



BY EMAIL

April 23, 2019

To: All Parties in EB-2017-0049

Re: Hydro One Networks Inc. – Distribution Draft Rate Order

The OEB is in receipt of correspondence from the School Energy Coalition (SEC),¹ an intervenor in this proceeding, the Vulnerable Energy Consumers Coalition (VECC),² also an intervenor in this proceeding, and Hydro One³ related to SEC's concern that the draft rate order (DRO) provided by Hydro One lacks material information and documentation necessary for the OEB and the parties to consider it, contrary to the OEB's direction.

SEC, supported by VECC, expressed a concern that Hydro One had provided inadequate information and documentation with respect specifically to the question of costs that should not be borne by legacy customers arising from the OEB's findings related to the Acquired Utilities.

SEC stated that it was not necessary for the OEB to determine at the present time the issue of the proper costs to be excluded from the legacy customers' revenue requirement, but in order for parties to make submissions and the OEB to make its determination, it was necessary that the OEB order Hydro One to refile the DRO with the information requested by SEC in its letter of March 12, 2019. VECC supported SEC's request.

In its letter of April 10, 2019, Hydro One responded to SEC by arguing that SEC's request is at odds with the OEB's findings in this proceeding and, as well, the information sought by SEC does not exist. As such, Hydro One stated that fulfilling SEC's request would necessitate the creation of new evidence, based on information that was not on the record in the proceeding which would in turn necessitate a further hearing to review and test the evidence put forward.

¹ March 12, 2019 and April 8, 2019.

² April 11, 2019.

³ March 13, 2019 and April 10, 2019.

Hydro One argued however that none of this new evidence was necessary as it would impact neither: (1) the justness and reasonableness of the underlying costs derived from the approved revenue cap index (RCI) methodology, nor (2) the OEB's findings that for rate design purposes, such amounts may not be allocated to customers of the Acquired Utilities in any part of the test period. As such, Hydro One concluded that even if the new evidence was created, and a further hearing held, it would not have an impact on the DRO and therefore the OEB should not make the order requested by SEC.

The OEB will not require Hydro One to provide the material requested by SEC and VECC at this time. As noted in the OEB's Decision and Order,⁴ the Acquired Utilities are small in comparison to the rest of Hydro One. Furthermore, Hydro One's proposed integration of the Acquired Utilities, which the OEB rejected, was only for the last two years of the term (2021, 2022). The OEB does not consider the magnitude and duration of any impact to legacy customers to be significant enough to incur the additional costs and time delays that would result from granting the requests of SEC and VECC.

The OEB's findings in the Decision and Order highlighted that Hydro One had not maintained the records of the cost to serve the Acquired Utilities to inform the rate-setting process, as required by the MAADs Decisions.⁵ It is not surprising therefore that Hydro One stated in its response letter that the information sought by SEC does not exist. The OEB expects that questions of cost allocation for the Acquired Utilities will be examined in detail as part of Hydro One's next rebasing application, expected for 2023 rates.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

⁴ EB-2017-0049 Decision and Order, p. 24

⁵ EB-2013-0196/EB-2013-0187/EB-2013-0198 (Norfolk), EB-2014-0244 (Haldimand) and EB-2014-0213 (Woodstock).