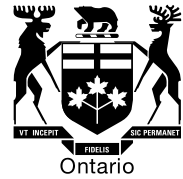


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BY E-MAIL

November 9, 2018

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro One Networks Inc.
Application for Rates
OEB File Number EB-2017-0049**

In accordance with Procedural Order No. 10, please find attached the Ontario Energy Board staff supplemental interrogatories on the evidence filed by Hydro One pertaining to subsection 78(5.0.2) of the OEB Act related to the referenced application filed by Hydro One Networks Inc.

Original Signed by

Martin Davies
Project Advisor, Major Applications
Applications Division

Attachment

cc: Parties to EB-2017-0049

Ontario Energy Board Staff Interrogatories
Hydro One Accountability Act, 2018
Supplemental Evidence Filed: 2018-10-26 (SUPP)
Distribution Rate Application 2018-2022
Hydro One Networks Inc. (Hydro One)
EB-2017-0049
November 9, 2018

I-42 SUPP-Staff-1

Ref: p. 1 Footnote 1 and Exh A/T3/Sch 1/Attach 5, p. 2 (updated May 3, 2017)

At the first reference above, it is stated that: "Hydro One's corporate organization chart is provided in Attachment 5 to Exhibit A, Tab 3, Schedule 1."

The second reference above is the Attachment 5 referred to in the first reference where it is stated that:

Hydro One's internal organization is led by its President and Chief Executive Officer whose direct reports include: the Chief Financial Officer; the Chief Operating Officer; the Executive Vice-President and Chief Legal Officer; the Executive Vice-President of Customer and Corporate Affairs; the Executive Vice-President and Chief Human Resources Officer; Executive Vice-President of Strategy and Corporate Development; and the Vice-President of the Office of the President & CEO.

Please discuss how the internal organization described above relates to that shown in Attachment 1 of the Supplemental Evidence and provide an explanation of any differences.

I-42 SUPP-Staff-2

Ref: p. 3

At the above reference, it is stated that:

While the OEB is bound by the wording of Section 78 (5.0.2), Hydro One believes it is reasonable to expand exclusion of compensation to include all members of the Hydro One Executive Leadership Team (ELT), who are responsible for providing the high-level oversight and strategic direction of Hydro One.

The members of the ELT are then listed in Attachment 1.

- a) Please state whether any members of the ELT were excluded from the list included as Attachment 1 under Hydro One's stated approach and, if so, why?
- b) Please state the significance, if any, of the line in Attachment 1 after the first seven positions, i.e. between the SVP, People & Culture, Health & Safety and the Ombudsman.
 - i. Please include a discussion as to whether or not any of the positions below this line in respect of which costs were allocated to Hydro One have any responsibility for providing the high level oversight and strategic direction of Hydro One. For any of those positions that have such responsibility, please provide the proportion of time and/or costs allocated to high level oversight and strategic direction of Hydro One.
 - ii. Please clarify whether any costs for the positions below the line are still included in Hydro One Distribution's revenue requirement.
 - iii. If any such costs are included, please state for which positions this is the case, the amounts and the proportion of time and/or costs for those positions allocated to Hydro One Distribution's revenue requirement, and the basis for their inclusion.
- c) Please clarify the meaning of the asterisked note at the bottom of Attachment 1, which states "Denotes positions for which costs were not allocated to Hydro One Distribution business." Please include a discussion as to whether this allocation arose from Bill 2 (the *Urgent Priorities Act, 2018*), or was prior to Bill 2.

I-42 SUPP-Staff-3

Ref: p. 3 and Exh C1/T2/Sch 1/Attach 7, pp. 9-10 and p. 4 Table 1

At the first reference above, it is stated that:

During the Executive Presentation for the Application held on December 7, 2017, Hydro One revised its proposal regarding compensation costs to align with the OEB's findings in the EB-2016-0160 proceeding.

A footnote related to this discussion states that "The specific reductions were detailed in Attachment 7 to Exhibit C1, Tab 2, Schedule 1, filed on December 12, 2017."

At the second reference above, which is from the December 12, 2017 evidence, Hydro One states:

Under this approach, the proposed 2018 Corporate Management expense will reduce from \$5.7 million to \$3.8 million. The proposed 2018 “Other OM&A – Other Costs” credit will increase from \$10.5 million to a credit of \$11.8 million. This results in a net OM&A reduction of \$3.2 million in the 2018 test year.

The third reference above is to Table 1 of the October 26, 2018 Supplementary Evidence which is entitled “Summary of Bill 2 Executive Compensation Costs (Hydro One’s Proposal).” The column entitled “2018 Costs After Exhibit Q Reductions” shows “Total ELT” as \$4.1 million, of which \$0.5 million is shown as OM&A Comp and \$3.6 million as Capital Comp.

Please provide a complete reconciliation of the numbers in Table 1 of the supplemental evidence with those referenced above from the December 12, 2017 update, or if these numbers do not reconcile, please explain why. Please include a specific discussion as to how the \$3.8 million Corporate Management expense referenced in the December 12, 2017 document relates to the \$0.5 million shown in the supplemental evidence.

I-42 SUPP-Staff-4

Ref: p. 4

At the above reference, it is stated that:

Bill 2 does not impact the level of costs related to Hydro One’s Board of Directors that are to be included in Hydro One’s revenue requirement. Hydro One continues to propose that the Board-related costs allocated to its distribution business be maintained at pre-IPO amounts adjusted for inflation, consistent with Exhibit Q, Tab 1, Schedule 1, and submits that no further reductions are required for those costs.

- a) Please explain why Bill 2 does not impact the level of costs related to its Board of Directors that are to be included in its revenue requirement.
- b) Does the Board of Directors spend any of its time on high level oversight and strategic direction of Hydro One?
- c) If so, please provide the associated costs.

I-42 SUPP-Staff-5

Ref: p. 5

At the above reference, Table 2 is entitled “Bill 2 –Related Changes to Capital Forecast for 2018-2022 (\$M).”

- a) Please state why no equivalent table was provided in the December 12, 2017 Additional Compensation Evidence or Exhibit Q. In those evidentiary updates, only OM&A was reduced, and not capital.
- b) If there was no executive compensation allocated to capital in the December 12, 2017 Additional Compensation Evidence or Exhibit Q, please explain the reason(s) for the change in the evidence filed on October 26, 2018.
- c) Exhibit Q refers to a \$3.2M reduction in executive compensation. Does this ‘executive compensation’ refer to the same ‘executive compensation’ as included in the evidence filed on October 26, 2018? If not, please explain the differences.

I-42 SUPP-Staff-6

Ref: p.4 Table 1

Please complete the following table as it relates to the total Executive Leadership Team compensation:

	Total	Distribution	Transmission	Hydro One Telecom	Hydro One Remotes	Hydro One Inc.
Total ELT		\$4.1M				
OM&A Comp		\$0.5M				
Capital Comp		\$3.6M				