

BY EMAIL AND RESS

July 23, 2025

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

Dear Ms. Marconi,

Re: EB-2025-0149 – Stakeholder Consultation on the Review of the OEB’s Filing Requirements for Electricity Transmission Applications - Chapter 1 and Chapter 2

Pursuant to the OEB’s letters dated June 5th and June 27th in this stakeholder consultation, and Hydro One’s letter dated July 17th, attached are Hydro One’s submissions and comments with respect to the changes proposed to the transmission filing requirements. Hydro One thanks the OEB for the opportunity to file comments on the proposed changes.

Further to Hydro One’s July 17 letter noting that the redline document showing the filing requirement changes did not capture all the proposed changes, Hydro One spoke with the OEB and understands that in this instance, for technical reasons, the OEB is unable to provide a completely accurate redline. Hydro One requests that in the future, when changes are proposed to regulatory codes, rules, or requirements, stakeholders be provided with an accurate redline of those changes.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

ONTARIO ENERGY BOARD

EB-2025-0149

**STAKEHOLDER CONSULTATION ON THE REVIEW OF THE
OEB'S FILING REQUIREMENTS FOR ELECTRICITY
TRANSMISSION APPLICATIONS**

CHAPTER 1 AND CHAPTER 2

**SUBMISSION OF
HYDRO ONE NETWORKS INC.**

July 23, 2025

1 The following are Hydro One Networks Inc. (Hydro One)'s submissions and comments on
2 the changes proposed to the OEB's transmission filing requirements.

3

4 Hydro One has organized its submissions in the order set out in the filing requirements.

5

6 ***Revenue Requirement-Setting for Transmitters (section 2.0.2)***

7 This section includes the following text:

8 *“As a Custom IR application enables flexible options to be proposed, no*
9 *specific filing requirements have been established. Any transmitter filing a*
10 *Custom IR application should be informed by the Handbook and these filing*
11 *requirements. For transmitters with minimal rate term capital requirements*
12 *should refer to section 2.0.3 for Custom IR guidance.”*

13

14 There is an inherent contradiction in the statement that no specific filing requirements exist
15 for Custom IR applications and the current exercise to impose filing requirements on
16 transmitters with minimum capital expenditures. Please see Hydro One's comments in the
17 section below on section 2.0.3.

18

19 With respect to the wording which precedes the chart setting out the Revenue Cap IR
20 option and the Custom IR option, Hydro One recommends that the wording should be
21 reverted to what is in the 2016 transmission filing requirements, that is: “To assist
22 applicants in applying using Revenue Cap or Custom IR proposals, the following chart
23 outlines the basic components of the new revenue requirement-setting options:” The word
24 “new” could be deleted given that the RRF is no longer new.

25

26 Finally, Hydro One also recommends that in the chart setting out the Revenue Cap IR
27 option and the Custom IR option, the wording which corresponds to “Going-in rates” under
28 Custom IR be reverted to the language in 2016 transmission filing requirements. The
29 language in the 2016 transmission filing requirement more accurately captures the multi-
30 year forecasts often utilized under Custom IR approaches.

1 ***Custom IR Guidance for Transmitters with Minimal Capital Expenditures (section***
2 ***2.0.3)***

3 Hydro One has significant concerns with the proposed addition of the section entitled
4 “Custom IR Guidance for Transmitters with Minimal Capital Expenditures” (the “**Proposed**
5 **Framework**”).

6
7 In 2022, Hydro One announced an industry leading Equity Partnership Model that offers
8 First Nations a 50 per cent equity stake in all new, future large-scale capital transmission
9 line projects with a value exceeding \$100 million. Hydro One's equity model will transform
10 the benefits of infrastructure development for First Nation communities for generations to
11 come.

12
13 Hydro One currently has three transmission partnerships with First Nations communities:
14 B2M Limited Partnership (B2M LP), Niagara Reinforcement Limited Partnership (NRLP)
15 and Chatham X Lakeshore Limited Partnership (CLLP). Additional partnerships with First
16 Nations are planned for the future.

