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**Kathleen Burke**

Director, Applications Delivery  
Regulatory Affairs

BY EMAIL AND RESS

December 6, 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 - Update**

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Pursuant to section 78 of the *Ontario Energy Board Act, 1998* and the Ontario Energy Board’s Decision in EB-2019-0082, enclosed is Hydro One’s annual update in support of its request for transmission revenue requirement effective January 1, 2022.

The annual update previously submitted on August 26, 2021 has been updated to reflect the latest inflation factor based on the OEB’s Decision and Order in EB-2021-0212.

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

## EXHIBIT LIST

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## APPLICATION

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15  
(Schedule B);

**AND IN THE MATTER OF** an Application by Hydro One Networks Inc. for  
an Order or Orders made pursuant to section 78 of the *Ontario Energy  
Board Act, 1998* approving rates and other charges for the transmission  
of electricity to be effective January 1, 2022.

1. The Applicant, Hydro One Networks Inc. (Hydro One), is an Ontario corporation with its head office in Toronto. Hydro One carries on the business, among other things, of owning and operating transmission facilities in Ontario. The transmission business of Hydro One is referred to in this application as “Hydro One Transmission”.
2. In the Ontario Energy Board’s (the “Board” or the “OEB”) Decision and Order for Hydro One Transmission’s Custom Incentive Rate-Setting (IR) framework application (EB-2019-0082), the OEB approved the proposed Custom IR methodology and determined that this framework would be used to determine Hydro One Transmission’s revenue requirement for the years 2021 and 2022.
3. This is an Application for Hydro One’s 2022 transmission revenue requirement determined formulaically using the Custom IR methodology approved in EB-2019-0082 and includes adjustments related to Future Tax Savings, approved in EB-2020-0194.

4. In addition to the deferral and variance account balances approved by the OEB in EB-2019-0082 (the Custom IR Application) and the foregone revenue approved in EB-2020-0251 (2021 UTR Decision and Order), Hydro One is requesting approval to return the amounts resulting from the regulatory tax impact from the disposition of the OPEB Cost Deferral Account recorded in the Foregone Revenue Account.<sup>1</sup>

5. Hydro One hereby applies to the OEB for orders approving:

a) A total rates revenue requirement of \$1,883.5M 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.<sup>2</sup>

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.

6. The total bill impact for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly is an increase of 0.6% or \$0.83 per month. A typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly will see a total bill increase of 0.4% or \$1.77 per month. More information regarding the monthly bill impacts may be found in Exhibit A-04-01 Attachment 4.

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<sup>1</sup> EB-2019-0082, OEB Revenue Requirement and Charge Determinant Order, July 16, 2020, p. 14: the OEB requires 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.

<sup>2</sup> The 2022 rates revenue requirement includes amounts related to the disposition of 2020 foregone revenue and accrued interest (EB-2020-0251), the regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest (EB-2019-0082), and the Misallocated Future Tax Savings Amount and interest (EB-2020-0194).

1 7. In preparing this Application, Hydro One has been guided by the OEB's *Filing Requirements*  
2 *for Electricity Transmission Rate Applications*.

3  
4 8. The written evidence filed with the OEB may be amended from time to time prior to the  
5 OEB's final decision on the Application.

6  
7 **NOTICE AND FORM OF HEARING REQUESTED**

8 9. The Application may be viewed on the Internet at the following address:  
9 <https://www.hydroone.com/abouthydroone/RegulatoryInformation/txrates>

10  
11 10. The persons affected by this Application are the ratepayers of Hydro One's transmission  
12 business and all persons affected by Ontario's Uniform Transmission Rates. It is impractical  
13 to set out their names and addresses because they are too numerous.

14  
15 11. Hydro One requests, in accordance with sections 6(4) and 21(4)(b) of the *Ontario Energy*  
16 *Board Act, 1998*, that this Application be disposed of without a hearing, and hereby provides  
17 its consent to same. Hydro One submits that in accordance with the requirements of section  
18 21(4)(b), no person will be adversely affected in a material way by the outcome of this  
19 proceeding.

20  
21 **PROPOSED EFFECTIVE DATE**

22 12. Hydro One requests that the OEB's rate Order be effective January 1, 2022. In order to  
23 address the possibility that the requested rate Order cannot be made effective by that time,  
24 Hydro One requests an interim Order making its current transmission revenue requirement  
25 and charges effective on an interim basis as of January 1, 2022, and continuing the  
26 Transmission Foregone Revenue Deferral Account to recover any differences between the  
27 interim rates and the final rates effective January 1, 2022, based on the OEB's Decision and  
28 Order herein.

**CONTACT INFORMATION**

13. Hydro One requests that a copy of all documents filed with the Board by each party to this application be served on the Applicant and the Applicant's counsel as follows:

The Applicant:

Eryn MacKinnon

Senior Regulatory Coordinator – Regulatory Affairs

Hydro One Networks Inc.

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1           The Applicant's Counsel:  
2                   Michael Engelberg  
3                   Assistant General Counsel  
4                   Hydro One Networks Inc.  
5                   Mailing Address:               8<sup>th</sup> Floor, South Tower  
6   483 Bay Street  
7   Toronto, Ontario M5G 2P5  
8                   Telephone:                   (416) 345-6305  
9                   Fax:                           (416) 345-6972  
10                  Email:                       [mengelberg@HydroOne.com](mailto:mengelberg@HydroOne.com)

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17  
18

**DATED** at Toronto, Ontario, this 6<sup>th</sup> day of December, 2021.

By its counsel,

A handwritten signature in black ink that reads "Michael Engelberg". The signature is written in a cursive, flowing style. The first name "Michael" is written in a standard cursive, while "Engelberg" is more stylized with a large, looped 'g'.

