



June 11, 2020

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

Re: EB-2019-0082 Hydro One Networks Inc. 2020-2022 Transmission Rate Application  
AMPCO's Comments on Draft Rate Order (DRO)

Dear Ms. Long:

In accordance with the OEB's Decision and Order dated April 23, 2020, AMPCO makes the following comments on Hydro One's DRO.

#### Implementation Alternatives for Consideration

Given the current COVID-19 pandemic and the language in the Decision<sup>1</sup>, Hydro One identified three alternatives for the OEB to consider for updating the Uniform Transmission Rates (UTRs) for all transmitters in Ontario, as follows:

**Decision:** Implement Hydro One's approved 2020 revenue requirement and charge determinants in update to UTRs on July 1, 2020 and collect Hydro One's January to June 2020 Foregone Revenue of \$28.1 million starting July 1, 2020 over the balance of 2020 (6 months).

**Alternative 1:** Implement Hydro One's approved 2020 revenue requirement and charge determinants in update to UTRs on July 1, 2020 but defer collection of Hydro One's January to June 2020 Foregone Revenue of \$28.1 million to January 1, 2021 over a period of one year.

**Alternative 2:** Maintain interim UTRs to the end of 2020. On January 1, 2021 implement UTRs for 2021 to reflect Hydro One's approved 2021 revenue requirement, the approved charge determinants, and collect Hydro One's January to December 2020 Foregone Revenue of \$57.1 million over a period of one year.

**Alternative 3:** Maintain interim UTRs to the end of 2020. On January 1, 2021 implement UTRs for 2021 to reflect Hydro One's approved 2021 revenue requirement, the approved charge determinants, and collect Hydro One's January to December 2020 Foregone Revenue of \$57.1 million over a period of two years.<sup>2</sup>

AMPCO supports Alternative 3 as it maintains the current rate during these challenging times where the ongoing impact on customers is uncertain and allows for a longer recovery period of foregone revenue. If the Board updates the UTRs effective July 1, 2020, Hydro One points out that directly-connected transmission

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<sup>1</sup> OEB Decision P5

<sup>2</sup> Hydro One DRO P39

customers such as LDCs and industrial customers will experience the effects of a rate increase due to the re-set of Hydro One's revenue requirement and charge determinants reflecting the OEB-approved load forecast.<sup>3</sup> For AMPCO members, electricity costs are now, during this COVID-19 emergency, more important and impactful than ever. From AMPCO's perspective, Alternative 3 should be approved by the OEB as a viable option that defers rate increases and collection of the 2020 foregone revenue over two years instead of one.

AMPCO submits that if the OEB accepts any of the alternatives that defer collection of foregone revenue, no interest charges should accrue on the balance during the deferral period.

Proposed Modification to the Capital In-Service Addition Variance Account (CISVA)

The CISVA is intended to protect customers from potential underspending on Hydro One's capital plan. Shortfalls of 2% or more are booked to the account. In the DRO, Hydro One requests a further modification to the CISVA to address the potential future impacts of COVID-19 on Hydro One's work-plan. This modification would allow Hydro One, in 2021, 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. With this modification, Hydro One would not perform the calculation for 2020. In performing the calculation for 2021, Hydro One would determine the entry in the account on the basis of a cumulative view of ISAs in 2020 and 2021. If there is shortfall of 2% or more in 2020, Hydro One will have an opportunity to catch up on its ISAs in 2021 without booking an amount to the CISVA for 2020. This would provide Hydro One with a one-year opportunity to make up for planned 2020 in-service additions that are not able to be placed into service in 2020 due the COVID-19 pandemic. If planned in-service additions for 2020 and 2021 are materially impacted by COVID-19, Hydro One asks that it have the opportunity to request an extension of relief to 2022 or the OEB could extend the relief to 2022.

AMPCO does not support Hydro One's modification. First, AMPCO is concerned that it will be difficult to separate out work plan delays related to COVID-19 from other delays that contribute to underspending and Hydro One's modification sets up a perverse incentive for Hydro One to undertake more unplanned work or work done at a higher cost than forecast over the test period in order to exceed the 98% threshold, which could mean ratepayers are paying more in the end. Second, the variance account is designed to record the revenue requirement impact of the variance in the forecast of capital in-service additions compared to actuals in a given year and protect customers from underspending if the work costs less or work is delayed. Hydro One's proposal to not perform the calculation in 2020 (and beyond) removes this benefit. Further, the OEB has a consultation underway (EB-2020-0133) to address the impacts arising from the COVID-19 emergency which in AMPCO's view is better positioned to deal with the impacts of COVID-19 on Hydro One's work-plan and the nature and materiality of COVID-19 related costs.

Best Regards,

*(Original Signed By)*

Colin Anderson  
President  
Association of Major Power Consumers in Ontario

Copy to: Hydro One Networks Inc.

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<sup>3</sup> Hydro One DRO P38