17
18 In the revenue requirement applications for B2M LP, NRLP and CLLP filed in 2024 for the
19 years 2025-2029, a unique revenue requirement framework was proposed with the goal
20 of achieving balance between ratepayer protection, stakeholder concerns and the
21 interests of the partnerships including their First Nation owners. As settled, the revenue
22 requirement framework included OM&A based on a five-year cost forecast (reduced in
23 settlement and made subject to a stretch factor), an Earning Sharing Mechanism (ESM),
24 performance measures and capital-related revenue components set on a forecast which
25 took into account the expected declining rate base of the partnerships during the rate
26 period.

27
28 While Hydro One and its current and future partnerships may consider utilizing the unique
29 revenue requirement framework that was approved for B2M LP, NRLP and CLLP for future
30 partnerships and rate applications, Hydro One must work with its current and future
31 partners to propose revenue requirement frameworks that are responsive to the needs
32 and circumstances of the partnerships. Being responsive to the needs and circumstances

1 of each unique partnership for each application is a critical part of achieving recognition of
2 and reconciliation with First Nation communities.

3
4 **The Proposed Framework will not allow Hydro One to be responsive to the needs**
5 **of its current and future partnerships because it provides no flexibility for future**
6 **partnerships to propose a unique framework. As a result, it is Hydro One's**
7 **submission that the section setting out the Proposed Framework should be**
8 **removed in its entirety from the proposed changes.**

9
10 As currently drafted, the Proposed Framework lacks the required flexibility for issues such
11 as the need to propose a custom OM&A recovery approach and flexibility to propose
12 custom approaches to productivity. More importantly however, the Proposed Framework
13 suffers from the following fundamental flaws:

- 14
- 15 • The OEB's filing requirements are intended to be guidelines with respect to the
16 content of an application and not to design a new revenue requirement framework.
17 Any change to the guidelines should be made with the same intent, i.e., clarification
18 as to the content of an application. A proposed revenue requirement framework is
19 to be based on the OEB's established determinations in the *Renewed Regulatory*
20 *Framework* (the RRF) or OEB decisions for applications that have been made
21 under the RRF. This is particularly true for the Custom incentive option.
22
 - 23 ○ The critical point above is that a revenue requirement framework and its
24 components are for the OEB to determine in the course of making its
25 determination on a revenue requirement application. It is not through the
26 process of amending filing guidelines that rate-related conclusions should be
27 made. Rate-related conclusions are within the jurisdiction of the OEB and by
28 statute must be made by way of an order, and such order must be issued
29 following a proceeding (unless certain circumstances are met).
30
 - 31 ○ With the second paragraph of the proposed section 2.0.3 in the Proposed
32 Framework, OEB Staff's proposal makes a rate determination regarding the
33 expenditure of capital and the implications for revenue requirement and

1 precludes the Revenue Cap IR framework from being available to transmitters
2 with minimal capital expenditures.

3
4 ○ Hydro One notes that in the stakeholder conference, OEB Staff acknowledged
5 that stakeholders might have comments on the utilization of a filing
6 requirements update to propose a change such as the Proposed Framework.

7
8 ● With respect to the third paragraph of the proposed section 2.0.3 in the Proposed
9 Framework, Hydro One observes that there appears to be an opinion that if a
10 proposal is not Revenue Cap, then it must be Custom IR despite that there is
11 nothing “custom” about the Proposed Framework. Furthermore, the choice of
12 framework is proposed to be limited because transmitters would now have the
13 added burden of the presumption that that framework should apply. There is no
14 clear reason given as to the public interest to require the Applicant to bear the
15 burden of showing “a strong rationale for departing from it”. This completely
16 ignores the case-by-case consideration that the RRF affords to proposed Custom
17 IR frameworks.

18
19 ● Furthermore, the RRF already provides a mechanism to address the “gap” OEB
20 staff discuss. Where a utility’s annual return on equity (“ROE”) is outside of the
21 ± 300 basis points dead band a regulatory review may be initiated. Therefore, the
22 Proposed Framework is unnecessary.

