards"[32] and "ignore[s]"[33] the objectives. In the future rates proceeding, the Board is responsible for ensuring prudent costs and reasonable rates and is entitled to make adjustments as it deems necessary. It is important that trust and confidence are placed in this system to ensure that the regulatory process continues to function properly and efficiently.

IV.C OTHER ISSUES

SEC discussed several items under a section titled "Refusals"[34] in its final submissions. Hydro One would like to briefly discuss these issues.

During the cross-examination hearing, Mr. Engelberg and Mr. Rodger addressed, on a number of occasions[35], the relevancy of certain questions posed by Mr. Shepherd, and they refused to provide answers to certain questions. As Board Staff noted[36] and SEC agreed[37] in their respective final submissions, a Motion to Review is not a hearing *de novo*. Furthermore, Hydro One maintains that, in accordance with the *Handbook*, rate-setting is outside the scope of a MAAD application.

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[30] SEC Submissions, p. 10
[31] SEC Submissions, p. 10: "…the objectives are still in play, and still must guide the Board's actions. The Board cannot get out of it [statutory objectives] by saying there is an exception for MAADs applications. There isn't."
[32] SEC Submissions, p. 11
[33] SEC Submissions, p. 12
[34] SEC Submissions, p. 15
[35] Transcript, p. 18-19, 22, 24-29, 48, 52, 56, 58, 61-62
[36] OEB Staff Submissions, p. 6
[37] SEC Submissions, p. 4

With reference to Item #1 under SEC's "Refusals" section on Appendix A of Hydro One's Motion to Review: As Hydro One has stated, Appendix A is for illustrative purposes only[38]. It should be interpreted as a directional indication that the overall pattern of rates and costs will be lower with the acquisition versus the status quo. Hydro One wishes to clarify that, as stated by Ms. Richardson at the cross-examination hearing[39], Hydro One used Orillia Power's loss factor[40] from the last approved rate order and used the OEB-approved 2016 rate structure[41] to ensure consistency with the evidence in the original application. There is no error in the loss factor or the starting point for rates as SEC asserted.
Item #2 on rates after the deferred rebasing period: Hydro One repeats and relies on sections III.A and IV.B of these submissions[42]. As Mr. Engelberg stated on the record, "Hydro One's position on that is that the Board erred or misunderstood what the relevance was of rates after ten or 11 years.[43]" It is clear from the *Handbook* that rate-setting is outside the scope of a MAAD Application.

Item #3 on economies of scale: In paragraph 11 of Hydro One's Motion to Review, Hydro One reiterates the evidence on record in the Orillia MAAD Application to provide support for the argument that the original Panel made findings contrary to the evidence before them[44]. In reply to Mr. Shepherd's inquiry on economies of scale, Mr. Engelberg said, "The Board's Procedural Order No 1 in this proceeding set out the right of intervenors to cross-examine on the new evidence filed, the affidavit of Ms. Richardson, the affidavit of Mr. Hipgrave.[45]" The cross-examination hearing was limited in scope and, more importantly, a Motion to Review is not a hearing *de novo*. The topic of "economies of scale" was discussed in the Orillia MAAD Application, and it is not appropriate to relitigate this issue.

Item #4 on the effect of consolidation activities in the province: In response to Mr. Shepherd's question, Ms. Richardson replied, "it's very difficult to negotiate a transaction with a utility that you're planning to acquire when neither of you are sure of what the rules are behind acquisitions.[46]" This statement speaks to a central theme of these submissions, namely that a predictable regulatory environment no longer exists in light of P.O. No. 6 because it is inconsistent with years of Board policies and past decisions.

