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BY COURIER

February 28, 2019

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-2018-0130 – 2019 Transmission Revenue Requirement - Interrogatory Responses - Confidentiality request

Please find attached Hydro One Networks Inc.'s (Hydro One) responses to interrogatories received in the above-noted proceeding as part of Procedural Order No.1 dated January 24, 2019. The interrogatory responses have been organized by party as indicated below:

Tab 1	OEB Staff
Tab 2	Builders Owners and Managers Association (BOMA)
Tab 3	London Property Management Association (LPMA)
Tab 4	Power Workers Union (PWU)
Tab 5	Vulnerable Energy Consumers Cooalition (VECC)
Tab 6	Consumers Council of Canada (CCC)
Tab 7	School Energy Cooalition (SEC)
Tab 8	Anwaatin
Tab 9	Energy Probe
Tab 10	Association of Major Power Consumers in Ontario (AMPCO)

Exhibit I Tab 3 Schedule 2 and Exhibit I Tab 6 Schedule 1 request materials provided to Hydro One's Board of Directors in respect of this Application. In response, Hydro One is filing presentation materials provided to its Board of Directors on October 1, 2018 comprised of materials previously presented to the Audit Committee on September 27, 2018 as follows:

(i) Cover Memo dated October 1, 2018 ("Cover Memo")
(ii) PowerPoint titled "Financial Forecast 2019-2022" ("PowerPoint")
(iii) Appendix 1 titled "Business Plan Opportunities & Risks" ("Appendix 1")

(iv) Appendix 2 titled “Transmission Rate Filing – OEB Direction” (“Appendix 2”)
(v) Memo (“Memo”)
(vi) The Executive Summary for this Application (“Executive Summary”)
(collectively, the “Board of Directors Materials” or “BoD Materials”, which is included in the responses to interrogatories as Exhibit 1 Tab 6 Schedule 1 Attachment 1)

Hydro One requests confidential treatment for some or all of the information included in items (i) through (v) of the BoD Material pursuant to Rule 10 of the OEB’s Rules of Practice and Procedure and section 5.1 of the OEB’s Practice Direction on Confidential Filings (the “Practice Direction”). The materials subject to this request are either irrelevant to this Application, relate to Hydro One’s distribution or unregulated businesses (“Irrelevant Information”), or contain sensitive commercial information (“Confidential Information”).

Hydro One is requesting to retain permanent redactions of the Irrelevant Information in the confidential version of the BoD Materials. Disclosure of all materials will be made to the OEB so that it may approve the requested redactions.

There are three versions of Exhibit 1 Tab 6 Schedule 1 Attachment 1, which will be sent to the OEB on an encrypted USB:

1. Version A – Fully Redacted – BoD Materials in Version A have been fully redacted to exclude Irrelevant Information or Confidential Information. Version A has been filed on RESS.

2. Version B – Confidential Information Included, Irrelevant Information Redacted – BoD Materials in Version B have been redacted to exclude Irrelevant Information. Confidential information is shown in Version B and is identified within blue boxes. Version B may be reviewed by intervenors who sign the OEB’s confidentiality undertaking. In this version all the Confidential Information has been characterized as also being Irrelevant Information. Blue boxes will only appear in the event the OEB panel finds that the information in question is relevant but still confidential.

3. Version C – Unredacted – BoD Materials in Version C have not been redacted and are provided for the OEB Panel’s review only. Irrelevant Information is enclosed in red boxes. Confidential information is enclosed in blue boxes. Version C is provided for the OEB Panel’s eyes only.

If the OEB grants Hydro One’s request for confidentiality, Hydro One proposes that the OEB order the documents be disclosed, subject to any conditions the OEB may find appropriate, to only those persons that sign the OEB’s Declaration and Undertaking.

Hydro One requests that any reference to the confidential information be conducted in camera to preserve its confidential nature.

In the event the confidentiality request is refused and Hydro One in turn requests that the information be withdrawn in accordance with section 5.1.12 of the Practice Direction, all persons in possession of the information will be required to destroy or return to the OEB Secretary for destruction the confidential information in accordance with section 6.1.6 of the Practice Direction.

Reasons for Requested Redactions

Irrelevant Information & Information re: Distribution and Unregulated Businesses (Red Boxes)
This Application relates to Hydro One's transmission business and the associated revenue requirement for 2019 only. Information in the red boxes contains data that is irrelevant to the transmission revenue requirement for 2019 and falls outside the scope of this Application, as follows:

- Information about Hydro One's distribution and unregulated businesses. Hydro One's distribution and unregulated businesses are not the subject of this Application, and information about them does not help to inform the OEB Panel in respect of its decision about the revenue requirement applied for in this Application; and

- Information about potential transmission costs and plans beyond 2019. This Application is for transmission revenue requirement for 2019 only. Potential costs and plans for years beyond 2019 do not help to inform the OEB Panel in respect of its decision about rates for 2019 which are the subject of this Application.

The PowerPoint has been redacted to the extent it includes information about the distribution business, the unregulated business or the transmission business for years beyond 2019. Appendix 1 has been redacted as it contains financial analysis relating to the unregulated business. Appendix 2 has been redacted as it contains information irrelevant to the Board of Directors' approval of this Application. The Memo has been redacted as it relates to plans that did not form the basis of this Application and pertains to 2020.

Confidential Information (Blue Boxes)

Information in blue boxes (and also enclosed in red boxes) contains confidential financial information of Hydro One Inc. This information is both irrelevant in that it applies to Hydro One Inc. which is unregulated, and is confidential in that it contains commercially sensitive information including information about forward looking events which may or may not occur. In addition, information relating to the years 2020 to 2022 is also forward looking financial information which is not publically available and should not be disclosed as it is irrelevant to this Application and is also confidential. This information should not be disclosed to intervenors or the public.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

OEB STAFF INTERROGATORY # 1

Reference:

Bill 2 Adjustments
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

Interrogatory:

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

[1] EB-2017-0049

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 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).

Response:

a) This question compares compensation forecasts for 2018 as filed in EB-2016-0160 on July 20, 2016 and in EB-2017-0049 on March 2017 and updated in July and December 2017. Total forecast ELT compensation costs in these two applications were comprised of different roles and different compensation levels for the existing roles and are not comparable to each other. Hydro One has proposed to remove the actual amount of ELT compensation that was approved in EB-2016-0160 from 2018 Transmission revenue requirement in order to derive 2019 revenue requirement as stated in Exhibit A, Tab 5, Schedule 1 in Table 1.

b) The underlying business plan that supported the request for transmission revenue requirement for 2018 (EB-2016-0160) is supported by a business plan that showed lower overall ELT costs at Hydro One totaling 3.8M at that time. Table 1 in Exhibit A, Tab 5 Schedule 1 summarizes the initial request of $3.8M, the reduction taken as a result of an OEB decision ($1.9M), and the further reduction needed to comply with Bill 2 ($1.9M).

The underlying business plan that supported the 2018-2022 Distribution rate application (EB-2017-0049) reflected different aggregate ELT compensation costs expected in 2018 (presented in EB-2017-0049 OEB Staff-S6), of which the transmission allocation based on the Black and Veatch allocation methodology totaled $8.4M. The $8.4M was a plan calculation and was not actually charged to ratepayers as the 2018 Transmission revenue requirement was set in EB-2016-0160. The Distribution values of $4.1M included the reduction of $2.5M as a result of

Exhibit Q proposed reduction. The Tx value of $8.4M presented in the table did not incorporate any equivalent reductions to ELT compensation. No similar reduction was incorporated into the Transmission column as those numbers do not feed the 2018 Transmission revenue requirement, nor did they impact the EB-2017-0049 application.

c) The basis of the allocation between OM&A and Capital underpinning Hydro One's 2018 transmission revenue requirement is the Black and Veatch allocation methodology as discussed in the Black & Veatch 'Review of Overhead Capitalization Rates' as outlined in exhibit B1, Tab 3, Schedule 10, Attachment 1 (EB-2016-0160).

OEB STAFF INTERROGATORY # 2

Reference:

Benchmarking Study
Exhibit A, Tab 4, Schedule 1

Interrogatory:

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).

Response:

a) The inflation, productivity and stretch factors proposed for adoption by Hydro One SSM in the EB-2018-0218 proceeding and by Hydro One in this proceeding are both based on the recommendations of the PSE report which are summarized in Exhibit A, Tab 4, Schedule of this Application.[3] The PSE report conducted a benchmarking analysis of Hydro One Networks' costs. The parameters recommended in the PSE study are directly applicable to Hydro One as they based on Hydro One's cost performance. Hydro One SSM is essentially proposing to align its RCI parameters with those of Hydro One.

b) Hydro One intends to file an updated PSE study as part of its next rebasing application. The updated study will maintain the existing methodology but include a

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[2] EB-2018-0218
[3] A full copy of the report was provided in Exhibit D, Tab 1, Schedule 1, Attachment 1 of EB-2018-0218.

revised forward-looking analysis for the test period reflecting the OM&A and capital spending levels of Hydro One's revised business plan.

OEB STAFF INTERROGATORY # 3

Reference:

Revenue Requirement by Rate Pool
Exhibit A, Tab 7, Schedule 1, page 3 of 8
EB-2016-0160, DRO Exhibit 2.0, December 4, 2017, page 1 of 1

Interrogatory:

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.

Response:

Under normal circumstances, Hydro One's approach of splitting the 2019 rates revenue requirement among the three transmission rate pools based on the OEB-approved 2018 rates revenue requirement by rate pool would not result in a significant difference from the approach suggested by Board Staff in this interrogatory. That is because the other revenue amounts are not significantly different between 2018 and 2019, and because the other revenues are a relatively small component of the total revenue requirement.

However, the 2018 rates revenue requirement includes the disposition of $10.6M in 2017 foregone revenue, which has a unique split among the rate pools (-$30.0M Network, +$1.7M Line Connection and +$17.7M Transformation Connection) [1]. The disposition of the foregone revenue distorts the 2018 rates revenue requirement split by rate pool and consequently Hydro One submits that the approach recommended by Board staff, as

[1] Per 2018 Hydro One Revenue Requirement Draft Rate Order Exhibit 2.0, filed with the OEB on December 4, 2017.

illustrated in Table 1 below, more appropriately derives the 2019 rates revenue requirement by rate pool.

Table 1 – 2019 Revenue Requirement by Rate Pool ($)

	Note	Network	Line Connection	Transformation Connection	Uniform Transmission Rates Revenue Requirement
2018 DRO Total Revenue Requirement	*1*	950,018,214	226,899,068	446,860,081	1,623,777,363
Percentage Split by Rate pool		59%	14%	28%	100%
2019 Total Revenue Requirement	*2*	960,848,340	229,485,698	451,954,247	1,642,288,286
Less External Revenues	*1*	(16,674,404)	(3,982,457)	(7,843,139)	(28,500,000)
Less WMS Revenue	*1*			(276,500)	(276,500)
Less Export Revenues	*1*	(40,050,000)			(40,050,000)
Less Regulatory Asset Credit	*3*	(24,730,817)	(4,343,364)	(8,553,917)	(37,628,098)
Plus LVSG Credit	*1*			14,299,452	14,299,452
Total Rates Revenue Requirement		**879,393,120**	**221,159,878**	**449,580,143**	**1,550,133,140**

Note 1: Per 2018 Hydro One Revenue Requirement Draft Rate Order Exhibit 2.0, filed Dec 4, 2017

Note 2: Use the OEB-approved 2018 split of total revenue requirement by rate pool to allocate the 2019 total revenue requirement among the three transmission rate pools

Note 3: Use the same methodology as in 2018 Hydro One Revenue Requirement Draft Rate Order Exhibit 2.0, filed Dec 4, 2017. i.e. Excess Export Service Reveue (Account 2405) is directly allocated to Network pool, all other accounts are allocated based on total revenue requirement split by rate pools. Please note that the regulatory asset credit has been adjusted to $37,628,098 as per Staff IR-10.

OEB STAFF INTERROGATORY # 4

Reference:
Deferral and Variance Accounts
Exhibit A, Tab 3, Schedule 1, Page 12

Interrogatory:
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?

Response:
a) Hydro One has established a Pension and OPEB Asymmetrical Carrying Charge Account effective January 1, 2018. 2018 audited figures will be available in the next Transmission application.

b) The effective date of the account is January 1, 2018 therefore no transactions were recorded in 2017. Please refer to a).

c) Not applicable.

OEB STAFF INTERROGATORY # 5

Reference:

Deferral and Variance Accounts
Exhibit A, Tab 6, Schedule 1, Page 17-18

Interrogatory:

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.

Response:

Hydro One is proposing to calculate the variance from 2018 revenues/costs as these reflect the last OEB approved amounts. As this is not a full rebasing application, using the 2018 OEB approved amount is most appropriate and consistent. As indicated in Exhibit A, Tab 7, Schedule 1, and consistent with the approach taken by distributors under Price Cap IR, Hydro One is not proposing to update revenue offsets[1] and therefore it would be inconsistent to base the variance in the accounts on RCI-adjusted amounts.

Hydro One notes that the nature of a significant amount of these costs is such that they are not primarily driven by inflation. For example, the Export Transmission Service Rate is not changing in this application therefore, any variances are driven due to changes in export load relative to forecast; not inflation. Similarly, pension costs arise from actuarial valuations which are driven by diverse factors such as the performance of

[1] The rationale for this proposal is provided in response to Exhibit I, Tab 5, Schedule 13.

investments, employee demographics, changes to employee contributions, etc. These factors do not necessarily tie with inflation.

OEB STAFF INTERROGATORY # 6

Reference:

Deferral and Variance Accounts
Exhibit A, Tab 6, Schedule 1, Page 20

Interrogatory:

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.

Response:

a) Yes, Hydro One's 2017-2018 rate application incorporated the updated forecast of cost assessments.

b) In the OEB's Decision in EB-2016-0160, the OEB Cost Assessment variance account was approved for continuance in 2017 and 2018. This Application is based on 2017 audited actual figures. Audited figures for 2018 will be available in the next rebasing application. Hydro One will not be tracking activity in this account in 2019.

OEB STAFF INTERROGATORY # 7

Reference:
Deferral and Variance Accounts
Exhibit A, Tab 6, Schedule 1, Page 21

Interrogatory:
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.

Response:
The approved draft rate order for EB-2016-0160 reflects the OEB's determination that Hydro One must share the savings from the deferred tax asset with ratepayers. Accordingly, the draft rate order reduced the amount of cash taxes to be recovered in Hydro One's transmission revenue requirement.

Hydro One brought a motion requesting the OEB review and vary its findings in respect of the deferred tax asset (the Motion to Review and Vary). Hydro One's financial statements reflect its position with respect to the Motion to Review and Vary and amounts have been accrued in the Foregone Revenue Deferral account for this purpose.

Once a decision is issued in respect of Hydro One's Motion to Review and Vary, Hydro One intends to fully comply with the findings outlined by the OEB in its decision. Should the OEB ultimately approve to use a mechanism other than the Foregone Revenue Deferral account, Hydro One will make the corresponding adjustments to the balances in the account.

OEB STAFF INTERROGATORY # 8

Reference:
Deferral and Variance Accounts
Exhibit A, Tab 6, Schedule 2

Interrogatory:
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.

Response:
a) This account is the External Revenue – Partnership Transmission Projects Account. Details are provided in Exhibit A, Tab 6, Schedule 1 of this Application in Section 2.9 on page 10.

OEB STAFF INTERROGATORY # 9

Reference:

Deferral and Variance Accounts
Exhibit A, Tab 6, Schedule 2
Exhibit A, Tab 6, Schedule 1, Page 19

Interrogatory:

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.

Response:

a) Confirmed.

b) The 2015 and 2016 forecasts, which for the purposes of settlement were reduced from Hydro One's filed proposed amounts, did include the impact of CDM and DR on peak demands.
   i. As indicated in the response to part a), a CDM and DR Variance Account for 2015 and 2016 was not approved as part of the negotiated settlement agreement approved by the Board in EB-2014-0140. As such, Hydro One has not quantified any variance account balances for 2015 and 2016.
   ii. This is not applicable given that a CDM and DR Variance Account for 2015 and 2016 has not been approved. However, consistent with the CDM and DR

Variance Account agreed to as part of the settlement in EB-2012-0031, which tracked *the difference* between the forecast and actual CDM savings, Hydro One would expect that if a variance account had been approved for 2015 and 2016, any credit or debit amounts would be returned to, or collected from, customers.

OEB STAFF INTERROGATORY # 10

Reference:

Deferral and Variance Accounts
Ref: Exhibit A, Tab 6, Schedule 2
Exhibit A, Tab 7, Schedule 1, Page 2

Interrogatory:

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.

Response:

a) The continuity schedule in Exhibit A, Tab 6, Schedule 2 represents the actual balance requested for disposition rounded to the nearest dollar ($37,628,098). The amount requested for disposition in the revenue requirement calculation in Exhibit A, Tab 7, Schedule 1 on page 2 represents the sum of rounded balances of each of the deferral and variance accounts. The minor difference of $38,098 in the numbers will not impact the final UTRs and the Bill Impacts, and hence, Hydro One is proposing to make this update at the Draft Rate Order stage.

OEB STAFF INTERROGATORY # 11

Reference:

Deferral and Variance Accounts

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

Interrogatory:

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 Order, 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.

Response:

Please see the updated accounting order:

ACCOUNTING ENTRIES
OPEB COST DEFERRAL ACCOUNT

The OPEB Cost Deferral Account will record all elements of the net periodic benefit cost other than the service cost that would have been classified as capital prior to the adoption of ASU 2017-07.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account" effective January 1, 2018 until such time as the effective date of the next transmission rebasing application. Hydro One Transmission will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

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.

The following outlines the proposed accounting entries for this account:

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account"
Cr: 2055	Construction Work In Progress - Electric

To record the capitalized elements of the net periodic post-retirement benefit cost other than service cost.

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “OPEB Cost Deferral Account”.

OEB STAFF INTERROGATORY # 12

Reference:

Deferral and Variance Accounts

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

Exhibit A, Tab 5, Schedule 1, Page 2

Interrogatory:

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.

Response:

Please see the revised accounting order.

ACCOUNTING ENTRIES
REVENUE CAP INDEX PARAMETERS DIFFERENTIAL ACCOUNT

Hydro One Networks Transmission proposes the establishment of a new "Revenue Cap Index Parameters Differential Account" to track the revenue requirement difference between the proposed revenue cap index (RCI) parameters as documented in Exhibit A, Tab 4, Schedule 1 in this Application[1], and the final values that are approved by the OEB in EB-2018-0218. In the event that the OEB's determination in EB-2017-0049 is not available prior to the proposed effective date of this Application, the scope of the account will be expanded to also capture any differences in Bill 2 adjustments arising from EB-2017-0049.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Revenue Cap Index Parameters Differential Account" effective January 1, 2019. Hydro One Networks Transmission will record interest on the balance in the sub-account using the prescribed interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this account:

USofA #	**Account Description**
DR./CR. 1508	Other Regulatory Assets – Sub-Account "Revenue Cap Index Parameters Differential Account"
DR./CR. 4110	Transmission Services Revenue

To record the revenue requirement difference between the proposed RCI parameters as documented in this Application and the final values that are approved by the OEB in EB-2018-0218.

[1] The RCI parameters are the Inflation Factor and Productivity Factor proposed in this Application.

USofA #	Account Description
DR./CR. 6035	Other Interest Expense
DR./CR. 1508	Other Regulatory Assets – Sub-Account "Revenue Cap Index Parameters Differential Account"

To record carrying charges on the principal balance of the "Revenue Cap Index Parameters Differential Account".

BOMA INTERROGATORY # 1

Reference:
Exhibit A, Tab 3, Schedule 1, Page 3

Interrogatory:
What is the average transmission rate increase for general service customers at the various volume consumption points in the GS < 50 kW rate class (as show on Table 5 at p11), and for the analogous volume points for the other GS rate classes?

Response:
The average total bill impacts, as a result of the proposed increase in Hydro One's transmission revenue requirement, for the GS < 50 kW (GSe) rate class are provided in Exhibit A, Tab 3, Schedule 1, Page 11.

Tables below provide the average total bill impacts for Urban GS < 50 kW (UGe), General Service Demand-Billed (GSd), and Urban General Service Demand-Billed (UGd) rate classes.

Table 1 - Typical Urban General Service Energy less than 50 kW (UGe < 50 kW) Customer Bill Impacts

	UGe Customer Monthly Bill		
	1,000 kWh	**2,000 kWh**	**15,000 kWh**
Total Bill as of May 1, 2018[1]	$160.71	$296.10	$2,056.15
RTSR included in 2018 UGe Customer's Total Bill (based on 2016 UTR)	$11.10	$22.19	$166.45
Estimated 2017 Monthly RTSR[2]	$11.01	$22.02	$165.19
2017 change in Monthly Bill	**($0.08)**	**($0.17)**	**($1.27)**
2017 change as a % of total bill	*-0.1%*	*-0.1%*	*-0.1%*
Estimated 2018 Monthly RTSR[3]	$11.54	$23.08	$173.12
2018 change in Monthly Bill	**$0.53**	**$1.06**	**$7.93**
2018 change as a % of total bill	*0.3%*	*0.4%*	*0.4%*
Estimated 2019 Monthly RTSR[4]	$11.83	$23.65	$177.38
2019 change in Monthly Bill	**$0.28**	**$0.57**	**$4.26**
2019 change as a % of total bill	*0.2%*	*0.2%*	*0.2%*

[1]Total bill including HST, based on time-of-use commodity prices effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all applicable components of the Fair Hydro Plan).
[2]2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.
[3]2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.
[4]The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5 in A-7-1, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.

