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July 3, 2019

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

Dear Ms. Walli,

RE: EB-2019-0082 - London Property Management Association Interrogatories – Hydro One Networks Inc. Application for Electricity Transmission Rates for the Period January 1, 2020 to December 31, 2022

Please find attached the interrogatories of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken

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HYDRO ONE NETWORKS INC.

Application for electricity transmission rates for the period from January 1, 2020 to December 31, 2022

INTERROGATORIES OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Interrogatory #1

Ref: Exhibit A, Tab 4, Schedule 1

Please update Table 1 to reflect 2018 data that is now available and calculate the resulting inflation rate for 2020.

Interrogatory #2

Ref: Exhibit A, Tab 4, Schedule 1

a) Please confirm that the rate base and associated capital costs shown in Table 2 do not include the working capital component of rate base.

b) If (a) is not confirmed, please provide a version of Table 2 that removes the working capital component of rate base and the associated capital costs, consistent with the Board's EB-2017-0049 Decision and Order dated March 7, 2019.

c) Please provide a version of Table 2 that excludes working capital, but reflects an inflation factor of 1.8% in place of the 1.4% used.

Interrogatory #3

Ref: Exhibit A, Tab 4, Schedule 1

With respect to the CISVA and the proposed use of 98%, please show the difference in using the 98% level and the 100% on the revenue requirement balance in the account assuming actual in-service additions are 98% of the Board-approved levels in each year.

Interrogatory #4

Ref: Exhibit A, Tab 4, Schedule 1

With respect to the annual updates, other than updating of the inflation factor and potential Z factors and/or potentially material deferral and variance account balances and the update for the Uniform Transmission rates, what other potential updates could be included in an annual update?

Interrogatory #5

Ref: Exhibit A, Tab 4, Schedule 1, Attachment 1

a) The report is dated January 24, 2019. Please explain why data beyond 2017 was not used.

b) Please updates Tables 2 and 3 in the report to reflect actual data for 2017 and 2018. Please explain fully if this cannot be done for any of the years requested.

Interrogatory #6

Ref: Exhibit C, Tab 5, Schedule 1, Attachment 1

The executive summary states that the delay in payments throughout the year from the IESO resulted in an increase of 0.89 days versus the prior study.

a) What is the impact on the working capital requirements of this 0.89 increase in the revenue lag days for each of 2019 through 2022?

b) Did HONI request reasons for the delay payments from the IESO? If yes, what was the response? If not, why not?

c) Have the delays in payments from the IESO been remedied in 2018 and/or 2019? Please explain fully.

Interrogatory #7

Ref: Exhibit C, Tab 5, Schedule 1, Attachment 1

The evidence indicates that part of the reason for the increase in the revenue lag is related to increase in the other external revenue lag resulting in a higher percentage of overdue revenues and from bad debt write-offs occurring after 2 years versus 1 year, which was what was assumed in the prior study.

a) Please provide the percentage of overdue revenues for each year for the period beginning with the year which was used in the prior study through to and including 2018.

b) Was the assumption that bad debt write-offs occurred after 1 year in the prior study in error or did HONI change its policy from writing off bad debt associated with other external revenue? If the policy was changed, please indicate the year and nature of the change in policy.

c) What is HONI's current policy with respect to other external revenue bad debt write-offs?

d) What HONI done since 2016 to reduce its bad debt associated with other external revenues?

Interrogatory #8

Ref: Exhibit C, Tab 5, Schedule 1, Attachment 1

The evidence indicates that the major driver in the decrease in the overall expense lead for OM&A expenses is related to miscellaneous OM&A expenses due in part to a reduction in the lead days from 49.00 to 42.79 and the movement of some cost items out of the miscellaneous category and captured in other OM&A expense buckets.

Please provide a table that shows for each of the cost items that were moved from the miscellaneous category to other OM&A buckets the following: Description of cost item, amount of cost item, lead days of cost item and the cost bucket that the cost item now resides in.

