



**SOCIETY of
UNITED PROFESSIONALS**
IFPTE 160

18th November, 2020

Chris Graham
Executive Vice-President
Society of United Professionals, IFPTE 160
2239 Yonge St
Toronto, ON M4S 2B5

VIA email and RSS Filing

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

**Re: EB-2020-0030 Hydro One Networks Inc. (HONI)
Application for 2021 Distribution Rates
Society of United Professionals' Final Submissions**

Dear Ms. Long,

Please find attached the Society of United Professionals' (SUP) Final Submissions in the Hydro One Networks Inc. (HONI) EB-2020-0030 Application for 2020 Distribution Rates.

Sincerely,

[Original signed by]

Chris Graham
Executive Vice-President
Society of United Professionals, IFPTE 160
grahamc@thesociety.ca
(416) 979-2709 x3180

Copy by email: interested parties



SOCIETY *of*
UNITED PROFESSIONALS
IFPTE 160

**Society of United Professionals'
FINAL SUBMISSIONS**

EB-2020-0030 Hydro One Networks Inc. (HONI)

Application for Distribution Rates for 2020

18th November, 2020

Page left blank on purpose.

EB-2020-0035: Society of United Professionals' Final Submissions

Introduction:

This is the Final Argument of the Society of United Professionals ("the Society" or "SUP") in the Hydro One Networks Inc. ("HONI") EB-2020-0030 Application for Distribution Rates for 2020. As directed by the OEB in its Procedural Order 1 in this proceeding, this Argument is limited to Hydro One's request to dispose of the balances in the deferral and variance accounts ["DVA"] and the Earnings Sharing Mechanism ["ESM"] account

Approvals Being Sought:

In its 2021 annual rate Distribution application, filed on August 31, 2020, HONI sought the following specific approvals:

- a) Approval of the 2021 distribution rates and charges, effective January 1, 2021, by way of an update to:
 - (i) the revenue requirement currently approved by the OEB;
 - (ii) the associated customer and load forecast by rate class as approved by the OEB for 2021; and
 - (iii) the disposition of deferral and variance accounts.
- b) Approval of the 2021 Retail Transmission Service Rates ("RTSR"), effective January 1, 2021;
- c) Approval of updated Specific Service Charges for 2021 per EB-2017-0049 and EB-2015-0304 (specific charge for access to power poles - telecom); and
- d) Such other items or amounts that may be requested by Hydro One during the course of the proceeding, and such other relief or entitlements as the OEB may grant.

HONI also requested a proposed effective date of January 1, 2021 or an Interim Order making its existing distribution rates and charges effective on an interim basis as of January 1, 2021. In addition, should this occur, HONI requested establishment of an account to recover any differences between the interim rates and the actual rates effective January 1, 2021 based on the OEB's Decision and Order.

SUP supports HONI's request for approval for each of the matters described in general terms above.

SUP submits that the derivation of updated revenue requirement is essentially a mechanical and mathematical exercise without significant issues that need to be adjudicated.

This leaves the disposition of deferral and variance accounts to be the single issue that may not be purely mechanical in character.

Deferral and Variance Accounts

SUP sees few issues with the proposed disposition of audited deferral and variance account balances as proposed by HONI.

A few issues exist. These include: HONI's compliance with new OEB regulatory accounting guidance with respect to USofA accounts 1588 and 1589; whether the 2018 and 2019 ESM balances should be approved for interim versus final disposition; and the quality of support for productivity savings identified by HONI and which feed into the ESM calculations.

SUP notes that HONI included a discussion of its challenges in fully complying with the OEB's new accounting direction for accounts 1588 and 1589 in its application. In the application (ref. Page 15), HONI noted the following:

"On February 21, 2019, the OEB issued a new Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment. The new Accounting Guidance is effective January 1, 2019 for implementation by August 31, 2019. In the 2020 Annual Update, Hydro One indicated that it was exploring technology solutions and accounting considerations that may allow it to obtain the necessary data from its billing system and the Meter Data Management Repository ("MDMR") system. Hydro One has continued to work with the OEB to identify a solution that is both compliant and cost-effective."