Table 2 - Typical General Service Demand (Greater than 50 kW) (GSd) Customer Bill Impacts

	GSd Customer Monthly Bill		
	15,000 kWh	**36,104 kWh**	**175,000 kWh**
	60 kW	**124 kW**	**500 kW**
Total Bill as of May 1, 2018[1]	$3,527.80	$7,913.28	$35,812.38
RTSR included in 2018 GSd Customer's Total Bill (based on 2016 UTR)	$170.55	$352.47	$1,421.25
Estimated 2017 Monthly RTSR[2]	$169.25	$349.79	$1,410.44
2017 change in Monthly Bill	**($1.30)**	**($2.68)**	**($10.81)**
2017 change as a % of total bill	*0.0%*	*0.0%*	*0.0%*
Estimated 2018 Monthly RTSR[3]	$177.38	$366.58	$1,478.17
2018 change in Monthly Bill	**$8.13**	**$16.80**	**$67.73**
2018 change as a % of total bill	*0.2%*	*0.2%*	*0.2%*
Estimated 2019 Monthly RTSR[4]	$181.75	$375.61	$1,514.55
2019 change in Monthly Bill	**$4.37**	**$9.02**	**$36.38**
2019 change as a % of total bill	*0.1%*	*0.1%*	*0.1%*

[1]*Total bill including HST, based on Commodity prices as shown in Table 4, and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all applicable components of the Fair Hydro Plan).*
[2]*2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.*
[3]*2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.*
[4]*The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5 in A-7-1, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.*

Table 3 - Typical Urban General Service Demand (Greater than 50 kW) (UGd) Customer Bill Impacts

	UGd Customer Monthly Bill		
	15,000 kWh	**50,525 kWh**	**175,000 kWh**
	60 kW	**135 kW**	**500 kW**
Total Bill as of May 1, 2018[1]	$3,091.65	$9,199.61	$32,066.37
RTSR included in 2018 UGd Customer's Total Bill (based on 2016 UTR)	$210.18	$472.91	$1,751.50
Estimated 2017 Monthly RTSR[2]	$208.58	$469.31	$1,738.17
2017 change in Monthly Bill	**($1.60)**	**($3.60)**	**($13.33)**
2017 change as a % of total bill	*-0.1%*	*0.0%*	*0.0%*
Estimated 2018 Monthly RTSR[3]	$218.60	$491.84	$1,821.64
2018 change in Monthly Bill	**$10.02**	**$22.54**	**$83.47**
2018 change as a % of total bill	*0.3%*	*0.2%*	*0.3%*
Estimated 2019 Monthly RTSR[4]	$223.98	$503.95	$1,866.48
2019 change in Monthly Bill	**$5.38**	**$12.11**	**$44.84**
2019 change as a % of total bill	*0.2%*	*0.1%*	*0.1%*

[1]*Total bill including HST, based on Commodity prices as shown in Table 4, and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all applicable components of the Fair Hydro Plan).*

[2]*2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.*

[3]*2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.*

[4]*The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5 in A-7-1, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.*

BOMA INTERROGATORY # 2

Reference:
Exhibit A, Tab 3, Schedule 1, Page 5

Interrogatory:
a) Please confirm that Hydro One's proposed 2019 revenue requirement assumes an outcome in EB-2018-0269 in respect of income taxes that adopts Hydro One's proposal in EB-2016-0160.

b) If the decision in EB-2018-0269, in respect of the income tax issue, differs from Hydro One Transmission's proposed treatment in EB-2016-0160, how will Hydro One reimburse ratepayers from overpayment in 2018 rate, and adjust 2019 rate?

Response:
a) Hydro One’s proposed 2019 revenue requirement is based on a formulaic adjustment to Hydro One’s OEB-approved 2018 revenue requirement which reflects the level of income taxes approved in EB-2016-0160 including the sharing of the deferred tax asset with rate payers. No assumptions are made regarding the outcome of the EB-2018-0269.

b) Hydro One will follow the OEB’s direction regarding any reimbursement or collection, as applicable based on the findings of the decision, when the OEB issues its decision in EB-2018-0269.

BOMA INTERROGATORY # 3

Reference:
Exhibit A, Tab 3, Schedule 1, Page 7

Interrogatory:
When will Hydro One Transmission next rebasing application take place, and when will the application be filed?

Response:
Hydro One currently expects to file its next rebasing application in 2019.

BOMA INTERROGATORY # 4

Reference:
Exhibit A, Tab 3, Schedule 1, Page 10

Interrogatory:
What would be the transmission rate impact of the application for each customer class and volume point described in IR #1, in the absence of Fair Hydro Plan?

Response:
The Fair Hydro Plan has reduced the commodity and regulatory components of customers' bills, as well as the distribution component for some customers' bills. Transmission rates are not affected by the Fair Hydro Plan.

Eliminating the impacts of the Fair Hydro Plan would result in larger customer bills and make the transmission rate impact slightly smaller than what is shown in the application.

BOMA INTERROGATORY # 5

Reference:
Exhibit A, Tab 4, Schedule 1, Pages 3-4

Interrogatory:
a) Aside from any inflation factor rationale provided by Power Advisory in its Report on the "HONI SSM" application, please provide the rationale for Hydro One using weighting of 86%-14% ratio in its two-part inflation formula, rather than the 70%-30% guidance provided by the Board in EB-2010-0309. Please explain fully.

b) Given that the Board, in earlier cases, had established a Hydro One Transmission stretch factor of 0.3%, aside from the advice of PSE in the HONI SSM case, please provide a rationale for its recommendation of a stretch factor of 0% in this application.

c) What are the rate-setting parameters (inflation and productivity factors) of Hydro One is proposing in the HONI SSM proceeding? What percentage has PSE proposed in that proceeding? Aside from the advice provided by PSE, what other reasons does Hydro One have for proposing a stretch factor of 0% in that case and in this case? Note that BOMA is not an intervenor in that case.

d) Does Hydro One recognize any differences between HONI SSM and Hydro One that are relevant to the establishment of inflation and productivity factors for the two utilities?

e) What additional evidence does Hydro One intend to file in its 2020-2022 custom IR application with respect to inflation and productivity factors?

Response:
a) In its decision in EB-2016-0356, the OEB stated that "evidence regarding the appropriate input weights should be included in any subsequent rate application by Hydro One SSM." Subsequent to the decision in EB-2016-0356, the OEB approved the use of the 2-factor IPI with an 88%/12% split for OPG's prescribed hydroelectric generation facilities in EB-2016-0152. Given the OEB's decision for OPG, Hydro One proposes to adopt the transmission-specific weighting for its inflation factor.

b) This application marks the first time Hydro One has applied to set its transmission revenue requirement under an incentive rate-setting approach and therefore no stretch factor has ever been established by the OEB for Hydro One's transmission business. The stretch factor recommendation in this proceeding is based on the results of the empirical analysis conducted by PSE.

c) Hydro One SSM is proposing to adopt the same incentive rate-setting parameters as those that are proposed in this Application.

d) The parameter recommendation for the inflation factor is based on external measurements of the transmission industry labour/non-labour weights. Similarly, the productivity factor recommendation is based on an external measurement of the transmission industry's total factor productivity. Both of these recommendations would be the same for Hydro One and Hydro One SSM as they are external measures. The recommendation of the stretch factor for Hydro One is based on a total cost benchmarking analysis of Hydro One's costs.

e) Please see Hydro One's response to OEB staff Interrogatory #2 (Exhibit I, Tab 1, Schedule 2).

BOMA INTERROGATORY # 6

Reference:
Exhibit A, Tab 5, Schedule 1, Page 2

Interrogatory:

a) Given that section 78(1)(5.0.2.) of the Ontario Energy Board Act states:

"In approving or fixing just and reasonable rates for Hydro One Limited or any of its subsidiaries, the Board shall not include any amount in respect of compensation paid to the Chief Executive Officer and executives, within the meaning of the Hydro One Accountability Act, 2018, of Hydro One Limited. 2018, c. 10, Sched. 1, s. 10"

and that section 4 of the Hydro One Accountability Act, 2018, S.O. 2018, c. 10, Sched. 1 (the "Hydro One Accountability Act") provides that:

"Sections 2 and 3 apply, with necessary modifications, to each of Hydro One Limited's subsidiaries",

and given that Attachment 1 to the Hydro One October 26, 2018 submission shows a total of 5 senior vice-presidents and 17 vice-presidents, why has Hydro One not included the 5 senior vice-presidents and the 17 vice-presidents in its compensation modification plan in respect of the 2019 revenue requirement? Put another way, why are the compensation costs of the 5 senior vice-presidents and the 17 vice-presidents not removed from the 2018 revenue requirement?

b) What would be the total reduction from the 2018 and 2019 revenue requirement, both capital and OM&A driven, if those compensation costs were removed?

c) On what basis does Hydro One believe that section 78(1)(5.0.2) of the Ontario Energy Board Act was meant to apply only in a minority of the Hydro One executives, as executive was defined in section 1 of the Hydro One Accountability Act?

Response:

a) In Hydro One's 2018-2022 Custom IR distribution rate application (EB-2017-0049), the OEB established procedural steps (Procedural Order No. 9 issued September 26, 2018) for the consideration of the impact of Bill 2. In response, Hydro One filed submissions on October 26, 2018 that set out Hydro One's interpretation of the impact of Bill 2 on executive compensation in rates. See pages 2 and 3 of Hydro One's submissions. Unlike section 4 of the *Hydro One Accountability Act* which specifically refers to Hydro One Limited's subsidiaries, section 78(1)(5.0.2.) of the *Ontario Energy Board Act* applies to Hydro One Limited only. As such, it does not apply to the 5 senior vice-presidents and the 17 vice-presidents referenced in the question, or to other executives that are not employed by Hydro One Limited.

   The proposed Bill 2 adjustment in this Application is premised on the same basis as Hydro One's proposal in EB-2017-0049. Hydro One is proposing to adopt the OEB's direction from EB-2017-0049, as applicable to the circumstances of this Application to ensure the legislation is consistently applied between its transmission and distribution businesses.

b) The table below summarizes the cumulative reduction required to the 2018 revenue requirement if the compensation costs for Hydro One's vice presidents (VP), senior vice-presidents (SVP), and the Executive Leadership Team (ELT) are excluded.

Table 1- 2018 Reduction of Revenue Requirement for Bill 2 Compliance – VP, SVP and ELT ($M)

($ Millions)	As Filed 2018 Cost in Revenue Requirement	2018 Costs Per OEB Decision
CEO, CFO Compensation	2.7	0.8
Other Executive Compensation	5.6	5.4
Total Executive Compensation MCP Bands 1-4	**8.3**	**6.3**
OM&A Portion of Executive Compensation		**2.4**
Capital Portion of Executive Compensation		**3.9**
Revenue Requirement Impact		
OM&A		(2.4)
Capital Related (Depreciation, Return on Capital, Income Tax)		(0.1)
Total Revenue Requirement Impact		(2.5)

The cumulative reduction to the 2019 revenue requirement would be $2.6M if Hydro One's proposed inflation adjustment of 1.2% is used (see Exhibit A, Tab 7, Schedule 1, Table 1).

c) Please refer to answer a)

LPMA INTERROGATORY # 1

Reference:

Exhibit A, Tab 2, Schedule 1

Interrogatory:

a) What is the actual interest accrued in 2018 associated with the total credit balance of $37.6 million, being the audited principal balances as of December 31, 2017.

b) Please quantify any amounts approved for disposition in 2018 by the OEB in the EB-2016-0160 proceeding for rate years 2017 and 2018.

c) Taking into account the responses to parts (a) and (b) above, what is the updated total balance as of December 31, 2018 associated with the disposal of regulatory assets?

Response:

a) The $37.6 million represents the transmission regulatory accounts requested for disposition balance as at December 31, 2018.

   The interest accrued in 2018 was calculated using the OEB prescribed rates for the quarters at the time of preparation of the Application, based on 2017 audited balances. The projected interest calculated for 2018 was approximately $1.1 million.

b) The amounts approved for disposition in 2018 were based on the OEB Decision in EB-2016-0160 – half of which was disposed in 2017 and the second half in 2018. Exhibit A, Tab 6, Schedule 1 in this Application discusses in great detail the disposition amounts previously approved as part of EB-2016-0160 under each relevant account.

c) The next Transmission revenue requirement application will present audited balances as at December 31, 2018. The audited balances for 2018 will incorporate the transactions in 2018 in addition to the board approved disposition and forecasted interest based on 2017 audited balances, which is presented in this application.

LPMA INTERROGATORY # 2

Reference:
Exhibit A, Tab 2, Schedule 1

Interrogatory:

a) When did the Applicant receive approval from its Board of Directors to proceed with the current application?

b) Please provide all correspondence to and from the Board of Directors associated with the current application, even if no explicit approval was received.

Response:

a) The Board of Directors approved the filing of this Application on October 1, 2018.

b) Materials sent to the Hydro One Board of Directors in respect of this Application are attached at Exhibit I, Tab 6, Schedule 1 (CCC#1).

LPMA INTERROGATORY # 3

Reference:
Exhibit A, Tab 2, Schedule 1

Interrogatory:

a) What is the current expectation of when the OEB will issue a decision and rate order in EB-2018-0218 proceeding related to Hydro One's proposed inflation factor and productivity factor?

b) Does the reference to productivity factor in part (d) on page 2 include both the industry total factor productivity measure and the productivity stretch factor that may be approved by the OEB in EB-2018-0218? Please explain if it does not include both components.

Response:

a) Please see Hydro One's response to Energy Probe Interrogatory #10, part a) (Exhibit, I, Tab 9, Schedule 10).

b) The Productivity Factor noted at the above reference is the term defined on page 2 of Exhibit A, Tab 4, Schedule 1. It refers to the sum of the industry TFP measure and the stretch factor.

LPMA INTERROGATORY # 4

Reference:
Exhibit A, Tab 2, Schedule 1

Interrogatory:
Please explain all factors that resulted in the rate application not being filed until October 26, 2018.

Response:
The following factors resulted in this Application not being filed until October 26, 2018:

- On March 16, 2018 the Ontario Energy Board ("OEB") issued a letter setting out its expectations regarding future distribution rate and transmission revenue requirement applications by Hydro One. The letter directed Hydro One to file a transmission revenue requirement application for a four-year test period from 2019 to 2022. On April 4, 2018 Hydro One filed a letter with the OEB indicating that it was considering the potential impact of the OEB's new expectation on Hydro One's then upcoming application, which Hydro One had expected to be a Custom IR application with a 5 year test period.
- In July 2018, Hydro One's CEO retired and its Board of Directors resigned. Hydro One placed its filing on hold pending the appointment of its new Board of Directors.
- In August 2018, Hydro One's new Board of Directors was appointed. Hydro One took the opportunity to brief the new Board of Directors and re-evaluate its transmission business plan.
- To permit this review to occur and adhere to the OEB's objective of a combined transmission and distribution application in the future, Hydro One filed an application for a one-year mechanistic adjustment to Hydro One's 2019 revenue requirement (EB-2018-0130). Hydro One will apply for transmission rates for the 2020-2022 period and will align with the OEB's expectation that Hydro One file a single application for distribution rates and transmission revenue requirement for a test period commencing in 2023.
- Hydro One finalized its evidence and filed this Application on October 26, 2018.

LPMA INTERROGATORY # 5

Reference:
Exhibit A, Tab 3, Schedule 1, page 1

Interrogatory:
Is Hydro One requesting OEB approval of the two-step approach of a one-year mechanistic adjustment to Hydro One's 2019 revenue requirement and the filing in 2019 of a 3-year Custom IR application with a 2020-2022 test period? If this is the case, please explain why approval to file a 3-year Custom IR application in 2019 is not specifically listed as one of the orders requested in Exhibit A, Tab 2, Schedule 1.

Response:
Hydro One is only requesting OEB approval of a one-year mechanistic adjustment to establish its 2019 revenue requirement.

LPMA INTERROGATORY # 6

Reference:
Exhibit A, Tab 3, Schedule 1, page 3

Interrogatory:
Hydro One has proposed a one-year refund period associated with the disposition of regulatory accounts, beginning January 1, 2019. Given that rates will not be implemented until some time after January 1, 2019, what period does Hydro One propose to dispose of the regulatory accounts assuming:

i) the OEB approves an effective date of January 1, 2019, but with an implementation date later in 2019; or

ii) the OEB does not approve an effective date of January 1, 2019, but a later effective and implementation date in 2019.

Response:

i) and ii)

In transmission, the disposition of regulatory accounts is treated as a component of the transmission rates revenue requirement. Hydro One proposes that any amount of the 2019 rates revenue requirement not collected in 2019 as a result of the Board approving a later effective and/or implementation date in 2019 be tracked in a variance account and disposed of as part of the 2020 transmission rates setting process.

LPMA INTERROGATORY # 7

Reference:

Exhibit A, Tab 4, Schedule 1, Table 1

Interrogatory:

Please update Table 1 to reflect the most recent information available from the OEB for each of the two components of inflation that would be applicable to 2019 and show the resulting proposed inflation rate.

Response:

Please see the updated table below which reflects the latest inflation factor for 2019:

	Non-Labour GDP-IPI (FDD) - National							Labour AWE - All Employees - Ontario			Resultant Value - Annual Growth for the 2-factor IPI
Year	Q1	Q2	Q3	Q4	Annual	Annual % Change (A)	Weight (B)	Annual	Annual % Change (C)	Weight (D)	Annual % Change ([A*B]+[C*D])
2016	116.5	116.4	116.9	117.5	116.825			973.75			
2017	118.0	118.5	118.2	119.0	118.425	1.4%	86%	992.55	1.9%	14%	1.4%

LPMA INTERROGATORY # 8

Reference:
Exhibit A, Tab 6, Schedule 1

Interrogatory:
Please confirm that Hydro One is not proposing any changes to the individual accounts listed in Section 4 as regulatory accounts requested for continuation. If this cannot be confirmed, please explain any proposed changes in these accounts.

Response:
On December 21, 2018, Hydro One requested the OEB to change the nature of the North West Bulk Transmission Line Deferral Account from a deferral account to a tracking deferral account. Hydro One would continue to report the balance of this account through the quarterly Reporting and Record Keeping Requirements. Hydro One requested the change in this account be effective from January 1, 2019. Please refer to the attached document for a copy of the submission. The request is currently under review by the OEB.

If the OEB approves the change in status from a deferral account to a tracking deferral account, Hydro One proposes to continue the use of this account on that basis to record the expenses incurred for preliminary design/engineering, cost estimation, public engagement/consultation, routing and siting, and environmental assessment preparation work associated with the NWBTL Project.

With regards to the OEB Cost Differential Account, Hydro One is proposing that the tracking of any variances is not required in 2019. Please refer to Hydro One response to OEB Staff IR #6 in Exhibit I, Tab 1, Schedule 6.

As described in Exhibit A, Tab 6, Schedule 1, Hydro One is requesting approval for a modification to the OPEB Accounting Order approved in EB-2017-0338 that will allow the account to continue to track the impact of the ASU 2017-07 change until the time of Hydro One's next rebasing application. In its next rebasing application, Hydro One plans to propose a methodology to dispose of the balance as requested by the OEB.

There are no other changes proposed to the individual accounts listed in Section 4 as regulatory accounts requested for continuation.

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Joanne Richardson
Director – Major Projects and Partnerships
Regulatory Affairs

BY COURIER

December 21, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 27, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

EB-2014-0311 – North West Bulk Transmission Line Deferral Account

On March 27, 2015, the OEB approved Hydro One Networks Inc.'s ("Hydro One") establishment of a deferral account to record expenses relating to the North West Bulk Transmission Line ("NWBTL")[1]. The account was approved to record costs related to Hydro One undertaking preliminary design/engineering, costs estimation, public engagement/consultation, routing and siting, and Environmental Assessment preparation work associated with the NWBTL Project prior to the point from which costs would qualify to be recorded in construction work in progress ("CWIP").

On October 24, 2018 the IESO issued a letter, "Update of the Need and Scope for the Northwest Bulk Transmission Line" (Attachment 1), confirming the need for additional electricity capacity in the area. The IESO recommended that Hydro One begin development work on Phase 1 and 2 of the NWBTL Project as soon as possible to shorten the Project lead time required to have the assets ready to be in-serviced in order to meet the electricity capacity needs when they materialize (expected mid-2030s but could occur earlier). As the IESO has now determined that supply needs West of Thunder Bay and North of Dryden will be meet by electricity infrastructure (a 'wires' solution), Hydro One is now able to record its development expenditures in CWIP.

