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BY COURIER

February 28, 2019

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**EB-2013-0421 - Hydro One Networks Inc.'s Section 92 – Request for Approval on Attribution of Cost**

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Hydro One Networks Inc. (“HONI”) provides this correspondence to seek authority from the Ontario Energy Board (“OEB”) to proceed with pursuing the appropriate alternative for the disposition of funds that are currently being held in the Supply to Essex County Transmission Reinforcement Deferral Account (“SECTRDA”).

The SECTRDA was approved by the OEB on August 28, 2015 through the Procedural Order 8 and Accounting Order in EB-2013-0421. The intent of the SECTRDA has been to record construction costs relating to the Board-approved Supply to Essex County Transmission Reinforcement Project (“SECTR Project” or “the Project”) that was approved by the OEB on July 16, 2015 and went into service on June 30, 2018.

The leave to construct approval determined that the Project was the most cost-effective integrated solution for addressing both the load customer (Hydro One Distribution) need for supply capacity in the Kingsville – Leamington area and the transmission system reliability needs for load restoration in the Windsor –Essex area. Addressing the transmission system need separately would have required an expenditure by the network pool of \$20.5M<sup>1</sup> for the following: (1) Upgrading the J3E/J4E 115 kV circuits from Keith TS to Essex TS to 1,600 amps at a cost of \$15.5M and (2) installing 50 MVar of reactive support in the Windsor – Essex area at a cost of \$5M. Addressing the customer need for supply capacity in the Kingsville – Leamington area separately would have required that the load customer

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<sup>1</sup> The previous figure of \$22.5 M in the original SECTR Project filing has been lowered to \$20.5 M due to a reduction in avoided network costs following the determination by the IESO of the need to replace the end-of-life 125 MVA autotransformers at Keith TS with 250 MVA units regardless of the SECTR Project facilities.

implement the SECTR Project at a cost of \$54.3M. A total, cumulatively, of \$74.8M. The integrated HONI SECTR Project delivers both system needs and load customer needs at a reduced cost of \$54.3M.

At the time of the leave to construct approval of the Project, the OEB determined that the SECTR Project would be addressed in two phases. Phase 1 was the leave to construct application which included a review of the total costs of the Project. Phase 2 related to the cost allocation issues of the Project which the OEB determined would be completed through a policy development perspective. The OEB held a policy consultation aimed at ensuring the cost responsibility provisions for load customers in the OEB’s Transmission System Code (“TSC”) and Distribution System Code (“DSC”) were aligned and facilitated regional planning and the implementation of regional infrastructure plans<sup>2</sup>.

The culmination of that extensive consultation resulted in the OEB issuing amendments to the TSC and the DSC on December 18, 2018. Pursuant to Section 6.3.18 and 6.3.18A of the TSC, Hydro One is applying to the OEB through this correspondence for approval of the attribution of costs between the triggering customer and the network pool for all costs that have been recorded to date in the SECTRDA.

The costs of the Project have been attributed between the triggering customer and the network pool utilizing a proportional benefit approach. Hydro One proposes that the cost of the Project be allocated in proportion to what the load customer and transmission rate payers would respectively have had to contribute towards the cost of individual solutions. Hence Hydro One proposes that about 72.6% of the SECTR Project cost would be allocated to the local load customer (\$54.3M/\$74.8M), and about 27.4% to transmission rate payers (\$20.5M/\$74.8M).

Line	Solution	Cost
1	Upgrading the J3E/J4E 115 kV circuits from Keith TS to Essex TS to 1,600 amps and installing 50 MVar of reactive support in the Windsor – Essex area	\$20.5M
2	Addressing the customer need for supply capacity in the Kingsville – Leamington area	\$54.3M
3	Total cost of addressing each need separately	<b>\$74.8M</b>
4	Actual cost of the HONI SECTR Project	<b>\$54.3M</b>
5	Allocation to Transmission Ratepayers (Line 1/Line 3)	27.4%
6	Allocation to Load Customer (Line 2/Line 3)	72.6%
5	27.4% Allocation to Transmission Ratepayers (Line 4 x Line 5)	\$14.9M
6	72.6% Allocation to Load Customer (Line 4 x Line 6)	\$39.4M

As a result, Hydro One will be recovering costs totaling approximately \$39.4M (72.6% of \$54.3M) from the triggering customer and will be recovering the remaining balance of \$14.9M (27.4% of \$54.3M) from the network pool. The OEB’s expeditious approval of these allocations will ease all impacted parties’ (e.g., downstream distribution-connected customers) uncertainties regarding financial obligations and enable the completion of contracts and connections among other things related to this Project as documented in HONI’s submissions in EB-2016-0003.

<sup>2</sup> EB-2016-0003

An electronic copy of this correspondence has been filed using the Board's Regulatory Electronic Submission System (RESS).

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson