

## DRAFT ISSUES LIST

### 1.0 CUSTOM APPLICATION

1.1 Is the Custom Application consistent with the Renewed Regulatory Framework for Electricity? Are any modifications to the Custom Application required to make it compatible with the planning requirements and ~~rate-making~~ rate setting methods described in the RRFE Report? ~~including ratepayer protection measures?~~

1.2 Has Hydro One Distribution responded appropriately to all relevant Board directions from previous proceedings, including commitments from prior settlement agreements?

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

1.4 Is the proposed rate-smoothing mechanism proposal appropriate? Given Hydro One's rate smoothing proposal, should the application include any other ratepayer protection measures such as an earnings sharing mechanism or other including ratepayer protection measures?

~~Is the proposed rate smoothing proposal appropriate?~~

~~1.3.1.5~~

### 2.0 OUTCOMES AND INCENTIVES

2.1 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?

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

2.3 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?

2.4 Is the ~~performance~~-monitoring and reporting of performance proposed by Hydro One Distribution adequate to demonstrate whether the planned outcomes are achieved?

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

2.6 ~~If so, are the~~Hydro One's forecasts (revenue, costs, inflation and productivity) reasonable? Has it appropriate to Hydro One appropriately benchmarked Hydro One's forecasts? ~~its forecasts (revenue, costs, inflation and productivity) to determine their reasonableness? If so, are the forecasts reasonable?~~

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2.7 Is Hydro One's proposed annual reporting and stakeholder engagement process appropriate?

~~2.5~~2.8 ~~Does~~Should the application provide appropriate incentives for line loss reduction?

### 3.0 PROGRAM AND PROJECT EXPENDITURES

3.1 Are the levels of planned operation, maintenance and administration expenditures for 2015-2019 appropriate, and is the rationale for the planning choices appropriate and adequately explained?

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3.2 Is the level of planned capital expenditures appropriate for the period 2015-2019 and is the rationale for the planning and pacing choices appropriate and adequately explained?

3.3 Has Hydro One Networks proposed sufficient, sustainable productivity improvements for the 2015-2019 period, and have those proposed improvements been adequately supported by benchmarking?

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~~3.3.4~~ Is the company's effort to reduce line losses appropriate?

#### 4.0 COMMON COSTS AND PROCESSES SHARED BY HYDRO ONE NETWORKS' TRANSMISSION AND DISTRIBUTION BUSINESSES

4.1 Are the business planning processes, assumptions, and policies used by Hydro One Networks to develop, allocate and disclose its distribution and transmission revenue requirement appropriate, including compensation costs and cost of capital?

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

4.3 Are the methodologies used to allocate common corporate costs to the distribution and transmission businesses and to determine the overhead capitalization rate for

2015-2019 appropriate?

4.4 Is the compensation strategy for 2015-2019 appropriate and does it result in reasonable compensation costs?

## **5.0 DEFERRAL AND VARIANCE ACCOUNTS**

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

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

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

## **6.0 REVENUE REQUIREMENT**

6.1 Is the rate base component of the revenue requirement for 2015 as set out in the Custom Application appropriate ?

Is the rate base component of the revenue requirement for 2015 as set out in the Custom Application appropriate ?

1 6.2 Is the capital structure and cost of capital component of the revenue requirement  
2 for 2015 as set out in the Custom Application appropriate ?

3 6.3 Is the depreciation component of the revenue requirement for 2015 as set out in the  
4 Custom Application appropriate ?

5 6.4 Is the taxes / PILs component of the revenue requirement for 2015 as set out in the  
6 Custom Application appropriate ?

7 6.5 Is the OM&A component of the revenue requirement for 2015 as set out in the  
8 Custom Application appropriate ?

9 a) Rate base;

10 b) Cost of Capital;

11 c) Depreciation;

12 d) Taxes/PILS; and

13 e) OM&A

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15 6.6 Is the load forecast a reasonable reflection of the energy and demand requirements  
16 of the applicant? Is the forecast of other rates and charges appropriate? Is the  
17 forecast of other revenues appropriate?

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19 **7.0 COST ALLOCATION AND RATE DESIGN**

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21 7.1 Are the rate classes and their definitions proposed by Hydro One appropriate?

22 7.2 Is the proposed definition of “seasonal” customer class appropriate? Particularly, is  
23 residency an appropriate criterion in defining a class? Has this criterion been  
24 applied consistently?

25 7.3 Is the reclassification of customers to reflect findings of the company’s review of  
26 existing customer rate classifications appropriate?

27 7.4 Is moving revenue-to-cost ratios for all rate classes to within 98% to 102% over the  
28 2015-2019 period appropriate;?

1 7.5 Is the addition of a new “Unmetered Scattered Load” rate class appropriate?

2 7.6 Are Hydro One’s proposed charges for street lighting appropriate?

3 7.7 Is an increase to the fixed charges revenue appropriate?

4 7.8 Are the proposed charges for miscellaneous services over the 2015-2019 period  
5 reasonable?

6 7.9 Are the adjustments to reflect the Board-directed line loss study appropriate?

7 7.10 Are the proposed rate mitigation plans for some customers moving between rate  
8 classes in accordance with the results of the rate class review?

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