Hydro One requests that the nature of its North West Bulk Transmission Line Deferral Account be changed from a deferral account to a tracking deferral account. Hydro One will report the balance of this account through the quarterly Reporting and Record Keeping Requirements. Hydro One requests the change in this account be effective from January 1, 2019. Appendix A to this letter provides the proposed Accounting Entries.

[1] EB-2014-0311

If you require any further information, please contact me.

An electronic copy of this has been filed through the Ontario Energy Board's Regulatory Electronic Submission System (RESS).

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

APPENDIX A

PROPOSED ACCOUNTING ENTRIES

North West Bulk Transmission Line Project Construction Costs Deferral Account

During the construction phase of the NWBTL project where Hydro One's management remains confident that the project will be placed in-service, the following accounting entries will be recorded;

USofA #	Account Description
Dr: 2055	Construction Work in Progress – Electric
Cr: 2205	Accounts Payable

To record construction expenditures incurred by Hydro One relating to the approved NWBTL project.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account "NWBTL Project Construction Costs Deferral Account"
Cr: 1508	Other Regulatory Assets – Sub account "NWBTL Project Construction Costs Deferral Account – Contra Account"

To record the amount in the regulatory deferral account and contra-account to track the construction costs incurred by Hydro One on the NWBTL project. The deferral account at this stage is used as a tracking account until the project is placed in-service.

In the event that the NWBTL project is ultimately not placed in-service, Hydro One would record the following accounting entries;

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account "NWBTL Project Construction Costs Deferral Account – Contra Account"
Cr: 2055	Construction Work in Progress – Electric

To effectively remove the construction costs for the NWBTL project from Construction Work in Progress, to the NWBTL Project Construction Costs Deferral Account. At this point, the deferral account will have a positive debit balance (the ‘Contra Account’ balance is reduced to nil) and the account no longer functions as a ‘tracking’ account. The balance would be held in this account until Hydro One can apply to the Board for disposition at a future rate filing.

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub account “NWBTL Project Construction Costs Deferral Account - Interest Improvement”
Cr: 6035	Other Interest Expense

To record interest improvement on the debit principal balance of the “NWBTL Project Construction Costs Deferral Account”.

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Powering Tomorrow.

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October 24, 2018

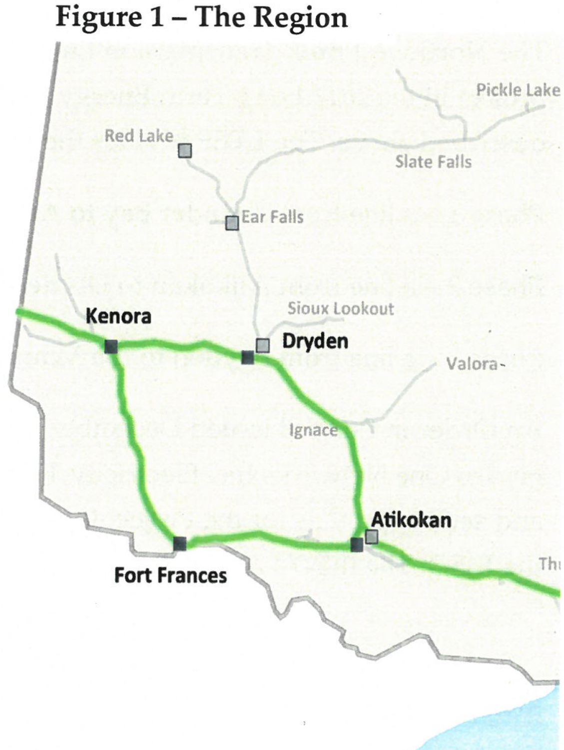
Mr. Robert Reinmuller
Director, Transmission Planning
Hydro One Inc.
483 Bay Street, 13th Floor, North Tower
Toronto, Ontario M5G 2P5

Dear Robert,

Update on the Need and Scope for the Northwest Bulk Transmission Line

The Independent Electricity System Operator (the "IESO") recently updated its electrical load forecast and completed an assessment of the need for additional capacity to supply the West of Thunder Bay and North of Dryden areas (together, the "Region"), shown in Figure 1. The purpose of this letter is to describe the supply needs for the Region and the IESO's recommended next steps for meeting those needs.

Figure 1 – The Region



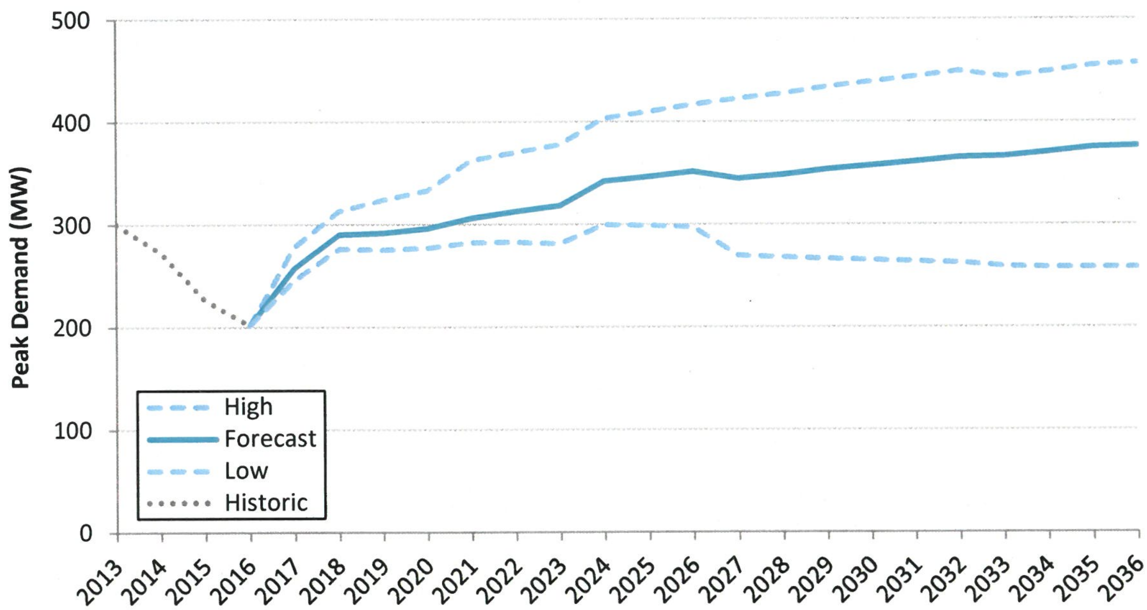
Supply Needs in the Region

Figure 2 below shows an updated electrical load forecast for the Region. The updated forecast considers new loads from potential mining developments, the connection of remote communities and the removal of loads from the cancelled Energy East pipeline conversion project.

Based on the forecast the Region is adequately supplied today; however, a need for additional capacity will arise in the mid-2030s.

The IESO's updated electrical load forecast also includes high and low growth scenarios to capture the uncertainty around industrial developments. Under the high growth scenario, which considers development of the Ring of Fire with electricity supplied by the Ontario transmission system, a capacity need could potentially arise in the early 2020s.

Figure 2 - Electrical Load Forecast – the Region



Addressing the Need

The Northwest Bulk Transmission Line Project (the "Project") was identified as a priority project in the 2017 Long-Term Energy Plan (the "LTEP") and can address the capacity needs described above. The LTEP divides the Project into three phases:

Phase 1 – a line from Thunder Bay to Atikokan;

Phase 2 – a line from Atikokan to Dryden; and

Phase 3 – a line from Dryden to the Manitoba border.

An Order in Council issued December 11, 2013 directed the Ontario Energy Board to amend the Hydro One Networks Inc. Electricity Transmission License to require Hydro One to develop and seek approvals for the Project in accordance with the scope and timing recommended by the IESO. The IESO's recommended scope and timing is outlined in the following paragraphs.

Scope and Timing

Since the capacity need is not likely to materialize until the mid-2030s, a commitment for additional supply to the Region is not required at this time. However, the IESO recognizes the risks associated with load forecast uncertainty and the potential for large industrial projects to add significant load to the Region utilizing the remaining capacity margin sooner than anticipated.

Therefore, to shorten the Project lead time if the need for additional capacity materializes earlier than expected, the IESO recommends that Hydro One begin development work on Phase 1 and Phase 2 of the Project as soon as possible. The scope of development work is to include preliminary design/engineering, cost estimation, public engagement/consultation, routing and siting, and Environmental Assessment. At this time the IESO is not committing to a timeline for the construction of the line. The IESO will continue to monitor developments in the Region to determine when construction of the transmission line should begin.

To supply the Region under the high growth scenario, the Project must meet the following specifications:

a) Consist of a new double circuit 230 kV line between Lakehead TS and Mackenzie TS (Phase 1) with a thermal capacity that is equal to or greater than the existing double-circuit 230 kV transmission between Lakehead TS and Mackenzie TS. This would achieve the required westbound transfer of at least 350 MW into Mackenzie TS and Moose Lake TS.

b) Consist of a new single circuit 230 kV line from Mackenzie TS to Dryden TS (Phase 2) with a thermal capacity that is equal to or greater than the existing single-circuit 230 kV transmission line between Mackenzie TS and Dryden TS. This would achieve the required westbound transfer of at least 350 MW from MacKenzie and Moose Lake.

c) Separate the necessary sections of F25A and D26A to ensure the circuits do not share a common structure over a distance that exceeds one mile.

Hydro One should consider various routing options as appropriate. Since requirements for switching and reactive facilities would depend on the configuration and line options, they are not specified at this time.

The 2014 letter from the Ontario Power Authority (the "OPA") to Hydro One indicated that the Project must be capable of 550 MW transfer west from the Thunder Bay area. At the time the letter was written, the OPA's electrical load forecast was significantly higher and included potential mining developments and the Energy East pipeline conversion project. If in the future additional transfer capability beyond 350 MW is needed, the solution would be to install dynamic reactive facilities in addition to the transmission lines indicated above.

The IESO will provide support to Hydro One as required, including discussion of possible routing alternatives. As well, the IESO will continue to monitor developments in the Region and confirm the best course of action to address supply needs, and will keep Hydro One apprised of this work.

Sincerely,

Ahmed Maria
Director - Transmission Planning
Independent Electricity System Operator

PWU INTERROGATORY # 1

Reference:
Ref (a): Exhibit A, Tab 4, Schedule 1, page 1 of 5

Interrogatory:
Hydro One's application is based on a Revenue Cap Incentive Rate-Setting ("IR") approach in which the revenue requirement for 2019 is equal to the revenue requirement in year 2018, adjusted for the impacts of Bill 2 as outlined in Exhibit A, Tab 5, Schedule 1, inflated by the Revenue Cap Index ("RCI") set out below. The 2018 OEB approved revenue requirement reflects Hydro One's most recent rebasing of costs.

a) Please confirm that the Revenue Cap methodology proposed in this proceeding is consistent with the methodology proposed in EB-2017-0049 (Hydro One Distribution 2018-2022 Custom IR). If not, please explain any differences.

b) Please confirm that Board Staff, CCC, SEC, AMPCO, and the PWU agreed that the revenue rap approach was appropriate in that proceeding.

c) Please confirm that, since there is no change to the load forecast, there is no difference in rates whether they are set with a price cap or revenue cap methodology.

Response:
a) The RCI methodology proposed in this proceeding does not include a Capital Factor and is thus different than what was proposed by Hydro One Distribution in EB-2017-0049. Hydro One notes that the form of the RCI proposed in this application is consistent with page 5 of Chapter 2 of the OEB’s Filing Requirements for Electricity Transmission Applications (“Filing Requirements”), dated February 11, 2016.

b) Confirmed.

c) Hydro One notes that a price cap methodology is not available to electricity transmitters in Ontario. As noted in the Filing Requirements, the rate-setting methodologies available to transmitters are Revenue Cap IR and Custom IR.

PWU INTERROGATORY # 2

Reference:

Exhibit A, Tab 6, Schedule 1, Pages 1 & 2 of 25
Exhibit A, Tab 6, Schedule 2 (Excel Attachment)

Interrogatory:

Hydro One Transmission's outstanding deferral and variance accounts balances are summarized in Table 1 below:

Table 1 - Transmission Summary of Regulatory Accounts Balances
($ Million)

Description	Balance as at Dec 31, 2016	Balance as at Dec. 31, 2017	Balance as at Dec. 31, 2018
Total Regulatory Accounts Seeking Disposition	(127.2)	(84.4)	(37.6)
Total Regulatory Accounts Not Seeking Disposition	16.4	82.2	93.3
Total Regulatory Accounts	**(110.7)**	**(2.2)**	**55.7**

a) The PWU notes there are no transactions included in the 2018 continuity schedule. Please confirm that the "Balance as at Dec. 31, 2018" in tables 1 and 2 of Tab 6 do not include debit or credit transactions for 2018.

b) If a) is confirmed, does Hydro One plan to include these transactions in its next rates application?

Response:

a) The “Balance as at Dec. 31, 2018” in tables 1 and 2 of Tab 6 do not include debit or credit transactions for 2018.

b) Yes, Hydro One plans to include these transactions in the next Transmission revenue requirement application.

PWU INTERROGATORY # 3

Reference:

Ref (a): Exhibit A, Tab 6, Schedule 1, page 9 of 25

Interrogatory:

This account was established upon the Settlement Agreement approved by the OEB in EB-2012-0031 relating to Hydro One Transmission's 2013 and 2014 rates. The account tracks the difference between the forecast and actual CDM savings and Demand Response results of the Ontario Power Authority ("OPA")-funded, LDC-delivered programs for 2013 and 2014.

a) Does Hydro One track the difference between forecast and actual CDM savings since 2014?

Response:

a) This account was established as part of the Settlement Agreement that pertained to 2013 and 2014 transmission rates. In Hydro One's 2015 and 2016 rates application, the parties accepted Hydro One's CDM forecast as part of the load forecast and did not request that Hydro One record any variance for 2015 and 2016. Therefore, the difference between forecast and actual CDM savings for 2015 and 2016 was not tracked.

   In the EB-2016-0160 Decision, the OEB directed Hydro One to continue recording a variance relating to 2017 and 2018 and noted that this account should not be closed as previously requested by Hydro One. Hydro One calculated an amount for 2017 which is recorded as part of 2018 balances and will be presented in the next Transmission rates re-basing application.

VECC INTERROGATORY # 1

Reference:

EXHIBIT A/TAB 2 - APPLICATION
Exhibit A/Tab3/Schedule 1, pg.2

Interrogatory:

a) Please list the "*directions arising from the OEB's decision in the 2017-2018 transmission rate proceeding (EB-2016-0160)* [that] *will not be addressed in this Application as they are beyond the scope of the approvals sought*."

Response:

Hydro One Transmission will address the following OEB directions in the next rebasing application:

- Continue to make improvements to its planning process addressing the issues that have been identified in this proceeding as well those identified in Hydro One's internal audit, and to report on the progress made in this area in its next transmission rates application

- Complete an independent third-party assessment of its TSP and to file this assessment with its next rate application

- Begin the customer engagement process sufficiently in advance of filing the application, include LDCs (to determine practical ways to seek some input from their end users), incorporate timely and meaningful input from First Nations representatives, and ensure that information presented to customers is unambiguous and easy to understand

- Provide a report detailing its overall performance in the execution of the capital program relative to plan showing the performance at the program level in terms of overall expenditures and in-service additions compared to the approved plan. In addition, for major projects or programs with total budgeted cost greater than $3 million which are planned to be completed during the test years, the report should show the status of each project and an explanation of any variances regarding scope, cost or schedule

- Work jointly with the IESO to explore cost effective opportunities for line loss reduction, explore opportunities for economically reducing line losses and report on these initiatives as part of its next rate application, although an update on this item will be provided on February 28, 2019, as directed by the OEB in Procedural Order No. 1 dated January 24, 2019 in response to a request from Environmental Defence Canada Inc.

- Report on its implementation of the recommendations from the benchmarking study in future proceedings and consider the shortcomings identified in this proceeding in undertaking future benchmarking studies

- Establish firm short and long term targets for productivity improvements and associated reduction in revenue requirements as a means to drive continuous improvement and improve its internal and external benchmarking standings. Put more emphasis on including performance metrics in the scorecard that provide objective year-over-year unit cost measures of productivity, safety, reliability and quality of service improvements. Consider the merits of implementing measures that reflect outcomes of its overall business such as gross fixed assets/unit of load serving capacity to more fully illustrate its overall cost of service provision. Provide an analysis of the merits of this and similar measures with its next scorecard submission.

- Provide a detailed explanation in future applications of any material change in the lead-lag study results from previous similar studies

- File complete total compensation information in the distribution rates proceeding as soon as possible incorporating items a) through g) listed in section 7.2.4 of the Decision

- Provide, in future applications, a high level description of the main contributors to any material variance between approved and actual total OM&A expenditures in previous applications and the impact of those variances on its longer-term ability to operate and maintain its assets

- Report in its next transmission rates case on how the NSC determinant might be modified to respond to the concerns raised by CME in its argument.

- Modify the language of the proposed in-service variance account for 2017 and 2018 to include the impact in 2017 and 2018 of negative variances between the 2016 forecast in-service additions of $911.7 million and the actual 2016 amounts.

- Establish a variance account that will operate prospectively from January 1, 2018 and is compliant with the provisions of the Pension and OPEBs Report to track the differences between the accrual costs for OPEBs and the cash payments that would be payable under the auspices of the cash method of accounting for such costs.

- Continue to work diligently with affected First Nations to resolve outstanding permit issues in a timely manner with the objective of providing appropriate compensation while respecting First Nations rights.

VECC INTERROGATORY # 2

Reference:

Exhibit A, Tab 3, Schedule 1, pg.8

Interrogatory:

a) What evidence is Hydro One relying upon to support the proposal for leaving the 2019 charge determinants unchanged?

Response:

a) Hydro One's application is seeking a mechanistic adjustment to its revenue requirement. Though the OEB has not yet determined specific Filing Requirements for mechanistic transmission applications, it has established Filing Requirements for Price Cap IR applications for electricity distributors which are similarly mechanistic in nature. Page 31 of Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications lists loss of customer load as a specific exclusion from such applications. Given the noted exclusion, it is Hydro One's understanding that a request to update its 2019 charge determinants would not be permissible in a mechanistic application such as this.

VECC INTERROGATORY # 3

Reference:

Exhibit A, Tab 3, Schedule 1, pg. 12

Interrogatory:

a) Given the Board has announced its policy with respect to the treatment of pensions and other post-employment benefits (OPEBs) in its EB-2015-0040 Report of September 14, 2017, what is the reason/benefit of deferring this policy's implementation until a later date.

Response:

a) Given the mechanistic nature of this Application, and the fact that Hydro One is proposing a revised methodology for calculating the difference between the forecasted accrual amount in rates and actual cash payments made, this would be more appropriately addressed as part of Hydro One's next Transmission rebasing application.

VECC INTERROGATORY # 4

Reference:

Exhibit A, Tab 4, Schedule 1, page 2

Interrogatory:

a) Please explain why a "Capital Factor" is no longer a relevant consideration and why a "*forward-looking* [capital] *analysis may no longer reflect Hydro One's future total costs*."

Response:

a) The statement was made in the context of the relief sought in this Application. Hydro One is not proposing a Capital Factor in this Application and therefore the PSE recommendations regarding a Capital Factor are not relevant to this proceeding. As noted on page 1 of Exhibit A, Tab 3, Schedule 1, Hydro One is in the process of evaluating its transmission business plan in light of recent organizational changes. The forward-looking analysis conducted by PSE is based on costs underpinning a business plan that is under review and therefore potentially subject to change. Additionally, the forward-looking analysis spans years beyond the one-year period (2019) spanning this application.

VECC INTERROGATORY # 5

Reference:

Exhibit A, Tab 6, Schedule 1, pgs. 4-5, Account 2405

Interrogatory:

a) Please explain how the revenue for secondary land use of $15.4 and $15.6 were calculated for 2017 and 2018.

b) Please explain why the amount generated for secondary land use was significantly below that forecast incorporated into rates ($28.2 and $28.5 vs. $15.4 and $15.6 for 2017 and 2018 respectively).

Response:

a) As part of 2017/2018 Transmission Application (EB-2016-0160) Hydro One provided an External Revenue forecast for 2017 and 2018 Test Years. Exhibit E1, Tab 2, Schedule 1 in EB-2016-0160 provided the full details of the buildup of the related external revenue components which were approved for 2017 and 2018. The same table is provided below:

Table 1 - External Revenues ($ Millions)

$M	2012 Historic	2013 Historic	2014 Historic	2015 Historic	2016 Bridge	2017 Test	2018 Test
Secondary Land Use	22.0	21.1	19.1	31.6	15.2	15.4	15.6
Station Maintenance	13.9	12.6	14.7	9.5	5.2	5.3	5.3
Engineering & Construction	2.3	2.2	0.1	0.4	0.0	0.0	0.0
Other External Revenues	3.8	10.7	10.5	12.8	7.4	7.5	7.6
Totals	**42.0**	**46.6**	**44.4**	**54.3**	**27.9**	**28.2**	**28.5**

b) The $28.2 million for 2017 and $28.5 million for 2018 represents the forecast incorporated into rates for net external station maintenance, engineering &

construction services revenues, other external revenues, and secondary land use revenues.