23
24 ● With respect to section 2.0.3.1 of the Proposed Framework, that is, “Eligibility and
25 Definition of Material Capital Expenditures Over the Rate Term”, Hydro One
26 submits that it is incorrect to evaluate single asset transmitters only on the basis
27 of ratebase. There may be highly variable OM&A because of maintenance or
28 forestry cycles. The Proposed Framework sets out a “Custom IR” option that (as
29 mentioned above) in fact has nothing custom about it. On the contrary, the
30 Proposed Framework reflects an annual IR or IRM framework that applies to
31 distribution utilities. The only difference in the Proposed Framework is that the
32 transmitter is locked in for 5 or more years without an off-ramp such as ICM even

1 if capital actually grows by more than 2% instead of less when forecasted. Hydro
2 One believes that this framework is not practical and harms the ability of
3 Indigenous partnerships to appropriately fund operations since these partnerships
4 may require varied levels of OM&A expenditures or may experience lumpy capital
5 investments. Indigenous partnerships are unique and deserve the case-by-case
6 consideration typical of a Custom IR as set out the RRF.

7

8 • With respect to section 2.0.3.2 of the Proposed Framework entitled “Handbook
9 Principles Considered”, Hydro One has the following comments:

10

11 ○ The section states: “To ensure that applicants using this guidance meet the
12 Handbook’s requirements, transmitters should propose the following financial
13 incentives for continuous improvement and cost control targets. These
14 elements also distinguish the single-asset transmitter guidance from a multi-
15 year cost of service application.”

16 ■ Hydro One notes that it is not clear how the a “single asset transmitter”
17 would be a multi-year cost of service filer in the absence of the elements
18 referred to. This appears to assert that if a “single asset transmitter” was
19 treated like all other CIR filers that it would be getting multi-year cost of
20 service and the others would not. There is no substantive basis to assert
21 this. Furthermore, the OEB staff proposal is effectively pre-judging without
22 any factual basis the characterization of a CIR application that does not
23 apply the Proposed Framework. This is unfair and inappropriate. The
24 purpose of the filing guidelines is to set out the factual elements related to
25 the filing and not to make substantive conclusions in the absence of fact
26 and in the absence of an appropriate proceeding in which such substantive
27 determinations typically occur.

28

29 • With respect to the Proposed Framework’s stipulation that an ESM is to apply,
30 Hydro One notes that given the limitations of the Proposed Framework, there does
31 not appear to be a basis for excess earnings, the transmitter is already pre-paying
32 to rate payers OM&A productivity through the proposed stretch factor and

1 providing a lower tax cost structure. As a result, Hydro One observes that it is unfair
2 to impose an asymmetrical risk where the transmitter bears all the downside and
3 a shared part of the upside. Again, the proposal appears redundant as there
4 already is a mechanism to address overearning above ± 300 basis points (as
5 discussed above). Concerningly, this may cause financial pressure on
6 partnerships with Indigenous communities given that Indigenous partners must
7 finance their equity contributions based on the financial results of the partnership.
8

9 To conclude, regarding the Proposed Framework, it is Hydro One's submission that the
10 section setting out the Proposed Framework should be removed in its entirety.
11

12 In order to address the concern raised with respect to the potential for declining rate base
13 of transmitters with limited capital additions, the filing requirements should simply state
14 this concern and require transmitters to propose a revenue requirement framework which
15 addresses this concern in a manner that is consistent with RRF and appropriately
16 balances the interests of ratepayers as well as the opportunity for the transmitter to earn
17 a fair return.
18

19 ***Application Filing Schedule (section 2.1.1)***

20 Hydro One is amenable to the dates set out in this section, but notes because Applicants
21 may require information sources which may not be available in time to meet the proposed
22 earlier filing dates (such as inflation data from Statistics Canada), it may be necessary to
23 update an application. Applicants should not be prejudiced by this earlier filing date.
24

25 ***Late Filing of Application (section 2.1.2)***

26 Hydro One submits that the following edit (see bold and underlined text) should be made
27 to the first paragraph of this section:

28 The OEB establishes deadlines for the filing of rebasing/cost of service
29 applications each year. Transmitters who file applications by the required
30 date set out by the OEB can generally expect to receive the requested
31 effective date, unless **undue** delays occur due to the actions of the
32 transmitter. The effective date of revenue requirements approved for
33 proceedings in which the transmitter caused delays, or for applications filed
34 after the required date, may be later than the effective date proposed.

