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BY E-MAIL

February 7, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Networks Inc. (Hydro One)
Application for 2019 Transmission Revenue Requirement
OEB File Number EB-2018-0130
OEB Staff Interrogatories**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Hydro One and all intervenors have been copied on this filing.

Hydro One's responses to interrogatories are due by February 28, 2019.

Yours truly,

Original Signed By

Shuo Zhang
Advisor, Major Applications

Attach.

OEB Staff Interrogatories
2019 Electricity Distribution Rates Application
Hydro One Networks Inc. (Hydro One)
EB-2018-0130
February 7, 2019

Staff IR-1

Bill 2 Adjustments

Ref: Exhibit A, Tab 5, Schedule 1, page 7 of 8, Table 1
EB-2017-0049, Supplementary Evidence, October 26, 2018, page 4 of 7, Table 1
EB-2017-0049, Supplementary Interrogatory Responses, November 21, 2018,
OEB Staff-S6
EB-2016-0160, December 15, 2016, Exhibit J10.5, page 1 of 1

Preamble

Hydro One proposes to remove the relevant amounts of compensation from its transmission revenue requirement for the same employee positions (i.e. Executive Leadership Team (ELT)) determined in Hydro One 2018-2022 Custom IR distribution application.¹

As shown in Table 1 of the first reference, Hydro One proposes to reduce the transmission-allocated portion of compensation costs for its ELT by \$1.9 million.

In Table 1 of the second reference, the distribution-allocated compensation costs for its ELT were reduced by \$4.1 million.

In Hydro One's response to OEB Staff-S6 referenced above, Hydro One has shown \$8.4 million allocated to transmission for ELT compensation.

Undertaking J10.5 from Hydro One's 2017-2018 transmission revenue requirement application shows that the transmission allocation of Hydro One's executive-level compensation is 52% for 2018.

- a) Given that the transmission allocation of Hydro One's executive-level compensation is 52% for 2018, please explain why the proposed reduction for transmission portion of ELT of \$1.9 million is lower than the proposed reduction for distribution portion of \$4.1 million.
- b) Please explain the difference between the \$1.9 million total ELT compensation shown in Table 1 of the first reference and the \$8.4 million total ELT for

¹ EB-2017-0049

transmission shown in responses to OEB Staff-S6 of the third reference. Please provide a complete reconciliation of these numbers.

- c) Please explain the basis of the allocation of compensation costs between capital (\$1.0 million) and OM&A (\$0.9 million).

Staff IR-2

Benchmarking Study

Ref: Exhibit A, Tab 4, Schedule 1

Preamble

Hydro One proposes that this application be approved with the inflation, productivity and stretch factors as filed in the Hydro One Sault St. Marie LP (Hydro One SSM) proceeding.²

- a) Please discuss the reasonableness of adopting the same parameters to Hydro One transmission.
- b) Please clarify what further evidence Hydro One plans to file related to RCI parameters for Hydro One in its next cost based application (i.e. 2020-2022 Custom IR).

Staff IR-3

Revenue Requirement by Rate Pool

Ref: Exhibit A, Tab 7, Schedule 1, page 3 of 8
EB-2016-0160, DRO Exhibit 2.0, December 4, 2017, page 1 of 1

Preamble

Hydro One proposes to use the OEB-approved 2018 split of rates revenue requirement by rate pool to allocate the 2019 rates revenue requirement among the three transmission rate pools.

- a) Please discuss whether or not the allocation of other revenues by rate pool should follow the allocation of the Draft Rate Order approved in Hydro One's 2017-2018 transmission revenue requirement application. For example, export transmission service was 100% allocated to network. If so, please update the revenue requirement by rate pool. If not, please explain why not.

² EB-2018-0218

Staff IR-4

Deferral and Variance Accounts

Ref: Exhibit A, Tab 3, Schedule 1, Page 12

Preamble

Hydro One proposes to defer addressing the variance account requirement set out in the *Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs* (EB-2016-0040) until its next rebasing application.

- a) Hydro One was directed to establish the variance account in the EB-2016-0160 Decision and Order in accordance with the Report. Please confirm that Hydro One has established and recorded amounts in the variance account, as applicable since January 1, 2018 for OPEBs.
- b) Please provide the continuity schedule of the account up to December 31, 2017.
- c) If Hydro One has not established this account, does Hydro One have the data available to determine amounts that would be recorded in the variance account?

Staff IR-5

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 1, Page 17-18

Preamble

For the Excess Export Service Revenue Account; the External Secondary Land Use Revenue Account; the External Station Maintenance Account; the E&CS Revenue and Other External Revenue Account; the Rights Payments Account; and the Pension Costs Differential Account, Hydro One proposes to continue to record differences between actual 2019 revenues/costs and approved 2018 revenues/costs from the 2017-2018 rate application.

