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

March 29, 2019

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2701
Toronto, ON M4P 1E4

Dear Ms Walli:

EB-2018-0028 - Energy+ Inc. 2019 Rate Application - Reply Argument of the intervenor Hydro One Networks Inc.

Enclosed is the Reply Argument of the intervenor Hydro One Networks Inc. Paper copies of this letter and the enclosed submission will be delivered to you by courier.

An electronic copy has been submitted using the Board's Regulatory Electronic Submission System.

Yours very truly,

ORIGINAL SIGNED BY MICHAEL ENGELBERG

Michael Engelberg

enc

EB-2018-0028

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* ("the Act")

AND IN THE MATTER OF an Application by Energy+ Inc. under section 78 of the Act for an order approving just and reasonable rates and other charges for electricity distribution to be effective on January 1, 2019

REPLY ARGUMENT
OF THE INTERVENOR HYDRO ONE NETWORKS INC.

1. Hydro One Networks Inc. ("Hydro One") submits this Reply Argument in response to the Argument-in-Chief of the Applicant, Energy+ Inc. ("Energy+), dated March 15, 2019.

2. As stated by Energy+ in its Argument-in-Chief, the Board outlined its cost allocation policies in its report dated November 28, 2007 ("Application of Cost Allocation for Electricity Distributors" in EB-2007-0667) and in its Report dated March 31, 2011 ("Review of Electricity Distribution Cost Allocation Policy" in EB-2010-0219.

3. The direct allocation of costs to distributors was explicitly examined in detail in EB-2010-0219 and documented in the above-mentioned Report dated March 31, 2011, wherein the Board confirmed the appropriateness of using direct allocation for embedded distributors, using the methodology subsequently included as appendix 2-Q in the Chapter Filing Requirements. As the Board stated at page 31 of the Report, the direct allocation methodology "provides an appropriate basis for estimating the costs to be allocated to an embedded distributor customer class."

4. As also stated by Energy+ in its Argument-in-Chief, the Applicant used the 2018 version of the cost allocation model release by the Board on July 14, 2017.

5. Hydro One supports the following aspects of the Application:

(a) Energy+'s proposal to use the Ontario Energy Board's ("the Board's) cost allocation model to allocate costs to the embedded distributor rate classes of Hydro One, as well as to the embedded distributor rate classes of Waterloo North Hydro Inc. and Brantford Power Inc.;

(b) Energy+'s proposal, confirmed in paragraph 7 of Energy+'s Argument-in-Chief, regarding charging Retail Transmission Service Rates ("RTSR") to the embedded distributor classes, subject to the clarification in Energy+'s response to Technical Conference undertaking JTC 1.4, which confirms Energy+'s position that it would not be appropriate for the Hydro One BCP #2 embedded class to pay RTSR; and

(c) Energy+'s proposal, confirmed in paragraph 76 of Energy+'s Argument-in-Chief, regarding their intent to charge LV to their rate classes as per s. 8.2.6 of Exhibit 8, which does not allocate LV costs to the embedded distributor classes. Energy+'s proposal appropriately reflects that LV costs are upstream (host utility) costs associated with serving Energy+'s end-use customers and should not be charged to Energy+'s embedded distributors. To do so would effectively and inappropriately shift costs to another utility's end-use customers.

6. Although Hydro One is, of course, making these submissions only on behalf of itself and its ratepayers, the fact is that the two other embedded distributors (Waterloo North Hydro Inc. and Brantford Power Inc.) and their ratepayers have also not been subject to LV charges in the past.

7. Hydro One's settlement arrangement with Energy+ ensures that none of Hydro One's load that is embedded within Energy+ contributes to the ST charges that Hydro One levies to Energy+, which are the driver for the bulk of Energy+'s LV costs. The result is that the ST charges truly reflect the costs associated with serving Energy+'s end-use customers and therefore should not be allocated to the end-use customers of embedded distributors.

8. Energy+'s total LV costs in 2019 are $507,967 [1] and the embedded distributor classes[2] contribute only $41,445 [3], or less than 8.2% of that total amount. As such, it is not reasonable that all embedded distributor classes should pay for the recovery of LV costs that are 92% driven by the electricity needs of Energy+'s own end-use customers.

9. Hydro One therefore submits that the Board should approve the Applicant's proposal regarding the treatment of RTSR and LV charges.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

ORIGINAL SIGNED BY MICHAEL ENGELBERG

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Michael Engelberg
Counsel to the intervenor Hydro One Networks Inc.

[1] Undertaking JTC1.6.
[2] Specifically only the Hydro One BCP#2 embedded class contributes to Energy+'s LV costs. The other Hydro One, Waterloo North and Brantford embedded classes do not contribute anything to Energy+'s LV costs.
[3] Undertaking J1.3.