1 The reason for the above edit is that not all delays are the same and as a result, there
2 should be a qualification such that delays arising from a transmitter's actions that arise
3 from its right to fairness or natural justice, or for circumstances beyond its control (for
4 example, a situation causing a material update to an application). A transmitter should not
5 be impeded from doing what is required for the proper administration and adjudication of
6 the proceeding because the filing requirements impose an inappropriate high standard
7 leaving the applicant to decide between taking the appropriate action or losing its effective
8 date.

9
10 ***Structure of Application, Appendices, and Models (section 2.1.4)***

11 This section proposes the following definition of "OEB-approved":

12 The use of the phrase "OEB-approved" in these filing requirements typically
13 refers to the set of data used by the OEB as the basis for approving the
14 most recent revenue requirements. It does not mean that the OEB, in fact,
15 "approved" any of the data, but only that the final approved revenue
16 requirement and UTRs were based on those data.
17

18 Hydro One notes that the above definition of "OEB-approved" does not work because it
19 implies that the evidence filed or data filed on the record of the proceeding reflect the OEB-
20 approved amounts. However, in practice, the OEB often approves expenditure levels that
21 are different from the expenditure levels and envelopes applied-for and the change in
22 approved OEB-expenditure level is not "flowed-through" to every project or program and
23 the underlying evidence and data that were originally included in the application. This is
24 also the case when an applicant provides a draft rate order that reflect the OEB-approved
25 amounts, the change in approved OEB-expenditure level is not "flowed-through" to every
26 project or program and underlying evidence. Therefore, the OEB approved levels are in
27 themselves the only approved amounts and not all of the data filed in the application that
28 lead to that approval. Based on the nature of the OEB's decisions, it would be very difficult
29 to discern what data was used by the OEB and what was not for purposes of providing
30 comparisons to OEB-approved amounts (other than those specifically stated in the
31 decision).

1 ***Accounting Standards (section 2.2)***

2 The third paragraph in this section states that Transmitters are responsible for staying
3 informed about updates to accounting standards and OEB guidelines. At the end of this
4 paragraph, Hydro One requests that the following sentence be added, with a reference
5 to the appropriate place on the OEB website: “OEB-specific accounting guidance and
6 guidelines will be set out in the following location on the OEB’s website: [appropriate
7 website address to be inserted by OEB Staff please].”

8
9 ***Exhibit 1 – Application Overview and Administrative Documents (section 2.3.1)***

10 ***Bill impacts (item I)***

11 Under section 2.3.1 Application Summary and Business Plan, item I Bill Impacts, the
12 second bullet reads “Summary of any proposed mitigation plans to address rate impacts
13 on specific classes or overall.” Hydro One recommends removing this bullet as it does not
14 apply to transmission.

15
16 ***Exhibit 2 – Transmission System Plan***

17 ***Planning Process (s. 2.4.2.1)***

18 The second paragraph, first sentence of this new section states “A transmitter should
19 demonstrate how it undertakes system optimization using an approach that considers the
20 transmitter’s whole system”. Hydro One submits that it is not appropriate for the filing
21 requirements to prescribe how a transmitter’s planning should be undertaken (i.e., whether
22 it should be undertaken as to the whole system or not). This is a substantive decision that
23 should be assessed through a hearing process.

24
25 The third paragraph of this new section reads as follows:

26 A transmitter must also demonstrate that it has a planning process for
27 future capacity needs of its system. Transmitters should consider the
28 guidance provided in the OEB’s publication “Load Forecast Guideline for
29 Ontario” provided by the Regional Planning Process Advisory Group
30 (RPPAG).