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Michael Engelberg

**CERTIFICATION OF EVIDENCE**

TO: ONTARIO ENERGY BOARD

The undersigned, Frank D'Andrea, being Hydro One Networks Inc.'s Vice-President of Reliability Standards and Chief Regulatory Officer, hereby certifies for and on behalf of Hydro One Networks Inc. that:

1. I am a senior officer of Hydro One Networks Inc.;
2. This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing Requirements for Electricity Transmission Applications*;
3. The evidence submitted does not contain any personal information filed herein (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*; and
4. The evidence submitted herein is accurate, consistent and complete to the best of my knowledge.

DATED this 6<sup>th</sup> day of December, 2021.



FRANK D'ANDREA



## **SUMMARY OF OEB DIRECTIVES AND UNDERTAKINGS FROM PREVIOUS PROCEEDINGS**

This exhibit provides a summary of directives and undertakings from past Ontario Energy Board (OEB) proceedings and provides a status update or explains the steps Hydro One has taken to address the OEB's direction as part of this Application.

### **1. EB-2021-0251 - 2021 UNIFORM TRANSMISSION RATES (UTR)**

In EB-2020-0251 (2021 UTR Decision and Order) the OEB established a two-year disposition period for Hydro One's 2020 foregone revenue and accrued interest, and approved the continuation of the forgone revenue deferral account. The Decision directed Hydro One to provide an updated foregone revenue calculation for the remaining revenue to be recovered as part of the 2022 UTRs at the time the 2022 UTRs are set.<sup>1</sup> Hydro One proposes that the remaining \$27.6M in foregone revenue be disposed of in this Application (see Exhibit A-04-01 section 4).

### **2. EB-2020-0194 – MISALLOCATED FUTURE TAX SAVINGS**

In prior OEB Decisions, the Future Tax Savings resulting from Hydro One Limited's Initial Public Offering were allocated to ratepayers for the 2017 to 2022 period. In EB-2020-0194 the OEB issued a Decision and Order accepting and approving the recovery of amounts from ratepayers as proposed by Hydro One to redress a misallocation of certain Future Tax Savings,<sup>2</sup> in accordance with a decision of the Divisional Court. The Decision provided the approval to recover \$174.2M in Misallocated Future Tax Savings and interest for the 2017-2021 period from ratepayers, over two years beginning on July 1, 2021.<sup>3</sup> The Decision established the recovery of \$87.1M (50% of the \$174.2M Future Tax Savings Amount) between January 1, 2022, and

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<sup>1</sup> EB-2020-0251, Decision and Order, December 17, 2020, p 6.

<sup>2</sup> EB-2020-0194, Decision and Order, April 8, 2021.

<sup>3</sup> EB-2020-0194, Decision and Interim Order, May 27, 2021, p 3: For transmission, the Misallocated Future Tax Savings is \$174.2M inclusive of \$9.1M in carrying charges.

1 December 31, 2022<sup>4</sup>, and that the 2022 portion of the Future Tax Savings Amount will be  
2 included in determining Hydro One's 2022 rates revenue requirement for the purpose of  
3 calculating the UTRs at the time when the 2022 UTRs are set.<sup>5</sup> Hydro One proposes that the  
4 2022 Misallocated Future Tax Savings be included in this Application to determine the 2022  
5 rates revenue requirement (see Exhibit A-04-01 section 5.7).

6  
7 The OEB also approved the transmission regulatory income tax adjustment of \$28.4M to the  
8 2022 base revenue requirement to remove the amount of Future Tax Savings flowing to  
9 customers.<sup>6</sup> Hydro One has included this adjustment in the base revenue requirement (see  
10 Exhibit A-04-01 section 3).

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<sup>4</sup> EB-2020-0194, Hydro One Draft Rate Order, April 22, 2021, p 9.

<sup>5</sup> EB-2020-0194, Decision and Order, April 8, 2021, p 18.

<sup>6</sup> EB-2020-0194, Decision and Order, April 8, 2021, p 20-21.

## APPLICATION SUMMARY

### 1. INTRODUCTION

This Exhibit describes Hydro One Networks Inc.'s (Hydro One) 2022 transmission revenue requirement application (the Application).

The 2022 transmission base revenue requirement of \$1,816.2M has been determined formulaically using the Custom IR methodology approved in EB-2019-0082 and includes the 2022 income tax adjustment related to the 2022 Future Tax Savings (EB-2020-0194). Inclusion of other revenue, deferral accounts, credits, foregone revenue (EB-2020-0251), the regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest (EB-2019-0082), and Misallocated Future Tax Savings (EB-2020-0194), results in a rates revenue requirement of \$1,883.5M for 2022. A detailed breakdown has been shown in Table 1 and may be found in Attachment 2.

**Table 1 - Total Rates Revenue Requirement**

	<b>Total</b>	<b>Section Reference</b>
<b>Base Revenue Requirement</b>	<b>\$1,816.2</b>	Section 3
Misallocated Future Tax Savings Amount	\$87.1	Section 5.7
Foregone Revenue	\$22.2	Section 4.1
External Revenue	(\$37.2)	Section 5.3
WMS Revenue	(\$0.1)	Section 5.4
Export Revenue	(\$36.3)	Section 5.6
Deferral & Variance Account Disposition	\$14.7	Section 4
LVSG Credit	\$16.9	Section 5.5
<b>Total Rates Revenue Requirement</b>	<b>\$1,883.5</b>	

Hydro One is requesting the Ontario Energy Board (OEB) to approve the total rates revenue requirement of \$1,883.5M for 2022, to be effective on January 1, 2022.