The portion related to external secondary land use revenues was $15.4 million for 2017 and $15.6 million for 2018.

VECC INTERROGATORY # 6

Reference:
Exhibit A, Tab 6, Schedule 1, Account 2405

Interrogatory:

a) Please explain how the revenue for external station maintenance (et.al.) revenues were calculated for 2017 and 2018

b) Please explain why the amount generated from these activities was significantly below that forecast and incorporated into rates ($28.2 and $28.5 vs. $12.8 and $12.9 for 2017 and 2018 respectively).

Response:

a) Please refer to Hydro One response to VECC Interrogatory #5 in Exhibit I, Tab 5, Schedule 5.

b) The $28.2 million for 2017 and $28.5 million for 2018 represents the forecast incorporated into rates for net external station maintenance, engineering & construction services revenues, other external revenues, and secondary land use revenues.

   The portion related to net external station maintenance, engineering & construction service revenues, and other external revenues was $12.8 million for 2017 and $12.9 million for 2018.

VECC INTERROGATORY # 7

Reference:

Exhibit A, Tab 6, Schedule 1, pg.6 Account 1582

Interrogatory:

a) Please describe the tax change which caused amounts to be recorded in this account.

b) Given the balance of the account is below the materiality threshold of Hydro One was is this amount being sought for disposition?

Response:

a) The tax change is due to Ontario legislative changes related to the apprenticeship tax incentive program which reduced the credit from $10,000 to $5,000 per eligible apprentice who began after April 24, 2015. The remaining balance in the account represents accumulated interest from the previously approved OEB balance for disposition in EB-2016-0160.

b) The OEB has not established a threshold of disposition for individual accounts. As indicated on page 6 of Chapter 2 of the OEB's Filing Requirements for Electricity Transmitters, dated February 11, 2016, "the applicant must provide **justification for changes from year to year… above a materiality threshold**."[emphasis added] The materiality threshold is not a test for whether or not a balance should be disposed of. Rather, it is a threshold for informing the level of discovery in rate proceedings. Hydro One notes that utilities regularly dispose of balances in individual accounts that are below the OEB's materiality threshold.

VECC INTERROGATORY # 8

Reference:
Exhibit A, Tab 6, Schedule 1, page 11, Account 1508

Interrogatory:

a) Please explain why Hydro One is proposing to dispose of its OEB Cost Differential Account when the account balance ($-1.3m) is below the Utility's materiality threshold of $3.0 million.

b) Please explain how the variance of $-1.3 million was calculated. Specifically explain how the variance accounts for only the change in the OEB's assessment methodology and eliminates all of other forecast variances.

Response:

a) Please refer to Hydro One response to VECC Interrogatory #7 part b) in Exhibit I, Tab 5, Schedule 7.

b) The variance of ($1.3M) represents the variances between actual OEB assessments costs charged to Hydro One Transmission and the OEB assessments costs approved in rates. The majority of the balance ($1.1M) relates to the entry recorded in 2016 which is directly related to the release of the OEB's February 6, 2016 letter, titled *Revisions to the Ontario Energy Board Cost Assessment Model*.

VECC INTERROGATORY # 9

Reference:

Exhibit A, Tab 6

Interrogatory:

a) Given the recent Order-in-Council 52/2019 designating NextBridge to build and operate the East-West Tie why is Hydro One not seeking disposition of the balances in Account 1508 with respect to East-West Tie activity?

b) Please explain the rationale for the continuance of sub-accounts 1508 with respect to the sub-accounts for:

   i. Long-term Transmission Future Corridor Acquisition and Development
   ii. East-West Tie

   Specifically address what projects are being considered with respect to these accounts which argue for their continuance.

Response:

a) Per the Accounting Order submitted in EB-2012-0180, the 1508 Account tracks capital expenditures relating to Hydro One's development work associated with stations and other supporting asset expenditures for connection of the East West Tie line, which are not impacted by Order-in-Council 52/2019.

b) Long-term Transmission Future Corridor Acquisition and Development: This deferral account records transmission planning and study costs associated with preliminary corridor routing considerations for new transmission infrastructure. Due to the variable and unpredictable nature of the work, Hydro One requests continuance of this account. These types of costs are not normally included in the revenue requirement due to their unpredictable nature.

   East-West Tie: Refer to response a) above. Work on the East-West Tie Station Expansion is still ongoing.

VECC INTERROGATORY # 10

Reference:

Exhibit A, Tab 6

Interrogatory:

a) Please provide the letter from the IESO requesting Hydro One complete preliminary work for the North-West Bulk Transmission line.

Response:

Please find the attached IESO letter.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

October 24, 2018

Mr. Robert Reinmuller
Director, Transmission Planning
Hydro One Inc.
483 Bay Street, 13th Floor, North Tower
Toronto, Ontario M5G 2P5

Dear Robert,

Update on the Need and Scope for the Northwest Bulk Transmission Line

The Independent Electricity System Operator (the "IESO") recently updated its electrical load forecast and completed an assessment of the need for additional capacity to supply the West of Thunder Bay and North of Dryden areas (together, the "Region"), shown in Figure 1. The purpose of this letter is to describe the supply needs for the Region and the IESO's recommended next steps for meeting those needs.

Figure 1 – The Region

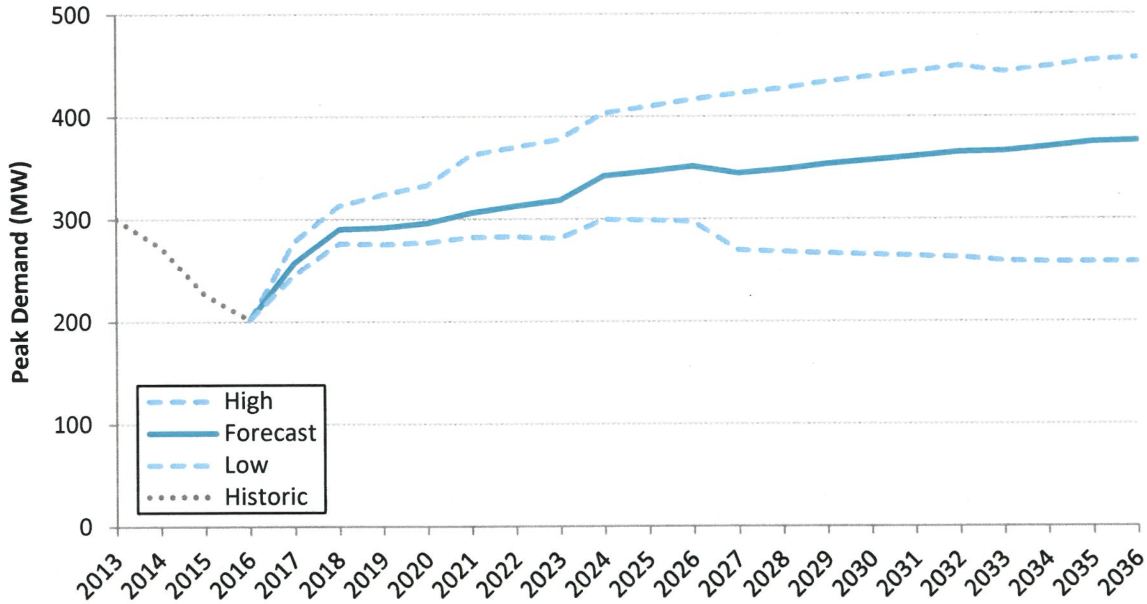
Supply Needs in the Region

Figure 2 below shows an updated electrical load forecast for the Region. The updated forecast considers new loads from potential mining developments, the connection of remote communities and the removal of loads from the cancelled Energy East pipeline conversion project.

Based on the forecast the Region is adequately supplied today; however, a need for additional capacity will arise in the mid-2030s.

The IESO's updated electrical load forecast also includes high and low growth scenarios to capture the uncertainty around industrial developments. Under the high growth scenario, which considers development of the Ring of Fire with electricity supplied by the Ontario transmission system, a capacity need could potentially arise in the early 2020s.

Figure 2 - Electrical Load Forecast – the Region



Addressing the Need

The Northwest Bulk Transmission Line Project (the "Project") was identified as a priority project in the 2017 Long-Term Energy Plan (the "LTEP") and can address the capacity needs described above. The LTEP divides the Project into three phases:

Phase 1 – a line from Thunder Bay to Atikokan;

Phase 2 – a line from Atikokan to Dryden; and

Phase 3 – a line from Dryden to the Manitoba border.

An Order in Council issued December 11, 2013 directed the Ontario Energy Board to amend the Hydro One Networks Inc. Electricity Transmission License to require Hydro One to develop and seek approvals for the Project in accordance with the scope and timing recommended by the IESO. The IESO's recommended scope and timing is outlined in the following paragraphs.

Scope and Timing

Since the capacity need is not likely to materialize until the mid-2030s, a commitment for additional supply to the Region is not required at this time. However, the IESO recognizes the risks associated with load forecast uncertainty and the potential for large industrial projects to add significant load to the Region utilizing the remaining capacity margin sooner than anticipated.

Therefore, to shorten the Project lead time if the need for additional capacity materializes earlier than expected, the IESO recommends that Hydro One begin development work on Phase 1 and Phase 2 of the Project as soon as possible. The scope of development work is to include preliminary design/engineering, cost estimation, public engagement/consultation, routing and siting, and Environmental Assessment. At this time the IESO is not committing to a timeline for the construction of the line. The IESO will continue to monitor developments in the Region to determine when construction of the transmission line should begin.

To supply the Region under the high growth scenario, the Project must meet the following specifications:

a) Consist of a new double circuit 230 kV line between Lakehead TS and Mackenzie TS (Phase 1) with a thermal capacity that is equal to or greater than the existing double-circuit 230 kV transmission between Lakehead TS and Mackenzie TS. This would achieve the required westbound transfer of at least 350 MW into Mackenzie TS and Moose Lake TS.

b) Consist of a new single circuit 230 kV line from Mackenzie TS to Dryden TS (Phase 2) with a thermal capacity that is equal to or greater than the existing single-circuit 230 kV transmission line between Mackenzie TS and Dryden TS. This would achieve the required westbound transfer of at least 350 MW from MacKenzie and Moose Lake.

c) Separate the necessary sections of F25A and D26A to ensure the circuits do not share a common structure over a distance that exceeds one mile.

Hydro One should consider various routing options as appropriate. Since requirements for switching and reactive facilities would depend on the configuration and line options, they are not specified at this time.

The 2014 letter from the Ontario Power Authority (the "OPA") to Hydro One indicated that the Project must be capable of 550 MW transfer west from the Thunder Bay area. At the time the letter was written, the OPA's electrical load forecast was significantly higher and included potential mining developments and the Energy East pipeline conversion project. If in the future additional transfer capability beyond 350 MW is needed, the solution would be to install dynamic reactive facilities in addition to the transmission lines indicated above.

The IESO will provide support to Hydro One as required, including discussion of possible routing alternatives. As well, the IESO will continue to monitor developments in the Region and confirm the best course of action to address supply needs, and will keep Hydro One apprised of this work.

Sincerely,

Ahmed Maria
Director - Transmission Planning
Independent Electricity System Operator

VECC INTERROGATORY # 11

Reference:

Exhibit A, Tab 6, Schedule a, pg. 15- Capital Additions Variance Account

Interrogatory:

a) Please provide a table showing by capital budget category (i.e. Sustaining, Development, Operations, Common Corporate costs Capital) the actual in-service amounts and the forecast amounts for the years 2016 through 2018.

Response:

Please find the table below:

	2016		2017		2018	
	Approved (For ISVA Calculation)*	Actual	Approved (For ISVA Calculation)	Actual	Approved (For ISVA Calculation)	Actual
Sustaining	604.5	647.8	728.3	667.1	773.5	N/A
Development	209.5	183.5	72.2	137.0	308.7	N/A
Operations	15.3	13.2	4.5	3.4	14.5	N/A
Common & Other	82.4	65.7	62.7	64.7	81.7	N/A
Total	**911.7**	**910.2**	**867.7**	**872.2**	**1178.4**	**N/A**

* *2016 in-service for ISVA calculation is based on 2016 Bridge Year Forecast presented as part of 2017/2018 Tx Application (EB-2016-0160)*

Please note that 2018 Actuals are not available at this point.

VECC INTERROGATORY # 12

Reference:

Exhibit A/T6/S1, pages 9-10

EB-2016-0160, Board Decision (October 11, 2017), page 74

Interrogatory:

a) Given that the Board's direction to Hydro One to maintain the LDC CDM and Demand Response Variance Account was issued roughly a year before the current Application was filed, please describe Hydro One's efforts to date to determine the variances to be recorded in this account for 2017 and 2018. Please include in the response: i) sources identified for of data regarding actual savings and ii) methodologies being considered for calculating the annual variances.

Response:

a) Hydro One has been working on a methodology to determine the transmission CDM Variance Account that is consistent with the previously approved Transmission CDM Variance account and leverages available information from the IESO. This methodology will be addressed in detail at the time of disposition.

VECC INTERROGATORY # 13

Reference:

Exhibit A/T7/S1, page 2
EB-2016-0160, Exhibit E1/T2/S1, page 2

Interrogatory:

a) Please explain why no adjustment is made to the 2018 approved values for the following items for purposes of establishing the 2019 Rates Revenue Requirement: i) External Revenue, ii) WMS Revenue and iii) Export Tx Service Revenue. In the case of External Revenue, please address each of the revenue sources set out EB-2016-0160, Exhibit E1/T2/S1, page 2 separately.

Response:

Hydro One's application is based on a Revenue Cap approach where the proposed 2019 total revenue requirement is equal to the total revenue requirement in 2018 (after Bill 2 adjustment), inflated by the Revenue Cap Index ("RCI"). The Rates Revenue Requirement is then derived by adding (or subtracting) other revenue offsets to the inflated total revenue requirement, as shown in Table 1 in A-7-1.

The External Revenue, WMS Revenue and Export Tx Service Revenue are part of the other revenue offsets. A significant portion of these other revenue components are driven by frozen rates and service volumes that are not impacted by inflation (e.g. WMS Revenue is driven by the Hydro One Wholesale Meter Service and Exit Fee; Export Tx Service Revenue is driven by the Export Transmission Service Rate). As such, it is appropriate to keep these other revenue components at the 2018 approved values.

Hydro One also notes that the largest component of other revenues is Export Tx Service for which a variance account has been approved to track any differences between actual and forecast export revenues. As such customers are held whole regardless of the assumed forecast.

Given the mechanistic approach to this one-year RCI application, Hydro One did not examine each of the external revenue sources as set out in EB-2016-0160, E1-02-01.

VECC INTERROGATORY # 14

Reference:

Exhibit A/T7/S1, pages 2-3 and page 5
OEB Decision, EB-2016-0160 (2018 Transmission Revenue Requirement and Charge Determinants), December 20, 2017, Schedule B

Interrogatory:

a) Please provide an allocation of the proposed 2019 Rates Revenue Requirement to Rate Pools using the format/approach set out in Schedule B of the Board's EB-2016-0160 Decision but substituting the 2019 proposed values.

b) Please provide the 2019 UTRs (per page 7) that would result from the rate pool allocation determined in part (a).

Response:

a) Please see the response to Exhibit I, Tab 1, Schedule 3 (Staff #3).

b) Table below provides the UTRs that would result from the rate pool allocation as determined in Exhibit I, Tab 1, Schedule 3:

	Uniform Transmission Rates ($/kW-Month)		
	Network	**Line Connection**	**Transformation Connection**
2019	$3.81	$0.95	$2.28

CCC INTERROGATORY # 1

Reference:
N/A

Interrogatory:
Please provide all materials that were provided to Hydro One's Board of Directors related to this Application. When did the Board of Directors approve the Application?

Response:
The Board of Directors approved the filing of this Application on October 1, 2018. Materials provided to the Board of Directors on October 1, 2018 are attached.

Filed: 2019-02-28
EB-2018-0130
Exhibit I-6-1
Attachment 1
Page 1 of 47

Hydro One Limited/ Hydro One Inc.
Submission to the Board of Directors

Date: October 1, 2018

Re: Financial Forecast 2019-22

We are pleased to present the Financial Forecast 2019-22. The forecast considers our recommended approach to the Transmission rate filing and achievement of our target investment grade debt ratings. This has been reviewed with the Audit Committee and the Chair will be providing a briefing recommendation to the Board at today's meeting.

To assist the Board with their review the following documents are provided:

1. Financial Forecast 2019-22 (Audit Committee – September 27, 2018) introduced below as per memo to the Audit Committee

[redacted]

5. Transmission Application Executive Summary – draft for your information

---

The forecast considers our recommended approach to the Transmission rate filing and achievement of our target investment grade debt ratings.

We have considered all comments from the Audit Committee and reflected them in the forecast and/or analysis in the deck provided. We have an updated Transmission recommendation [redacted]

As you may recall, in assessing our recommendation, we considered a number of factors and objectives, seeking to derive a recommendation that leads to the best long-term outcome for all stakeholders. In our view, the four most important factors to consider and balance are as follows;

1. System level investments needed to advance our safety, reliability, environmental and
2. Customer service objectives
3. Our government relationship and their objective of reducing ratepayer power bills
4. Maintaining investment grade debt ratings
5. Acceptable level of shareholder growth and returns

Note: #1 is in line with the four categories of outcomes outlined in the OEB's Renewed Regulatory framework: customer focus, operational effectiveness, financial performance and public policy responsiveness.

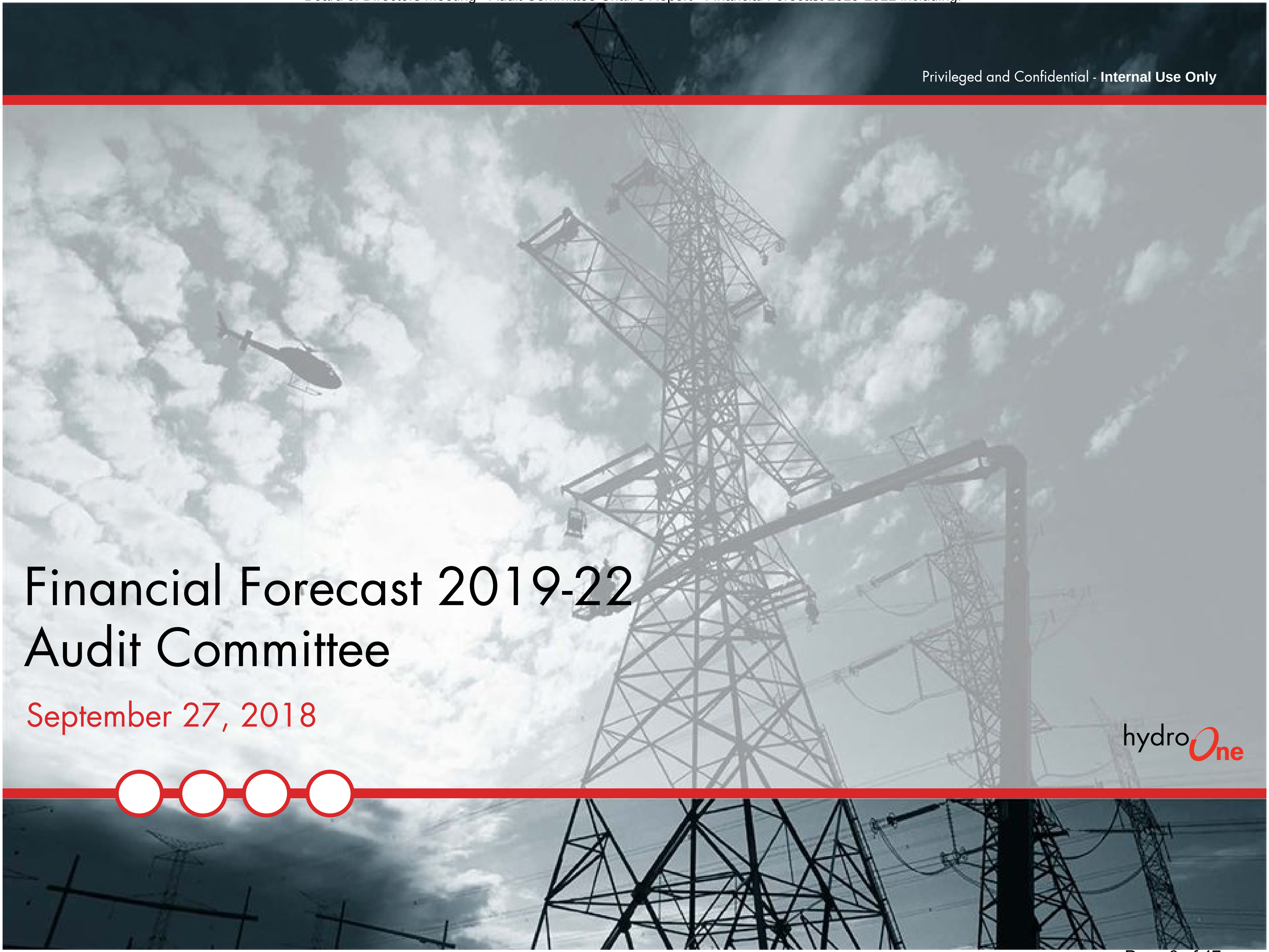
To meet our long-term objectives, management is strongly recommending a two-stage approach to our Transmission rate filing. First, immediately file for an inflation only increase for 2019 combined with lower OM&A and capex spending. This is a relatively straightforward application and we expect to have new rates effective in January 2019. The reductions in OM&A and capex will demonstrate that we are doing our part to keep rates low. **We ask the Audit Committee recommend to the Board this first stage of our approach of our Transmission rate filing.**

[redacted]

I look forward to our discussion.