31
32 Hydro One notes that the above paragraph does not reflect the additional legislative
33 amendments currently being contemplated.

1 The fourth paragraph, first sentence of this new section reads as follows: “Alternatively,
2 single-asset transmitters may defer to another transmitter’s asset management process,
3 rather than develop their own.” Hydro One recommends that this sentence read
4 “Alternatively, a transmitter may utilize another transmitter’s asset management process,
5 rather than develop their own.”

6
7 ***Regional Planning Considerations (s. 2.4.3)***

8 The following addition has been proposed under item 1 in this section:

9 “Where the Independent Electricity System Operator (IESO) has initiated
10 an Integrated Regional Resource Plan, the applicant may provide excerpts
11 of such a plan to demonstrate consistency with the Regional Infrastructure
12 Plan.”

13
14 Hydro One notes that the above addition does not work, because when the Integrated
15 Regional Resource Plan (IRRP) has just been initiated, the Regional Infrastructure Plan
16 (RIP) has not yet commenced. The IRRP is the third step in the Regional Planning
17 Process, whereas the RIP is the fourth step.

18
19 Item 2 of this section provides that an applicant is to submit a letter from the IESO when
20 regional planning is underway but has not yet been completed for the applicable region.
21 Hydro One is unclear as to why such a letter is required given that the Regional Planning
22 Process is documented in the annual report to the OEB with respect to regional planning.

23
24 ***Capital Expenditure Summary (section 2.4.4.1)***

25 The first bullet, second sentence in this section states: “The analysis should include an
26 explanation of variances between actual and OEB-approved/planned costs and volume of
27 work for each investment.” Hydro One notes that this does not work because the OEB
28 does not approve each investment in an applicant’s plan. At most, an approval occurs at
29 the OEB category level with many investments under those categories. The sentence in
30 question also does not work in relation to programmatic work. Hydro One recommends
31 that this sentence be deleted.

32
33 The first bullet in this section reads “For each investment spanning more than one year,
34 the proposed accounting treatment, including the treatment of the cost of funds.” Hydro

1 One recommends that this bullet be deleted because as noted above, individual
2 investments are not approved by the OEB therefore this requirement will not work in
3 practice.

4
5 The final bullet in this section reads “A description of the impact of capital expenditures on
6 O&M for each year.” Hydro One suggests deleting the period at the end of this sentence
7 and adding “, or a statement that the capital plans did not impact O&M costs.” This would
8 make the content consistent with the distribution filing requirements and is an important
9 acknowledgement that capital investments do not automatically have an impact on O&M
10 costs.

11
12 ***Justifying Capital Expenditures (section 2.4.4.2)***

13 The second sentence of the first paragraph of this section reads “Transmitters should also
14 keep pace with technological changes and integrate cost-effective innovative investments
15 and traditional planning needs such as load growth, asset condition and reliability.” Hydro
16 One submits that this sentence should be deleted, because stating what transmitters
17 “should do” is a substantive finding and is not appropriate without a hearing. At most, the
18 filing requirements can state that the matters noted in the sentence in question be
19 discussed in the transmitter’s application.

20
21 The first sentence of the second paragraph of this section reads “A transmitter must
22 provide information to justify each investment...”. As noted above, the OEB does not
23 approve individual investments. It is also not clear how this section aligns with materiality
24 thresholds. Hydro One recommends that this sentence read “A transmitter must provide
25 information regarding the total amount of its proposed capital expenditures, and provide
26 context on how its overall capital expenditures, over the next five years, will achieve its
27 objectives.”

28
29 The third paragraph, first sentence of this section reads “The applicant must provide the
30 following capital expenditure information...” Hydro One believes that the original text of
31 the filing requirements should be reverted to such that the filing requirements state the
32 information that “should” be provided by an applicant as opposed to “must”.

