

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5680
Fax: (416) 568-5534
Frank.dandrea@HydroOne.com



Frank D'Andrea

Vice President, Regulatory Affairs & Chief Risk Officer

BY COURIER, RESS AND COURIER

November 8, 2019

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long,

**EB-2019-0043– Hydro One Networks' 2018-2022 Distribution Rate Application – 2020
Annual Rate Update (EB-2017-0049) – Interrogatory Responses**

Please find attached Hydro One Networks Inc.'s ("Hydro One") responses to interrogatories received in the above-noted proceeding.

This filing has been submitted electronically using the Board's Regulatory Electronic Submission System and two (2) hard copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

OEB INTERROGATORY #1

Reference:

Exhibit 2.0 Rate Design

Interrogatory:

Hydro One provided the 2020 revenue requirement by rate class in Exhibit 2.0.

- a) Please explain how revenue requirement was allocated to rate classes in column B of Exhibit 2.0.

Response:

- a) The response below is provided in reference to the Annual Update submitted on August 30, 2019.

To clarify, the interrogatory response refers to column B in Exhibit 2.0, which is the allocated cost by rate class and in total is equivalent to revenue requirement. The total allocated cost increased by 2.26% from 2019 to 2020. The details of the increase in total revenue requirement are shown in Exhibit 2.0 and reproduced in the table below:

Rate Year	Reference	Allocated Cost
2019	2020 Annual Update, Table 2	\$1,497,859,890
2020	2020 Annual Update, Table 2	\$1,531,697,495
%	2020 / 2019	102.26%

The 2020 allocated cost amounts by rate class shown in Column B of Exhibit 2.0 are determined by increasing the 2019 allocated cost in Exhibit 4.0, Column B, EB-2017-0049 Draft Rate Order (filed on April 5, 2019) by 2.26% for each rate class. This is the methodology approved by the OEB for establishing the rates in years 2019 to 2022 of the CIR period.

Hydro One has updated labels in columns A, B and X in Exhibit 2.0 to clearly identify the inputs to Column B, and filed as Attachment 1 to this response.