In its Interrogatory #1 (ref. Exhibit I, Tab 1, Schedule 1), OEB Staff questioned whether HONI was requesting interim or final disposition of its group one balances given it had not fully implemented the new accounting guidance for accounts 1588 and 1589. SUP submits that OEB Staff has been made aware of the cost and technology challenges that are faced by HONI in responsibly complying with the new guidance.

In its response to the interrogatory (ref. Exhibit I, Tab 1, Schedule 1, b), HONI noted: "Since the Accounting Guidance was issued in February of 2019, Hydro One has had ongoing communication with OEB Staff on the costs and technology issues associated with implementing OEB Staff's recommended Accounting Guidance, and has discussed options and solutions to these issues. Hydro One is committed to continuing to work with the OEB Staff in order to identify a solution that is both compliant and cost-effective. Once the appropriate solution is determined, Hydro One intends to adopt the Feb. 21, 2019 accounting guidance for Account 1588 and Account 1589 on a prospective basis."

SUP submits that this is evidence of HONI's good faith efforts to comply with the OEB's new guidance, within the limits of technological and responsible cost

management constraints. Given that any agreed solution is highly unlikely to be retroactively applied, SUP agrees with HONI that prospective application of any newly agreed methodology is appropriate.

In the event that a mutually agreed cost-effective solution cannot be arrived at, SUP would assume that OEB Staff would document its position and hopefully acceptance of whatever methodology best meets its requirements rather than leaving this as an open compliance issue that will provide uncertainty in future rate hearings.

Given the above, and given SUP's views on final versus interim disposition of the 2018 and 2019 ESM balances discussed below, SUP supports HONI's position that disposition of submitted Group 1 deferral and variance accounts should be on a final rather than interim basis.

With respect to 2018 and 2019 ESM balances, SUP submits that HONI has provided sound rationale for final rather than interim recovery in its response to OEB Staff interrogatory #17 (ref. Exhibit I, Tab 1, Schedule 17, part e). Specifically, HONI notes that the calculations are final and, like all the deferral and variance account balances being put forward for disposition, have been subject to external financial statement audit (ref. Exhibit I, Tab 5, Schedule 3). In addition, HONI asserts that no further adjustments are expected to be made to these 2018 and 2019 ESM amounts and that disposition on a final basis is also consistent with returning the amounts to ratepayers in a timely and efficient manner. This is particularly important as customers are under stress due to the COVID-19 pandemic.

HONI also states its belief that the language from the EB-2017-0049 decision, which indicated that the ESM account would be reviewed in the next rebasing application, is intended to refer to ESM amounts for years 2020, 2021 and 2022. While the wording of that decision may be subject to some interpretation, SUP believes that final disposition of this account now makes the good sense given that it appears nothing will be gained by leaving it for re-review at a future rebasing hearing.

SUP notes that Staff and intervenors have probed HONI's reported productivity cost savings for 2018 and 2019. These savings derived from amounts previously forecast and included in Distribution rates appear to be the principle driver for the ESM balance and for the refund of excess revenues to customers. The savings are mostly OM&A-related and are partially offset by other explainable OM&A cost increases.

Per HONI's response to AMPCO interrogatory #1 (ref. Exhibit I, Tab 5, Schedule 1), the Hydro One Distribution Productivity report filed on March 4, 2020 was completed in response to the OEB directive in its EB-2017-0049 Decision to file a report, within twelve months of its Decision, showing the status of productivity initiatives and including a discussion of any deviations from plan. The OEB directed that the report was to be "filed on a standalone basis and will not be adjudicated." SUP considers that the OEB statement that the productivity report was not to be

adjudicated means that indirect adjudication through the ESM calculation would not be appropriate.

SUP has reviewed HONI's Distribution Productivity Report that was previously filed as part of EB-2017-0049 on 2020-03-04 in order to meet an OEB directive in its Decision and which was filed in response to SEC Interrogatory #4 (ref. Exhibit I, Tab 4, Schedule 4, Attachment 1). The report appears to be comprehensive and SUP submits it provides a reasonable basis for the OEB to accept the OM&A and rate base inputs to the 2018 and 2019 ESM calculations. In the report (page 6), HONI notes "Hydro One is committed to adhering to the robust governance process which has been established for defining and monitoring savings across the organization." As such, HONI submits that the productivity-related inputs to the ESM should be accepted and deemed appropriate.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED ON THIS
18th DAY OF NOVEMBER, 2020**