1 Further in this section, the following sentence appears:

2

3 For any projects or programs that require leave to construct approval under the
4 OEB Act, where construction is to commence in a test year

- 5 ○ A summary of the evidence for the leave to construct application, including the
6 need, project description, project risks, and costs

7

8 Hydro One does not understand the addition of “programs” above, and more importantly
9 does not understand what the purpose is of requiring a summary of the “need, project
10 description, project risks and costs” when that information will be provided in an eventual
11 leave to construct application. To be relevant, the information proposed must advance the
12 OEB’s consideration of the revenue requirement determination. It should not be used to
13 pre-judge a future leave to construct application. Otherwise, the processes would be
14 redundant. Therefore, it is unclear as to the value of the greater level of particularity
15 relative to the original filing requirement that required a “summary of the evidence of any
16 project that requires leave to construct”. It is also not practical or doable for Hydro One to
17 provide this information for the five test years of a five-year Custom IR application that is
18 based on forecasts of capital costs.

19

20 ***Rate Base (section 2.5.1)***

21 Hydro One has a comment with respect to the footnote that follows the sentences below
22 (footnote 3). The formula in footnote 3 for Capital in-service additions in year X should
23 also include CWIP adjustments, such as for cancelled projects.

24

25 “Applicants should indicate whether capital expenditures are equivalent to
26 in-service additions. If so, variance explanations are only required once”

27

28 ***Depreciation, Amortization and Depletion (section 2.5.3)***

29 The first sentence of this section is proposed as follows: “The applicant must demonstrate
30 that the proposed levels of depreciation/amortization expense appropriately reflect the
31 useful lives of the applicant’s assets and the OEB’s policies.”

1 Hydro One submits that the above sentence should be deleted. The purpose of the OEB's
2 filing requirements are to set out guidelines for what information should be provided by
3 applicants in an application. The filing requirements are not intended to set out the
4 standard of review (i.e., "demonstrate that"). The standard of review is for an OEB panel
5 of Commissioners to establish.

6
7 ***Exhibit 5 – Operating Revenue (2.7)***

8 Hydro One recommends the following changes in this section:

9
10 This exhibit includes evidence on the applicant's forecast of customers,
11 energy and load, service revenue and other revenue, and variance analyses
12 related to these items.

13
14 The applicant must provide its customer, volume and revenue forecast,
15 weather normalization methodology, and other sources of revenue in this
16 exhibit. The applicant must include a detailed description of the
17 methodologies, and the assumptions used. Estimates must be presented
18 excluding commodity revenues.

19
20 The information presented must include:

- 21
22 1) ~~Load~~ **Charge Determinants** and Revenue Forecasts
23 2) Accuracy of Load Forecast and Variance Analysis
24 3) Other Revenue

25
26 If a transmitter's assets are allocated entirely to the Network transmission
27 rate pool, and no customers **delivery points** are directly connected to the
28 transmitter's system, ~~load~~ **charge determinants** ~~and revenue forecasts~~ are
29 not required.

1 **Exhibit 7 – Cost of Capital and Capital Structure (section 2.9)**

2 The third paragraph in this section reads as follows:

3 Based on the Cost of Capital Decision, the applicant or intervenors can do the
4 following in its application:

5 - file evidence in individual rate hearings to support different cost of
6 capital parameters due to their specific circumstances. However,
7 this evidence must provide a strong rationale for departing from the
8 OEB's policy and why the Fair Return Standard cannot be met. In
9 addition, the applicant is strongly encouraged to hold a stakeholder
10 session in advance of filing an application to explain its planned
11 approach.
12

13 With respect to the words “However, this evidence must provide a strong rationale for
14 departing from the OEB's policy and why the Fair Return Standard cannot be met.”, it is
15 not appropriate for the filing requirements to set out the standard of review. This sentence
16 should be deleted.
17

18 **Capital Structure (section 2.9.1)**

19 The first sentence of this section reads:

20 In the Cost of Capital Decision, the OEB found that no changes are
21 required to the treatment of variances from the deemed capital structure.
22 The deemed capital structure will continue to apply for all transmitters.
23

24 Hydro One notes that applicants are permitted to propose a different deemed structure.
25 The filing requirements should explicitly indicate this.
26