2020 Rate Design Including 4th Year of Residential Phase-in to All-Fixed Rates

	Number of Customers	GWh	kWs	Revenue - with 2019 Rates and 2020 Charge Determinants	2019 Revenue	Revenue	Alloc Cost	Misc Rev	Revenue from Rates	2019 R/C Ratio	R/C Ratio	Target 2020 R/C Ratio	Total rev to be collected	Shifted Rev	% Change in revenue from rates	Base Fixed Charge (\$/month)	Revenue from Fixed Charge	Fixed Rev %	Revenue from Volumetric Charge	Base Volumetric Charge (\$/kWh)	Base Volumetric Charge (\$/kW)	CSTA Rate Adders (\$/kW)	Hopper Foundry Rate Adder (\$/kW)	Total Volumetric Charge (\$/kW)
				(Y)	(Z)	(A=Y*X _{RevReq})	(B=B ₂₀₁₉ *X _{AllocCost})	(C=C ₂₀₁₉ *X _{MiscRev})	(D=A-C)	(E)	(F=A/B)	(G)	(H=BxG)	(I=H-A)	(J=I/D)		(K= (H - C) x M)	(M)	(L=H-C-K)					
UR		232,510	1,908	\$ 98,477,943	\$ 97,456,815	\$ 100,684,724	\$ 91,427,572	\$ 4,326,422	\$ 96,358,302	1.090	1.101	1.101	\$ 100,684,724	-	0%	\$ 31.91	\$ 89,039,437	92%	\$ 7,318,865	\$ 0.0038				
R1		455,259	4,569	\$ 324,449,338	\$ 322,399,985	\$ 331,719,888	\$ 299,280,766	\$ 11,528,018	\$ 320,191,871	1.102	1.108	1.107	\$ 331,281,769	(438,120)	0%	\$ 43.36	\$ 236,874,143	74%	\$ 82,879,608	\$ 0.0181				
R2		331,843	4,207	\$ 529,759,700	\$ 529,373,358	\$ 541,631,029	\$ 556,655,595	\$ 14,081,018	\$ 527,550,010	0.972	0.973	0.973	\$ 541,631,029	-	0%	\$ 101.69	\$ 404,939,644	77%	\$ 122,610,366	\$ 0.0291				
Seasonal		148,345	562	\$ 111,007,759	\$ 111,464,023	\$ 113,495,321	\$ 105,032,817	\$ 2,734,383	\$ 110,760,937	1.085	1.081	1.081	\$ 113,495,321	-	0%	\$ 44.39	\$ 79,026,860	71%	\$ 31,734,077	\$ 0.0565				
GSe		87,464	2,120	\$ 164,384,685	\$ 166,424,349	\$ 168,068,364	\$ 174,670,722	\$ 4,436,998	\$ 163,631,367	0.974	0.962	0.962	\$ 168,068,364	-	0%	\$ 31.51	\$ 33,071,874	20%	\$ 130,559,493	\$ 0.0616				
GSd		5,320	2,401	\$ 141,340,709	\$ 141,954,753	\$ 144,507,998	\$ 163,839,580	\$ 2,451,497	\$ 142,056,501	0.886	0.882	0.882	\$ 144,507,998	-	0%	\$ 105.21	\$ 6,716,004	5%	\$ 135,340,497		\$ 17.5554	\$ 0.0650	\$ 0.0085	\$ 17.6289
UGe		18,123	591	\$ 22,948,112	\$ 23,037,678	\$ 23,462,354	\$ 23,579,643	\$ 749,908	\$ 22,712,446	0.999	0.995	0.995	\$ 23,462,354	-	0%	\$ 24.76	\$ 5,385,332	24%	\$ 17,327,115	\$ 0.0293				
UGd		1,746	1,016	\$ 28,224,368	\$ 28,548,646	\$ 28,856,845	\$ 32,512,096	\$ 528,228	\$ 28,328,617	0.898	0.888	0.888	\$ 28,856,845	-	0%	\$ 97.68	\$ 2,046,592	7%	\$ 26,282,025		\$ 10.0862	\$ 0.0650		\$ 10.1512
St Lgt		5,541	99	\$ 10,550,040	\$ 10,536,461	\$ 10,786,455	\$ 11,593,452	\$ 318,569	\$ 10,467,886	0.929	0.930	0.930	\$ 10,786,455	-	0%	\$ 3.38	\$ 224,791	2%	\$ 10,243,094	\$ 0.1030				
Sen Lgt		22,274	13	\$ 5,548,520	\$ 5,561,951	\$ 5,672,856	\$ 5,951,239	\$ 3,064,206	\$ 2,608,650	0.956	0.953	0.953	\$ 5,672,856	-	0%	\$ 2.64	\$ 706,394	27%	\$ 1,902,256	\$ 0.1435				
USL		5,555	30	\$ 3,392,853	\$ 3,372,328	\$ 3,468,883	\$ 2,920,780	\$ 106,851	\$ 3,362,031	1.181	1.107	1.107	\$ 3,233,088	(235,794)	-7%	\$ 36.15	\$ 2,409,642	77%	\$ 716,595	\$ 0.0241				
DGen		1,356	29	\$ 4,419,565	\$ 4,125,961	\$ 4,518,602	\$ 6,652,240	\$ 145,112	\$ 4,373,490	0.634	0.679	0.781	\$ 5,192,517	673,914	15%	\$ 192.28	\$ 3,129,391	62%	\$ 1,918,014		\$ 9.1407	\$ 0.0650		\$ 9.2057
ST		813	15,026	\$ 53,622,553	\$ 53,603,582	\$ 54,824,175	\$ 57,580,994	\$ 1,046,899	\$ 53,777,277	0.952	0.952	0.952	\$ 54,824,175	-	0%	\$ 1,031.51	\$ 10,061,849	19%	\$ 43,715,427		N/A **			N/A **
1,316,150		32,572	39,272,650	\$ 1,498,126,145	\$ 1,497,859,890	\$ 1,531,697,495	\$ 1,531,697,495	\$ 45,518,109	\$ 1,486,179,385				\$ 1,531,697,495	\$ 0			\$ 873,631,952		\$ 612,547,433					

** ST rates are listed in Exhibit 2.1

Total Rev (K+L) \$ 1,486,179,385
Misc Rev (C) \$ 45,518,109
Total Rev Req \$ 1,531,697,495

2020 Adjustments (from 2019 Revenue Requirement) by Rate Class			
	2019 (V)	2020 (W)	% (X=W/V)
Revenue Requirement (see notes)	\$ 1,498,126,145	\$ 1,531,697,495	102.24%
Alloc Cost	\$ 1,497,859,890	\$ 1,531,697,495	102.26%
Misc Revenue	\$ 45,332,042	\$ 45,518,109	100.41%

Notes:
2019: Revenue with 2019 rates, as shown in EB-2017-0049 Draft Rate Order Exhibit 4.0 Worksheet "2019" filed on April 5, 5019, and 2020 charge determinants
2020: 2020 Revenue before rate design adjustments, summarized in Table 2 of this annual update.

