

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, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

October 13, 2021

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

Dear Ms. Long:

EB-2021-0185 – Hydro One Networks Inc.'s 2022 Transmission Revenue Requirement – Application and Evidence OEB Staff Questions

Following Hydro One Networks Inc.'s (Hydro One) teleconference with Ontario Energy Board (OEB) staff on October 13, 2021, Hydro One is submitting responses to the OEB staff questions received on September 24, 2021 for Hydro One's 2022 Transmission Revenue Requirement.

An electronic copy of the responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in cursive script that reads "Frank D'Andrea".

Frank D'Andrea

Hydro One Networks Inc.

2022 Transmission Custom Incentive Rate Setting Annual Application

EB-2021-0185

Response to OEB Staff Questions

October 5, 2021

OEB Staff - 1

Ref: Exhibit A Tab 2 Sch 1 p.1

Hydro One's title of proceedings states that the application is for approval of rates and other charges for the transmission of electricity to be effective January 1, 2021.

Please confirm that the correct effective date should be January 1, 2022.

Response:

Confirmed. The requested effective date is January 1, 2022.

OEB Staff - 2

Ref: Exhibit A Tab 2 Sch 1 p.2

Hydro One states that it is applying to the OEB for orders approving:

- a) A total rates revenue requirement of \$1,874.9 million for 2022, to be effective on January 1, 2022, along with an amendment to the 2022 Uniform Transmission Rates to allow for recovery of this amount.
- b) Other items or amounts that may be requested by Hydro One in the course of this proceeding, and as may be granted by the OEB.

Please advise as to whether there are other items or amounts that Hydro One is requesting in this proceeding and, if so, please provide particulars and Hydro One's reasons for the request(s).

Response:

Hydro One is requesting an order approving a total rates revenue requirement of \$1,874.9 million for 2022 and the items or amounts underpinning this rates revenue requirement including the amounts resulting from the regulatory tax impact from the disposition of the OPEB Cost Deferral Account recorded in the Foregone Revenue Account.¹

At this time, Hydro One does not anticipate requesting other items or amounts in the course of this proceeding except amounts in respect of updating the 2022 Inflation Factor when the OEB issues its inflation factor for incentive rate setting, sometime during the course of this proceeding. If Hydro One's position changes in respect of this point, it will advise the OEB as soon as possible.

¹ Exhibit A-02-01 p 2, para 4 and 5.

OEB Staff - 3

Ref: Exhibit A Tab 4 Sch 1 pp. 1, 5, 11, Exhibit A Tab 4 Sch 1 Att 2 and Exhibit A Tab 4 Sch 1 Att 4

Hydro One notes that at the time of filing its Application, the OEB had not yet released the inflation factor applicable for revenue requirement applications beginning January 1, 2022. Hydro One states that it will file an update to the revenue requirement calculation for 2022 rates once that inflation factor is released.

Please confirm that Hydro One will also update the following tables from its pre-filed evidence once the new inflation factor is released:

- Table 1 - Total Rates Revenue Requirement
- Table 2 - 2022 Custom Revenue Cap Index (RCI) by Component (%)
- Table 3 - 2022 Transmission Base Revenue Requirement
- Table 6 - Average Bill Impacts on Transmission- and Distribution-Connected Customers
- In Attachment 2 Table 2 - 2022 Revenue Requirement by Rate Pool (\$ Million)
- In Attachment 4 Table 1 - Medium Density (R1) Residential Customer Bill Impacts
- In Attachment 4 Table 2 - General Service Energy less than 50kW (GSe < 50 kW) Customer Bill Impacts.

Response:

Confirmed.

OEB Staff - 4

Ref: Exhibit A Tab 4 Sch 1 p.6

Please revise Table 6 - Average Bill Impacts on Transmission and Distribution-Connected Customers to also illustrate the 2021 bill impacts relative to the 2020 Rates Revenue Requirement.

Response:

Table 1 provides the requested information.

