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**Frank D'Andrea**

Vice President  
Regulatory Affairs

BY COURIER

June 21, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON, M4P 1E4

Dear Ms. Walli,

**EB-2017-0049 – Hydro One Networks Inc. 2018-2022 Distribution Custom IR Application  
– Undertaking Responses**

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Please find enclosed responses to undertakings J2.01, J4.01, J4.02, J4.03, J4.04, J5.01 and J6.01 from the oral hearing in regards to the above noted proceeding.

This filing has been submitted electronically using the Board's Regulatory Electronic Submission System and two (2) hard copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Enc.

**UNDERTAKING – J 2.1**

**Reference**

A-07-01

**Undertaking**

To advise how the actual load forecast is tracking to date.

**Response**

Please see the comparison below of actual with forecast for January to April 2018.

**Sales in GWH**

Actual	12,070
Weather Corrected Actual	11,741
Forecast in E1-2-1	12,066
Forecast in I-46-Staff-219 *	11,765

**Number of Customers**

Actual	1,297,994
Forecast in E1-2-1	1,299,431
Forecast in I-46-Staff-219 *	1,296,797

\*As indicated in the response to technical conference undertaking JT3.18-5, Hydro One is requesting OEB approval of the updated 2018 to 2022 load forecast as provided in Exhibit I, Tab 46, Schedule Staff-219.

**UNDERTAKING – J 4.1**

**Reference**

A-06-04-01

**Undertaking**

To determine whether or not there is a quantified financial risk associated with each of the two categories of First Nations risk for 2015, 2016, 2017.

**Response**

Hydro One confirms the financial risk associated with the two categories of First Nations risks noted have not been quantified.

**UNDERTAKING – J 4.2**

**Reference**

N/A

**Undertaking**

To consider and advise whether HONI considers the issue of the capitalization of opeb costs could be dealt with in the transmission hearing (under advisement)

**Response**

With respect to the capitalization of OPEB costs included in this application, HONI requests a decision in this proceeding as to whether HONI can continue to capitalize its OPEB costs (net periodic post-retirement benefit costs other than service costs) or whether the request for the OPEB Cost Deferral Account is approved, as outlined in Exhibit F1, Tab 3, Schedule 1 of the application (section 2.9).

**UNDERTAKING – J 4.3**

**Reference**

N/A

**Undertaking**

To confirm whether, as the discount rate goes up, pension liability will increase

**Response**

Hydro One confirms that an increase in the discount rate would result in a decrease in the pension liability.

**UNDERTAKING – J 4.4**

**Reference**

I-40-Staff-207

**Undertaking**

To provide the calculations for forecasted changes in ftes and fte compensation through the test period.

**Response**

The purpose of this undertaking is to clarify the math behind the calculation of the 2.5% compensation increase for the Distribution business over the test period, as provided in response to Exhibit I, Tab 40, Schedule Staff-207, as well as normalize the calculation for changes in FTEs over the planning period.

The 2.5% total compensation increase was calculated by comparing total Distribution compensation in 2022 of \$622.0 million (column F) and 2017 total Distribution compensation of \$606.7 million (column A). These amounts are identified within Exhibit C1, Tab 2, Schedule 1, Attachment 6, Page 7, and include both forecasted changes to wages and other burdens, as well as changes to FTE's (absolute dollars and segmented allocation). Furthermore, these compensation amounts represent the estimates for the compensation totals underlying the rate application. A summary of the results has been provided in Table 1 below.

Table 1: Attachment 6 Total Dx Compensation & I-40-Staff 207 increase								
	A	B	C	D	E	F	G	H
	2017	2018	2019	2020	2021	2022	2017-22 Total Change	2017-22 Average Change (CAGR)
Base Pay	385,807,587	404,173,398	406,252,317	399,178,335	389,775,484	393,415,525	1.3%	0.4%
Burdens / Other Pay	220,940,897	233,605,108	236,278,401	232,097,015	226,473,258	228,593,694	1.3%	0.7%
Total Dx Compensation	606,748,484	637,778,506	642,530,718	631,275,350	616,248,742	622,009,219	2.5%	0.5%

Witness: JODOIN Joel

Table 2, provided below, shows the annual wage and other burdens increase embedded within Table 1. In order to isolate only changes in compensation related items, post-2017 fluctuations in FTE and allocations to Distribution segment have not been considered. The 1.0% base pay average change (CAGR), as shown in Column G of Table 2, outlines the average annual increase over the planning period. This 1.0% is reflective of the weighted average base wage escalations of 2.0% MCP, 1.0% PWU and 0.5% Society.

Table 2: Annual Compensation Increase - FTE neutral							
	2018	2019	2020	2021	2022	2017-22 Total Change	2017-22 Average Change (CAGR)
	A	B	C	D	E	F	G
Base Pay	0.6%	0.6%	0.6%	0.6%	0.6%	3.3%	1.0%
Burdens / Other Pay	1.4%	0.3%	0.3%	0.3%	0.4%	2.8%	1.5%
<b>Total Dx Compensation</b>	<b>2.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>6.1%</b>	<b>1.2%</b>

**UNDERTAKING – J 5.1**

**Reference**

A-04-01

**Undertaking**

To provide the annual cost of the overall customer engagement activities outlined in Exhibit A-4-1.

**Response**

The annual cost of the following customer engagement surveys is approximately \$630,000.

- Customer Satisfaction Transactional Surveys
- Customer Satisfaction Perception Surveys
- Call Centre Trends for Residential and Small Business Customers
- Call Centre Trends for Commercial and Industrial Customers

On the fourth day of the oral hearing, Mr. Merali roughly estimated these costs to be one million dollars. See page 195 of the transcript for EB-2017-0049 HONI Volume 4, Friday, June 15, 2018.



**UNDERTAKING – J 6.1**

**Reference**

N/A

**Undertaking**

To provide the spreadsheet and an explanation of how it was derived

**Response**

Please refer to Attachment 1 of this undertaking.