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Susan Frank

Vice President and Chief Regulatory Officer
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BY COURIER

May 9, 2014

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

Dear Ms. Walli:

**EB-2013-0416 – Hydro One Networks' 2015-2019 Distribution Custom Rate Application –
Hydro One Networks' Draft Issues List**

On May 8, 2014 the Ontario Energy Board requested that Hydro One Networks' provide the Draft Issues List for the 2015-2019 Distribution Custom Rate Application.

I am attaching two (2) paper copies of Hydro One Networks' Draft Issues List.

An electronic copy of this letter including the attached document has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY ALLAN COWAN FOR SUSAN FRANK

Susan Frank

Attach

DRAFT ISSUES LIST

1.0 CUSTOM APPLICATION

1.1 Does Hydro One Distribution's Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?

1.2 Does Hydro One Distribution's Custom Application promote acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality)?

1.3 Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?

1.4 Is the performance monitoring proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?

1.5 Are Hydro One Distribution's proposed off-ramps, annual adjustments and annual adjustments outside the normal course of business appropriate?

1.6 Are any modifications to the Custom Application required to make it compatible with the rate-making methods described in the RRFE Report, including ratepayer protection measures?

1 1.7 Has Hydro One Distribution responded appropriately to all relevant Board
2 directions from previous proceedings, including commitments from prior settlement
3 agreements?
4

5 1.8 What actions should the Board require Hydro One Distribution take at or near the
6 end of the 5-year rate term (e.g. rebasing, plan assessment, measurement of
7 customer satisfaction)?
8

9 **2.0 PROGRAM AND PROJECT EXPENDITURES**
10

11 2.1 Are the levels of planned operation, maintenance and administration expenditures
12 for 2015-2019 appropriate, and the rationale for the planning choices adequately
13 explained?
14

15 2.2 Is the level of planned capital expenditures appropriate for the period 2015-2019
16 and the rationale for the planning and pacing choices adequately explained?
17

18 2.3 Has Hydro One Networks proposed sufficient, sustainable productivity
19 improvements for the 2015-2019 period?
20

21 **3.0 COMMON COSTS AND PROCESSES SHARED BY HYDRO ONE**
22 **NETWORKS' TRANSMISSION AND DISTRIBUTION BUSINESSES**
23

24 3.1 Are the business planning processes, assumptions, and policies used by Hydro One
25 Networks to develop its distribution and transmission revenue requirement
26 appropriate?
27

1 3.2 Is the proposed level of 2015-2019 common corporate costs spending appropriate
2 with an adequate demonstration of efficiencies over the 5-year period?
3

4 3.3 Are the methodologies used to allocate common corporate costs to the distribution
5 and transmission businesses and to determine the overhead capitalization rate for
6 2015-2019 appropriate?
7

8 3.4 Is the compensation strategy for 2015-2019 appropriate and does it result in
9 reasonable compensation costs?
10

11 **4.0 DEFERRAL AND VARIANCE ACCOUNTS**
12

13 4.1 Are the proposed amounts, disposition, discontinuance and continuance of Hydro
14 One Distribution's existing deferral and variance accounts, as set out in the Custom
15 Application, appropriate?
16

17 4.2 Is it appropriate to include in rate base, effective January 1, 2015, the following in-
18 service assets which are presently recorded as regulatory assets:

- 19 a) smart meter assets as of December 31, 2013, the costs for which are recorded in
20 variance accounts 1555 and 1556;
21 b) smart grid assets as of December 31, 2013, the costs for which are recorded in
22 account 1536; and
23 c) assets to facilitate distributed generation as of December 31, 2013, the costs for
24 which are recorded in account 1533.
25
26

1 **5.0 REVENUE REQUIREMENT**

2
3 5.1 Is the determination of the components of the revenue requirement for 2015 as set
4 out in the Custom Application appropriate, including:

- 5 a) Rate base;
6 b) Cost of Capital;
7 c) Depreciation;
8 d) Taxes/PILS; and
9 e) OM&A

10
11 5.2 Is the load forecast a reasonable reflection of the energy and demand requirements
12 of the applicant? Is the forecast of other rates and charges appropriate?

13
14 **6.0 RATE DESIGN**

15
16 6.1 Are the following rate-related adjustments proposed by Hydro One Distribution
17 reasonable:

- 18 a) reclassification of customers to reflect findings of the company's review of
19 existing customer rate classifications;
20 b) changes to the definition of "seasonal" customer class;
21 c) addition of a new "Unmetered Scattered Load" rate class;
22 d) an increase to the fixed charges revenue;
23 e) moving revenue-to-cost ratios for all rate classes to within 98% to 102% over the
24 2015-2019 period;
25 f) adjustments to reflect the Board-directed line loss study; and
26 g) proposed rate mitigation plans for some customers moving between rate classes in
27 accordance with the results of the rate class review?

1

2 6.2 Are the proposed charges for miscellaneous services over the 2015-2019 period
3 reasonable?