1 Approval of the 2022 rates revenue requirement results in a total bill increase for a typical  
2 Hydro One medium density residential (R1) customer consuming 750 kWh monthly of 0.6% or  
3 \$0.83 per month. A typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW)  
4 customer consuming 2,000 kWh monthly will see a total bill increase of 0.4% or \$1.77 per  
5 month. More information regarding the monthly bill impacts may be found in Attachment 4.

## 6 7 **2. OEB PROCEEDINGS**

8 On March 21, 2019, Hydro One filed a Custom Incentive Rate application (EB-2019-0082) (the  
9 “Custom IR Application”) seeking approval of its electricity transmission revenue requirements  
10 for 2020 to 2022.

11  
12 The OEB issued its Decision on April 23, 2020 and approved Hydro One’s 2020 transmission  
13 revenue requirement and charge determinants on July 16, 2020, effective January 1, 2020.

14  
15 In EB-2020-0180 (2020 Uniform Transmission Rates (UTR) Decision and Order), the OEB  
16 determined that approved interim 2020 Ontario Uniform Transmission Rates would remain in  
17 place for the remainder of 2020,<sup>1</sup> and that the resulting 2020 foregone revenue and accrued  
18 interest<sup>2</sup> would be submitted for disposition as part of the process for establishing 2021 UTRs.<sup>3</sup>

19  
20 In EB-2020-0202 (2021 Transmission Annual Update), the OEB approved Hydro One’s 2021  
21 transmission rates revenue requirement, effective January 1, 2021.

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<sup>1</sup> EB-2020-0180, 2020 UTR Decision and Order, July 30, 2020, p. 17.

<sup>2</sup> EB-2019-0082, Rate Order, July 16, 2020, p. 30.

<sup>3</sup> EB-2020-0180, 2020 UTR Decision and Order, July 30, 2020, p. 17.

1 In EB-2020-0251 (2021 UTR Decision and Order), the OEB established a two-year disposition  
2 period for Hydro One's 2020 foregone revenue and accrued interest, and approved the  
3 continuation of the foregone revenue deferral account. The Decision and Order directed Hydro

4  
5 One to provide an updated foregone revenue calculation for the remaining foregone revenue to  
6 be recovered as part of the 2022 UTRs at the time the 2022 UTRs are set.<sup>4</sup>

7  
8 In prior OEB decisions, the Future Tax Savings resulting from Hydro One Limited's Initial Public  
9 Offering were allocated to ratepayers for the 2017 to 2022 period. In EB-2020-0194, the OEB  
10 issued a Decision and Order accepting and approving the recovery of amounts from ratepayers  
11 as proposed by Hydro One to redress a misallocation of certain Future Tax Savings, in  
12 accordance with a decision of the Divisional Court.<sup>5</sup> The Decision approved the recovery of  
13 \$174.2M in misallocated Future Tax Savings and interest for the 2017-2021 period from  
14 ratepayers, over two years beginning on July 1, 2021.<sup>6</sup> The 2022 Future Tax Savings amount of  
15 \$87.1M (50% of the \$174.2M Future Tax Savings Amount) shall be recovered between January  
16 1, 2022, and December 31, 2022.<sup>7</sup>

17  
18 In EB-2021-0176 (updated 2021 UTR Decision and Order), the OEB approved updated 2021 UTRs  
19 effective July 1, 2021, to reflect the misallocated Future Tax Savings discussed above.

20  
21 In EB-2020-0194, the OEB also approved the transmission regulatory income tax adjustment of  
22 \$28.4M to the 2022 base revenue requirement to remove the amount of Future Tax Savings  
23 flowing to customers.<sup>8</sup>

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<sup>4</sup> EB-2020-0251, Decision and Order, December 17, 2020, p 6.

<sup>5</sup> EB-2020-0194, Decision and Order, April 8, 2021.

<sup>6</sup> EB-2020-0194, Decision and Interim Order, May 27, 2021, p 3.

<sup>7</sup> EB-2020-0194, Hydro One Draft Rate Order, April 22, 2021, p 9.

<sup>8</sup> EB-2020-0194, Decision and Order, April 8, 2021, p 20-21.

**3. CUSTOM REVENUE CAP INDEX ADJUSTMENT**

In the Decision for Hydro One's Custom IR Application, the OEB accepted the Custom Incentive Rate-Setting approach for adjusting Hydro One's transmission revenue requirement in 2021 and 2022. However, the OEB determined that the inflation factor would be reduced by a combination of the base productivity and overall stretch factor of 0.3%. The OEB also approved the approach to the capital factor but imposed an additional 0.15% stretch factor to be subtracted from the calculated capital factor, as well as the removal of the working capital allowance component, which was in addition to the aforementioned 0.30% stretch factor.<sup>9</sup>

The approved formula for the Revenue Cap IR for the test year t+1 is equal to the revenue in year t inflated by the Revenue Cap Index (RCI) set out below as:

$$RCI = I - X + C$$

Where:

- "I" is the Inflation Factor, as determined annually by the OEB.
- "X" is the Productivity Factor that is equal to the sum of Hydro One's Custom Industry Total Factor Productivity measure and Hydro One's Custom Productivity Stretch Factor.
- "C" is Hydro One's Custom Capital Factor, determined to recover the incremental revenue in each test year necessary to support Hydro One's Transmission System Plan, beyond the amount of revenue recovered in rates.

