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Energy | de l'énergie
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BY EMAIL AND WEB POSTING

March 16, 2018

**To: All Participants in EB-2016-0160
All Participants in EB-2017-0049
All Participants in EB-2017-0051
All Other Interested Parties**

**Re: Incentive Rate-setting for Hydro One Networks Inc. Distribution and
Transmission Businesses**

This letter addresses the OEB's expectations regarding future applications for Hydro One distribution rates and transmission revenue requirement.¹

Under the current practice Hydro One's applications are filed separately for the distribution business and for the transmission business, and generally in alternating years. Hydro One also files separate applications for Hydro One Remote Communities Inc. (Hydro One Remotes).

The OEB believes that it is appropriate to consider rates for the distribution businesses (including Hydro One Remotes) and transmission business in a single application. Matters such as corporate costs, taxes, pensions and benefits can be considered as a whole in a single application resulting in regulatory consistency and efficiency.

Hydro One filed a 2018 to 2022 Custom IR application for distribution rates, on March 31, 2017.² Hydro One Remotes filed a cost of service application in 2018,³ and is expected to file its next cost of service application for 2023 rates. The OEB anticipates that Hydro One will file its next transmission revenue requirement application later this year under the Custom IR framework⁴ for the five-year test period 2019 to 2023. In order to align the applications and the test periods, the OEB expects Hydro One to file

¹ The revenue requirement for transmitters is approved by the OEB and this is used to set uniform transmission rates that apply throughout the province.

² OEB File Number EB-2017-0049.

³ OEB File Number EB-2017-0051.

⁴ Decision and Order, Hydro One Networks Transmission, EB-2016-0160, page 109.

the transmission revenue requirement application for a four-year test period from 2019 to 2022.

The OEB further expects Hydro One to file a single application for distribution rates and transmission revenue requirement for the period 2023 to 2027. Although the matter will be heard as a single application, the OEB's final determination will result in separate revenue requirements for the distribution businesses and the transmission business. This approach will be similar in many respect to the OEB's determination of OPG hydroelectric and nuclear payment amounts which are based on separate revenue requirements.⁵

The commencement of the period for the combined application may be affected by the outcomes of the (current) distribution and (upcoming) transmission proceedings.

The OEB requests Hydro One to inform OEB staff of any issues pertaining to technical filing requirements of a single application or any other process matters that may arise as it prepares for the combined application. The OEB will determine how best to obtain stakeholder input on filing requirement or process matters, and provide its guidance as the need arises.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

⁵ OEB Proceedings EB-2007-0905, EB-2010-0008, EB-2013-0321.