Yours sincerely,

Chris Lopez
Acting Chief Financial Officer



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Financial Forecast 2019-22
Audit Committee

September 27, 2018

hydro One

PURPOSE & AGENDA

Purpose

Recommendation to the Board for approval of the 4 year forecast. Inherent in the forecast is the:

1. Transmission application strategy including:
    - 2019: 1-year inflation based application
    - 2020-22: Custom Index Rate application

[redacted]

Agenda

Review

- Hydro One Transmission impact on customer bills
- Impact of Transmission Application on rates and bills
- Drivers of increase including rate base, load and OM&A
- Financial outcomes

2019 Transmission Application Execution

- Timeline for filing
- Application focus points
- OEB relationship and directives for improvement

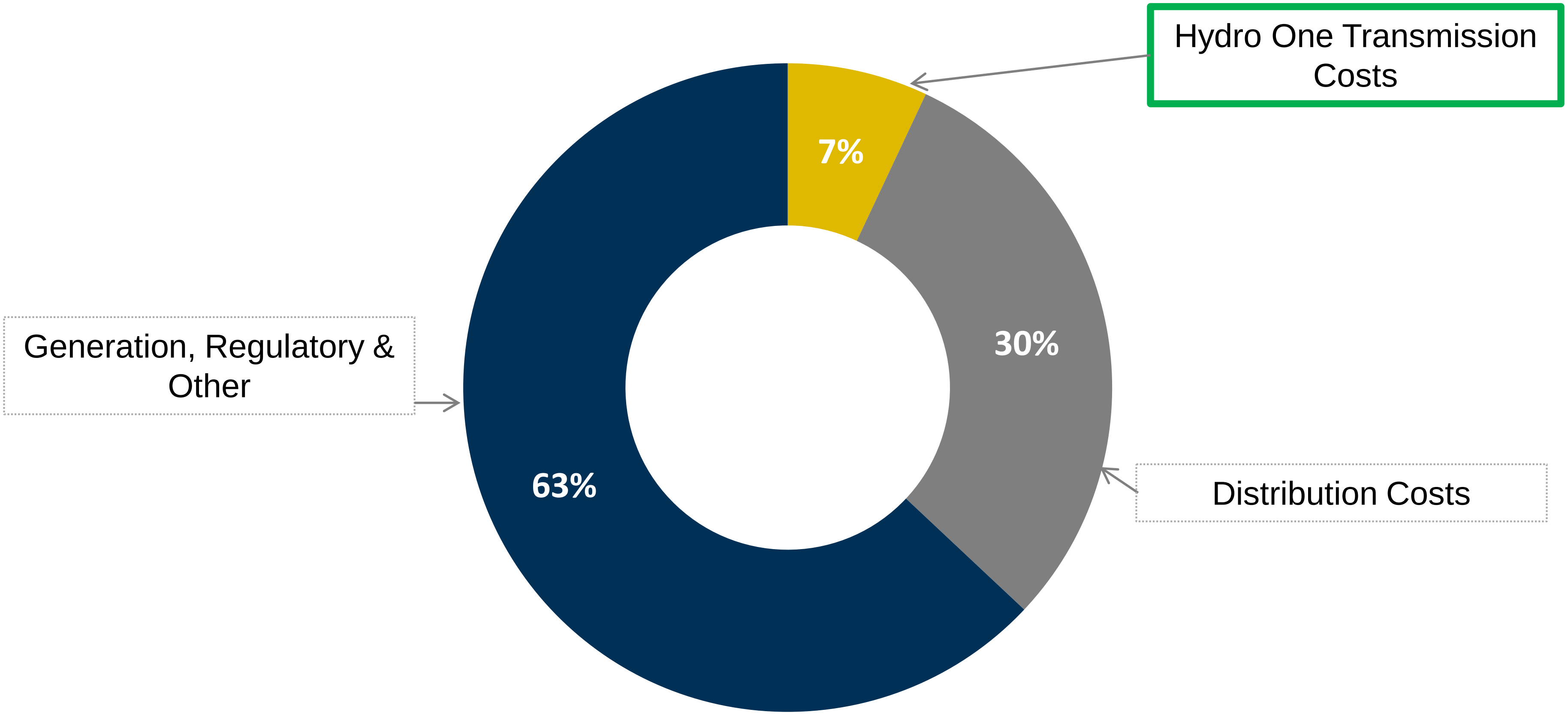
Summary of Transmission Scenarios & Recommendation

	2019-22 Transmission Rates	
	[redacted]	**Recommended Plan**
Rate Application		File 2019 Inflationary Increase and 2020-22 CIR Application
Key Plan Assumptions		2019: Flat Investment Plan 2020-2022: Base Capital and Mid-point OM&A & Corporate Costs Revised Load Forecast
4-year Capital + OM&A		$6.2 billion
Capital/OM&A CAGR		6.1%
[redacted]		
Rate increase (2019,2020)		2.7% [redacted]

Privileged and Confidential – Internal Use Only

Components of Total Bill – 2019 Tx and Dx Impacts

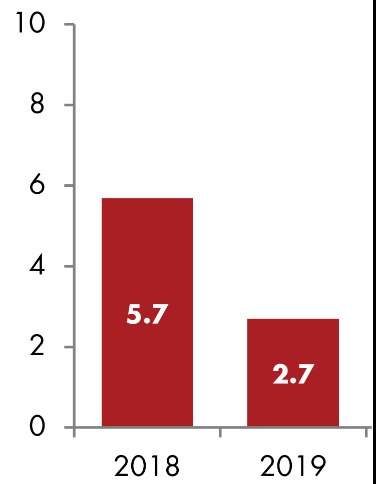
Average R1 Customer's Bill ~$125/month



- Generation, Regulatory and Other charges are billed and collected by Hydro One Distribution, but passed on to the IESO
- Percentages will vary depending on a residential customer's consumption

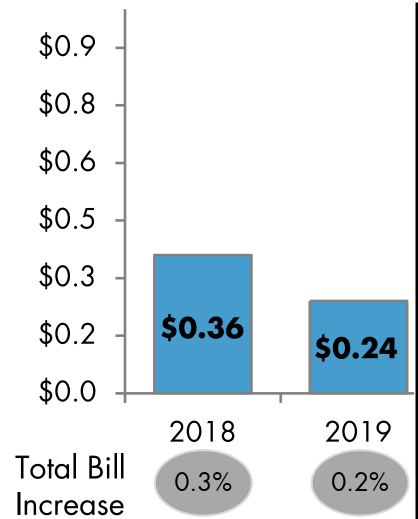
Transmission Application Bill Impacts – 2019 Inflation and 2020-22 Recommended Plan

Tx Tariff Impacts (%)



[redacted]

Bill impact: Typical Residential Customer of approximately $125/Month



[redacted]

- Transmission rates will increase by 2.7% due to the inflation increase and changes to regulatory account disposition.

[redacted]

- However, if successful the application will provide approximately $20 million of additional revenue, plus an additional $22M of cash flow from disposition of deferral and variance accounts in 2019.

Recommended Plan: Transmission Rate Impacts

The following schedule provides an breakdown of the recommended Transmission path:

- Inflation filing for 2019

[redacted]

	Tariff Increase		Customer Total Bill Impact[1]		Customer Impact ($ per Month)[1]	
	2019	[redacted]	2019	[redacted]	2019	[redacted]
Recommended Filing	**2.7%**		**0.2%**		**$0.24**	
Components						
Rate Base[2]						
Load						
OM&A						
Other[3]						

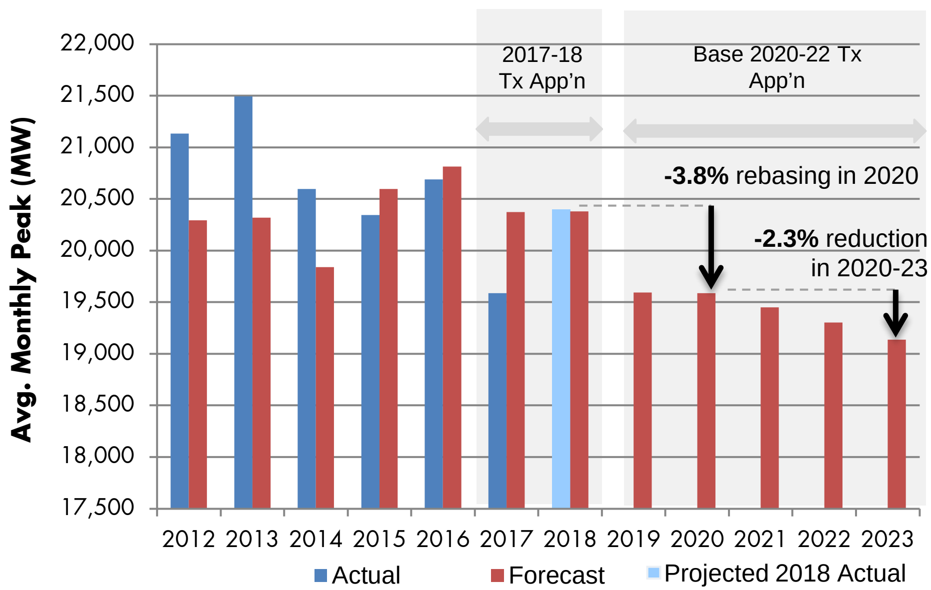
[redacted]

[redacted]

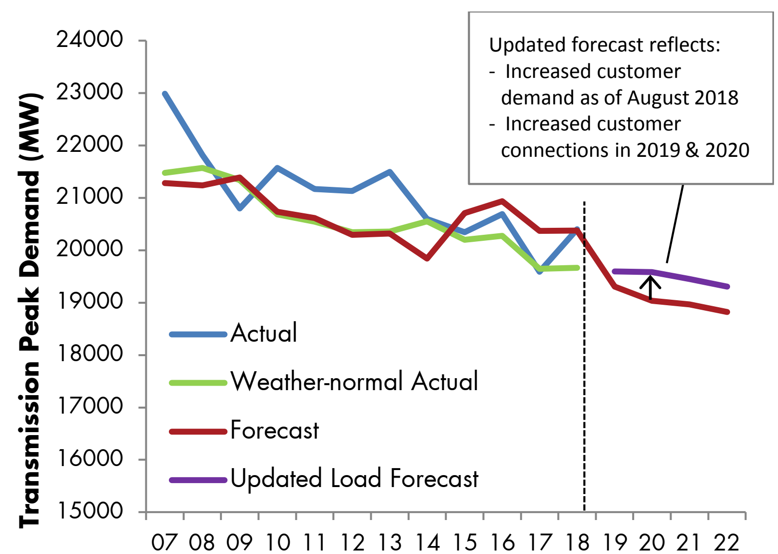
[redacted]

Historical Performance and Base Load Forecast

Historical Performance And Base 2019-2023 Forecast



Ontario Transmission System Peak Demand



Differences in Historical Performance and Future Forecast will be driven by:

- Weather fluctuations, changes in economic (growth), and changes in CDM, in particular expansion for new programs such as Industrial Conservation Initiatives (ICI) program
- The load forecast has been updated with the most recent information, resulting in an estimated decline in load in 2020 of 3.8% compared to the previous forecast of 6.6%. The improvement is primarily from increased economic activity (+1.0%) and new load primarily from new customer connections of large agriculture customers in the Leamington area (+1.8%)

OM&A Spending Analysis

OM&A Spending Analysis	2015A	2016A	2017A	2018	2019	2020	2021	2022
Transmission Work Program						[redacted]	[redacted]	[redacted]
Base Plan (Dec 2017)	$ 337	$ 316	$ 321	$ 320	$ 345	[redacted]	[redacted]	[redacted]
Cost Deferrals	$ -	$ -	$ -	$ -	$ (26)	[redacted]	[redacted]	[redacted]
Sustained Reductions	$ -	$ -	$ -	$ -	$ (29)	[redacted]	[redacted]	[redacted]
Total Transmission Work Program	**$ 337**	**$ 316**	**$ 321**	**$ 320**	**$ 290**	[redacted]	[redacted]	[redacted]
[redacted]								
Corporate Costs						[redacted]	[redacted]	[redacted]
Base Plan (Dec 2017)	$ 282	$ 285	$ 291	$ 279	$ 303	[redacted]	[redacted]	[redacted]
Cost Reductions[1]	$ -	$ -	$ -	$ -	$ (45)	[redacted]	[redacted]	[redacted]
Total Corporate Costs	**$ 282**	**$ 285**	**$ 291**	**$ 279**	**$ 258**	[redacted]	[redacted]	[redacted]
Corporate Costs allocated to capital[1]	$ (205)	$ (203)	$ (207)	$ (200)	$ (201)	[redacted]	[redacted]	[redacted]
[redacted]								
One-time pension reduction	$ -	$ -	$ -	$ -	$ (48)	[redacted]	[redacted]	[redacted]
Total OM&A	**$1,135**	**$1,070**	**$1,066**	**$1,073**	**$ 963**	[redacted]	[redacted]	[redacted]
Total reductions relative to base					$ (132)	[redacted]	[redacted]	[redacted]
Year over Year change, excl. pension		***-5.7%***	***-0.4%***	***0.6%***	***-5.7%***	[redacted]	[redacted]	[redacted]

Details on Slide 10

Details on Slide 11

Details on Slide 12

1. Approximately 40% of corporate cost reductions flow into reductions to capital
2. Other subsidiaries include Hydro One Telecom, Hydro One Remotes, Bruce x Milton, Sault Ste. Marie, and LDCs

Transmission Work Program OM&A

	Transmission OM&A Spendin					[redacted]
	2015A	2016A	2017A	2018	2019	
Transmission Work Program						
Base Plan (Dec 2017)	$ 337	$ 316	$ 321	$ 320	$ 345	
Cost Deferral	$ -	$ -	$ -	$ -	$ (26)	
Sustained Reductions	$ -	$ -	$ -	$ -	$ (29)	
Total Transmission Work Program	**$ 337**	**$ 316**	**$ 321**	**$ 320**	**$ 290**	
Year over Year change		***-6.3%***	***1.6%***	***-0.5%***	***-9.2%***	

Revised Maintenance Cycles
- Extension of maintenance cycles in both stations and line equipment by 1-2 years. ($26M) ~20%

Reduced Work Program
- Corrective Maintenance and Support ($8M) ~17%
- Transformer & GIS Breaker Refurbishment ($6M) ~40%
- IT Infrastructure (Tx Component) ($3M) ~40%
- Tx RD&D – ($2M) 50%
- Stations Inspections ($1M) 100%
- Miscellaneous program reductions & efficiency improvements ($9M)

Outcomes
- Balance operational risk, cost and value for customers
- Maintain regulatory compliance, example NERC FAC-003 for Vegetation Management
- Address PCBs by Environment Canada deadline of 2025
- Increased lines and stations condition assessments
- Address only highest priority corrective maintenance

[redacted]

Total Corporate Costs: Departmental View

- Corporate Costs identified below represent total gross spending
- The far right column identifies approximately how much of the gross spend is allocated to OM&A
  - The residual balance is allocated to capital expenditures

	2015A	2016A	2017A	2018	2019	OM&A Spending Analysis
Corporate Costs						
Base Plan (Dec 2017)	$ 282	$ 285	$ 291	$ 279	$ 303	[redacted]
Cost Reductions	$ -	$ -	$ -	$ -	$ (45)	
Total Corporate Costs	**$ 282**	**$ 285**	**$ 291**	**$ 279**	**$ 258**	
Departmental View						
Greg - Operations, incl ISD	$ 132	$ 135	$ 133	$ 118	$ 109	
Chris - Finance	$ 43	$ 44	$ 42	$ 43	$ 42	
Jason - Customer	$ 41	$ 38	$ 39	$ 36	$ 33	
Judy - Human Resources	$ 15	$ 16	$ 18	$ 19	$ 18	
Jamie - Legal & Regulatory	$ 41	$ 41	$ 34	$ 34	$ 33	
Patrick - Corp. Development	$ 3	$ 4	$ 11	$ 8	$ 8	
Paul - CEO & Other[1]	$ 7	$ 7	$ 14	$ 20	$ 17	
	$ 282	**$ 285**	**$ 291**	**$ 279**	**$ 258**	

- Plan to reduce 2019 by $21 million, to $258 million, primarily through:
  - Reduced consulting, contract and labour expenditures
  - Reduced customer branding expenditures

1. CEO & Other includes Enterprise Project Management Office, Ombudsman, Chair & Board, Corporate Donations

Cost Pressures Impacting Total Spend

We will manage these cost pressures within the existing envelope through our redirection process	Potential Business Impact (Low / Medium / High)
Aging Infrastructure • Not keeping up with required asset replacements that are beyond expected service life. This will lead to higher break/fix and equipment failures requiring replacement	Additional $10 to $15M per transformer failure (e.g. Minden/Finch)*
Severe Weather • Increased costs to respond to failures and system resiliency	May Storm: $20M (Dx), September Tornado: TBD*
Regulatory Compliance • NERC, PCB, CIP and Reg 22/04 requirements for compliance over and above current investment plan	Physical Security (Cip-014): $3M per site x 20 sites*
Load Reductions • CDM / Disruptive technology impacts. Not a direct impact to capex and opex, but affects overall rates for consumers, thereby increasing cost pressure.	No direct cost impact, but customer impact
Redirection • Increased customer needs and preference for reliability, capacity and power quality • We will trade-off development and sustainment investments to accommodated unplanned customer or economic development	Leamington: $100M+*
Equipment and Resources • Uncertainty around equipment costs, commodity prices, exchange rates, and future labour agreements	Impact: TBD*

**Cost examples of potential redirection requirements*

[redacted]

2019 Application Filing Timeline

Board of Directors Approval
October 1

Government Stakeholder Discussion
2 weeks

File Application
October 18

Rating Assessment (RAS) Report
Late October

- File with Moody's, DBRS after application is filed with the OEB.

1. Rating Issued

2. Public Notice of Application
Early/mid November

1. Ratings reports are expected 2 to 3 weeks after the RAS is filed.
2. OEB will require a Notice of Application published in newspapers across the Province, indicating the typical residential bill impacts.

Receive Interrogatories
Early December

Interrogatory Responses
Late December

- Timelines are at the discretion of the OEB.
- Interrogatories are expected late November.
- Responses will be due 2 to 3 weeks after.

Application Focus Points: 2019 1- year IRM Application

1. Form of Application

- The OEB has established annual updates for electricity distributors and has allowed one-year Incentive Rate Mechanism (IRM) adjustments when deferring a rebasing application by one year. The OEB's filing requirements for transmission revenue requirement applications do not specifically contemplate a one-year IRM. Stakeholders may argue that Hydro One's application is not specifically contemplated under the OEB's filing requirements and should be rejected.

2. IRM Parameters

- An inflation based application needs to incorporate an appropriate level of productivity which partially offsets the inflation increase. In the case of electricity distributors, the specific inflation and productivity parameters are determined by the OEB and are not a subject of contention in hearings.
- Transmitters are expected to propose their own parameters supported by 3rd party benchmarking evidence. Hydro One's proposed Inflation factor is comparable to the OEB's at 1.2% for 2018, based on 2017 data. The initial application will be filed on this basis and updated by the later in the year with a 2019 rate, based on data released in November 2018 by the OEB. This approach is consistent with that used by the OEB with distributors, and is not likely to be contentious.
- Hydro One's benchmarking evidence for Transmission shows very good cost performance and is recommending a productivity factor of zero. This will likely be challenged by intervenors who will argue for additional stretch productivity. The OEB could impose a stretch factor as high as 0.6% which would reduce revenue by approximately $9M.

3. Bill 2 Impacts

- In July of 2018, the provincial government passed Bill 2 which determined that the OEB cannot approve the recovery of compensation related to executives through electricity rates. To comply, Hydro One will be proposing a reduction of approximately $2.5 million from its 2019 revenue requirement.
- The OEB's latest transmission decision indicated a number of concerns with compensation, including executive compensation, and made an overall reduction to compensation, without specifying the exact amount related to the executive level. Hydro One expects intervenors will challenge our compensation costs for recovery.

