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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY EMAIL

September 22, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli:

**EB-2013-0416 Hydro One Networks' 2015 - 2019 Distribution Custom Rate Application
Undertaking Responses**

Please find enclosed responses to undertakings provided at the Oral Hearings in the above-noted proceeding and electronic copies of the exhibits which were physically distributed during the hearing. The following undertakings are being filed:

September 11, 2014 – J3.12
September 12, 2014 – J4.8
September 15, 2014 – J5.1 & J5.7
September 17, 2014 – J7.3

The following undertakings were filed during day 7 of the hearing and have now been filed using the Board's Regulatory Electronic Submission System (RESS). These are as follows:

September 15, 2014 – J5.2, J5.4 & J5.6
September 16, 2014 – J6.3

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

cc. Intervenors

Encls.

UNDERTAKING – J3.12

Undertaking

To calculate the total amount of compensation that would be payable if Hydro One was at the median in 2014.

Response

As explained in Exhibit C1, Tab 3, Schedule 2, approximately 90% of Hydro One's workforce is unionized and wages and benefits are covered by the respective collective agreements. Collective agreements are legally enforceable contracts and cannot be unilaterally changed. As such, any reductions in our Revenue Requirement to approximate market median compensation will not reduce wages and benefits but may require a reduction in work programs.

The Mercer Study results have demonstrated the substantial improvements, Hydro One has made in reducing the level of total compensation as compared to a market median where all other market participants are also striving to reduce their total compensation.

As noted in the Day #3 transcript (see EB-2013-0416, Volume 3, September 11, 2014, page 196, line 10 and 11), Hydro One requested Mercer to estimate the dollar difference between the 2013 weighted average total compensation for Hydro One employees and the weighted average median for the participants in the study. Using the same methodology as used in the Mercer Study, Mercer has determined the difference to be \$60.8M approximately 25.29% of which is allocated to Distribution. The resulting Distribution OM&A portion is \$15.38M payable compensation over market median.

UNDERTAKING – J4.8

Undertaking

To set out the written reports or evidence which it will maintain to document the annual planning process for each year of the multi-year plan.

Response

Hydro One proposes to submit at the time of the annual RRR filing, a Distribution Business Plan Memo approved by the Hydro One Board in November of the prior year for the current year. The Business Plan Memo is based on a detailed bottom up planning process across the organization. For example, on April 2015, the Hydro One Board's November 2014 approved values for 2015 will be filed.

This Board Memo will cover:

- Distribution Work Program Details on OM&A and Capital expenditures;
- Distribution In Service Additions >\$1M;
- Forecasted Outcome Measures with revised targets as required; and
- Forecasted Distribution Business Measures in the Hydro One Corporate Scorecard.

UNDERTAKING – J5.1

Undertaking

To provide a list of the companies used as comparators, or to explain why it cannot be provided.

Response

Hydro One did not commission the 2011-2012 Distribution CN Utility Benchmark Survey and does not have the information requested. Hydro One has requested this information from CN Utility Consulting. They advised that they cannot release without the consent of all participants.

UNDERTAKING – J5.7

Undertaking

To indicate whether there is anything incremental to the chart discussed and the Board's scorecard that Hydro One believes would be appropriate for reporting on its distribution system plan.

Response

Hydro One believes the comprehensive set of reports cited below will give the Board a complete and accurate account of the successful implementation of the Hydro One Distribution System Plan:

- Hydro One Board Distribution Plan Approval Memo – See response to undertaking J4.8;
- Hydro One Outcome Measures Scorecard – See response to TCJ1.16;
- The OEB Scorecard for Hydro One – See response to J4.5;
- An annual Productivity / Cost Efficiencies accomplishment file; and
- Annual RRR Filing Reports:
 - 2.1.4 – Report on Service Quality Requirements and System Reliability Indicators;
 - 2.1.5 – Information related to performance based regulation for the preceding calendar year;
 - Labour;
 - Capital;
 - Supply and Delivery Information;
 - Demand and Revenue;
 - Utility Characteristics; and
 - Regulated return on Equity;
 - 2.1.7 – Annual Trial Balance; and
 - 2.1.13 – The uniform system of account balances mapped and reconciled to the audited financial statement.

UNDERTAKING – J7.3

Undertaking

To provide an overall bill impact for five years if possible.

Response

The table provided in Attachment 1 provides the distribution and total bill impacts at typical consumption levels for all rate classes under the assumptions listed below:

- The total cost of electricity for each rate class has been increased in 2015 to 2019 in accordance with the year-over-year change in the “All-In Electricity Rate (GA + HOEP)” provided by the OPA on page 58 of their “Cost of Electricity Service - 2013 LTEP: Module 4” pdf document found at the following website <http://powerauthority.on.ca/sites/default/files/planning/LTEP-2013-Module-4-Cost.pdf>
- The Ontario Clean Energy Benefit has been removed as of January 2016 and for all subsequent years in accordance with the information provided in undertaking J7.2.
- The Debt Retirement Charge has been removed from all residential customer bills as of January 2016, and from all other customer’s bills as of January 2019, in accordance with the information provided in undertaking J7.2.
- The Smart Meter Entity charge has been removed from the calculation of the 2019 bill impact given it will terminate on October 31, 2018 per the Board’s Decision and Order in EB-2012-0100/EB-2012-0211.
- Hydro One notes that the timing of the elimination of the Debt Retirement Charge for all customer classes is only a forecast from the Ministry of Finance, and there appears to be some discussion of alternate programs that may take the place of the Ontario Clean Energy Benefit.

