



Hydro One Networks Inc.

**Application for electricity transmission rates for the
period from January 1, 2020 to December 31, 2022**

**PROCEDURAL ORDER NO. 4
August 22, 2019**

Hydro One Networks Inc. (Hydro One Networks) filed a custom incentive rate-setting application with the Ontario Energy Board (OEB) on March 21, 2019 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Hydro One Networks charges for electricity transmission, to be effective January 1, 2020 and for each following year through to December 31, 2022.

Procedural Order No. 1, issued on May 30, 2019, set out a schedule of procedural steps including a direction that OEB staff either file a proposed issues list for the OEB's consideration, or advise in writing that parties and OEB staff were unable to reach an agreement.

On August 20, 2019, OEB staff filed a letter with the OEB stating that parties had been unable to reach a full agreement on a proposed issues list as there was one disputed issue. The letter also included a proposed issues list, which highlighted issue 8 as the disputed issue:

What is the status of Hydro One's joint work with the IESO to explore cost effective line loss reduction opportunities and to report on those initiatives?

This issue was proposed by Environmental Defence and opposed by Hydro One Networks.

On August 22, 2019, the OEB received a letter on this matter from Environmental Defence, which provided an explanation of its position. Environmental Defence noted that the OEB had added a transmission losses issue to the issues list in the 2018 IESO

proceeding¹ and stated that adding a specific transmission losses issue in this Hydro One proceeding would be consistent with the OEB's decision in the IESO proceeding.

Alternatively, Environmental Defence stated that transmission losses could potentially be dealt with under issue 1 in the proposed issues list, which is as follows: "Has Hydro One responded appropriately to all relevant Ontario Energy Board ("OEB") directions from previous proceedings?"

Environmental Defence stated that it was requesting either confirmation that the proposed issues list allows it to explore the appropriateness of Hydro One's responses to the OEB's directions regarding transmission losses, or the inclusion of disputed issue 8 as discussed above.

The OEB is establishing a process for written submissions and reply submissions on the disputed issue. After reviewing the submissions, the OEB will issue a final issues list. Only matters that are on the final issues list will be considered in this proceeding.

The OEB will adopt the remaining proposed issues, with two amendments. The OEB will revise issue 14 and add a new issue 11, and will renumber the other issues accordingly once a final determination is made related to disputed issue 8.

New Issue 11

New Issue 11 is as follows:

11. Is the proposed capitalization of other post-employment benefits (OPEB) for both Hydro One Transmission and Hydro One Distribution appropriate, and if not, what is the appropriate approach for these costs?

In the Decision for Hydro One Distribution² the OEB stated:

The OEB previously determined that it would not make a determination on the capitalization of OPEB costs in this proceeding. The OEB is establishing the deferral account requested by Hydro One to record the OPEB costs included in Hydro One's forecasts that can no longer be capitalized as a result of the ASU 2017-07 standard. This account allows all regulatory options to be considered in a future proceeding. The account is not intended to result in any true-up between

¹ EB-2018-0143, *Decision on Issues List and Procedural Order No. 2*, July 30, 2018, p.5.

² EB-2017-0049, *Decision and Order*, March 7, 2019, p. 170.

Hydro One's actual and forecast OPEB costs. The account is effective January 1, 2018, the date when the accounting standard changed.

The deferral account will be in effect until the OEB has made a determination on this matter, which is expected to occur in Hydro One's next rebasing transmission rate proceeding. The OEB established a similar deferral account for Hydro One's transmission operations.

Hydro One is expected to file the necessary evidence in its next rebasing transmission rate proceeding to permit this matter to be determined for both Hydro One's transmission and distribution operations, as outlined in the OEB's letter of June 27, 2018.

Given the OEB's expectation that it will make a determination in this proceeding on the appropriateness of the capitalization of OPEB's for both Hydro One Transmission and Hydro One Distribution, the OEB concludes that it is appropriate to include a separate issue on this matter.

Revised Issue 14

For Issue 14, the OEB is expanding the issue to make clear that the impact of the Accelerated Investment Incentive should be considered. The revised issue 14 is as follows:

14. Are the amounts proposed to be included in the revenue requirement for income taxes appropriate, including consideration of the Accelerated Investment Incentive (Federal Bill C-97)?

The OEB also confirms that the issue of future tax savings resulting from the Government of Ontario's decision to sell its ownership interest in Hydro One Limited by way of an Initial Public Offering (IPO) on October 28, 2015 will not be re-litigated in this proceeding. The OEB determined an allocation of these future tax savings as part of a previous transmission rate proceeding,³ and upheld this decision as part of a motion to review⁴ (Tax Savings Motion decision). This matter is now the subject of an appeal to the Divisional Court.

³ EB-2016-0160

⁴ EB-2018-0269

The OEB expects Hydro One Networks to apply the OEB's findings from the Tax Savings Motion decision in this proceeding.

The approved issues list will be issued following the OEB's decision on issue 8.

It is necessary to make provision for the following matters related to this proceeding.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Environmental Defence may make any additional submissions it considers necessary supporting its position with the OEB, and serve them on all parties by **August 29, 2019**.
2. OEB staff, intervenors and Hydro One Networks shall file any submissions with the OEB stating their position with supporting reasons for issue 8's inclusion or exclusion from the issues list, and served on all parties by **September 5, 2019**.
3. Environmental Defence shall file any reply submissions, with the OEB and served on all parties by **September 12, 2019**.

All filings to the OEB must quote the file number, EB-2019-0082, be made in searchable/unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <https://www.oeb.ca/industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Martin Davies at Martin.Davies@oeb.ca, and OEB Counsel, James Sidlofsky at James.Sidlofsky@oeb.ca and Ljuba Djurdjevic at Ljuba.Djurdjevic@oeb.ca.

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DATED at Toronto, **August 22, 2019**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary