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June 11, 2020

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

RE: EB-2019-0082 - London Property Management Association Submissions on Hydro One Networks Inc. Draft Rate Order

In the Decision and Order dated April 23, 2020 in the above noted proceeding, the Ontario Energy Board ("Board") made provision for the filing of comments on the Draft Rate Order ("DRO") no later than June 11, 2020. These are the comments of the London Property Management Association ("LPMA") on the Hydro One Networks Inc. ("HONI") DRO that was filed on May 28, 2020.

LPMA believes that HONI has accurately and appropriately calculated the revenue requirement and charge determinants based on the Board's Decision and Order. While LPMA has not reviewed all of the detailed calculations used to reflect the Board's decision, it appears that the individual impacts identified in the DRO are reasonable.

LPMA does have a number of comments on three aspects of the DRO and are set out as follows.

Capital In-Service Variance Account Modification

First, as indicated on page 5 of the DRO, HONI has proposed a modification to the Capital In-Service Variance Account ("CISVA"). This modification is described in detail in Section 6.5 of the DRO. The requested modification and the rationale for it are set out at pages 29 to 31 of the DRO.

HONI is requesting a departure from the Board approved methodology of dealing with this account to address the potential future impacts of COVID-19 on their work plan. The proposal would effectively allow HONI to catch-up on any work that it has planned for 2020 but which is not completed during 2020 as a result of the COVID-19 pandemic

and pushed into 2021. HONI would not perform the CISVA calculation for 2020 and the calculation for 2021 would be based on the cumulative sum of the 2020 and 2021 in-service additions. HONI further proposes that if the 2020 and 2021 in-service additions have been materially impacted by the COVID-19 pandemic, that the relief requested above would be extended to 2022.

LPMA submits that the Board should deny this deviation from the Board decision with respect to the operation of the CISVA. Due to the timing of the COVID-19 pandemic, no evidence was presented to support the need for this proposal or to allow interested parties to examine such a proposal. Further, HONI has not provided any methodology in the DRO that could be used to distinguish in-service additions being delayed from 2020 to 2021 or 2022 as a result of the COVID-19 or for other reasons.

LPMA further notes that the Board has a consultation that is currently under way (EB-2020-0133) that deals with the impacts arising from the COVID-19 emergency. LPMA submits that Hydro One is free to bring forward the CISVA in that consultative when, and if, there is a material issue that impacts the CISVA balance, rather than dealing with a potential issue as part of the DRO. Parties would then be able to examine the reduction in in-service additions to determine what proportion was related to COVID-19 impacts.

Implementation Alternatives

HONI has proposed three alternatives to the implementation of rates effective July 1, 2020 (DRO, page 39).

The default approach is to update rates effective July, 2020 and the January to June 2020 foregone revenue of $28.1 million over the six-month period of July through December, 2020.

The first alternative proposed would see rates updated effective July 1, 2020, but the collection of the January to June 2020 foregone revenue of $28.1 million would be delayed to January 1, 2021 and would then be collected over a year.

Alternatives two and three would delay the implementation of new rates until January 1, 2021. The second alternative would include the recovery of the 2020 foregone revenue of $57.1 million over a period of one year, while the third alternative would in the recovery of this foregone revenue over a two-year period.

LPMA submits that the Board should adopt the default approach and implement the new rates effective July 1, 2020. As shown in Table 11 in the DRO, the impact is 0% on a distribution customer bill regardless of which of the alternatives is used in 2020. The impact on a transmission customer bill is only 0.5%. The impact on all customers (distribution and transmission) is not significantly different across the 2020 through 2022 years between the default approach and the three alternatives, with the highest distribution bill impact being only 0.7% and the highest transmission bill impact being only 0.9% (both of which occur under one the proposed alternatives).

LPMA is concerned with the potential for deferred increases from regulated energy distributors and transmitters being deferred until later in 2020 or early 2021 to accumulate and hit customers all at once over a short period of time. The Board and other parties do not know what could happen between now and the end of the year that might prompt it to defer increases even further into the future and accumulate more charges that will ultimately be recovered from customers.

Given that transmission makes up only 7.4% of a transmission connected customer's total bill and only 6.2% of a distribution connected customer's total bill, LPMA submits that these rates should be implemented on July 1, 2020. This will at least reduce the amount that has to be recovered from customers in the future and help keep rates at least somewhat stable.

If the Board determines that the default methodology is not appropriate as a result of the COVID-19 situation, then LPMA submits that the Board should adopt Alternative 1. This would at least implement new rates effective July 1, 2020 but defer recovery of the $28.1 million in foregone revenue to recovery over a one year period beginning January 1, 2021.

All three of the alternatives proposed have the potential to increase costs to customers through the potential additional interest on the balances to be recovered (both foregone revenue and deferral and variance accounts that are being cleared). If the Board determines that any of the alternatives is appropriate, LPMA submits that no interest should accrue on balances beyond the end of June, 2020. This is discussed in more detail in the following section.

Interest on Foregone Revenue and Deferral & Variance Accounts to be Cleared

LPMA submits that if the Board determines that the new rates should be implemented at a time other than July 1, 2020 no interest should accrue beyond this date for either the foregone revenue from January 1, 2020 through June 30, 2020 or the deferral and variance account balances that are built into the rates revenue requirement. It would not be acceptable to customers to have to pay interest carrying costs beyond the first date when rates could be implemented. Delaying the implementation of new rates to January 1, 2021 and recovering the foregone revenue for 2020 of $57.1 million over a one year or two-year period would result in customers paying more than if the rates were implemented on July 1, 2020.

Yours very truly,

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