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BY E-MAIL

January 10, 2018

To: All Parties, EB-2017-0049

**Re: Hydro One Networks Inc. Distribution Rates Application 2018 - 2022
Board File Number: EB-2017-0049
Correction to the Final Approved Issues List, January 10, 2018**

The EB-2017-0049 Final Approved Issues List issued on January 10, 2018 contained two omissions, with the words “excluding executive compensation” missing from Issues 40 and 41. The two issues should correctly read:

40. Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?
41. Has Hydro One demonstrated improvements in presenting its compensation costs and showing efficiency and value for dollar associated with its compensation costs (excluding executive compensation)?

The corrected Final Approved Issues List is attached.

Original signed by

Kirsten Walli
Board Secretary

Att.

Hydro One Networks Inc.

Distribution Rates Application, 2018 – 2022

EB-2017-0049

Schedule A

**Final Approved Issues List
(corrected)**

January 10, 2018

**Hydro One Networks Inc.
Distribution Rates Application, 2018 - 2022
EB-2017-0049
Final Approved Issues List
January 10, 2018
(corrected)**

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 rate and bill impacts in each customer class in each year in the 2018 to 2022 period reasonable?
5. Are Hydro One's proposed rate impact mitigation measures appropriate and do any of the proposed rate increases require rate smoothing or mitigation beyond what Hydro One has proposed?
6. Does Hydro One's First Nation and Métis Strategy sufficiently address the unique rights and concerns of Indigenous customers with respect to Hydro One's distribution service?

B. CUSTOM APPLICATION

7. Is Hydro One's proposed Custom Incentive Rate Methodology, using a Revenue Cap Index, consistent with the OEB's *Rate Handbook*?
8. Is the proposed industry-specific inflation factor, and the proposed custom productivity factor, appropriate?
9. Are the values for the proposed custom capital factor appropriate?
10. Are the program-based cost, productivity and benchmarking studies filed by Hydro One appropriate?
11. Are the results of the studies sufficient to guide Hydro One's plans to achieve the desired outcomes to the benefit of ratepayers?

12. Do these studies align with each other and with Hydro One's overall custom IR Plan?
13. Are the annual updates proposed by Hydro One appropriate?
14. Is Hydro One's proposed integration of the Acquired Utilities in 2021 appropriate?
15. Is the proposed Earnings/Sharing mechanism appropriate?
16. Are the proposed Z-factors and Off-Ramps appropriate?

C. OUTCOMES, SCORECARD AND INCENTIVES

17. 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?
18. Are the metrics in the proposed additional scorecard measures appropriate and do they adequately reflect appropriate outcomes?
19. Are the proposals for performance monitoring and reporting adequate and do the outcomes adequately reflect customer expectations?
20. 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?
21. Does the application adequately account for productivity gains in its forecasts and adequately include expectations for gains relative to external benchmarks?
22. 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

23. Was the customer consultation adequate and does the Distribution System Plan adequately address customer needs and preferences?
24. 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?
25. Does the Distribution System Plan adequately reflect productivity gains, benefit sharing and benchmarking?

26. Does the Distribution System Plan address the trade-offs between capital and OM&A spending over the course of the plan period?
27. Has the distribution System Plan adequately addressed government mandated obligations over the planning period?
28. Has Hydro One appropriately incorporated Regional Planning in its Distribution System Plan?
29. Are the proposed capital expenditures resulting from the Distribution System Plan appropriate, and have they been adequately planned and paced?
30. Are the proposed capital expenditures for System Renewal, System Service, System Access and General Plant appropriately based on the Distribution System Plan?
31. Are the methodologies used to allocate Common Corporate capital expenditures to the distribution business appropriate?
32. Are the methodologies used to determine the distribution Overhead Capitalization Rate for 2018 and onward appropriate?

E. RATE BASE & COST OF CAPITAL

33. Are the amounts proposed for the rate base from 2018 to 2022 appropriate?
34. Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?
35. Is the proposed capital structure appropriate?
36. 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?
37. Is the forecast of long term debt for 2018 and further years appropriate?

F. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

38. 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?
39. 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?

40. Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?
41. Has Hydro One demonstrated improvements in presenting its compensation costs and showing efficiency and value for dollar associated with its compensation costs (excluding executive compensation)?
42. Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?
43. 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

44. Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?
45. Are the proposed other revenues for 2018 – 2022 appropriate?

H. LOAD AND REVENUE FORECAST

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

I. COST ALLOCATION AND RATE DESIGN

49. Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
50. Are the proposed billing determinants appropriate?
51. Are the revenue-to-cost ratios for all rate classes over the 2018 – 2022 period appropriate?
52. 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?

- 53. Are the proposed Retail Transmission Service Rates appropriate?
- 54. Are the proposed specific service charges for miscellaneous services over the 2018 – 2022 period reasonable?
- 55. Are the proposed line losses over the 2018 – 2022 period appropriate?
- 56. Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

J. DEFERRAL/VARIANCE ACCOUNTS

- 57. Are the proposed amounts, disposition and continuance of Hydro One's existing deferral and variance accounts appropriate?
- 58. Are the proposed new deferral and variance accounts appropriate?
- 59. Is the proposal to discontinue several deferral and variance accounts appropriate?

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