OEB INTERROGATORY #2

Reference:

Hopper Foundry and Transformer Cost Allowance Rate Adders

Interrogatory:

Hydro One stated that the forecast lost revenue related to Hopper Foundry is \$65,227 and results in a rate adder of \$0.0085 per kW. The customer supplied transformer allowance (CSTA) rate rider for 2020 reflects the forecast CSTA credit of \$683,724 and results in a rate rider of \$0.0650 per kW.

- a) Please explain how Hydro One forecast the lost revenue related to Hopper Foundry.
- b) Please explain how Hydro One forecast the CSTA credit.

Response:

- a) Per the methodology approved by the OEB for setting rates for 2018 to 2022, the \$65,227 forecast for 2020 lost revenue related to Hopper Foundry is the difference between the 2020 revenue calculated using the 2020 GSd distribution rates applied to Hopper Foundry's actual 2016 kW billing determinants determined on a time-of-use basis, compared to the revenue calculated using the 2020 GSd distribution rates applied to Hopper Foundry's actual 2016 metered monthly kW peaks.
- b) Per the methodology approved by the OEB for setting rates for 2018 to 2022, the forecast CSTA credit is Hydro One's currently approved Transformer Ownership Allowance at the rate of \$0.60/kW applied to its forecast 2020 CSTA kW billing determinants. The forecast 2020 CSTA kW billing determinants are set in proportion to the actual 2015 kW billing determinants associated with customers that provide their own transformation equipment for each demand-billed rate class. The calculation for the 2020 CSTA credit is shown in the table below:

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Exhibit I

Tab 1

Schedule 2

Page 2 of 2

Rate Class	Portion of Total kW Billing Determinants Associated with Customers Eligible for CSTA (2015 Actual)	Total Forecast 2020 kW Billing Determinants	Forecast 2020 CSTA kW	CSTA Credit Amount to be Recovered in 2020 Rate Year
	(A)	(B)	(C=A*B)	(D=C*\$0.60/kW)
Dgen	83%	209,833	173,676	\$ 104,206
GSd	9%	7,709,334	665,062	\$ 399,037
UGd	12%	2,605,735	300,802	\$ 180,481
Total		10,524,902		\$ 683,724

OEB INTERROGATORY #3

Reference:

Specific Service Charge

Interrogatory:

- a) Please clarify whether Hydro One proposes any changes to the specific service charges for the 2020 rate year.
- i. If so, please specify all proposed changes and explain the basis for the change(s).

Response:

- a) The response below is provided in reference to the Annual Update submitted on August 30, 2019.

Hydro One will implement the approved 2020 Specific Service Charges consistent with the OEB Decision in EB-2017-0049 Section 3.9.6.

Hydro One also intends to adjust the Retail Service Charges and Pole Attachment Charges for Telecom by the OEB's inflation factor.

- i. The changes to Retail Service Charges and Pole Attachment Charges for Telecom are in accordance with the OEB's Report on Energy Retailer Service Charges dated on November 29, 2018, and the OEB's Report on Wireline Pole Attachment Charges dated March 22, 2018, respectively, filed as a part of proceeding EB-2015-0304.

The approved changes to Hydro One's specific service charges are listed below. The basis for these changes are provided in EB-2017-0049 Exhibit H1, Tab 2, Schedule 3, and EB-2017-0049 Oral Hearing Transcript Volume 10 June 26, 2018 p 91 lines 22-28, p 92 lines 1-5.

These changes to Specific Service Charges were reflected in Hydro One's External Revenue forecast for 2018 to 2022 submitted in EB-2017-0049 DRO Exhibit 1.6 (April 5, 2019).¹

¹ External Revenue for 2021 and 2022 was updated in the EB-2017-0049 DRO Reply Submission section 9.2 (April 9, 2019) related to the Acquirers' external revenue.