OEB Directives for Future Improvement

In Hydro One's last transmission decision, the OEB made a number of findings and directives related to improvement of Hydro One's processes and applications.

The key directives are related to Hydro One's planning process and work execution and build on the Auditor General's report, which was examined during both our recent transmission and distribution hearings.

In preparation of the next major transmission application, Hydro One has addressed these concerns through:

- Implementation of an improved eight-step risk-based investment planning process.
- Third party studies that provide recommendations for improvement to our investment planning and asset condition assessment processes. These studies indicate Hydro One uses processes that are comparable to utility best practices.
- Improved approach to pacing of capital expenditures through enhanced planning and prioritization processes, providing supporting third party studies and through the introduction of a progressive productivity factor to help ensure Hydro One continues to increase productivity.
- Creation of a redirection committee to recommend, and document, the redirection of funds from the approved capital and OM&A plans to emergent investments needs as required. This allows Hydro One to flexibility to manage the capital and OM&A envelopes, and provides supporting documentation for future rate applications.

A more detailed report on the key directives from the OEB to Hydro One in the last transmission decision has been provided as Appendix 2 to this presentation.

[redacted]

Appendices

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Hydro One Limited/ Hydro One Inc.
Submission to the Board of Directors

hydroOne

Date: October 1, 2018

Re: Transmission Application Executive Summary

Please find attached a draft version of the Executive Summary to the proposed 2019 Transmission rate application. This draft is submitted for information purposes.

Yours sincerely,

Frank D'Andrea

Frank D'Andrea
Chief Risk Officer & VP Regulatory Affairs

EXECUTIVE SUMMARY

This Exhibit describes the scope and key aspects of Hydro One's application ("the Application"), including its proposed Revenue Cap Index ("RCI") approach to setting the 2019 transmission revenue requirement, effective January 1, 2019.

On March 16, 2018, the Ontario Energy Board ("OEB") issued correspondence wherein the OEB advised Hydro One that it believed it was appropriate to consider rates for Hydro One's distribution and transmission businesses in a single application. To facilitate that outcome, the OEB communicated that it expected Hydro One to file a transmission revenue requirement application for a 4-year test period (2019-2022) in order to align the applications and test periods for future combined applications. At the time, Hydro One was expected to file a Custom IR application with a 5-year test period. On April 4, Hydro One filed a letter with the OEB indicating that it was considering the potential impact of the OEB's new expectations on its upcoming application.

However, as a result of the organizational changes which occurred in July and August, including the appointment of a new Board of Directors, Hydro One is evaluating its transmission business plan, and is proposing to set 2019 revenue requirement with a one-year mechanistic adjustment to its 2018 revenue requirement, while it does so. Subsequent to the Application, Hydro One intends to file a 3-year Custom IR application with a 2020-2022 test period. This will approach will align with the OEB's expectation that Hydro One will file a single application for distribution rates and transmission revenue requirement for the period 2023 to 2027.

The Application is intended to be mechanistic in nature. Hydro One is not proposing to address all of the directives from the OEB's decision in the 2017-2018 transmission rate proceeding (EB-2016-0160) in the Application as they are beyond the scope of the approvals sought. Instead, Hydro One proposes to address those orders in its 2020-2022 Custom IR application.

In the Application, Hydro One is requesting the OEB's approval for:

- The proposed RCI mechanism to be used for the determination of Hydro One's 2019 revenue requirement, to be effective January 1, 2019.
- The disposition of regulatory accounts with total net credit balances of $37.6 million effective January 1, 2019, to be refunded over a one-year period (Exhibit A, Tab 6, Schedule 1).
- An update to the Accounting Order approved by the OEB in EB-2017-0338 allowing for the account to continue to apply until the effective date of Hydro One's next rebased revenue requirement.

The Application will result an average impact on transmission rates of 2.7% and a total bill impact of 0.2% for a typical Residential (R1) customer consuming 750 kW per month and a 0.1% a typical energy-billed General Service (GS < 50 kW) customer consuming 2,000 kWh per month.

1.1 BILL 2, URGENT PRIORITIES ACT

On July 25, 2018, Bill 2, Urgent Priorities Act ("Bill 2") received Royal Assent. Among other things, Bill 2 amended the Ontario Energy Board Act, 1998 requiring that "in approving just and reasonable rates for Hydro One Limited or any of its subsidiaries, the Board shall not include any amount in respect of compensation paid to the Chief Executive Officer and executives."

Witness: Frank D'Andrea

As outlined in Exhibit A, Tab 5, Schedule 1, Hydro One has determined that its OEB-approved 2018 revenue requirement included $2.5 million in compensation related to executives, as defined by Bill 2. Hydro One notes that the OEB has established procedural steps for the consideration of the impact of Bill 2 in Hydro One's current 2018-2022 Custom IR distribution rate application (EB-2017-0049).[1] Hydro One proposes to adopt the OEB's direction from the EB-2017-0049 proceeding, as applicable to the circumstances of the Application, in the final Rate Order for this proceeding to ensure consistency between its transmission and distribution businesses.

1.2 REVENUE CAP INDEX

Hydro One's application is based on a Revenue Cap Incentive Rate-Setting ("IR") approach in which revenue for the 2019 test year is equal to the revenue in year 2018 inflated by the Revenue Cap Index ("RCI") set out below. Hydro One is proposing to use the RCI to inflate its 2018 OEB-approved revenue requirement, adjusted for the impacts of Bill 2 as described above.

The RCI is expressed as:

$$RCI = I - X$$

Where:

- "I" is the Inflation Factor, based on a custom weighted two-factor input price index.

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[1] Additional procedural steps were established in Procedural Order No. 9 of the EB-2017-0049 proceeding, issued on September 26, 2018.

Witness: Frank D'Andrea

- "X" is the Productivity Factor that is equal to the sum of Hydro One's Custom Industry Total Factor Productivity measure and Hydro One's Custom Productivity Stretch Factor.

In order to inform its RCI, Hydro One engaged Power System Engineering ("PSE") to:

- Perform an econometric Total Cost Benchmarking study for the purposes of developing a stretch factor recommendation;
- Determine the Total Factor Productivity ("TFP") trend for the electricity transmission industry for developing an X-Factor recommendation;
- Determine Hydro One's TFP trend for the purposes of assessing how Hydro One's performance compares to the historical performance of the transmission industry; and
- Determine the appropriate Labour and Non-Labour split for use in the industry-specific inflation factor.

Hydro One is proposing an Inflation Factor ("I") based on the weighted sum of:

- 86% of the annual percentage change in Canada's GDP-IPI (FDD) as reported by Statistics Canada; and
- 14% of the annual percentage change in the Average Weekly Earnings for workers in Ontario, as reported by Statistics Canada.

The proposed weighting of 14% labour and 86% non-labour is derived from the analysis conducted by PSE in its study. Based on most recent OEB-reported results, the Inflation Factor would be 1.2%. Hydro One's proposed Productivity Factor of 0% reflects the recommendations of the PSE report and is the sum of the Custom Industry Total Factor Productivity measure of 0% and a Custom Productivity Stretch Factor of 0%. Combined

Witness: Frank D'Andrea

these factors result in an RCI of 1.2% for 2019 which will be finalized at the time of the final rate order. The full PSE study is provided as Attachment 1 to Exhibit A, Tab 4, Schedule 1.

1.3 DEFERRAL AND VARIANCE ACCOUNTS

Hydro One requests disposition of a $37.6 million credit balance in the regulatory accounts detailed in Table 1. Hydro One is requesting disposition of the actual audited Regulatory Account values as at December 31, 2017, plus forecast interest accrued in 2018, on the principal balances as at December 31, 2017 less any amounts approved for disposition in 2018 by the OEB in the Prior Proceeding for rate years 2017 and 2018. Hydro One proposes to dispose of this balance as an offset to its revenue requirement over a one-year period, effective January 1, 2019.

Witness: Frank D'Andrea

Table 1: Transmission Regulatory Accounts Requested for Disposition ($ Millions)

Description	Forecast Balance as at Dec 31, 2018
Excess Export Service Revenue	(6.5)
External Secondary Land Use Revenue	(16.0)
External Station Maintenance, E&CS and Other External Revenue	(2.1)
Tax Rate Changes	0.4
Rights Payments	1.6
Pension Cost Differential	(13.0)
Long-Term Transmission Future Corridor Acquisition and Development	0.0
LDC CDM Variance Account	(0.8)
External Revenue – Partnership Transmission Projects Account	(0.0)
OEB Cost Differential Account	(1.3)
Total Regulatory Accounts Seeking Disposition	**(37.6)**

Exhibit Reference: A-6-1.

In the EB-2017-0338 proceeding, the OEB approved an Accounting Order for an account to capture the financial impacts associated with a change to USGAAP accounting standards from the issuance of Accounting Standards Update (ASU) 2017-07, which related to the accounting for pension and other post-employment benefits (OPEB). As originally worded, the Accounting Order was approved to track the impact of the ASU 2017-07 until the time of Hydro One's next revenue requirement application. At the time of the decision, Hydro One was expected to be filing a 4-year Custom IR rebasing application for 2019-2022. Hydro One is requesting approval for a modification to the Accounting Order approved in EB-2017-0338 that will allow the account to continue to track the impact of the ASU 2017-07 change until the time of Hydro One's next rebasing application.

Witness: Frank D'Andrea

1.4 RATE DESIGN

Hydro One is proposing to inflate its 2018 OEB-approved total revenue requirement, as adjusted for the impacts of Bill 2, by the RCI. The revenue that is required to be collected through transmission rates (i.e. the rates revenue requirement) is based on this total revenue requirement, offset by other revenues as described in Exhibit A, Tab 7, Schedule 1.

The transmission charge determinants used to calculate the 2019 proposed UTRs are same as those approved in EB-2016-0160 for 2018 and Hydro One is proposing 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.

Table 2 provides the forecast UTRs for 2019.

Table 2: Forecast 2019 UTRs

	Uniform Transmission Rates ($/kW-Month)		
	Network	**Line Connection**	**Transformation Connection**
2019	$3.69	$0.97	$2.39

1.5 BILL IMPACTS

Table 3 shows the average 2019 bill impacts of the proposed changes in transmission rates revenue requirement for distribution connected and transmission connected customers. Further details regarding the calculation are provided in Exhibit A, Tab 7, Schedule 1.

Witness: Frank D'Andrea

Table 3: Average Bill Impacts on Transmission and Distribution-connected Customers

Description	**2018**	**2019**
Rates Revenue Requirement ($M)	$1,510.7	$1,551.1
Net Impact on Average Transmission Rates		**2.7%**
Transmission as a % of Tx-connected customer's Total Bill		7.4%
Estimated Average Bill impact for a Tx-Connected Customer		**0.2%**
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Bill impact for a Dx-Connected Customer		**0.2%**

The 2.7% increase in average transmission rates is driven by (i) the proposed RCI adjustment to Hydro One's revenue requirement and (ii) by a reduction in the quantum of the total credit offsets to Hydro One's revenue requirement resulting from factors such as the disposition of deferral and variance accounts and the expiration of the $10.5 million credit for foregone revenue that resulted from the implementation of the OEB's decision in the EB-2016-0160 proceeding. Hydro One's proposal to dispose of a $37.6 million credit balance as of December 31, 2017 in its deferral and variance accounts serves to mitigate this impact.

The total bill impact for a typical Hydro One medium density residential (R1) customer consuming 400 kWh, 750 kWh and 1,800 kWh per month is determined based on the forecast increase in the customer's Retail Transmission Service Rates ("RTSR") as detailed in Table 6.

Witness: Frank D'Andrea

Table 6: Typical Medium Density (R1) Residential Customer Bill Impacts

	Typical R1 Residential Customer		
	400 kWh	**750 kWh**	**1800 kWh**
Total Bill as of May 1, 2018[1]	$85.11	$124.21	$241.51
RTSR included in 2017 R1 Customer's Bill (based on 2016 UTR)	$4.78	$8.96	$21.50
Estimated 2017 Monthly RTSR[2]	$4.74	$8.89	$21.33
2017 change in Monthly Bill	**($0.04)**	**($0.07)**	**($0.16)**
2017 change as a % of total bill	*0.0%*	*-0.1%*	*-0.1%*
Estimated 2018 Monthly RTSR[3]	$4.97	$9.32	$22.36
2018 change in Monthly Bill	**$0.23**	**$0.43**	**$1.02**
2018 change as a % of total bill	*0.3%*	*0.3%*	*0.4%*
Estimated 2019 Monthly RTSR[4]	$5.09	$9.55	$22.92
2019 change in Monthly Bill	**$0.13**	**$0.23**	**$0.56**
2019 change as a % of total bill	*0.1%*	*0.2%*	*0.2%*

[1]Total bill including HST, based on time-of-use commodity pricing effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all components of the Fair Hydro Plan).

[2]2017 Montly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.

[3]2018 Montly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.

[4]The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.

The total bill impact for a typical Hydro One General Service Energy less than 50 kW (“GSe < 50 kW”) customer consuming 1,000 kWh, 2,000 kWh and 15,000 kWh per month is determined based on the forecast increase in the customer’s RTSR as detailed in Table 7.

Witness: Frank D'Andrea

Table 7: Typical General Service Energy less than 50 kW (GSe < 50 kW) Customer Bill Impacts

	GSe Customer Monthly Bill		
	1,000 kWh	**2,000 kWh**	**15,000 kWh**
Total Bill as of Jan 1, 2017[1]	$202.87	$374.85	$2,610.57
RTSR included in 2017 R1 Customer's Bill (based on 2016 UTR)	$10.63	$21.26	$159.47
Estimated 2017 Monthly RTSR[2]	$10.55	$21.10	$158.25
2017 increase in Monthly Bill	**($0.08)**	**($0.16)**	**($1.21)**
2017 increase as a % of total bill	*0.0%*	*0.0%*	*0.0%*
Estimated 2018 Monthly RTSR[3]	$11.06	$22.11	$165.85
2018 increase in Monthly Bill	**$0.51**	**$1.01**	**$7.60**
2018increase as a % of total bill	*0.2%*	*0.3%*	*0.3%*
Estimated 2019 Monthly RTSR[4]	$11.34	$22.67	$170.04
2019 increase in Monthly Bill	**$0.28**	**$0.56**	**$4.18**
2019 increase as a % of total bill	*0.1%*	*0.1%*	*0.2%*

[1]Total bill including HST, based on time-of-use commodity pricing effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081.

[2]2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.

[3]2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.

[4]The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.

CCC INTERROGATORY # 2

Reference:
N/A

Interrogatory:
Please provide the annual actual ROE for Hydro One Networks - Transmission for the years 2015-2018.

Response:
The actual Regulatory ROE for Hydro One Networks – Transmission are as follows:
2015 – 10.93%
2016 – 10.02%
2017 – 9.03%
2018 Regulatory ROE is not currently available.

CCC INTERROGATORY # 3

Reference:

Ex. A/T3/S1/p. 10

Interrogatory:

Please confirm that the proposed increase in Hydro One's Revenue Requirement is $39.5 million. Do the average bill impacts include the disposition of the $37.6 million deferral and variance account credit? If so, what are the bill impacts without the credit?

Response:

Hydro One notes that $39.5M is the proposed increase in its Rates Revenue Requirement (not total revenue requirement).

The average bill impacts as shown in exhibit A-03-01 (pages 9-11) include the disposition of the $37.6M deferral and variance account credit.

Tables 1, 2 and 3 below provide the requested bill impacts (i.e. excluding the proposed 2019 deferral and variance account credit). Hydro One notes that while the proposed 2019 rates revenue requirement excludes the deferral and variance account credit, as requested in the interrogatory, the approved rates revenue requirement for 2018 includes a deferral and variance account credit of $47.8M. The different treatment of deferral and variance account credits in 2018 and 2019 distorts the calculation of bill impacts. If the deferral and variance account credits were removed from the rates revenue requirement in both 2018 and 2019, the net impact on average transmission rates would more closely align with the proposed RCI adjustment.

Table 1 - Average Bill Impacts on Transmission and Distribution-connected Customers

Description	**2018**	**2019**
Rates Revenue Requirement ($M)	$1,510.7	$1,587.8
Net Impact on Average Transmission Rates		5.1%
Transmission as a % of Tx-connected customer's Total Bill		7.4%
Estimated Average Bill impact for a Tx-Connected Customer		0.4%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Bill impact for a Dx-Connected Customer		0.3%

Table 2 - Typical Medium Density (R1) Residential Customer Bill Impacts

	Typical R1 Residential Customer		
	400 kWh	**750 kWh**	**1800 kWh**
Total Bill as of May 1, 2018[1]	$84.33	$123.51	$241.03
RTSR included in 2018 R1 Customer's Total Bill (based on 2016 UTR)	$4.78	$8.96	$21.50
Estimated 2017 Monthly RTSR[2]	$4.74	$8.89	$21.33
2017 change in Monthly Bill	**($0.04)**	**($0.07)**	**($0.16)**
2017 change as a % of total bill	*0.0%*	*-0.1%*	*-0.1%*
Estimated 2018 Monthly RTSR[3]	$4.97	$9.32	$22.36
2018 change in Monthly Bill	**$0.23**	**$0.43**	**$1.02**
2018 change as a % of total bill	*0.3%*	*0.3%*	*0.4%*
Estimated 2019 Monthly RTSR[4]	$5.21	$9.76	$23.43
2019 change in Monthly Bill	**$0.24**	**$0.45**	**$1.07**
2019 change as a % of total bill	*0.3%*	*0.4%*	*0.4%*

[1] *Total bill including HST, based on time-of-use commodity prices effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all applicable components of the Fair Hydro Plan).*

[2] *2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.*

[3] *2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.*

[4] *The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5 in A-7-1, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.*

Table 3 - Typical General Service Energy less than 50 kW (GSe < 50 kW) Customer Bill Impacts

	GSe Customer Monthly Bill		
	1,000 kWh	**2,000 kWh**	**15,000 kWh**
Total Bill as of May 1, 2018[1]	$201.89	$373.66	$2,606.65
RTSR included in 2018 GSe Customer's Total Bill (based on 2016 UTR)	$10.63	$21.26	$159.47
Estimated 2017 Monthly RTSR[2]	$10.55	$21.10	$158.25
2017 change in Monthly Bill	**($0.08)**	**($0.16)**	**($1.21)**
2017 change as a % of total bill	*0.0%*	*0.0%*	*0.0%*
Estimated 2018 Monthly RTSR[3]	$11.06	$22.11	$165.85
2018 change in Monthly Bill	**$0.51**	**$1.01**	**$7.60**
2018 change as a % of total bill	*0.3%*	*0.3%*	*0.3%*
Estimated 2019 Monthly RTSR[4]	$11.59	$23.18	$173.82
2019 change in Monthly Bill	**$0.53**	**$1.06**	**$7.97**
2019 change as a % of total bill	*0.3%*	*0.3%*	*0.3%*

[1]*Total bill including HST, based on time-of-use commodity prices effective May 1, 2018 and 2017 distribution rates approved per Distribution Rate Order EB-2016-0081 (includes impacts of all applicable components of the Fair Hydro Plan).*

[2]*2017 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2017.*

[3]*2018 Monthly RTSR is an estimated value that incorporates the impacts of changes in UTR in 2018.*

[4]*The impact on RTSR is assumed to be the net impact on average Transmission rates, as per Table 5 in A-7-1, adjusted for Hydro One's revenue disbursement allocator per approved 2018 UTRs.*

CCC INTERROGATORY # 4

Reference:
Ex. A/T6/S1/pp. 13-14

Interrogatory:
Hydro One is not seeking to clear balances in the East-West Tie Deferral Account and the SECTR Deferral Account as they are tracking accounts. Will Hydro One be seeking to clear these accounts in a future proceeding? If so, in which proceeding? If not, why not?

Response:
East-West Tie Deferral Account – Please refer to Hydro One response in VECC Interrogatory #9 – Exhibit I, Tab 5, Schedule 9.

SECTR Deferral Account - This account was approved by the OEB in EB-2013-0421 for the purpose of recording construction costs relating to the OEB-approved SECTR Project. The major portions of the SECTR project were completed and placed in-service during 2018. Work on certain minor portions of the project continues in 2019. Hydro One proposes to continue the account until the SECTR cost allocation issue that gave rise to this account is resolved. Once resolved and all construction costs for the project have been incurred, the tracking account will no longer be required.

CCC INTERROGATORY # 5

Reference:
Ex. A/T6/S1/pp. 20

Interrogatory:
Please confirm that in light of the Order in Council issued by the Government of Ontario on January 30, 2019, regarding the East West Tie Project there is no longer a need to continue the East West Tie Deferral Account.

Response:
Please refer to Hydro One response to VECC Interrogatory #9 in Exhibit I, Tab 5, Schedule 9.