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<sup>9</sup> EB-2019-0082, Decision and Order, April 23, 2020, p. 2.

Consistent with the Decision, the capital (C) and productivity (X) factors for 2021 and 2022 will not be updated annually.<sup>10</sup> Therefore, only the 2022 Inflation Factor (I) will be updated based on the approved two-factor inflation formula. On November 18, 2021 the OEB issued its inflation factor for incentive rate setting.<sup>11</sup> **Error! Reference source not found.**<sup>2</sup> summarizes the approved components of the RCI for 2022.

**Table 2 – 2022 Custom Revenue Cap Index (RCI) by Component (%)**

RCI Component	%
Inflation Factor (I)	2.50
Productivity Factor (X)	0.30
Capital Factor (C)	2.70
<b>RCI = I – X + C</b>	<b>4.90</b>

The 2022 transmission base revenue requirement is calculated as shown in Table 3 below.

**Table 3 – 2022 Transmission Base Revenue Requirement**

Year	Formula	
<b>2022</b>	2021 Base Revenue Requirement x RCI <sup>12</sup> = \$1,704.3M <sup>13</sup> x 1.049	\$1,787.8M
	2022 Tax Savings Amount <sup>14</sup>	\$28.4M
	<b>Total Base Revenue Requirement</b>	<b>\$1816.2M</b>

<sup>10</sup> EB-2019-0082, Decision and Order, April 23, 2020, p. 39.

<sup>11</sup> EB-2021-0212 Decision and Order, November 18, 2021, p1: 2022 inflation factor to be used for electricity transmission utilities is 2.5%.

<sup>12</sup> RCI from Table 1.

<sup>13</sup> EB-2020-0202, Decision and Order, December 17, 2020, Table 5.2.

<sup>14</sup> EB-2020-0194, Decision and Order, April 8, 2021 pp 20-21.

1     **4.       DEFERRAL AND VARIANCE ACCOUNTS**

2     In addition to the deferral and variance account balances approved in the Custom IR Application  
3     and the foregone revenue approved in EB-2020-0251 (2021 UTR Decision and Order), Hydro One  
4     is requesting approval to return \$5.4M resulting from the regulatory tax impact from the  
5     disposition of the OPEB Cost Deferral Account as discussed further below.<sup>15</sup>

7     **4.1       FOREGONE REVENUE CALCULATION**

8     In the Decision for Hydro One's Custom IR Application, the OEB approved Hydro One's  
9     transmission revenue requirement effective January 1, 2020, and also approved foregone  
10    revenue for the period from January 1, 2020, to June 30, 2020, based on the expectation that  
11    updated UTRs would be issued effective July 1, 2020.

13    However, in EB-2020-0180 (2020 UTR Decision) the OEB determined that approved interim 2020  
14    UTRs would remain in place for the remainder of 2020.

16    In EB-2020-0251 (2021 UTR Decision) the OEB approved a two-year disposition period for Hydro  
17    One's 2020 foregone revenue and accrued interest, and approved the continuation of the  
18    forgone revenue deferral account. The Decision results in the disposition of \$27.6M per year in  
19    2021 and 2022.<sup>16</sup> The Decision directed Hydro One to provide an updated foregone revenue  
20    calculation for the remaining revenue to be recovered as part of the 2022 UTRs at the time the  
21    2022 UTRs are set.<sup>17</sup> Since the interest rates used to estimate the accrued interest have not  
22    changed since the EB-2020-0251 Decision, an updated foregone revenue calculation is not

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<sup>15</sup> EB-2019-0082, OEB Revenue Requirement and Charge Determinant Order, July 16, 2020, p. 14: the OEB requires 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.

<sup>16</sup> EB-2020-0251, Decision and Order, December 17, 2020, p 8, Table 2.

<sup>17</sup> EB-2020-0251, Decision and Order, December 17, 2020, p 6.



required, and Hydro One proposes that the previously approved \$27.6M in 2022 foregone revenue be disposed of in this Application.<sup>18</sup>

In addition, Hydro One is requesting approval to return \$5.4M in 2022 reflecting the cumulative 2021 and 2022 regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest, recorded in the foregone revenue account.<sup>19</sup> The 2020 regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest (\$2.7M) was included in the 2020 foregone revenue amount (discussed in the paragraph above).<sup>20</sup> A detailed breakdown of the 2022 amount may be found in Attachment 6.

Inclusion of the 2020 foregone revenue and accrued interest, and regulatory tax impact from the disposition of the OPEB Cost Deferral Account and accrued interest, results in the disposition of \$22.2M in foregone revenue in 2022, which has been reflected in the rates revenue requirement found in Attachment 2.

## **5. RATES**

### **5.1 LOAD FORECAST**

The 2022 OEB approved load forecast for Ontario demand is presented in Table 4.<sup>21</sup>

**Table 4 – Approved 2022 Ontario Demand**

Forecast Year	Ontario Demand (MW)
2022	19,543

<sup>18</sup> <https://www.oeb.ca/industry/rules-codes-and-requirements/prescribed-interest-rates>

<sup>19</sup> EB-2019-0082, Revenue Requirement and Charge Determinant Order, July 16, 2020, p. 14.

