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BY E-MAIL

October 4, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Hydro One Networks Inc.
2017 and 2018 Transmission Cost of Service Application
Board File Number EB-2016-0160
Submission of Proposed Issues List

On September 26, 2016 OEB staff advised the OEB that parties were unable to reach an agreement on a proposed issues list. Staff indicated that due to a full agenda in the technical conference, parties were unable to undertake a full discussion of the draft issues list. Staff informed the OEB that discussions were to take place in the week of September 26, 2016 and requested an extension for the filing of the proposed issues list until October 4, 2016. On September 27, 2016 the OEB extended the filing date until October 4, 2016.

A few parties filed submissions with the OEB on the draft proposed issues list as circulated by OEB staff.

- HQ Energy Marketing (HQEM) opposed the inclusion of Issue 29: “Is the Export Transmission Rate of $1.85 and the resulting ETS revenues appropriate?”

- On September 29, 2016, Anwaatin Inc. (Anwaatin) proposed an additional issue; “Has Hydro One undertaken adequate outreach and consultation with Indigenous communities and groups and are its current processes and procedures sufficient to do so?” On September 30th Hydro One responded opposing the request. Anwaatin filed a response to Hydro One's submission on October 3, 2016.

OEB staff held a conference call on October 3rd for the purpose of discussing the proposed issues list and invited parties to participate. Representatives from BOMA, HQEM, Hydro One, AMPCO, SEC and Anwaatin participated.

With respect to the issue relating to the export transmission rate, after some discussion, Hydro Quebec informed staff that it was content to have the issue remain on the list.

With respect to the issue proposed by Anwaatin, the parties were unable to reach agreement.

Therefore, OEB staff submits for the Panel's consideration the Proposed Issues List as attached. The one issue which remains unresolved is that raised by Anwaatin.

Yours truly,

Original Signed By

Harold Thiessen
Ontario Energy Board staff
Case Manager – EB-2016-0160

Att.

Hydro One Networks Inc.
2017 and 2018 Transmission Cost of Service Application
Board File Number EB-2016-0160

OEB STAFF PROPOSED ISSUES LIST
(revised September 26, 2016)

A. GENERAL

1. Has Hydro One responded appropriately to all relevant OEB directions from previous proceedings?

2. Is the overall increase in the 2017 and 2018 revenue requirement reasonable?

B. TRANSMISSION SYSTEM PLAN

3. Does the Transmission System Plan adequately address customer needs and preferences?

4. Does Hydro One's investment planning process consider appropriate planning criteria? Does it adequately address the condition of the transmission system assets?

5. Are the proposed 2017 and 2018 Capital Expenditures for Sustainment, Development and Operations appropriate?

6. Do the proposed capital expenditures include the consideration of factors such as customer preferences, system reliability and asset condition?

7. Are the proposed 2017 and 2018 levels of Common Corporate capital expenditures appropriate?

8. Are the methodologies used to:

   (i) allocate Common Corporate capital expenditures to the transmission business appropriate? and
   (ii) to determine the transmission Overhead Capitalization Rate for 2017 and 2018 appropriate?

9. Is the benchmarking evidence adequate/sufficient and does it support the proposed Transmission System Plan and related cost forecasts?

C. PERFORMANCE SCORECARD

10. Are the metrics in the proposed scorecard appropriate and do they adequately reflect appropriate outcomes? Do the outcomes adequately reflect customer expectations?

D. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

11. Are the proposed spending levels for Sustainment, Development, Operations, and Customer Care OM&A in 2017 and 2018 appropriate, including consideration of factors such as system reliability and asset condition?

12. Do the proposed OM&A expenditures include the consideration of factors such as system reliability, asset condition and customer preferences?

13. Are the proposed spending levels for Common Corporate Services and Other O&M in 2017 and 2018 appropriate?

14. Are the 2017 and 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate?

15. Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?

16. Are the methodologies used to allocate Common Corporate Costs and Other OM&A costs to the transmission business for 2017 and 2018 appropriate?

17. Are the amounts proposed to be included in the 2017 and 2018 revenue requirements for income taxes appropriate?

18. Is Hydro One's proposed depreciation expense for 2017 and 2018 appropriate?

E. RATE BASE & COST OF CAPITAL

19. Are the amounts proposed for rate base in 2017 and 2018 appropriate?

20. Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?

21. Are the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rates appropriate?

22. Is the forecast of long term debt for 2017 and 2018 appropriate?

F. LOAD REVENUE FORECAST

23. Is the load forecast methodology and the resulting load forecast appropriate?

24. Have the impacts of conservation and demand management initiatives been suitably reflected in the forecast?

25. Are Other Revenue (including export revenue) forecasts appropriate?

G. DEFERRAL/VARIANCE ACCOUNTS

26. Are the proposed amounts, disposition and continuance of Hydro One's existing deferral and variance accounts appropriate?

27. Are the proposed new deferral and variance accounts appropriate?

H. COST ALLOCATION

28. Is the transmission cost allocation proposed by Hydro One appropriate?

I. EXPORT TRANSMISSION SERVICE RATES

29. Is the Export Transmission Rate of $1.85 and the resulting ETS revenues appropriate?