SEC INTERROGATORY # 1

Reference:
N/A

Interrogatory:
Please explain why it is appropriate for the effective date to be January 1, 2019, when Hydro One only filed its application on October 26, 2018.

Response:
Hydro One notes that its Application is mechanistic in nature and will be heard in writing. As such, it is expected to require less processing time than a typical cost of service or Custom IR application. As noted in Exhibit A, Tab 3, Schedule 1, Hydro One experienced organizational changes included the appointment of a new Board of Directors in August of 2018. The organizational changes represent an exceptional circumstance out of the utility's control. Hydro One filed its application as soon as possible after receiving approval from its new Board of Directors. Given these factors, Hydro One believes that the proposed effective date of January 1, 2019 is appropriate.

SEC INTERROGATORY # 2

Reference:

A-4

Interrogatory:

a. Hydro One's transmission regulatory ROE for 2017 and 2018

b. For each of 2017 and 2018, the difference in both percentage and dollars between the regulatory ROE achieved and the amount approved in rates.

Response:

a) Please refer to Hydro One response to Exhibit I, Tab 6, Schedule 2.

b) 2017 allowed ROE in rates was 8.78% and actual Regulatory ROE for 2017 was 9.03%. This shows that actual Regulatory ROE was 25 basis points above allowed ROE approved in rates for 2017 which translates to approximately $11M.
2018 actual Regulatory ROE is not currently available.

SEC INTERROGATORY # 3

Reference:

[A-5-1, p.7] With respect to Bill 2

Interrogatory:

a. Please provide a full breakdown, including references to the EB-2016-0160 calculation, of the numbers included in Table 1.

b. Please provide a full calculation of the revenue requirement impact provided in Table 2, including providing relevant references to the EB-2016-0160 record.

c. [EB-2017-0049, Evidence related to Section 78(5.0.2) of the OEB Act, filed on October 26 2018] Please provide a similar table as provided in Attachment 1 for all positions that underpinned the business plan that was the basis of the EB-2016-0160 application. Please also provide the specific corporate entity (Limited, Inc. Networks, etc.) each position was employed by.

d. Please revise Table 1 and Table 2 to show the impact of the Board determining that all positions outlined in part (c) of this interrogatory, that were allocated to transmission, were to be excluded. Please provide a detailed breakdown of the calculations.

Response:

a) A revised Table 1[1] from Exhibit A, Tab 5, Schedule 1 has been provided below.

[1] Numbers in Table 1 have been updated to include one ELT member which was excluded in error in its the original submission. The name of the position is not disclosed to avoid the disclosure of personal information of the affected ELT member.

	2018 Request (Tx)	2018 Cost per OEB Decision	2018 Reductions Required to Ensure Bill 2 Compliance
CEO, CFO Compensation	$ 2.7	$ 0.8	$ (0.8)
Other ELT Members	$ 1.4	$ 1.4	$ (1.4)
Total ELT	$ 4.1	$ 2.2	$ (2.2)
OM&A Comp	**1.5**	**$ 1.0**	**$ (1.0)**
Capital Comp	**2.6**	**$ 1.2**	**$ (1.2)**

The descriptions for each OM&A category where the ELT compensation costs reside are provided in the EB-2016-0160 references below:

- Corporate Management and Other OM&A - Other Costs – Common Corporate Functions and Services and Other OM&A in Exhibit C1, Tab 3, Schedule 3 (EB-2016-0160) contains compensation for the CEO, CFO, General Counsel and LTIP.
- Corporate Relations - Common Corporate Functions and Services and Other OM&A in Exhibit C1, Tab 3, Schedule 3 (EB-2016-0160) contains compensation for the SVP, Customer & Corporate Relations.
- Operations OM&A in Exhibit C1, Tab 2, Schedule 4 (EB-2016-0160) contains compensation for the COO & EVP Strategic Planning.
- People & Culture - Common Corporate Functions and Services and Other OM&A in Exhibit C1, Tab 3, Schedule 3 (EB-2016-0160) contains compensation for the SVP, People & Culture, Health & Safety.

Hydro One notes that reconciliation to specific executive costs will not be possible as the figures presented above are a subset of aggregate values that were shown in the evidence referenced above.

b) The majority of the revenue requirement impact is a straight reduction of OM&A. A further breakdown of the capital related revenue requirement impact is shown in Table 2 below. The application of the methodology outlined in Exhibit A, Tab 7, Schedule 1 was used to derive the impact to revenue requirement presented in Table 2 as set out below:[2]

Table 2 – Executive Compensation (Per OEB Decision)
Revenue Requirement Impact ($M)

OM&A	($0.999)
Depreciation	($0.016)
Return On Capital	($0.035)
Income Tax	$0.010
Total Revenue Requirement Impact	($1.040)

c) Please see below for the underlying positions and related companies for all positions in EB-2016-0160:

[2] As above, numbers in Table 2 have been updated to include one ELT member which was excluded in error in its the original submission

	Position Title	Company
Executive Leadership Team (ELT)	President & CEO	HOL
	Chief Financial Officer	HOL
	SVP, Customer & Corporate Relations	NETWORKS
	SVP, General Counsel & CCO	HOI
	COO & EVP Strategic Planning	NETWORKS
	SVP, People & Culture, Health & Safety	NETWORKS
Other	VP, Business Technology	NETWORKS
	Vice President, Corporate Controller	NETWORKS
	VP, Lines and Forestry	NETWORKS
	VP, Planning	NETWORKS
	VP, Construction Services	NETWORKS
	Senior Vice President, Pensions	HOI
	SVP, Technology & CIO	NETWORKS
	VP, Health, Safety & Env	NETWORKS
	Vice President - Corporate Tax	NETWORKS
	SVP, Internal Audit	NETWORKS
	Vice President - Investor Relations	HOI
	Ombudsman	HOI
	VP, Stations and Operating	NETWORKS
	VP, & Treasurer, Treasury & Risk	HOI
	Vice President, Regulatory	NETWORKS
	VP & Chief Risk Officer	NETWORKS
	Corp Secretary & Corp Ethics	HOI
	VP, Operations	NETWORKS
	VP, Shared Services	NETWORKS
	Vice President, Customer Service	NETWORKS
	VP, Operations	NETWORKS
	VP, Urban Distrib Strategy & Operations	NETWORKS

d) Please see Hydro One response to BOMA Interrogatory #6 in Exhibit I, Tab 2, Schedule 6.

SEC INTERROGATORY # 4

Reference:
A-7-1

Interrogatory:
Please explain why the Applicant does not propose to increase the Export Transmission Service rate by a similar 1.2% adjustment.

Response:
The existing Export Transmission Service (ETS) rate was established by the Board and informed by a cost allocation study of the cost to provide Export service. Hydro One's Application is mechanistic in nature and similar to a Price Cap IR application for electricity distributors. Consequently, Hydro One has not updated the cost allocation study underlying the setting of the ETS rate. Hydro One notes that the miscellaneous service charges that exist for electricity distributors, which are akin to the ETS rate, are also not updated in mechanistic Price Cap IRs applications for distributors.

SEC INTERROGATORY # 5

Reference:
A-7-1, p.2

Interrogatory:
Please explain why Hydro One is not proposing to make a similar 1.2% adjustment to the offsetting revenue amounts.

Response:
Please refer to Hydro One's response to Exhibit I, Tab 5, Schedule 13 (VECC #13).

SEC INTERROGATORY # 6

Reference:

[A-6-1, p.12] With respect to the In-Service Capital Additions Variance Account:

Interrogatory:

a. Please provide the actual year-end 2018 balance in the account, all entries made into the account, and a breakdown of the calculation of those entries.

b. If there is a balance in the account, is the Applicant seeking to extend the account for 2019? If not, please explain.

c. If the Board determines the account should be extended to account for 2019, please provide Hydro One's views on what changes would be required to the accounting order.

d. Please provide the total in-service additions for 2016, 2017 and 2018 by category (sustainment, development, etc.)

Response:

a) 2018 Audited figures are not available at this point and will be provided as part of the next Transmission rebasing application.

b) Please refer to a).

c) Hydro One is of a view that the In-Service Capital Additions Variance Account was approved as part of the previous cost of service application for 2017/2018 rates (EB-2016-0160). The accounting order for the account states that it tracks the difference between "… in-service additions embedded in 2017 and 2018 rate base." As the 2019 application is simply a mechanistic escalation of 2018 revenue requirement and not a full built-up of costs the account would not be applicable as there will be no 2019 OEB approved in-service additions against which a variance may be calculated.

d) Please refer to Hydro One response to VECC IR # 11 in Exhibit I, Tab 5, Schedule 11.

ANWAATIN INTERROGATORY # 1

Reference:

Exhibit A, Tab 1, Schedule 1
EB-2017-0049, Exhibit I, Tab 6, Schedule Anwaatin-1

Interrogatory:

Preamble

Following discussions with Anwaatin, Hydro One began an initiative in April 2018 to assess whether an energy storage pilot project could be developed in a remote region of the distribution system with sub-standard performance serving Anwaatin communities and tested to determine reliability improvement and whether the approach could be used as a repeatable approach in other regions of the system (the **Pilot Project**).

As of June 2018, Hydro One's technical assessment had focused on three distribution feeder lines that serve the Nakina and Moosonee communities (Nakina F2 and Moosonee F1 and F3). Completion of all engineering and financial viability review was targeted by September 30, 2018. Hydro One has noted that one of the key objectives of the Pilot Project is to assess scalability to meet similar reliability concerns in other communities served by Hydro One (see Exhibit I, Tab 6, Schedule Anwaatin-1, page 5 of EB-2017-0049).

a) Please provide an update on the status of the Pilot Project and indicate the steps Hydro One has taken to-date to implement the Pilot Project and the steps Hydro One plans to take in the future in order to complete the Pilot Project and determine whether the approach can be used to address sub-standard performance for Anwaatin communities and other outlier communities served by Hydro One

b) Please describe the model Hydro One proposes to use to rate-base the Pilot Project and any similar energy storage projects undertaken in the future, including any impact on the process followed by Hydro One to derive its 2019 transmission rates revenue requirement and allocate it among the three transmission rate pools.

Response:

a) and b)

The Pilot Project is a distribution system investment and, as such, has no impact on Hydro One's transmission revenue requirement. Notwithstanding that the inquiry is not relevant to this proceeding, Hydro One has provided the update below.

Hydro One has taken several steps toward implementing the Pilot Project to install a Battery Energy Storage System (BESS). Hydro One's technical requirements for the Pilot Project were determined after a detailed review of the distribution system supply and load characteristics of Aroland First Nation (FN). The land for the site of the BESS has been purchased. Geotechnical and archeological studies on the proposed site were completed and revealed that the site is suitable for construction of the BESS. A Request for Proposal (RFP) was completed outlining Hydro One's requirements for the BESS to supply Aroland FN. In response to the proposal, bids were received from several vendors and are in the process of being evaluated. In tandem with proceeding with steps toward implementing the Pilot Project, Hydro One has met with the Aroland First Nations community and Anwaatin Inc. to provide updates on the status of the pilot project and will continue to do so as appropriate going forward.

Hydro One has several additional steps planned in the future to facilitate the completion of the Pilot Project. Hydro One will complete the RFP evaluation and select the successful vendor. Following the vendor selection for the project, contract details will be negotiated and finalized and the contract will be awarded for project execution. Upon in-service of the project, Hydro One will monitor and evaluate its performance for a period of time deemed necessary to determine if the expected reliability benefit was achieved. The final project cost and benefits realized will be used to determine if it makes sense for Hydro One to utilize this approach elsewhere on its system.

ANWAATIN INTERROGATORY # 2

Reference:
Exhibit A, Tab 3, Schedule 1

Interrogatory:
Preamble
Hydro One is in the process of evaluating its transmission business plan. To permit this review to occur and to account for inflation as well as to adhere to the Ontario Energy Board's objective of a combined transmission and distribution application in the future, Hydro One has proposed (1) this Application for a one-year mechanistic adjustment to Hydro One's 2019 revenue requirement and (2), in 2019, a three-year Custom IR application with a 2020-2022 test period to align Hydro One's future combined application for distribution rates and transmission revenue requirement for the 2023-2027 period.

In Exhibit I, Tab 10, Schedule 3 of EB-2016-0160, Hydro One's last transmission rates application, Hydro One provided transmission system performance data for (1) the "Northern" part of the system and (2) the transmission system supplying certain First Nation communities (Beardmore DS #2, Long Lac TS, Moosonee DS, Nipigon DC, Red Rock DS). An update to CDPP outlier data was provided in Exhibit TCJ2.5.

a) Please provide an update in respect of Hydro One's transmission system performance data for (1) the "Northern" part of the system and (2) the transmission system supplying certain First Nation communities (Beardmore DS #2, Long Lac TS, Moosonee DS, Nipigon DC, Red Rock DS) by completing the following tables:

(i) Frequency of Momentary Interruptions

Year	2016	2017	2018
# of momentary interruptions			
# of DPs in Northern Region			
T-SAIFI-m*			

**T-SAIFI-m = Total number of momentary interruptions / total number of DP monitored*

(ii) Frequency of Sustained Interruptions

Year	2016	2017	2018
# of sustained interruptions			
# of DPs in Northern Region			
T-SAIFI-s*			

**T-SAIFI-s = Total number of sustained interruptions / total number of DP monitored*

(iii) Overall Frequency of Interruptions

Year	2016	2017	2018
# of overall interruptions			
# of DPs in Northern Region			
T-SAIFI-all*			

**T-SAIFI-all = Total number of momentary and sustained interruptions / total number of DP monitored*

(iv) Duration of Sustained Interruptions

Year	2016	2017	2018
Duration of sustained interruptions (minutes)			
# of DPs in Northern Region			
T-SAIDI			

**T-SAIDI = Total duration of sustained interruptions / total number of DP monitored*

(v) Delivery Point Unreliability Index

Year	2016	2017	2018
Total Unsupplied Energy (MW x minutes)			
System Peak Load (MW)			
DPUI			

**DPUI = Total unsupplied energy / system peak load*

(vi) CDPP Outliers

Year	2016	2017	2018
Total # of DPs in Northern Region			
# of Outliers in Northern Region			

b) Please present the data provided pursuant to part (a) in graphical form, together with the data from 2006 through 2015, in a manner similar to the graphical presentation of data in Exhibit TCJ2.5 of EB-2016-0160.

Response:

This is an Application to establish Hydro One's 2019 transmission revenue requirement using a mechanistic Revenue Cap Index adjustment. The reliability data requested is not relevant to the relief sought nor is it typically provided by distributors in analogous Price Cap IR applications. The testing of Hydro One's actual reliability performance would be more reasonably tested in Hydro One's next rebasing application consistent with the OEB's Filing Requirements.

ENERGY PROBE INTERROGATORY # 1

Reference:
Exhibit A, Tab 3, Schedule 1, Page 5

Interrogatory:
Preamble
Hydro One Sault Ste. Marie application EB-2018-0218 was filed on July 26, 2018 and Hydro One Transmission application EB-2018-0130 was filed on October 26, 2018. Since docket numbers are issued consecutively it seems that Hydro one requested the docket number for the Hydro One Transmission application prior to requesting the docket number for the Hydro One SSM application. Considering that the PSE report, a key piece of evidence that supports the Hydro One Transmission EB-2018-0130 application was filed instead in the Hydro One SSM EB-2018-0218 application, there are concerns that the issues raised by the report may not be adequately addressed.

a) When did Hydro One request a docket number for the Hydro One Transmission application and when did the OEB assign the EB-2018-0130 docket number to it?

b) When did Hydro One request a docket number for the Hydro One SSM application?

c) When did Hydro One decide to file the PSE report as supporting evidence in the EB-2018-0218 application and not in the EB-2018-0130 application and why was that decision made?

d) Did Hydro One consult with OEB Staff regarding its filing plans for the EB-2018-0130 and EB-2018-0218 applications? If the answer is yes, please provide the dates of the consultations, the subjects discussed and file any documents that Hydro One may have provided to OEB Staff.

e) Please file copies of any presentations or other documents that were given to Hydro One senior management by the Hydro One Regulatory Affairs department in support of the recommendation to file the PSE report in the EB-2018-0218 application instead of the EB-2018-0130 application.

Response:

a) Hydro One requested a docket number for the Hydro One Transmission application on March 12, 2018 and the OEB assigned the EB-2018-0130 docket number on March 13, 2018. The number (0130) was requested in anticipation of the filing of a 5 year Custom IR transmission revenue requirement application for 2019-2023 that Hydro One was intending to file at the time but which was delayed for the reasons set out in Exhibit I, Tab 3, Schedule 4 (LMPA #4).

b) Hydro One requested a docket number for the Hydro One SSM application (EB-2018-0218) on June 27, 2018.

c) Hydro One always intended to rely on the PSE report as supporting evidence in both proceedings. As stated in the Hydro One SSM's Argument in Chief in EB-2016-0356:

> *"In 2018, HONI intends to file a Custom IR application (for 2019 transmission rates and beyond) which would propose an annual productivity factor and stretch factor. It is anticipated that Hydro One SSM's revenue cap adjustment in those future years would adopt the same rate given that Hydro One SSM would be operationally integrated with HONI at that time."*

Ultimately, Hydro One SSM's application was filed first and the PSE report was filed with it. Were it not for the delays in filing the transmission revenue requirement application for Hydro One Networks, the PSE report would have been filed initially with the Hydro One Networks transmission revenue requirement application.

d) Hydro One advises OEB Staff generally in respect of its upcoming rate applications but Hydro One recognizes that these discussions do not represent the view of the Board and are not relevant for the purposes of determining the outcome of this Application.

e) No such documents exist.

ENERGY PROBE INTERROGATORY # 2

Reference:

Exhibit A, Tab 4, Schedule 1

Interrogatory:

Preamble

Hydro One's application is based on a Revenue Cap Incentive Rate-Setting ("IR") approach in which the revenue requirement for 2019 is equal to the revenue requirement in year 2018, adjusted for the impacts of Bill 2 as outlined in Exhibit A, Tab 5, Schedule 1, inflated by the Revenue Cap Index ("RCI")

a) Please confirm that this application and the concurrent EB-2018-0218 applications are Hydro One Transmission's first IRM applications.

b) Did Hydro Transmission consult with Experts or Board Staff on the form of its IR Plan? If so, please list those consulted and the timing of this.

c) Please explain why Hydro One Transmission chose a revenue cap and why Hydro One rejected the other options available in the RRFE. Please list reasons for rejecting each of the other options.

d) Given Hydro Ones declared concerns about Capital Infrastructure Investment why did Hydro One not proceed with a Custom IRM?

Response:

a) This application is Hydro One transmission's first incentive rate-setting application. Hydro One SSM had previously for a revenue cap index adjustment in the EB-2016-0356 proceeding but that application was denied by the OEB.

b) Hydro One did not consult with experts or OEB staff on the form of the RCI.

c) Hydro One followed the OEB's guidance in the Handbook for Utility Rate Applications ("the Handbook"), dated October 13, 2016. The Handbook states that electricity transmitters may choose either Custom IR or a Revenue Cap IR methodology. The rationale for filing this application under the Revenue Cap IR is described in part d) below.

d) As indicated on page 1 of Exhibit A, Tab 3, Schedule 1, Hydro One experienced organizational changes in July and August, 2018, which included the appointment of a new Board of Directors. As a result, Hydro One undertook a process of evaluating its transmission business plan. To permit this review to occur and to account for inflation as well as to adhere to the OEB's objective of a combined transmission and distribution application in the future, Hydro One filed this Application for a one-year mechanistic adjustment to Hydro One's 2019 revenue requirement.

ENERGY PROBE INTERROGATORY # 3

<u>Reference:</u>
Exhibit A, Tab 4, Schedule 1

<u>Interrogatory:</u>
Preamble
Hydro One proposes it be bound in the current Application by the OEB's determination on inflation and productivity in the EB-2018-0218 proceeding While Hydro One proposes that this Application be approved with the inflation and productivity factors as filed, Hydro One acknowledges that the same third party benchmarking evidence underpinning the proposed RCI in this Application is currently before the OEB in the Hydro One Sault St. Marie proceeding (EB-2018-0218) and will be tested and considered by the OEB in that proceeding.

a) Please confirm the Board has accepted Hydro One's proposal that the 2019 Inflation factor I and Productivity Offset X will not be examined in this proceeding.

b) Please list the Parties listed in each of the EB-2018-0218 and EB-2018-0130 proceedings.

c) If a party in this proceeding is not an intervenor in the EB-2018-0218 SSM proceeding, please explain how that party will have access to and pose questions related to the I and X factors and benchmarking.

d) Will Hydro One adopt/incorporate all the relevant evidence on the RCI from the EB-2018-0218 proceeding into this case? Please discuss with reference to parties rights.

