

### **Anwaatin IR #1**

**Question:**           **Anwaatin-1**

**Reference:**           Exhibit M1, pages 2 and 8

- a)           What are the capital expenditure and operation, maintenance, and administration (**OM&A**) assumptions that you have used in assessing the total factor productivity (TFP) trend? Specifically, have you assessed traditional "wires" capital expenditures or made any accommodation for "non-wires" (distributed energy resources (**DERs**)) alternatives capital expenditures? If you have assumed "non-wires" capital expenditures, what discount rate(s) relative to "wires"-related capital expenditures have you assumed?

**Response to Anwaatin-1:** The following response was provided by PEG.

- a)           The methodology PEG used to measure the TFP of Hydro One and other Ontario power distributors excluded all CDM and purchased power expenses. Costs of AMI were also excluded from the analysis but costs of other smart-grid facilities and of any distributed generation and storage facilities that utilities owned were included using the same rate of return that we applied to other assets.

## **Anwaatin IR #2**

**Question:**        **Anwaatin-2**

**Reference:**       Exhibit M1, pages 25–26

- a)       How have DERs and "non-wires" alternatives (each of storage, solar, and conservation) been classified for ratemaking purposes under the econometric model used by Pacific Economics Group Research, LLC. Please advise whether each of these investments in "non-wires" alternatives would be classified as:
- (i)       capital expenditures;
  - (ii)      OM&A expenditures; or
  - (iii)     otherwise treated for ratemaking purposes.

**Response to Anwaatin-2:** The following response was provided by PEG.

The treatment of these costs in the econometric cost research was the same as the treatment in the TFP research. Please see our answer to Anwaatin question 1 for further details.