<sup>20</sup> EB-2020-0251, Hydro One Letter Re: 2021 Uniform Transmission Rates and the Disposition Period of the 2020 Foregone Revenue, p2.

<sup>21</sup> EB-2019-0082, Draft Rate Order, May 28, 2020, Exhibit 2.0.

1 The 2022 OEB approved charge determinants for the Network, Line Connection and  
2 Transformation Connection rate pools, based on this approved forecast of Ontario demand, are  
3 provided in Attachment 1.<sup>22</sup>

## 5.2 RATES REVENUE REQUIREMENT AND CHARGE DETERMINANTS BY RATE POOL

6 The rates revenue requirement is the total transmission revenue requirement adjusted for other  
7 revenues, including external revenue, wholesale meter service revenue, regulatory assets,  
8 export transmission service revenue, the low voltage switchgear credit, foregone revenue  
9 (discussed in section 4.1 above) and misallocated Future Tax Savings (EB-2020-0194). Inclusion  
10 of these revenue offsets results in a rates revenue requirement of \$1,883.5M for 2022. A  
11 detailed breakdown may be found in Attachment 2.

13 In the Decision for Hydro One's Custom IR Application, the OEB accepted Hydro One's proposal  
14 to not rerun the cost allocation model for 2022.<sup>23</sup> Instead, the rates revenue requirement by  
15 rate pool has been determined using the methodology approved for Hydro One's 2019  
16 transmission revenue cap adjustment.<sup>24</sup> The resulting rate pool allocation of Hydro One's rates  
17 revenue requirement is shown Attachment 2.

## 5.3 EXTERNAL REVENUE

20 In the Decision for Hydro One's Custom IR Application, the OEB approved External Revenues of  
21 \$37.2M for 2022.<sup>25</sup> The allocation of External Revenue to rate pools may be found at  
22 Attachment 2.

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<sup>22</sup> EB-2019-0082, Draft Rate Order, May 28, 2020, Exhibit 2.1.

<sup>23</sup> EB-2019-0082, Decision and Order, April 23, 2020, pp. 173-175.

<sup>24</sup> EB-2018-0130, Decision, April 25, 2019, p. 19: Response to OEB-Staff Interrogatory #3.

<sup>25</sup> EB-2019-0082, Decision, April 23, 2020, p. 157 and Draft Rate Order Exhibit 1.6, May 28, 2020.

**5.4 WHOLESALE METER SERVICE**

In the Decision for Hydro One's Custom IR Application, the OEB approved Wholesale Meter Service (WMS) revenues of \$0.1M for 2022.<sup>26</sup> The WMS revenue is allocated entirely to the Transformation Connection rate pool. The Wholesale Meter Service and Exit Fee Schedule may be found at Attachment 5.

**5.5 LOW VOLTAGE SWITCHGEAR CREDIT**

In the Decision for Hydro One's Custom IR Application, the OEB approved the methodology to determine the Low Voltage Switchgear (LVSG) Credit.<sup>27</sup> The derivation of the 2022 LVSG amount of \$16.9M may be found in Attachment 3. This amount is included in Hydro One's rates revenue requirement found in Attachment 2, and is allocated entirely to the Transformation Connection rate pool.

**5.6 EXPORT TRANSMISSION SERVICE**

In the Decision for Hydro One's Custom IR Application, the OEB approved the Export Transmission Service (ETS) Revenue based on the proposed rate of \$1.85 per MWh, resulting in approved ETS revenue of \$36.3M in 2022.<sup>28</sup> This amount is included in Hydro One's rates revenue requirement found in Attachment 2 and is allocated entirely to the Network rate pool.

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<sup>26</sup> EB-2019-0082, Decision, April 23, 2020, p. 158 and Draft Rate Order Exhibit 2.2, May 28, 2020.

<sup>27</sup> EB-2019-0082, Decision, April 23, 2020, p. 158.

<sup>28</sup> EB-2019-0082, Decision, April 23, 2020, p. 158 and Draft Rate Order Exhibit 2.2, May 28, 2020.

**5.7 MISALLOCATED FUTURE TAX SAVINGS AMOUNT**

In EB-2020-0194 the OEB approved the refund of Future Tax Savings (credits that could be applied to future taxes) from ratepayers to Hydro One. The Decision approved the recovery of \$174.2M in misallocated Future Tax Savings and interest for the 2017-2021 period from ratepayers, over two years beginning on July 1, 2021.<sup>29</sup> The 2022 Misallocated Future Tax Savings amount of \$87.1M (50% of the \$174.2M Future Tax Savings Amount) shall be recovered between January 1, 2022, and December 31, 2022.<sup>30</sup>

The Decision determined that the 2022 portion of the Future Tax Savings Amount will be included in determining Hydro One's 2022 rates revenue requirement for the purpose of calculating the UTRs at the time when the 2022 UTRs are set.<sup>31</sup> Hydro One proposes to include the 2022 Misallocated Future Tax Savings amount of \$87.1M in this Application. The Misallocated Future Tax Savings Amount has been reflected in the rates revenue requirement found in Attachment 2.

**5.8 BILL IMPACTS**

An update to the estimated average transmission cost as a percentage of the total bill for a transmission and a distribution-connected customer is presented in Table 5.

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<sup>29</sup> EB-2020-0194, Decision and Interim Order, May 27, 2021, p 3: For transmission, the misallocated Future Tax Savings is \$174.2M inclusive of \$9.1M in carrying charges.