The assumptions listed above vary from the distribution and total bill impacts provided in the pre-filed evidence, and summarized in Table 2 of Exhibit G1, Tab 4, Schedule 1, which was prepared in accordance with the Board’s “Chapter 2 - Cost of Service Filing Requirements for Electricity Distribution Rate Applications” issued July 17, 2013.

Rate Class	Monthly Consumption (kWh)	Monthly Peak (kW)	2015				2016				2017				2018				2019			
			Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)	Change in DX Bill (\$)	Change in DX Bill (%)	Change in Total Bill (\$)	Change in Total Bill (%)
UR	800		(\$4.22)	-11.2%	(\$0.64)	-0.4%	\$0.76	2.3%	\$11.53	8.2%	\$0.49	1.4%	\$0.25	0.2%	\$0.39	1.1%	\$4.03	2.6%	\$0.59	1.7%	\$1.03	0.7%
R1	800		(\$0.75)	-1.4%	\$3.18	2.0%	\$1.95	3.8%	\$15.05	9.4%	\$1.20	2.3%	\$0.85	0.5%	\$0.63	1.2%	\$4.26	2.4%	\$1.42	2.6%	\$1.99	1.1%
R2	800		\$6.23	9.7%	\$12.61	7.4%	\$7.19	10.2%	\$23.49	12.9%	\$7.55	9.7%	\$8.01	3.9%	\$9.00	10.5%	\$13.72	6.4%	\$9.01	9.5%	\$10.60	4.7%
Seasonal	400		\$2.72	4.7%	\$5.45	4.9%	\$4.05	6.7%	\$15.06	12.9%	\$4.96	7.6%	\$5.35	4.0%	\$4.69	6.7%	\$7.07	5.1%	\$5.35	7.2%	\$5.76	4.0%
GSe	2,000		\$10.20	8.3%	\$26.92	7.1%	\$8.27	6.2%	\$57.52	14.2%	\$8.97	6.4%	\$8.86	1.9%	\$9.57	6.4%	\$19.61	4.2%	\$10.38	6.5%	(\$1.72)	-0.4%
UGe	2,000		\$21.24	44.9%	\$32.18	10.7%	\$3.74	5.5%	\$44.45	13.3%	\$7.18	9.9%	\$6.87	1.8%	\$7.01	8.8%	\$16.48	4.3%	\$7.56	8.7%	(\$4.99)	-1.2%
GSd	35,000	120	\$226.79	15.8%	\$466.01	7.6%	\$155.93	9.4%	\$228.44	3.5%	\$221.85	12.2%	\$229.77	3.4%	\$235.06	11.5%	\$404.47	5.7%	\$240.54	10.6%	\$44.42	0.6%
UGd	35,000	120	\$130.56	15.3%	\$381.15	6.9%	\$89.39	9.1%	\$155.69	2.6%	\$130.83	12.2%	\$131.56	2.2%	\$137.73	11.4%	\$297.72	4.8%	\$141.17	10.5%	(\$66.06)	-1.0%
St Lgt	500		\$9.14	23.7%	\$12.39	12.6%	\$3.83	8.0%	\$17.30	15.7%	\$4.41	8.6%	\$4.65	3.6%	\$4.54	8.1%	\$7.13	5.4%	\$4.52	7.5%	\$1.86	1.3%
Sen Lgt	50		\$1.26	18.9%	\$1.59	12.3%	\$0.99	12.5%	\$2.80	19.3%	\$1.09	12.2%	\$1.20	6.9%	\$1.08	10.8%	\$1.42	7.7%	\$0.79	7.1%	\$0.56	2.8%
USL	500		\$2.61	5.2%	\$5.27	4.8%	(\$0.54)	-1.0%	\$13.05	11.2%	\$1.34	2.6%	\$1.18	0.9%	\$0.26	0.5%	\$2.29	1.8%	\$1.11	2.1%	(\$1.99)	-1.5%
DGen	2,000	20	\$61.57	37.4%	\$90.01	20.7%	\$65.91	29.1%	\$77.44	14.7%	\$69.72	23.9%	\$77.55	12.9%	\$71.80	19.8%	\$89.03	13.1%	\$61.37	14.2%	\$56.34	7.3%
ST	500,000	1,000	\$603.07	34.2%	\$4,782.91	7.3%	\$196.00	8.3%	\$1,014.38	1.4%	\$172.54	6.7%	\$1.65	0.0%	\$223.02	8.2%	\$2,288.21	3.2%	\$220.25	7.4%	(\$2,966.67)	-4.0%