[38] Appendix A to Hydro One's Motion to Review, note 5
[39] Transcript, p. 35, 37-38
[40] Loss factor from last rate order EB-2009-0273 – see Appendix A to Hydro One's Motion to Review, note 3
[41] Rate structure from EB-2015-0024 – any deviation from Orillia Power's current rates is as a result of Orillia Power's recent rate application (EB-2016-0321) to account for the Board-mandated move to fixed rates. The application was revenue neutral. See Hydro One's response to Undertaking JT1.2.
[42] Refer to p. 3 and 5-6 of these submissions under the sub-heading "Findings Are Contrary to the Evidence that was Before the Panel" and under the heading "Relevancy of Rates"
[43] Transcript, p. 48
[44] Refer to p. 3 of these submissions under the sub-heading "Findings Are Contrary to the Evidence that was Before the Panel"
[45] Transcript, p. 56
[46] Transcript, p. 57

CONCLUSION

Hydro One submits that the Motion has met the threshold test on the following grounds:

- *Procedural fairness.* P.O. No. 6 was prejudicial because it caused delay and did not provide the opportunity to make submissions prior to the decision.
- *Error in decision.* The original Panel made an error in P.O. No. 6 by finding that the distribution rates case is relevant to the Orillia MAAD Application. The Panel made inconsistent findings and the findings are contrary to the evidence that was before the Panel.

As a result, Hydro One respectfully requests that the Motion to Review be granted, and that the matter then be returned to the original Panel to render a decision in the Orillia MAAD Application.

SEC repeatedly discussed the notion of Hydro One *winning* and *losing* in its final submissions[47]. Hydro One submits that there is no winning or losing, but rather all parties should be focused on the *consumer*. The Board's objectives include protection of consumer's interests and the promotion of economic efficiency and cost effectiveness. These two objectives are not conflicting: in fact, they are harmonious. It is undisputed fact that the electricity distribution sector is a natural monopoly and that consolidation – not fragmentation – is the optimal solution for both the industry and the *consumer*.

SUPPLEMENTARY NOTE

If the Board finds, contrary to Hydro One's submissions, that information pertaining to cost allocation and proposed rates is relevant, Hydro One provides the following attachment to further illustrate and substantiate the rate benefits that the previously acquired LDCs (Norfolk, Woodstock and Haldimand) have received as a result of their acquisition by Hydro One.

Hydro One contends that its current distribution rate application demonstrates that residential and general service customers of the recently acquired LDCs are in fact benefiting from Hydro One's proposals to create new acquired rate classes for these customers. Hydro One will be filing new evidence for its current distribution application in December 2017. As part of the new evidence to be filed, Hydro One will be updating the allocation of costs to the new acquired rate classes so as to include distribution stations among the assets whose costs are adjusted to better reflect the actual cost of serving the new acquired rate classes. In addition, the new evidence will also provide a comparison of Hydro One's proposed 2021 and 2022 rates for the new acquired classes versus what the acquired utilities' rates would have been in 2021 and 2022 *had they not been acquired* by Hydro One.

Attachment A provides an extract from the new evidence to be filed by Hydro One in its distribution application. As Attachment A shows, the 2021 total bills proposed by Hydro One for the new acquired residential and general service rate classes are 1.3% to 9.0% lower than they would have been had these

[47] SEC Submissions, p. 4, 5, 7

customers not been acquired by Hydro One. Similarly, in 2022, the total bills proposed by Hydro One are 0.9% to 8.7% lower than they would have been had these customers not been acquired by Hydro One. Attachment A also shows that Hydro One's proposed distribution charges for the new acquired rate classes are generally 2% to 30% lower than if the utilities had not been acquired, except for the general service > 50 kW class in the former Haldimand and Woodstock utilities. As is explained in Hydro One's new evidence for its current distribution application, the higher distribution charges for the general service > 50 kW class reflects the use of updated minimum system values in Hydro One's cost allocation model which more fairly reflects the cost of serving high peak demand customers, as well as the direct allocation of settlement-related costs associated with interval metered customers. However, it is important to note that the higher distribution charges for these classes are more than ***fully offset*** by Hydro One's proposed reduction to the retail transmission service rates for these classes, resulting in lower total bills for these customers.