<sup>30</sup> EB-2020-0194, Hydro One Draft Rate Order, April 22, 2021, p 9.

<sup>31</sup> EB-2020-0194, Decision and Order, April 8, 2021, p 18.

1 **Table 5 – Estimated Transmission Cost as a Percentage of Total Electricity Market Costs**

	<b>Cost Component</b>	<b>¢/kWh</b>	<b>Source*</b>
A	Commodity	12.58	IESO Monthly Market Report December 2019 (YTD Weighted Average Rate)
B	Wholesale Market Service Charges	0.39	IESO Monthly Market Report December 2019
C	Wholesale Transmission Charges	1.06	IESO Monthly Market Report December 2019
D	Distribution Service Charges	3.02	2019 Yearbook of Electricity Distributors
E	<b>Total Monthly Cost for Tx-connected customers</b>	<b>14.03</b>	E=A+B+C
F	<b>Total Monthly Cost for Dx-connected customers</b>	<b>17.05</b>	F=A+B+C+D
G	<i>Transmission as % of Total Cost for Tx-connected customers</i>	7.6%	G=C/E
H	<i>Transmission as % of Total Cost for Dx-connected customers</i>	6.2%	H=C/F

\* 2020 Yearbook of Electricity Distributors is not yet available

2  
3 A summary of the average bill impact as a result of the proposed 2022 rates revenue  
4 requirement relative to the approved 2021 rates revenue requirement effective July 1, 2021, is  
5 presented in Table 6.

1      **Table 6 – Average Bill Impacts on Transmission- and Distribution-Connected Customers**

	<b>2021*</b>	<b>2022**</b>
Rates Revenue Requirement (\$M)	\$1,775.6	\$1,883.5
% Increase in Rates RR over prior year		6.1%
% Impact of load forecast change		0.1%
<b>Net Impact on Average Transmission Rates***</b>		5.8%
Transmission as a % of Tx-connected customer's Total Bill		7.6%
<b>Estimated Average TX Customer Bill Impact</b>		0.4%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
<b>Estimated Average DX Customer Bill Impact</b>		0.4%

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

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

\*\*\* 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 ( $94.5\% \times (6.1\% + 0.1\%) = 5.8\%$ ) based on 2021 UTR Order issued on June 24, 2021 (EB-2021-0176), Schedule A.

2

3      Approval of the 2022 rates revenue requirement results in a total bill increase for a typical

4      Hydro One medium density residential (R1) customer consuming 750 kWh monthly of 0.6% or

5      \$0.83 per month. A typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW)

6      customer consuming 2,000 kWh monthly will see a total bill increase of 0.4% or \$1.77 per

7      month. More information regarding the monthly bill impacts may be found in Attachment 4.

1     **6.       ATTACHMENTS**

2     Detailed supporting information for this Application is provided in the following attachments:

3

4     Attachment 1 – 2022 Approved Charge Determinants by Rate Pool

5     Attachment 2 – 2022 Rates Revenue Requirement by Rate Pool

6     Attachment 3 – 2022 Low Voltage Switchgear Credit Calculations

7     Attachment 4 – 2022 Bill Impacts for Distribution Connected Customers

8     Attachment 5 – 2022 Wholesale Meter Service and Exit Fee Schedule

9     Attachment 6 – Foregone Revenue Continuity Schedule

**Hydro One Networks Inc.**  
**Charge Determinants for 2022**

(for Setting Uniform Transmission Rates effective January 1, 2022 to December 31, 2022)

<b>Rate Pool</b>	<b>2022 Total MW (Note 1)</b>
Network	234,736.371
Line Connection	228,350.406
Transformation Connection	194,599.235

*Note 1: Sum of 12 monthly charge determinant. Per Exhibit 2.1 of Hydro One's 2020 Draft Rate Order, filed on May 28, 2020.*



# Hydro One Networks Inc.

## Derivation of 2022 Rates Revenue Requirement

**Table 1: 2020 Base Revenue Requirement by Transmission Rate Pool**

	Network	Line Connection	Transformation Connection	Total
2020 Base Revenue Requirement <sup>1</sup>	<b>\$1,000.0</b>	<b>\$184.3</b>	<b>\$445.4</b>	<b>\$1,629.6</b>
Percentage Split by Rate Pool	61%	11%	27%	100%

<sup>1</sup> Per Exhibit 2.2 of Hydro One's 2020 Draft Rate Order, filed on May 28, 2020 (EB-2019-0082)

**Table 2: 2022 Revenue Requirement by Rate Pool (\$ Million)**

	Network	Line Connection	Transformation Connection	Total
Percentage Split by Rate pool	61%	11%	27%	100%
<b>Base Revenue Requirement (Note 1)</b>	<b>\$1,114.5</b>	<b>\$205.4</b>	<b>\$496.3</b>	<b>\$1,816.2</b>
Misallocated Future Tax Savings Amount (Note 2)	\$53.44	\$9.85	\$23.80	\$87.1
Foregone Revenue (Note 3)	\$31.77	(\$13.94)	\$4.40	\$22.2
External Revenue (Note 4)	(\$22.8)	(\$4.2)	(\$10.2)	(\$37.2)
WMS Revenue (Note 5)			(\$0.1)	(\$0.1)
Export Revenue (Note 6)	(\$36.3)			(\$36.3)
Deferral & Variance Account Disposition (Note 7)	\$9.6	\$1.5	\$3.6	\$14.7
LVSG Credit (Note 8)			\$16.9	\$16.9
<b>Total Rates Revenue Requirement (\$M)</b>	<b>\$1,150.1</b>	<b>\$198.5</b>	<b>\$534.8</b>	<b>\$1,883.5</b>
<b>Total Rates Revenue Requirement (\$)</b>	<b>\$1,150,125,338.606</b>	<b>\$198,538,820.641</b>	<b>\$534,805,166.963</b>	<b>\$1,883,469,326.210</b>