<u>Response:</u>
a) The OEB's position is set out in its Procedural Order No. 1, dated January 24, 2019 (PO1), which states that it "will not further test the benchmarking and total factor productivity evidence filed in the Hydro One SSM proceeding in this current Hydro One transmission proceeding."

b) The parties participating in EB-2018-0218 and EB-2018-0130 are listed in Procedural Order 1 in each proceeding.

c) The OEB is in the best position to determine and conduct a fair process.

d) Hydro One does not propose to adopt/incorporate evidence on the RCI from the EB-2018-0218 proceeding into this case. Rather, Hydro One proposes to adopt the outcomes from EB-2018-0128 into this proceeding, which is meant to be mechanistic in nature. The rights of parties are more appropriately addressed by the OEB.

ENERGY PROBE INTERROGATORY # 4

Reference:

Exhibit A, Tab 4, Schedule 1

Interrogatory:

Preamble

In order to inform its RCI, Hydro One engaged Power System Engineering ("PSE") to conduct various benchmarking analyses. The PSE report was filed as Attachment 1 to Exhibit D, Tab 1, Schedule 1 in the Hydro One Sault St. Marie proceeding (EB-2018-0218) and will be tested as part of that proceeding.

Please confirm specifically, with references, which components of the PSE evidence are/are not excluded from this proceeding. Also, please list and reference all material changes in this proceeding related to Hydro One SSM evidence.

Response:

On page 2 of Procedural Order No. 1, the OEB stated that it "will not further test the benchmarking and total factor productivity evidence filed in the Hydro One SSM proceeding in this current Hydro One transmission proceeding." Therefore testing of the PSE report is out of scope of this proceeding.

There are no material changes in this proceeding related to Hydro One SSM evidence. Hydro One Networks and Hydro One SSM are both proposing approval of the same RCI parameters. In this proceeding, Hydro One Networks has proposed that it be bound by the OEB's determination on inflation and productivity in the EB-2018-0218 proceeding. Both proceedings are basing their proposals on the recommendations of the same PSE report.

ENERGY PROBE INTERROGATORY # 5

Reference:

Exhibit A, Tab 4, Schedule 1

Interrogatory:

Preamble

The study includes some elements which are no longer relevant. These elements are the discussion regarding a Capital Factor and a forward-looking analysis which assessed Hydro One's forecast cost performance over a four-year test period under a potential transmission system plan that is currently being re-evaluated by Hydro One.

a) Based on the above, please discuss if/why Hydro One Transmission is now essentially applying for an inflationary increase to 2018 Rates similar to the RRFE Option available to Distributors (i.e. no X Factor).

b) Clarify why the Cost Benchmarking Data is relevant to such an application.

c) Also, please discuss if the SSM Reliability Benchmarking Evidence is/is not relevant to the current application and, in particular, the Hydro One Transmission Scorecard.

d) Does Hydro One expect that Reliability Benchmarking will not be an issue in this proceeding? Please explain the reason for your answer.

Response:

a) Hydro One's proposal does include an X Factor of 0% based on the sum of an industry TFP measure of 0% and a stretch factor recommendation of 0%. The reasons for the recommendations of 0% are outlined in Exhibit A, Tab 4, Schedule 1.

b) As stated on page 2 of Exhibit A, Tab 4, Schedule 1, "the historical analysis provided by PSE remains valid and relevant." Please see Hydro One's response in Exhibit I, Tab 5, Schedule 4 (VECC #4) for further clarification.

c) The reliability performance and proposed transmission scorecard of another utility, Hydro One SSM, is not relevant to the relief sought in this proceeding.

d) This is an Application to establish Hydro One's 2019 transmission revenue requirement using a mechanistic Revenue Cap Index adjustment. Reliability benchmarking is not relevant to the relief sought nor is it typically provided by distributors in analogous Price Cap IR applications.

ENERGY PROBE INTERROGATORY # 6

Reference:

Exhibit A, Tab 4, Schedule 1 and Table 1

Interrogatory:

Preamble

The proposed weighting of 14% labour and 86% non-labour is supported by the Recommendation provided by PSE in the study provided in EB-2018-0218. Hydro One (also) believes that it is appropriate to apply the same input price indices that are used to set the Inflation Factor for electricity distributors in Ontario to its transmission business.

a) Please provide a table that shows details of the proposed Inflation Index and a comparison to that approved for Ontario Distributors.

b) Discuss the basis of the differences as related to the weightings.

Response:

a) A revised derivation of the Inflation Factor for 2019 of 1.4% is provided in Exhibit I, Tab 3, Schedule 7 (LPMA #7). The Inflation Factor approved by the OEB for electricity distributors is 1.5% for 2019.

b) The difference between the two values is due to the difference in labour/non-labour weightings. Distributors use a 30% labour and 70% non-labour weighting as prescribed by the OEB. The proposed transmission-specific weighting of 14% labour and 86% arises from the analysis conducted in the PSE report referenced in evidence and filed in the EB-2018-0218 proceeding.

ENERGY PROBE INTERROGATORY # 7

Reference:

Exhibit A, Tab 4, Schedule 1, and Table 1;
Regie Decision- R-3897-2014A-0167 Dec-Dec-2018; D-2017-0143 Section 3.4.1

Interrogatory:

Preamble

Hydro Quebec has recently filed evidence related to Incentive Regulation including an RCI for Hydro Quebec Transmission.

a) Please provide a comparison Table of the Inflation Index factors accepted by the Regie for Hydro Quebec Transmission to that for Hydro One Transmission.

b) Please discuss the relevant weightings for Hydro Quebec Transmission and Hydro One Transmission.

Response:

a) There is no Table of the Inflation Index Factors in the Régie decision referenced in the interrogatory. Hydro One's proposed inflation factor for 2019 is shown in the response provided in Exhibit I, Tab 3, Schedule 7 (LMPA #7).

b) Hydro One is proposing an Inflation Factor ("I") based on the weighted sum of:
    - 86% of the annual percentage change in Canada's GDP-IPI (FDD) as reported by Statistics Canada; and
    - 14% of the annual percentage change in the Average Weekly Earnings for workers in Ontario, as reported by Statistics Canada.

ENERGY PROBE INTERROGATORY # 8

Reference:

Exhibit A, Tab 5, Schedule 1, Page 4

Interrogatory:

Preamble

The Decision (EB-2016-0160) primarily expressed concerns with two aspects of Hydro One's compensation costs. First, the Decision expressed concern that Hydro One's total compensation costs were trending further away from the market median reflected in a 3rd party study undertaken by Mercer. The Mercer study indicated that Hydro One's compensation for its non-represented (i.e. management) employees was 2% above market median.

a) Please provide a copy of the most recent Compensation benchmarking studies (Executive and Management) commissioned by Hydro One. If filed in EB-2018-0049 please provide the references.

b) For Executive and Management Compensation please provide a Copy of Form 2K for 2015-2019F.

c) Please provide an analysis of the TC changes since 2015.

Response:

As noted in Exhibit A, Tab 3, Schedule 1, Hydro One is proposing to inflate its 2018 OEB-approved total revenue requirement, as adjusted for the impacts of Bill 2, by the RCI. The purpose of the Bill 2 adjustment is to remove the amounts of OEB-approved executive compensation that are included in Hydro One's revenue requirement in order to ensure compliance with legislation. The information requested is not relevant to the relief sought in this Application nor is it typically provided by distributors in analogous Price Cap IR applications.

ENERGY PROBE INTERROGATORY # 9

Reference:

Exhibit A, Tab 5, Schedule 1, Pages 3, 7, Tables 1 and 2

Interrogatory:

Preamble

Hydro One's ELT is comprised of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, EVP and Chief Corporate Development Officer, EVP and Chief Legal Counsel, EVP Customer Care and Corporate Affairs and SVP People and Culture, Health and Safety.

a) Please Provide a Table Showing OEB-approved Compensation for the ELT broken out into CEO/CFO and Other Executive and by Salary STIP, Benefits and Total Compensation:
   i. 2015 (pre- privatization)
   ii. EB-2017-0160
   iii. Post Bill 2 (proposed EB-2018-0049 and EB-2018-0130)

b) Please provide the reductions for each group and indicate if this relates to TC and/or Salary, STIP. Reconcile to Tables 1 and 2.

c) Please provide the evidence/calculation supporting the B&V split of TC between Distribution and Transmission. Reconcile to the evidence in EB-2018-0049 and this case.

Response:

a)

i. As noted on page 6 of Exhibit A, Tab 5, Schedule 1, Hydro One's 2018 OEB approved revenue requirement reflects compensation costs for the CEO and CFO positions at pre-IPO levels, adjusted for inflation and executive compensation amounts for other ELT members reduced to market median levels, as determined by the Mercer study. The requested 2015 OEB approved compensation amounts are not reflected in Hydro One's 2018 transmission revenue requirement and therefore are not relevant to OEB's determination regarding the appropriate Bill 2 adjustment required in this proceeding. The relevant levels of compensation for other ELT members are the amounts filed by Hydro One in EB-2016-0160 and indicated in Table 1 of Exhibit A, Tab 5, Schedule 1. CEO and CFO costs should be aligned with actual pre-IPO levels, rather than 2015 OEB approved amounts. The $0.8 million in CEO and CFO compensation costs shown in Table 1 of Exhibit A, Tab 5, Schedule 1 reflects pre-IPO levels of these costs as adjusted using an inflationary assumption of 2% per year.

Pre-IPO levels for CEO and CFO costs are shown in the table below:

2015 ($ millions)	**OM&A**		**Capital**	
CEO/CFO Tx	$	0.21	$	0.57
Total	**$**	**0.21**	**$**	**0.57**

ii. and iii.

Please see EB-2018-0130 Exhibit A, Tab 5, Schedule 1 for a table highlighting the contributions to revenue requirement in Transmission in 2018, as well as the associated reductions for Bill 2 compliance.

The references to reconcile to Hydro One's Custom IR Distribution application (EB-2017-0049) are not relevant to this proceeding as any incremental costs allocated to Transmission in that proceeding are not reflected in Hydro One's 2018 transmission revenue requirement and were already being borne by Hydro One's shareholders.

b) The reductions noted above and provided in Exhibit A, Tab 5, Schedule 1 relate to total compensation.

c) The allocations to Distribution and Transmission are consistent with the Black and Veatch methodology that was tested and approved in EB-2016-0160. A description of the differences between the evidence in EB-2017-0049 and what was approved in EB-2016-0160 is provided in Exhibit I, Tab 1, Schedule 1 (Staff #1).

ENERGY PROBE INTERROGATORY # 10

Reference:

Exhibit A, Tab 5, Schedule 1, Pages 3, 7 and 25, and Tables 1 and 2

Interrogatory:

Preamble

As discussed in Exhibit A, Tab 3, Schedule 1, Hydro One is asking for approval for an Accounting Order to establish a variance account to track the revenue requirement impact of changes to Hydro One's proposed Inflation Factor and Productivity Factor in the current Application and the Inflation Factor and Productivity Factor established by the OEB in EB-2018-0218 to the extent there is a difference.

a) What is the expected timing of the EB-2018-0218 SSM Decision?

b) If the difference in the 2019 Revenue Requirement, resulting from the Decision is Material, please discuss Hydro One's options/plans how it will accommodate this in Rates.

Response:

a) The last procedural step established in the EB-2018-0218 proceeding is provision for responses to interrogatories pertaining to expert evidence to be filed by OEB staff on March 14, 2019 which was established in Procedural Order No. 4. Hydro One expects a decision in that proceeding sometime in 2019 but cannot provide a more accurate estimate in the absence of certainty regarding future procedural steps.

b) As indicated, the revenue requirement impact of changes to Hydro One's proposed Inflation Factor and Productivity factor established by the OEB in EB-2018-0218 will be tracked in a deferral account. Balances will be applied as an adjustment to Hydro One's revenue requirement at the time of disposition in a future application.

ENERGY PROBE INTERROGATORY # 11

Reference:

Exhibit A, Tab 6, Schedule 1, Table 2 and Page 4 and 23

Interrogatory:

Preamble

The OEB asked that Hydro One Transmission continue to capture any differences between forecast export service revenue approved by the OEB as part of 2017 and 2018 Transmission Rates and the actual export service revenue. As part of its decision, the OEB approved an Export Transmission Services (ETS) rate of $1.85/MWh and approved the Hydro One Transmission forecast at $39.2 million and $40.1 million in revenue for both 2017 and 2018 respectively.

a) Please provide a summary of ETS rates and forecast and actual revenues for 2015-2019F.

b) Please indicate the liabilities/ credits from the differences.

Response:

Year	**Revenue**	**Forecast (OEB Approved)**	**Regulatory Accounting Impact**	
2015	43,569,429	30,900,000	(12,669,429)	Liability
2016	41,446,764	31,700,000	(9,746,764)	Liability
2017	35,426,132	39,200,000	3,773,868	Asset
2018	N/A – Audited actuals to be provided in next Transmission rebasing Application	40,100,000	N/A – Audited actuals to be provided in next Transmission rebasing Application	

As per Table 1 in Exhibit A, Tab 7, Schedule 1, Hydro One is proposing to keep the 2019 ETS revenue at the 2018 OEB approved level.

ENERGY PROBE INTERROGATORY # 12

Reference:
Exhibit A, Tab 6, Schedule 1, Table 3 and Page 14

Interrogatory:
Preamble
Hydro One is tracking costs relating to the SECTR project in this deferral account and at December 31, 2017 the account has a balance of $52.0 million. As this is a tracking account, Hydro One is not requesting disposition of the balance and carrying charges are not applied in this account.

Please provide a status report on the SECTR Project and costs including when HO will bring forward the costs for review and disposition.

Response:
Please refer to the Hydro One response to the CCC Interrogatory #4 in Exhibit I, Tab 6, Schedule 4.

ENERGY PROBE INTERROGATORY # 13

Reference:

Exhibit A, Tab 7, Schedule 1, Page 1

Interrogatory:

Preamble

Hydro One is proposing to use for 2019 the charge determinants that were approved by the OEB in EB-2016-0160. There are concerns that these charge determinants may be outdated.

Please compare the charge determinants approved in EB-2016-0160 to the charge determinants that would be derived based on the 2019 forecast.

Response:

As indicated in its evidence at page 2 of Exhibit A, Tab 3, Schedule 1, this Application is based on a Revenue Cap Index approach and is intended to be mechanistic in nature. This Application adopts methodologies similar to those used under a Price Cap IR approach for electricity distributors, and as such, it does not include an update to the load forecast.

ENERGY PROBE INTERROGATORY # 14

Reference:

Exhibit A Tab 7, Schedule 1, Tables 1, 2 and 3; EB·2017-0359 Appendix A

Interrogatory:

Preamble

As shown in Table 2, Hydro One proposes to use the OEB-approved 2018 split of the rates revenue requirement by rate pool to allocate the 2019 rates revenue requirement among the three transmission rate pools.

a) When was the Transmission Cost Allocation model last run?

b) Please provide the result at a Pool level.

c) Has Hydro One run the Cost allocation Model for 2019? If not, confirm there have been no changes to Costs affecting the CA and the allocation to Pools.

Response:

a) Hydro One has run the Cost Allocation model for 2020, in support of a planned Transmission Custom IR application for the years 2020 to 2022.

b) The 2020 results by pool are not relevant to the 2019 application. Hydro One will provide the results of its 2020 transmission cost allocation as part of the evidence supporting its next rebasing application.

c) Consistent with the proposed mechanistic RCI approach, Hydro One has not run the Cost Allocation model for 2019. Accordingly, any changes to costs affecting the cost allocation to rate pools are properly dealt with in Hydro One's next Transmission rebasing application.

ENERGY PROBE INTERROGATORY # 15

Reference:

Exhibit A Tab 7, Schedule 1, Tables 5 and 6

Interrogatory:

a) Please explain how a 1.2% increase in the Transmission 2019 Revenue Requirement translates to an average Transmission rate increase of 2.6%.

b) Please provide the Inflation Forecast facing typical Ontario electricity customers in 2019?

Response:

a) Table 1 in Exhibit A, Tab 7, Schedule 1 shows how the 2019 rates revenue requirement is derived.

The Total Revenue Requirement increase of 1.2% is only one component of the rates revenue requirement increase of 2.6%. As illustrated in Table 1, the other components are: i) Regulatory Assets Credit has changed from -$47.8 M in 2018 to -$37.6 M in 2019; ii) LVSG Credit has increased from $14.1 M in 2018 to $14.3 M in 2019; and iii) Forgone revenue of -$10.6 M in 2018 has been eliminated in 2019. The cumulative change of these four components results in the 2.6% rates revenue requirement increase.

b) Hydro One's proposed inflation factor for 2019 is provided in Exhibit I, Tab 3, Schedule 7 (LPMA #7).

ENERGY PROBE INTERROGATORY # 16

Reference:
EB-2016-0160, Exhibit B2, Tab1, Sched 1 page 5;
EB-2018-0218, Exhibit C, Tab 1 Sched 1 p 13

Interrogatory:

a) Please confirm that in the Board's Decision in EB-2016-0160, the Board did not approve the Hydro One Transmission's Proposed Scorecard, but suggested that Hydro One Transmission continue to further develop the Scorecard.

b) What has Hydro One Transmission done in regard to the Scorecard in response to the Board's suggestion?

c) Please provide copies of Hydro One Transmission Scorecards for 2018 and proposed for 2019. Indicate if these have been filed with OEB.

d) Please delineate by a comparison table the Scorecards for Hydro One Transmission and Hydro One SSM (as filed in EB-2018-0218) for 2019.

e) Please indicate the specific historic and forecast Test Year achievements and targets related to Hydro One Transmission Reliability, specifically SAIDI and SAIFI Transmission and Delivery Points.

Response:
Hydro One confirms that the OEB's decision in the EB-2016-0160 proceeding directed Hydro One to further develop its transmission scorecard. This interrogatory is not relevant to this proceeding. As indicated on page 2 of Exhibit A, Tab 3, Schedule 1, this Application is mechanistic in nature. The directions arising from the OEB's decision in the 2017-2018 transmission rate proceeding will not be addressed in this Application as they are beyond the scope of the approvals sought. Hydro One will address the OEB's directions in its next transmission rebasing application including its progress in developing the transmission scorecard, as well as its reliability performance.

ENERGY PROBE INTERROGATORY # 17

Reference:

EB-2018-0218, Exhibit C, Tab 3 Schedule 1 Page 2

Interrogatory:

Preamble

It is expected that the next application submitted to the OEB will be after Hydro One SSM's integration with Hydro One. At that time, Hydro One SSM will be included as part of Hydro One for any benchmarking studies. Hydro One SSM will also participate in any benchmarking studies undertaken by Hydro One in which it is requested to do so.

a) Has Hydro One Transmission done Reliability Benchmarking in support of its EB-2018-0130 2019 Rates Application? If the answer is yes, please provide the data and discuss in detail with reference to the requirements of the RRFE and Transmission Filing Requirements. If the answer is no, please explain why not.

b) If Hydro One Transmission has no Reliability Benchmarking Study please explain why Hydro One Transmission did not retain PSE or another consultant to undertake Reliability Benchmarking similar to that provided by Toronto Hydro in EB-2018-0165.

c) Please clarify why, although the current Application is for approval of the Revenue Requirement for 2019 only, why Hydro One has not provided either a Scorecard or Reliability Benchmarking evidence in support of its Application.

Response:

Hydro One has not conducted reliability benchmarking is support of this application. As indicated on page 2 of Exhibit A, Tab 3, Schedule 1, this Application is mechanistic in nature. The items requested in this interrogatory are not relevant to this proceeding nor are they typically provided by distributors in analogous Price Cap IR proceedings.

AMPCO INTERROGATORY # 1

Reference:
Ex A T3 S1 P2

Interrogatory:
Hydro One proposes it be bound in the current Application by the OEB's determination on inflation and productivity in the EB-2018-0218 proceeding.

Please identify and discuss any shortcomings of this proposal.

Response:
Hydro One has proposed that it be bound by the OEB's determination on inflation and productivity in the EB-2018-0218 proceeding for the reasons outlined on page 3 of Exhibit A, Tab 3, Schedule 1.

AMPCO INTERROGATORY # 2

Reference:
Ex A T3 S1 P9

Interrogatory:
Please provide the bill impacts for Large Use customers.

Response:
Please refer to the bill impacts for General Service Demand-Billed (GSd) and Urban General Service Deman-Billed (UGd) rate classes provided in response to Exhibit I, Tab 2, Schedule 1 (BOMA #1).

AMPCO INTERROGATORY # 3

Reference:
Ex A T6 S1 P16

Interrogatory:
As part of the EB-2016-0160 Decision, the OEB approved the continuance of the In-Service Capital additions Variance Account to record the impact on 2017 and 2018 Transmission Revenue Requirement due to an actual amount for 2016 in-service additions that is less than $911.7 million, along with the difference between the 2017 and 2018 in-service additions embedded in 2017 and 2018 rate base and actual in-service additions in each of those years.

a) Please provide the actual in-service additions for the years 2016, 2017 and 2018 compared to the amounts embedded in rates for each of those years.

b) Please provide the information on the account reported to the OEB for Q4 2018.

Response:
a) Please refer Hydro One response to VECC IR in Exhibit I, Tab 5, Schedule 11.

b) The next Transmission revenue requirement application will present audited balances as at December 31, 2018.