- a) Please explain why Hydro One is proposing to calculate the variance from 2018 revenues/costs and not 2018 amounts adjusted for the revenue cap index as proposed in the current application.

Staff IR-6

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 1, Page 20

Preamble

Hydro One proposes to continue Account 1508 Other Regulatory Assets, Sub-account OEB Cost Assessment Variance to track variances between OEB assessment costs approved by the OEB for 2018 in the 2017-2018 rate application and actual 2019 costs. The OEB's February 9, 2016 letter, titled *Revisions to the Ontario Energy Board Cost Assessment Model* provided that the account was to record material variances and entities are to cease recording amounts in these accounts when their rates are rebased with an updated forecast of cost assessments.

- a) Please confirm that Hydro One's 2017-2018 rate application incorporated the updated forecast of cost assessments.
- b) If yes, please explain why Hydro One believes it is still necessary to continue this account. Please provide a discussion based on the causation, materiality and prudence criteria for new accounts requested as set out in Chapter 2 of the Filing Requirements for Electricity Transmission Applications, section 2.10.

Staff IR-7

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 1, Page 21

Preamble

For the Transmission Forgone Revenue Deferral Account, please confirm that Hydro One is requesting to expand the scope of the account to also record the difference between the approved revenue and the revenue based on the outcome of Hydro One's Motion to Review and Vary the OEB's decision on Hydro One Transmission's 2017-2018 revenue requirement.

- a) Please explain why Hydro One is proposing to expand the scope of the Forgone Revenue Deferral Account to include the impact from the Motion to Review and Vary instead of waiting for the OEB's decision on the Motion to Review and Vary which would provide direction on how to implement the decision.

Staff IR-8

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 2

Preamble

In the continuity schedule, there is a (\$13k) balance for Bruce X Milton Account requested for disposition. The amount is immaterial and appears to be for a residual

balance, however, there is no discussion of this account in the application and the account was not listed in Hydro One's approved accounts to be continued from EB-2016-0160.

- a) Please provide details on this account, including where it was approved and the nature of the account.

Staff IR-9

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 2
Exhibit A, Tab 6, Schedule 1, Page 19

For the LDC CDM and Demand Response Variance Account:

- a) There are no transactions recorded in the 2016 and 2017 principal columns of the continuity schedule. Please confirm that this is because the 2015-2016 rate approved settlement proposal determined that variances pertaining to 2015 and 2016 results would not be recorded. If not, please explain why there is nothing recorded in the 2016 and 2017 principal columns.
- b) Please confirm whether or not Hydro One's 2015 and 2016 load forecasts were reduced by forecast 2015 and 2016 demand reductions reported by the IESO.
 - i. If yes, please quantify the balance in the CDM and DR Variance Account from 2015 and 2016 results.
 - ii. If the balance in the CDM and DR Variance Account is a credit, please explain why it is appropriate to not return the difference to customers.

Staff IR-10

Deferral and Variance Accounts

Ref: Exhibit A, Tab 6, Schedule 2
Exhibit A, Tab 7, Schedule 1, Page 2

Preamble

The revenue requirement calculation in Tab 7 shows a regulatory asset credit of \$37,590,000, however, the continuity schedule in Tab 6 shows a credit of \$37,628,098 for disposition.

- a) Please explain the inconsistency and revise the evidence as needed.

Staff IR-11

Deferral and Variance Accounts

Ref: Exhibit A Tab 6, Schedule 1, Attachment 1

Preamble

In the revised draft accounting order for the OPEB Cost Deferral Account, the following wording was removed from the previously approved accounting order:

The approach to disposition of the deferral account will be determined by the OEB in a future proceeding. The final determination on the calculation and treatment of interest will be made in conjunction with the decision on the approach to disposition of the deferral account.

Typically, simple interest is applied to the opening balance of the account. However, in the OEB's Decision and Accounting Order³, the OEB stated that "Depending on the disposition option the OEB approves, it may be appropriate to amend the calculation and treatment of interest."

- a) For clarity, please add the original statement pertaining to interest back in the revised accounting order.

Staff IR-12

Deferral and Variance Accounts

Ref: Exhibit A Tab 6, Schedule 1, Attachment 2
Exhibit A, Tab 5, Schedule 1, Page 2

Preamble

Hydro One proposes that the scope of its proposed Revenue Cap Index Parameters Differential Variance Account could be expanded to capture any differences in Bill 2 adjustments arising from EB-2017-0049.

- a) Please provide a revised draft accounting order to include potential Bill 2 adjustments.

³ EB-2017-0338