Hydro One submits that even more benefits will flow to Orillia Power ratepayers through a ten-year deferred rebasing period and an earnings sharing mechanism because such features are not present for ratepayers in the previously acquired LDCs.

All of which is respectfully submitted.

ORIGINAL SIGNED BY MICHAEL ENGELBERG

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Michael Engelberg

Counsel for the Applicant Hydro One Inc.

ATTACHMENT A

Table 1: Comparison of Hydro One 2021 Proposed Acquired Charges and Escalated Acquired Utility Charges

Service Area	Rate Class	Monthly Consumption (kWh/kW)	2021 Escalated Acquired Utility Charges [Note 1]		2021 Hydro One Proposed Charges		2021 Hydro One Proposed VS Escalated Acquired Utility Charges	
			DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill (%)	Total Bill (%)
Woodstock	Residential	750	$35.68	$118.58	$30.78	$115.13	-13.7%	-2.9%
	GS < 50 kW	2,000	$73.77	$304.57	$61.22	$290.83	-17.0%	-4.5%
	GS 50-999 kW	61,239/177	$709.16	$10,522.82	$795.26	$10,312.47	12.1%	-2.0%
Norfolk	Residential	750	$45.24	$127.56	$37.70	$122.75	-16.7%	-3.8%
	GS < 50 kW	2,000	$105.94	$335.23	$74.05	$305.00	-30.1%	-9.0%
	GS 50-4,999 kW	57,223/161	$1,118.11	$10,191.76	$980.44	$9,958.07	-12.3%	-2.3%
Haldimand	Residential	750	$41.42	$125.52	$37.70	$122.75	-9.0%	-2.2%
	GS < 50 kW	2,000	$75.70	$309.14	$74.05	$305.00	-2.2%	-1.3%
	GS 50-4,999 kW	50,917/143	$769.02	$9,008.54	$893.84	$8,884.92	16.2%	-1.4%

Table 2: Comparison of Hydro One 2022 Proposed Acquired Charges and Escalated Acquired Utility Charges

Service Area	Rate Class	Monthly Consumption (kWh/kW)	2022 Escalated Acquired Utility Charges [Note 1]		2022 Hydro One Proposed Charges		2022 Hydro One Proposed VS Escalated Acquired Utility Charges	
			DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill (%)	Total Bill (%)
Woodstock	Residential	750	$35.95	$118.86	$31.59	$115.97	-12.1%	-2.4%
	GS < 50 kW	2,000	$74.39	$305.21	$62.74	$292.41	-15.7%	-4.2%
	GS 50-999 kW	61,239/177	$714.48	$10,528.83	$815.24	$10,335.06	14.1%	-1.8%
Norfolk	Residential	750	$45.64	$127.98	$38.69	$123.78	-15.2%	-3.3%
	GS < 50 kW	2,000	$106.88	$336.20	$76.04	$307.07	-28.9%	-8.7%
	GS 50-4,999 kW	57,223/161	$1,127.73	$10,202.63	$1,005.40	$9,986.27	-10.8%	-2.1%
	Residential	750	$41.85	$125.97	$38.69	$123.78	-7.6%	-1.7%
	GS < 50 kW	2,000	$76.43	$309.90	$76.04	$307.07	-0.5%	-0.9%
	GS 50-4,999 kW	50,917/143	$776.86	$9,017.40	$916.32	$8,910.32	18.0%	-1.2%

Note 1: The acquired utilities are assumed to have filed either annual Price Cap IR adjustments or a Cost of Service/Rebasing application followed by Price Cap IR adjustments from when their rates were last approved. Cost of Service/rebasing applications are assumed to have been filed every five years since their last rebasing consistent with the Board's renewed regulatory framework. For rebasing years, the distribution rates are assumed to increase by 6.3% which represents the OEB-approved average rate increase for all distributors whose rates were rebased in 2015, 2016 and 2017. For the remaining years, the price-cap IR adjustment is applied based on the OEB-approved inflation and utility-specific productivity and stretch factors until 2018, at which point they are held constant.