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**BY E-MAIL**

May 1, 2017

Ms. Erin Henderson  
Senior Regulatory Coordinator  
Regulatory Affairs  
Hydro One Networks Inc.  
7<sup>th</sup> Floor South Tower  
483 Bay Street  
Toronto ON M5G 2P5

Dear Ms. Henderson:

**Re: Hydro One Networks Inc.  
2018-2022 Distribution Custom IR Application  
Board File Number EB-2017-0049**

On March 31, 2017, the Ontario Energy Board (OEB) received an application from Hydro One Networks Inc. for setting its distribution rates for the period 2018-2022. The application was filed under the OEB's Customer Incentive Rate-setting option (Custom IR).

While the OEB does not have filing requirements specific to Custom IR applications, the Rate Handbook<sup>1</sup> and the Cost of Service Filing Requirements<sup>2</sup> both note that in preparing a Custom IR application, applicants should be informed and guided by the requirements in both documents. The OEB also notes that the first year of the Custom IR term has been clearly identified as a cost of service forward test year.

A preliminary review of the application has identified some areas where further information would assist the OEB in reviewing the application. This additional information is noted below.

Please note that this is not an exhaustive list. Please refer to the cost of service

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<sup>1</sup> *Handbook to Utility Rate Applications*, dated October 13, 2016.

<sup>2</sup> *Filing Requirements For Electricity Distribution Applications*, dated July 14, 2016.

checklist to ensure the necessary information has been provided. Please also include a schedule that maps your application exhibits and schedules to the exhibits and schedules in the filing requirements.

### **Administrative and General**

<b>Requirement</b>	<b>Reference</b>
Chapter 2 Appendices in live Excel format	Ch. 2, p. 3
Statement as to where Notice should be published and why	Ch. 2, p. 10
Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must: <ul style="list-style-type: none"> <li>- provide reference to where on the website Conditions of Service can be found</li> <li>- confirm version is current</li> <li>- identify whether there are changes to Conditions of Service <ul style="list-style-type: none"> <li>(a) since last cost of service application; or</li> <li>(b) as a result of the current application</li> </ul> </li> <li>- confirm that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges</li> </ul>	Ch. 2, p. 10-11
Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide percent load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW.	Ch. 2, p. 11
Complete Appendix 2-AC Customer Engagement Activities Summary.	Ch. 2, p. 14

### **Rate Base**

<b>Requirement</b>	<b>Reference</b>
Completed Fixed Asset Continuity Schedule (Appendix 2-BA) - in Application and Excel format	Ch. 2, p. 16
PP&E and depreciation broken down by function and by major plant account; description of major plant items for test year	Ch. 2, p. 18
Continuity statements must reconcile to calculated depreciation expenses and presented by asset account	Ch. 2, p. 18

All asset disposals clearly identified in the Chapter 2 Appendices for all historical, bridge and test years	Ch. 2, p. 18
Cost of Power for working capital calculation must be determined by split between RPP and non-RPP customers based on actual data, use most current RPP (TOU) price, use current UTR.	Ch. 2, p. 19
5 historical years of SAIDI and SAIFI - for all interruptions, all interruptions excluding loss of supply, and all interruptions excluding major events; explanation for any under-performance versus 5 year average and actions taken	Ch. 2, p. 27
Completed Appendix 2-G	Ch. 2, p. 27

### **Operating Revenue**

<b>Requirement</b>	<b>Reference</b>
Completed Appendix 2-H	Ch. 2, p. 33

### **Operating Costs**

<b>Requirement</b>	<b>Reference</b>
Completed Appendix 2-D	Ch. 2, p. 35
Completed Appendix 2-K	Ch. 2, p. 35
Discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to headcount and compensation. Explanation for all years includes: <ul style="list-style-type: none"> <li>- year over year variances</li> <li>- basis for performance pay, eligible employee groups, goals, measures, and review process for pay-for-performance plans,</li> <li>- relevant studies (e.g. compensation benchmarking)</li> </ul>	Ch. 2, p. 36
Completed Appendix 2-KA - accounting method for pension and OPEBs	Ch. 2, p. 36
Shared Service and Corporate Cost Variance analysis - test year versus last OEB approved and most recent actual	Ch. 2, p. 37
Completed Appendix 2-M	Ch. 2, p. 38
Explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report	Ch. 2, p. 39
Depreciation, Amortization and Depletion details by asset group for historical, bridge and test years. Include asset amount and rate of	Ch. 2, p. 18 & 39

depreciation/amortization. Must agree to accumulated depreciation in Appendix 2-BA under rate base	
Live Excel version of Income Tax model	Ch. 2, p. 40
A copy of the most recent tax return	Ch. 2, p. 41

### **Cost of Capital and Capital Structure**

<b>Requirement</b>	<b>Reference</b>
Completed Appendix 2-OA for last OEB approved and test year	Ch. 2, p. 45
Completed Appendix 2-OB for historical, bridge and test years	Ch. 2, p. 45

### **Cost Allocation**

<b>Requirement</b>	<b>Reference</b>
Host Distributor - evidence of consultation with embedded Dx	Ch. 2, p. 51
Unmetered Loads (including Street Lighting) - Confirmation of communication with unmetered load customers when proposing changes to the level of the rates and charges or the introduction of new rates and charges.	Ch. 2, p. 52

### **Rate Design**

<b>Requirement</b>	<b>Reference</b>
Retail Transmission Service Rate Work Form - PDF and Excel	Ch. 2, p. 57
If proposing changes to Retail Service Charges or introduction of new rates and charges - evidence of consultation and notice	Ch. 2, p. 57
Identification in the Application Summary all proposed changes that will have a material impact on customers, including charges that may affect a discrete group.	Ch. 2, p. 58
Completed Bill Impacts Model for all classes in the distributor's tariff schedule. Bill impacts must identify existing rates, proposed changes to rates, and detailed bill impacts, including live Excel workbook.	Ch. 2, p. 3 & 60
Evidence showing that the monthly service charge would not rise by more than \$4 per year due only to the rate design change, and that the total bill impact, reflecting all proposed changes in the application, will not exceed 10%. If either of these criteria is not met, some form of mitigation may be required (i.e. extending transition period).	Ch. 2, p. 61

**Deferral and Variance Accounts**

<b>Requirement</b>	<b>Reference</b>
Completed DVA continuity schedule for period following last disposition to present - live Excel format	Ch. 2, p. 63
Completed Appendix 2-YA	Ch. 2, p. 64

The OEB expects that Hydro One Networks Inc. will file the information listed above as soon as possible.

If any of the information that is identified above is located in the application please identify clearly where it can be found. If any of the information is not applicable or is not practicable in your circumstances, please provide an explanation when filing the remainder of the required information.

The OEB will continue to process your application once the above information is filed.

Please direct any questions relating to this application to Harold Thiessen, Case Manager at 416-440-7637 or [Harold.Thiessen@oeb.ca](mailto:Harold.Thiessen@oeb.ca).

Yours truly,

*Original Signed By*

Kristi Sebalj  
Registrar