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July 4, 2019

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

Re: Hydro One Networks Inc. Application for Approval of the Allocation of Construction Costs of the Supply to Essex County Transmission Reinforcement ("SECTR") Project
Board File No.: EB-2019-0120

Dear Ms. Walli,

This letter is the written submission of the Entegrus Powerlines Inc. ("EPI") in the above-noted matter.

Background

EPI participated as an intervenor in the SECTR Leave to Construct ("LTC") application (EB-2013-0421), as one of three embedded distributors from which Hydro One initially sought an aggregate of $19.5M of capital contributions for the project.

The EB-2013-0421 application advanced Hydro One's initial proposal in 2014 to establish the proportional benefit approach to the allocation of transmission level reinforcement costs. Central to the deliberations in that proceeding were the downstream impacts on customers of Hydro One's proposed allocation. As part of the "E3 Coalition" in that proceeding, EPI was involved in sponsoring evidence regarding the downstream impacts on its delivery rates, and those of the other directly impacted distributors (Essex Powerlines and E.L.K. Energy).

As the EB-2013-0421 proceeding progressed through discoveries and the filing of the E3 Coalition evidence, Hydro One's evidence on the proposed aggregate embedded distributor capital contributions was updated such that the forecast contributions dropped from $19.5M to $5.1M.

Ultimately the Hearing Panel in the EB-2013-0421 application determined that the cost allocation issues raised in the proceeding merited a more generic review. Accordingly, while the SECTR project was granted leave to construct, further deliberation on the allocation of costs of the project was deferred pending review of the treatment of such allocations in the Transmission System Code ("TSC") and Distribution System Code ("DSC"). EPI subsequently participated in the associated Board Working Group, which included strong focus on downstream cost allocations. The Board then initiated a comprehensive code amendments process to consider this topic, which culminated in the code amendments of December 2018 (EB-2016-0003).

Subsequent inquiries on behalf of E3 led to the understanding that the SECTR capital contributions sought from embedded distributors would likely be $Nil, due to an increase in load from Hydro One distribution greenhouse customers who are driving the reinforcement, as well as the significant decline in SECTR project costs versus the original EB-2013-0421 estimate. EPI has attempted in this proceeding to confirm that understanding, but Hydro One has declined to answer our associated interrogatories, asserting instead that downstream, delivery ratepayer impacts of its proposed allocation are out of scope for this proceeding. EPI also sought information related to the basis for the usage of the proportional benefit approach for allocation of SECTR project costs, based on EPI's understanding that since the SECTR assets were placed into service in March 2018, prior to the TSC/DSC amendments coming into force on December 18, 2018, these code amendments did not apply to the SECTR assets. These inquiries too were deemed by Hydro One to be *"beyond the scope of this application".*

Submission

Importantly, Hydro One further noted in its responses to EPI's interrogatories that *"… there is no parallel requirement in the DSC for prior Board review and approval where distributors [i.e. Hydro One Distribution] attribute costs to their customers in accordance with the cost recovery provisions of the DSC."*

If this position is correct, and Hydro One's responses to EPI's interrogatories are accepted, then there is no venue in which EPI can obtain information, and as appropriate make submissions, on behalf of itself and its customers, on the downstream impacts of the allocation proposed in this proceeding by Hydro One. This seems to EPI to be an inappropriate conclusion, and one in marked contrast to the initial EB-2013-0421 proceeding, where all capital contributions and associated customer impacts were central to the discussion.

Accordingly, EPI requests that Hydro One, in its reply submissions;

1. Indicate if embedded distributor and large load customer capital contributions are expected to be $Nil or minimal, as most recently anticipated by EPI; and

2. If such is not the case, provide the Board with some information on the anticipated downstream delivery rate impacts of its proposed allocation, and if such delivery rate impacts are material to discuss options for mitigation of those impacts, and in particular to preclude "rate shock" if such is anticipated to be the case.

To this end, EPI notes that load forecasts and calculations to determine the associated delivery rate impacts were provided by each of the impacted embedded distributors in the EB-2013-0421 proceeding, and this information is on the public record and could readily be used by Hydro One as a proxy to establish, as an order of magnitude at least, the likely downstream impacts of its proposed allocation of SECTR costs. In doing so Hydro One should explain the material assumptions which it makes in applying the data provided at that time by EPI and the other directly impacted distributors to updated calculations of downstream allocative impacts.

EPI submits that the Board should have this information in deliberating on the allocation proposed herein, to ensure that all customer interests are recognized and considered in the decision to be made.

All of which is submitted respectfully.

Sincerely,

[Original signed by]

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