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Exhibit I

Tab 1

Schedule 3

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Approved Changes to Specific Service Charges for 2020 Rate Year		
	2019	2020
Customer Administration		
Easement letter - letter request	\$ 88.29	89.67
Other		
Additional service layout fee - basic/complex (more than one hour)	\$ 569.51	577.91
Pipeline crossings	\$ 2396.75	2,430.28
Water crossings	\$ 3570.65	3,618.57
Railway crossings	\$ 4760.48 plus Railway Feedthrough Costs	4,830.33 plus Railway Feedthrough Costs
Overhead line staking per meter	\$ 4.24	4.30
Underground line staking per meter	\$ 3.05	3.09
Subcable line staking per meter	\$ 2.66	2.70
Conversion to central metering <45 kw	\$ 1533.47	1,572.92
Conversion to central metering >=45 kw	\$ 1453.47	1,472.92
Connection impact assessments - net metering	\$ 3192.85	3,239.70
Connection impact assessments - embedded LDC generators	\$ 2873.57	2,921.93
Connection impact assessments - small projects <= 500 kw	\$ 3266.07	3,315.83
Connection impact assessments - small projects <= 500 kw, simplified	\$ 1971.27	2,001.42
Connection impact assessments - greater than capacity allocation exempt projects - capacity allocation required projects	\$ 8641.91	8,765.05
Connection impact assessments - greater than capacity allocation exempt projects - TS review for LDC capacity allocation required projects	\$ 5,727.89	5,817.80
Specific Charge for LDCs Access to the Power Poles (\$/pole/year)		
LDC rate for 10' of power space	\$ 86.56	87.90
LDC rate for 15' of power space	\$ 103.88	105.48
LDC rate for 20' of power space	\$ 115.42	117.20

LDC rate for 25' of power space	\$ 123.66	125.57
LDC rate for 30' of power space	\$ 129.85	131.85
LDC rate for 35' of power space	\$ 134.66	136.73
LDC rate for 40' of power space	\$ 138.50	140.64
LDC rate for 45' of power space	\$ 141.65	143.83
LDC rate for 50' of power space	\$ 144.27	146.50
LDC rate for 55' of power space	\$ 146.49	148.75
LDC rate for 60' of power space	\$ 148.40	150.68
Specific Charge for Generator Access to the Power Poles (\$/pole/year)		
Generator rate for 10' of power space	\$ 86.56	87.90
Generator rate for 15' of power space	\$ 103.88	105.48
Generator rate for 20' of power space	\$ 115.42	117.20
Generator rate for 25' of power space	\$ 123.66	125.57
Generator rate for 30' of power space	\$ 129.85	131.85
Generator rate for 35' of power space	\$ 134.66	136.73
Generator rate for 40' of power space	\$ 138.50	140.64
Generator rate for 45' of power space	\$ 141.65	143.83
Generator rate for 50' of power space	\$ 144.27	146.50
Generator rate for 55' of power space	\$ 146.49	148.75
Generator rate for 60' of power space	\$ 148.40	150.68

OEB INTERROGATORY #4

Reference:

Application, page 15 of 28

Interrogatory:

At the above reference, Hydro One proposes to dispose of the Group 1 DVA balances for Hydro One Distribution, Norfolk Power Distribution Inc., Haldimand County Hydro Inc., and Woodstock Hydro Services Inc. collectively as part of its 2021 CIR update.

- a) Please explain how Hydro One plans to dispose of the Group 1 DVAs collectively given that the Hydro One Acquired Utilities file a separate Price Cap IR rate application, including Group 1 DVA disposition, and that the tariff sheets are to remain separate.
- b) Does Hydro One expect that the Decision on its 2021 Distribution Rates CIR Update proceeding will opine on the accuracy of the Acquired Utilities' DVA balances when currently they are being addressed through a separate proceeding?

Response:

- a) At the reference above, the intended meaning of “collectively” was “at the same time” rather than “within the same application”. The approval of the total regulatory balance in the Group 1 DVA accounts and the allocation of the balance between Hydro One and the Acquired Utilities as part of Hydro One’s distribution application is necessary before disposition can proceed for the individual acquired utilities under a separate application. For ease of reference, the total DVA balance and the allocation between Hydro One and the Acquired Utilities will be presented in both applications. The tariff sheets are to remain separate.
- b) No. As stated in a) above, Hydro One’s expectation is that the OEB will first approve the total regulatory balance in the Group 1 DVA accounts and the allocation of the balance between Hydro One and the Acquired Utilities in Hydro One’s 2021 CIR update. The OEB Panel overseeing the Acquired Utilities’ 2021 Price Cap IR update will then render their decision separately for these utilities.

OEB INTERROGATORY #5

Reference:

Application, page 15 of 28

Interrogatory:

At the above reference, Hydro One indicates that it has yet to implement the OEB's February 21, 2019 accounting guidance related to accounts 1588 and 1589.

a) Please confirm that Hydro One intends to apply this accounting guidance retroactively from the date that accounts 1588 and 1589 were last disposed (i.e. December 31, 2014).

Response:

As stated previously, Hydro One is in the process of exploring the appropriate technology solutions and accounting considerations to allow it to obtain the necessary data from its billing system and the Meter Data Management Repository ("MDMR") system. Hydro One is also exploring the possibility of having access to historical meter read data and assessing the overall cost benefit of getting access to historical data (if available) and being able to implement the accounting guidance retroactively. Hydro One will provide the OEB with regular updates in this regard.