Interrogatory #9

Ref: Exhibit D, Tab 2, Schedule 1

Figures 1a through 6 show a comparison of HONI and CEA Composite figures for 2009 through 2017 and figures for HONI only for 2018.

a) Please confirm that the 2018 figures for HONI are actual figures.

b) Are CEA composite figures now available for 2018? If yes, please updates Figures 1a through 6 to include the 2018 CEA composite figures.

Interrogatory #10

Ref: Exhibit E, Tab 2, Schedule 1

a) Which of the external revenue sources shown in Table 1 currently have a variance account associated with them?

b) For which of the external revenue sources shown in Table 1 does HONI propose to have a variance account in 2020 through 2022?

Interrogatory #11

Ref: Exhibit F, Tab 6, Schedule 1

a) What is the impact on the total depreciation expense shown in Table 1 of moving to the new depreciation rates relative to maintaining the currently approved rates for each of 2020 through 2022?

b) Please confirm that the new depreciation rates from the 2017 study have not been used for 2018 and 2019.

Interrogatory #12

Ref: Exhibit F, Tab 7, Schedule 2, Attachment 2

a) Do the CCA calculations shown for 2019 through 2022 reflect the CCA acceleration measures that were introduced in the federal 2018 Fall Economic Update and that were substantively enacted as part of the 2019 budget implementation bill in April, 2019? If not, please explain why not?

b) If the calculations shown in Attachment 2 do not reflect the CCA acceleration measures noted above, please provide CCA schedules for each of 2019 through 2022 that reflect the business income tax measures contained in Bill C-97 that are no substantively enacted for financial reporting purposes.

Interrogatory #13

Ref: Exhibit F, Tab 7, Schedule 2, Attachment 5

Note 3 in the table indicates that tax credits relating to the Ontario Co-op, Ontario Apprenticeship and Ontario Business Research are recorded in OM&A. However, line 11 which shows the tax credit included in OM&A appears to be the federal apprenticeship tax credit. Please explain.

Interrogatory #14

Ref: Exhibit F, Tab 7, Schedule 2, Attachment 5

HONI is not forecasting any SR&ED tax credit for 2019 through 2022.

a) If HONI does receive a SR&ED tax credit for the 2020 cost of service test year, will that reduction flow to ratepayers or to the shareholders?

b) Please provide the amount of the SR&ED claimed for each of 2013 through 2017.

Interrogatory #15

Ref: Exhibit F, Tab 7, Schedule 2, Attachment 6

Please updated the table to reflect the 2018 income tax filing that was expected in June of 2019.

Interrogatory #16

Ref: Exhibit F, Tab 7, Schedule 3

Please file the corresponding information as shown in Attachments 1 and 1A for the 2018 Income Tax Return.

Interrogatory #17

Ref: Exhibit F, Tab 8, Schedule 1

The evidence states that for this application, Hydro One's regulatory costs will be recovered in the year in which they are incurred and that the costs are not amortized.

a) Please confirm that this means there are no regulatory costs associated with this application in the 2020 test year revenue requirement. If this cannot be confirmed, please explain.

b) Given that the costs related to this application have or will be incurred primarily in 2018 and 2019, please explain how Hydro One is recovering these costs in the year in which they were/are incurred.

Interrogatory #18

Ref: Exhibit F, Tab 8, Schedule 1, Attachment 1

a) Attachment 1 shows that the costs associated with the current application are all included in 2019 (second table). However, there are costs in the 2020 test year in lines 2,3,6,10 & 11 in the first table, which are all classified as one-time costs. Please explain what these cost items are for if they do not include an costs associated with the current application.

b) Are the costs associated with this application, which are shown in the 2019 column in the second table included in the 2019 column in the first table? If yes, please explain why there are no costs shown in lines 4 and 5 in the first table, which there are in the second table. If no, please explain why not.

Interrogatory #19

Ref: Exhibit G, Tab 1, Schedule 4, page 6

a) Has Hydro One Transmission obtained any new long-term debt to date in 2019?

b) If yes, please provide the amount, term and rate of any new debt instruments.

c) If yes, please update the cost of debt figures for 2020 shown on page 6 to reflect the new 2019 debt instruments.