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BY E-MAIL

September 8, 2017

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

Dear Ms. Walli:

**Re: Hydro One Networks Inc.
Distribution Rate Application, 2018 - 2022
Board File Number EB-2017-0049
Submission of Draft Issues List**

Procedural Order #1, issued on August 30, 2017, directed OEB staff to submit a draft Issues List by September 8, 2017.

Procedural Order #1 also provided for Hydro One and intervenors to make any submissions on the draft Issues List by September 15, 2017. If OEB staff or any party wishes to respond to any of the submissions on the draft Issues List, those submissions shall be filed with the OEB by September 20, 2017.

OEB staff submits the draft Issues List as attached.

Original Signed By

Harold Thiessen
Ontario Energy Board staff
Case Manager – EB-2017-0049

Att.

Hydro One Networks Inc.
Distribution Rates Application, 2018 - 2022
Board File Number EB-2017-0049

OEB STAFF DRAFT ISSUES LIST
September 8, 2017

A. GENERAL

1. Has Hydro One responded appropriately to all relevant OEB directions from previous proceedings?
2. Has Hydro One adequately responded to the customer concerns expressed in the Community Meetings held for this application?
3. Is the overall increase in the distribution revenue requirement from 2018 to 2022 reasonable?
4. Are the overall rate and bill impacts in each customer class over the 2018 to 2022 period reasonable?
5. Do any of the proposed rate increases require rate smoothing or mitigation?

B. CUSTOM APPLICATION

6. Is Hydro One's proposed Custom Incentive Rate Methodology, using a Revenue Cap Index, consistent with the OEB's *Rate Handbook*?
7. Is the proposed industry-specific inflation factor, and the proposed custom productivity factor, appropriate?
8. Are the values for the proposed custom capital factor appropriate?
9. Are the program-based cost, productivity and benchmarking studies filed by Hydro One appropriate?
10. Are the results of the studies sufficient to guide Hydro One's plans to achieve the desired outcomes to the benefit of ratepayers?
11. Do these studies align with each other and with Hydro One's overall custom IR Plan?
12. Are the annual updates proposed by Hydro One appropriate?
13. Is Hydro One's proposed integration of the Acquired Utilities in 2021 appropriate?

14. Is the proposed Earnings/Sharing mechanism appropriate?
15. Are the proposed Z-factors and Off-Ramps appropriate?

C. OUTCOMES, SCORECARD AND INCENTIVES

16. Does the application adequately incorporate and reflect the four outcomes identified in the Rate Handbook: customer focus, operational effectiveness, public policy responsiveness, and financial performance?
17. Are the metrics in the proposed additional scorecard measures appropriate and do they adequately reflect appropriate outcomes?
18. Are the proposals for performance monitoring and reporting adequate and do the outcomes adequately reflect customer expectations?
19. Does the application promote and incent appropriate outcomes for existing and future customers including factors such as cost control, system reliability, service quality, and bill impacts?
20. Does the application adequately account for productivity gains in its forecasts and adequately include expectations for gains relative to external benchmarks?
21. Has the applicant adequately demonstrated its ability and commitment to manage within the revenue requirement proposed over the course of the custom incentive rate plan term?

D. DISTRIBUTION SYSTEM PLAN

22. Was the customer consultation adequate and does the Distribution System Plan adequately address customer needs and preferences?
23. Does Hydro One's investment planning process consider appropriate planning criteria? Does it adequately address the condition of distribution assets, service quality and system reliability?
24. Does the Distribution System Plan adequately reflect productivity gains, benefit sharing and benchmarking?
25. Does the Distribution System Plan address the trade-offs between capital and OM&A spending over the course of the plan period?
26. Has the distribution System Plan adequately addressed government mandated obligations over the planning period?

27. Has Hydro One appropriately incorporated Regional Planning in its Distribution System Plan?
28. Are the proposed capital expenditures resulting from the Distribution System Plan, adequately planned and paced?
29. Are the proposed capital expenditures for System Renewal, System Service, System Access and General Plant appropriately based on the Distribution System Plan?
30. Are the methodologies used to allocate Common Corporate capital expenditures to the distribution business appropriate?
31. Are the methodologies used to determine the distribution Overhead Capitalization Rate for 2018 and onward appropriate?

E. RATE BASE & COST OF CAPITAL

32. Are the amounts proposed for the rate base from 2018 to 2022 appropriate?
33. Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?
34. Is the proposed capital structure appropriate?
35. Are the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rate implementation appropriate?
36. Is the forecast of long term debt for 2018 and further years appropriate?

F. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

37. Are the proposed OM&A spending levels for Sustainment, Development, Operations, Customer Care, Common Corporate and Property Taxes and Rights Payments, appropriate, including consideration of factors considered in the Distribution System Plan?
38. Do the proposed OM&A expenditures include the consideration of factors such as system reliability, service quality, asset condition, cost benchmarking, bill impact and customer preferences?
39. Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?
40. Has Hydro One demonstrated improvements in presenting its compensation costs and showing efficiency and value for dollar associated with its

compensation costs?

41. Are the methodologies used to allocate Common Corporate Costs and Other OM&A costs to the distribution business for 2018 and further years appropriate?

G. REVENUE REQUIREMENT

42. Are the amounts proposed to be included in the 2018 and further years revenue requirement for income taxes appropriate?
43. Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?
44. Are the proposed other revenues for 2018 – 2022 appropriate?

H. LOAD AND REVENUE FORECAST

45. Is the load forecast methodology including the forecast of CDM savings appropriate?
46. Are the customer and load forecasts a reasonable reflection of the energy and demand requirements for 2018 – 2022?
47. Has the load forecast appropriately accounted for the addition of the Acquired Utilities' customers in 2021?

I. COST ALLOCATION AND RATE DESIGN

48. Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
49. Are the proposed billing determinants appropriate?
50. Are the revenue-to-cost ratios for all rate classes over the 2018 – 2022 period appropriate?
51. Are the proposed fixed and variable charges for all rate classes over the 2018 – 2022 period, appropriate, including implementation of the OEB's residential rate design?
52. Are the proposed Retail Transmission Service Rates appropriate?
53. Are the proposed specific service charges for miscellaneous services over the 2018 – 2022 period reasonable?

54. Are the proposed line losses over the 2018 – 2022 period appropriate?

J. DEFERRAL/VARIANCE ACCOUNTS

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

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

57. Is the proposal to discontinue several deferral and variance accounts appropriate?

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