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April 25, 2018

VIA E-MAIL

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

Dear Ms. Walli:

Re: EB-2017-0049 –Hydro One Networks Inc.
2018-2022 Rates Application
PEG/Board Staff Intervenor Evidence Interrogatories of VECC

Please find enclosed the interrogatories pertaining to the Board Staff sponsored evidence of PEG.

Yours truly,

Mark Garner

Consultant for VECC

Email copy:

Mr. Martin Davies - Martin.Davies@oeb.ca
Ms. Eryn MacKinnon – Regulatory@HydroOne.com

REQUESTOR NAME	**VECC**
TO:	**Board Staff/PEG Study**
DATE:	**April 25, 2018**
CASE NO:	**EB-2017-0049**
APPLICATION NAME	**2018-2022 Rates**

NB:"PEG Study" refers to the document: IRM Design for Hydro One Networks Inc., April 13, 2018, Exhibit M1

VECC-1
Reference Exhibit M1, page 9

a) Ontario's minimum wage has increased from $11.60 to $14.00 on January 1, 2018 and will increase to $15.00 on January 1, 2019. Directionally, how might this government policy impact the inflation factors proposed by the Applicant?
b) If there is an anticipated inflationary impact of the Ontario minimum wage law (for example of AWE or the proposed fixed-weight average hourly earnings in Ontario) what, if any adjustment might be recommended for the 2019 rate year to the Applicant's proposal?

VECC-2
Reference: Exhibit M1, page 6

a) At page 6 the PEG Study states: "O*n this basis, a 0.45% stretch factor seems reasonable for Hydro One* ***provided that the Board is comfortable fixing the stretch factor for the full plan term***." (Emphasis added). Why might the Board not want to set the stretch factor for the full plan term?

VECC-3
Reference: Exhibit M1, page 34

a) The PEG Study argues for a growth factor adjustment in lieu of a "C" factor adjustment. The rationale for this approach is (in part) that: "*Adding a growth escalator to the RCI is an efficient way to fund* ***growth-related capex****, including the acquisition of utilities*" (emphasis added). A significant portion of Hydro One's capital program is directed at sustainment rather than growth (see for example Exhibit Q, Tab 1, Schedule 1, page 9). Does this fact weaken the argument for replacement of the proposed "c" factor with the proposal of PEG. Please explain why or why not.

VECC-4
Reference: Exhibit M1, page 40

a) At page 40 the PEG Study provides a number of suggested changes to the Hydro One proposal. One is that the X Factor could be raised to reduced “double dipping”. If the Board were so inclined, how might it determine the amount of the increase in the X Factor to achieve the suggested results?

b) Capex materiality “dead zones” are also suggested. How might these dead zone ranges be determined?

VECC-5
Reference: Exhibit M1, page 41

a) In the Author’s opinion as Hydro One migrates to full fixed distribution rates does this reduce the earnings risk to the Utility (i.e. by eliminating weather related risk)? If yes, then how this change in risk might be captured in the rate/revenue annual adjustment of Hydro One over the life of the plan?

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