<sup>1</sup> Per Section 3.0 of the application (EB-2021-0185)

<sup>2</sup> Per Section 5.7 of the application (EB-2021-0185)

<sup>3</sup> Per Section 4.1 of the application (EB-2021-0185)

<sup>4</sup> Per Section 5.3 of the application (EB-2021-0185)

<sup>5</sup> Per Section 5.4 of the application (EB-2021-0185)

<sup>6</sup> Per Section 5.6 of the application (EB-2021-0185)

<sup>7</sup> Per Section 4.0 of the application (EB-2021-0185) and EB-2019-0082 Draft Rate Order, Exhibit 2.2 filed on May 28, 2020

<sup>8</sup> Per Section 5.5 of the application (EB-2021-0185)

**Hydro One Networks Inc.**  
**Low Voltage Switchgear (LVSG) Credit 2022**

<b>Year</b>	<b>Charge Determinant (MW)</b>	<b>Transformation Pool Revenue Requirement Before LVSG Credit (\$M)</b>	<b>Rate Before LVSG Credit (\$/kw/month)</b>	<b>Total Annual NCP Demand for Toronto Hydro and Hydro Ottawa (MW)</b>	<b>LVSG Proportion (%)</b>	<b>Final Annual LVSG Credit (\$M)</b>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>	
	(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (C)x(D)x(E)
<b>2022</b>	194,599	\$517.9	\$2.66	33,497	19.0%	\$16.9

Note 1: Per Attachment 1

Note 2: Equals Total Revenue Requirement for Transformation Connection Pool less Non-Rate Revenues allocated to Transformation Connection Pool, as per information in Attachment 2

Note 3: Sum of Toronto Hydro and Hydro Ottawa total annual NCP Demand consistent with OEB approved load forecast for 2022.

Note 4: Per EB-2019-0082, Exhibit I1, Tab 1, Schedule 3, page 7

# Hydro One Networks Inc.

## 2022 Bill Impacts for Distribution-Connected Customers

**Table 1: Medium Density (R1) Residential Customer Bill Impacts**

	Typical R1 Residential Customer		
	400 kWh	750 kWh	1,800 kWh
Total Bill as of Jul 1, 2021 <sup>1</sup>	\$83.97	\$127.23	\$257.01
RTSR included in 2021 R1 Customer's Bill (based on 2020 Interim UTR)	\$6.67	\$12.51	\$30.02
<i>Estimated 2021 Monthly RTSR<sup>2</sup></i>	\$7.66	\$14.36	\$34.45
<b>2021 increase in Monthly Bill</b>	<b>\$0.98</b>	<b>\$1.85</b>	<b>\$4.43</b>
<i>2021 increase as a % of total bill</i>	<i>1.2%</i>	<i>1.5%</i>	<i>1.7%</i>
<i>Estimated 2022 Monthly RTSR<sup>2</sup></i>	\$8.10	\$15.19	\$36.45
<b>2022 increase in Monthly Bill</b>	<b>\$0.44</b>	<b>\$0.83</b>	<b>\$2.00</b>
<i>2022 increase as a % of total bill</i>	<i>0.5%</i>	<i>0.6%</i>	<i>0.8%</i>

<sup>1</sup>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).

<sup>2</sup>The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 5 in Exhibit A, Tab 4, Schedule 1.

**Table 2: General Service Energy less than 50 kW (GSe < 50 kW)  
Customer Bill Impacts**

	GSe Customer Monthly Bill		
	1,000 kWh	2,000 kWh	15,000 kWh
Total Bill as of Jul 1, 2021 <sup>1</sup>	\$215.96	\$400.10	\$2,793.91
RTSR included in 2021 GSe Customer's Bill (based on 2020 Interim UTR)	\$13.26	\$26.52	\$198.92
<i>Estimated 2021 Monthly RTSR<sup>2</sup></i>	\$15.22	\$30.44	\$228.30
<b>2021 increase in Monthly Bill</b>	<b>\$1.96</b>	<b>\$3.92</b>	<b>\$29.37</b>
<i>2021 increase as a % of total bill</i>	<i>0.9%</i>	<i>1.0%</i>	<i>1.1%</i>
<i>Estimated 2022 Monthly RTSR<sup>2</sup></i>	\$16.10	\$32.21	\$241.54
<b>2022 increase in Monthly Bill</b>	<b>\$0.88</b>	<b>\$1.77</b>	<b>\$13.25</b>
<i>2022 increase as a % of total bill</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.5%</i>

<sup>1</sup>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).

<sup>2</sup>The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 5 in Exhibit A, Tab 4, Schedule 1.

**HYDRO ONE NETWORKS INC.  
WHOLESALE METER SERVICE  
AND EXIT FEE SCHEDULE**

	HYDRO ONE NETWORKS - WHOLESALE METER SERVICE
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**APPLICABILITY:**

This fee schedule is applicable to the *metered market participants*\* that are transmission customers of Hydro One Networks ("Networks") and to *metered market participants* that are customers of a Local Distribution Company ("LDC") that is connected to the transmission system owned by Networks.