27 This section also includes a new section that states “The Cost of Capital Decision stated
28 the following regarding debt” followed by four bullets. Hydro One recommends that this
29 content be deleted. The Cost of Capital decision should stand on its own. There is no
30 reason to quote it in the filing requirements. Moreover, the bullets paraphrase the Cost of
31 Capital Decision which has the potential to cause significant confusion.¹

¹ For example, under section 2.9.1, the proposed changes include bullets under the heading “The Cost of Capital Decision stated the following regarding debt:”. The first bullet states “ • The deemed long-term debt rate at the time of issuance will apply as a ceiling for transmitters in certain circumstances.” This bullet is a paraphrasing of the actual Cost of Capital Decision. Hydro One recommends that the specific circumstances stated in the Cost of Capital Decision be included so that there is not confusion that the deemed long-term debt rate applies as a ceiling for market-based debt. If this bullet remains in the filing requirements, Hydro One recommends that the words

1 **Cost of Capital (Return on Equity and Cost of Debt) (section 2.9.2)**

2 This section includes the following paragraph:

3 Notional debt is that portion of the deemed debt capitalization that results
4 from differences between the transmitter's actual debt and the deemed
5 debt thickness of 60% (56% long-term debt and 4% short-term debt). In the
6 Cost of Capital Decision, the OEB found that the rate for notional debt will
7 be at the lower of the deemed long-term debt rate at the time of issuance
8 and the weighted average cost of actual long-term debt, but only when
9 there are material variances relating to the notional debt (i.e., with material
10 impacts on the revenue requirement).

11
12 As noted above, Hydro One does not believe that it is appropriate or necessary to provide
13 a summary of the Cost of Capital Decision in the transmission filing requirements.

14
15 **Exhibit 8 – Deferral and Variance Accounts**

16 **2.10.11 ESM**

17 This new section states that it “establishes the minimum requirements for the design,
18 calculation and disposition of the ESM”.

19
20 Hydro One submits that it is not for the filing requirements to make a determination as to
21 the design, calculation and disposition of an ESM. Such a determination is for a panel of
22 Commissioners to make. The filing requirements should set out guidelines for what
23 information need to be filed only.

24
25 Moreover, Hydro One notes that the RRR 2.1.5.6 ROE Complete Filing Guide for
26 distributors provides directions that may conflict with the proposed ESM section.
27 Moreover, each utility that has an ESM has an accounting order that defines how the ESM
28 is calculated and therefore the filing requirements should not provide this definition.
29 Importantly, a utility's accounting order may provide that the ESM is calculated in a manner
30 that is not entirely the same as that which is set out in the ROE Complete Filing Guide.
31 The addition of a section on ESM in the filing requirements is therefore likely to cause a
32 great deal of confusion. Given the above, Hydro One submits that the new section 2.10.11
33 should be deleted in its entirety.

“in certain circumstances” be deleted and replaced with “when there is no debt, variable or callable debt or debt that is not market-based.”

1 In the event that the new section 2.10.11 is not deleted in its entirety, Hydro One has the
2 following comments:

3

4 • It is unclear to Hydro One why the filing requirements would have a section setting
5 out details with respect to the ESM account when it is for the Applicant to propose
6 this as part of its proposed revenue framework.

7 • Section 2.10.11 mentions in two instances that excess earnings are to be recorded
8 in the deferral account annually. In the event that section 2.0.3 of the filing
9 requirements is not deleted in its entirety as recommended by Hydro One, Hydro
10 One notes that there appears to be contradictory with section 2.0.3.5 because
11 section 2.0.3.5 states that consistent with the Handbook, if a utility proposes an
12 ESM, it should be based on overall earnings at the end of the term, not an
13 assessment in each year of the term.

14 • Section 2.10.1.3, bullet 2 states in the second sentence “A description of these
15 adjustments should be included or excluded”. Hydro One does not understand this
16 sentence.

17

18 Moreover, if a section on ESM is retained in the updated version of the filing requirements,
19 it is important that this section state that each utility’s ESM calculation may be unique and
20 the accounting order corresponding to the ESM must take precedence over anything set
21 out in a section of the filing requirements regarding an ESM.