Table 1 - Average Bill Impacts on Transmission and Distribution-Connected Customers

	2020-Interim¹	2021²	2022³
Rates Revenue Requirement (\$M)	\$1,589.9	\$1,775.6	\$1,874.9
% Increase in Rates RR over prior year		11.7%	5.6%
% Impact of load forecast change		4.0%	0.1%
Net Impact on Average Transmission Rates⁴		14.8%	5.3%
Transmission as a % of Tx-connected customer's Total Bill		7.6%	7.6%
Estimated Average TX Customer Bill Impact		1.1%	0.4%
Transmission as a % of Dx-connected customer's Total Bill		6.2%	6.2%
Estimated Average DX Customer Bill Impact		0.9%	0.3%

¹ 2020 Interim Rates Revenue requirement per Decisions EB-2019-0296 and EB-2020-0180.

² 2021 Rates Revenue Requirement per 2021 UTR Order issued on June 24, 2021 (EB-2021-0176), Schedule A

³ 2022 Rates Revenue Requirement per Exhibit A, Tab 4, Schedule 1, Attachment 2

⁴ The calculation of net impact on transmission rates accounts for Hydro One TX 2021 rates revenue requirement as 94.5% of the total rates revenue requirement across all transmitters (94.5% x(11.7%+4.0%) = 14.8%) based on 2021 UTR Order issued on June 24, 2021 (EB-2021-0176), Schedule A.

OEB Staff - 5

Ref: Exhibit A Tab 4 Sch 1 Att 4

For Table 1 Medium Density (R1) Residential Customer Bill Impacts, please provide detailed calculations of the increase in the RTSR included in the 2021 R1 750 kWh Residential Customer Bill compared to the RTSR included in the 2020 R1 750 kWh Residential Customer Bill.

Response:

Table 2 provides the requested information. Hydro One has revised the row titles to provide further clarity on each line item.

Table 2 - Medium Density (R1) 750 kWh Residential Customer Bill Impacts

Total Bill as of Jul 1, 2021 ¹ (A)	\$127.23
2021 Approved RTSR - Network Rate (based on 2020 Interim UTR) (B)	\$0.0082
2021 Approved RTSR - Connection Rate (based on 2020 Interim UTR) (C)	\$0.0073
2021 Approved Loss Factor (D)	1.076
Total RTSR charges included in 2021 R1 Customer's Bill (based on 2020 Interim UTR) (E = (B+C)*D*750)	\$12.51
2021 Net Impact on Average Transmission Rates ² (F)	14.8%
Estimated Monthly RTSR charges (based on 2021 UTR) (G=E*(1+F))	\$14.36
2021 increase in monthly RTSR charges (H=G-E)	\$1.85
2021 increase as a % of total bill (I=H/A)	1.5%

¹ Total bill including HST, based on time-of-use commodity prices effective May 1, 2021 and 2021 distribution rates effective July 1, 2021 approved per Distribution Rate Order EB-2020-0194, dated May 27, 2021 (includes impacts of all components of the Fair Hydro Plan).

² Derivation of Net Impact on Average Transmission Rates is shown in the table provided in response to Question 4.

OEB Staff - 6

Ref: 1) Exhibit A Tab 4 Sch 1 p. 7

2) Hydro One Transmission 2020 to 2022 Revenue Requirement and Charge Determinant Order, July 16, 2020 (EB-2019-0082)

3) 2021 Uniform Transmission Rates Decision and Rate Order, December 17, 2020 (EB-2020-0251)

As noted in reference 1, in the current application, Hydro One is requesting to return \$5.4M reflecting the cumulative 2021 and 2022 regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest.

In the decision noted in reference 2, the OEB indicated that it required Hydro One to record the regulatory tax impact from the disposition of the OPEB Cost Deferral Account as an offset to the Foregone Revenue Transmission Deferral Account for each of 2020, 2021 and 2022 for future disposition.

In the 2021 Uniform Transmission Rates Decision and Rate Order, the OEB approved a two-year disposition period for Hydro One's 2020 foregone revenue and accrued interest. It appears that the approved amount included the regulatory tax impact from the disposition of the OPEB Cost Deferral Account for 2020. Please confirm and, as part of the evidentiary update requested in OEB Staff-3, include a reference to this. If this is not the case, please explain.

Response:

Confirmed. Hydro One will update the evidence accordingly.