\* The terms and acronyms that are italicized in this schedule have the meanings ascribed thereto in Chapter 11 of the Market Rules for the Ontario Electricity Market.

**a) Fee for Wholesale Meter Service**

The *metered market participant* in respect of a *load facility* (including customers of an LDC) shall be required to pay an annual fee of \$7,900 for each *meter point* that is under the transitional arrangement for a *metering installation* in accordance with Section 3.2 of Chapter 6 of the Market Rules for the Ontario Electricity Market.

This Wholesale Meter Service annual fee shall remain in place until all the remaining meter points exit the transitional arrangement.

**b) Fee for Exit from Transitional Arrangement**

The *metered market participant* in respect of a *load facility* (including customers of an LDC) or a *generation facility* may exit from the transitional arrangement for a *metering installation* upon payment of a one-time exit fee of \$ 5,200 per *meter point*.

<b>EFFECTIVE DATE:</b> January 1, 2020	<b>BOARD ORDER:</b> EB-2019-0082	<b>REPLACING BOARD ORDER:</b> EB-2017-0280 December 20, 2017	<b>Page 2 of 2</b> Wholesale Meter Service & Exit Fee Schedule for Hydro One Networks Inc.
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HONI Foregone Revenue Continuity Schedule  
Scenario - two year disposition

This schedule is the same as provided in EB-2020-0251 to derive the full year transmission foregone revenue amount (\$54,675,317). As the interest rates have not changed since that submission, an updated transmission foregone revenue calculation is not required.

		2020								2021								2022										
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-20	Transactions Debit / (Credit) during 2020 excluding interest and adjustments	Board Approved Disposition during 2020	Closing Principal Balances as of Dec 31-20 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-20	Board Approved Interest Disposition during 2020	Interest Jan-1 to Dec-31-20	Closing Interest Balance as at Dec 31-20 balance adjusted for disposition during 2020	2020 total balance (for evidence)	Opening Principal Amounts as of Jan-1-21	Transactions Debit / (Credit) during 2021 excluding interest and adjustments	Disposition during 2021	Closing Principal Balances as of Dec 31-21 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-21	Interest Disposition during 2021	Interest Jan-1 to Dec-31-21	Closing Interest Balance as of Dec 31-21 balance adjusted for disposition during 2021	2021 total balance (for evidence)	Opening Principal Amounts as of Jan-1-22	Transactions Debit / (Credit) during 2022 excluding interest and adjustments	Disposition during 2022	Closing Principal Balances as of Dec 31-22 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-22	Interest Disposition during 2022	Interest Jan-1 to Dec-31-22	Closing Interest Balance as at Dec 31-22 balance adjusted for disposition during 2022	2022 total balance (for evidence)
Foregone Revenue Deferral Account	1508	-	54,675,317	-	54,675,317	-	-	239,364	239,364	54,914,681	54,675,317	-	27,457,340	27,217,977	239,364	-	239,578	478,942	27,696,919	27,217,977		27,217,976	0	478,942	239,364	83,070	322,648	322,648
Total Transmission Regulatory Accounts Requesting for Disposition		-	54,675,317	-	54,675,317	-	-	239,364	239,364	54,914,681	54,675,317	-	27,457,340	27,217,977	239,364	-	239,578	478,942	27,696,919	27,217,977	-	27,217,976	0	478,942	239,364	83,070	322,648	322,648

Foregone Revenue Resulting From the Regulatory Tax Impact From the Disposition of the OPEB Cost Deferral Account

		2020								2021								2022										
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-20	Transactions Debit / (Credit) during 2020 excluding interest and adjustments	Board Approved Disposition during 2020	Closing Principal Balances as of Dec 31-20 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-20	Board Approved Interest Disposition during 2020	Interest Jan-1 to Dec-31-20	Closing Interest Balance as at Dec 31-20 balance adjusted for disposition during 2020	2020 total balance (for evidence)	Opening Principal Amounts as of Jan-1-21	Transactions Debit / (Credit) during 2021 excluding interest and adjustments	Disposition during 2021	Closing Principal Balances as of Dec 31-21 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-21	Interest Disposition during 2021	Interest Jan-1 to Dec-31-21	Closing Interest Balance as at Dec 31-21 balance adjusted for disposition during 2021	2021 total balance (for evidence)	Opening Principal Amounts as of Jan-1-22	Transactions Debit / (Credit) during 2022 excluding interest and adjustments	Disposition during 2022	Closing Principal Balances as of Dec 31-22 Adjusted for Dispositions	Opening Interest Amounts as of Jan-1-22	Interest Disposition during 2022	Interest Jan-1 to Dec-31-22	Closing Interest Balance as at Dec 31-22 balance adjusted for disposition during 2022	2022 total balance (for evidence)
Foregone Revenue Deferral Account-OPEB (2021 amount)	1508	-										(2,689,774)		(2,689,774)	-		(7,666)	(7,666)	(2,697,440)	(2,689,774)		(2,689,774)	-	(7,666)	(7,666)	(7,666)	(7,666)	
Foregone Revenue Deferral Account-OPEB (2022 amount)																						(2,689,774)	(2,689,774)	-				
Total Transmission Regulatory Accounts Requesting for Disposition		-	-	-	-	-	-	-	-	-	-	(2,689,774)	-	(2,689,774)	-	-	(7,666)	(7,666)	(2,697,440)	(2,689,774)	(2,689,774)	(2,689,774)	(5,379,549)	-	(7,666)	(7,666)	(7,666)	(7,666)