

**Ontario Energy  
Board**

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**Commission de l'énergie  
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BY EMAIL

July 9, 2019

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

Dear Ms. Walli:

**Re: Hydro One Networks Inc.  
2020-2022 Custom IR Plan  
Intention to File Expert Evidence  
EB-2019-0082**

In accordance with Procedural Order No. 1 issued on May 30, 2019, please find below a summary of the expert evidence that OEB staff plans to file in EB-2019-0082.

OEB staff have retained Pacific Economics Group Research LLC (PEG) to provide one or more reports presenting PEG's review of the evidence prepared by Power Systems Engineering Inc. (PSE) for Hydro One Networks Inc. (Hydro One) with respect to PSE's updated evidence on total cost performance and total factor productivity for Hydro One Networks transmission (Hydro One Transmission) and that of a comparator sample of U.S. electricity transmitters. OEB staff notes that it is this evidence of PSE on which the productivity and stretch factors of Hydro One's proposed Custom IR plan are based.

PEG's analyses will include a detailed review of PSE's report and working papers, and may include new analyses on Hydro One's cost performance and productivity trends. PEG's report may also touch on some of the more detailed cost benchmarking work included in Hydro One's application. The expert will assess key aspects of Hydro One's proposed Custom IR plan and provide commentary in the report, discussing salient alternatives, and precedents from other jurisdictions, where relevant.

In addition, PEG staff will prepare interrogatory responses and will attend any technical conference or oral hearing as necessary.

While there is a team of staff at PEG on this engagement, the principal whom OEB staff intends to offer as an expert witness is Dr. Mark Lowry, president of PEG. Dr. Lowry is an economist who has testified on matters of economic analysis, total and partial factor productivity analysis, cost benchmarking, and incentive regulation, in Ontario, Alberta, Québec, in U.S. jurisdictions and internationally. Dr. Lowry and PEG have been involved in policy consultative processes and applications in Ontario for over 10 years. Of particular relevance is Dr. Lowry's evidence and testimony on similar total factor productivity and cost benchmarking analysis in recent applications for electricity and natural gas distribution and for Ontario Power Generation Inc.'s prescribed hydroelectric generation assets, before the OEB:

- EB-2016-0152: Ontario Power Generation's 2017-2021 rate setting plan for prescribed nuclear and hydroelectric generation payment amounts
- EB-2017-0049: Hydro One Inc.'s 2018-2022 Custom IR plan for distribution operations
- EB-2017-0306/EB-2017-0307: Merger of Enbridge Gas Distribution Inc. and Union Gas Limited and Rate-Setting Mechanism
- EB-2018-0165: Toronto Hydro-Electric System Limited's 2020-2024 Custom IR plan (in progress)

Further, the evidence that PEG will prepare and testify to will be an update of the evidence which PEG prepared and filed during the recent application for Hydro One Sault Ste. Marie LP's 2019-2026 revenue cap plan in EB-2018-0218, and which the OEB has adopted as part of the evidence in the current proceeding, pursuant to its letter of June 28, 2019.

The estimated budget for PEG's work in preparing its evidence in this proceeding is approximately \$186,000, including costs for matters such as interrogatory responses and hearing attendance.

Yours truly,

*Original signed by*

Keith C. Ritchie  
Project Advisor, Application Policy and Climate Change

cc: All registered parties to EB-2019-0082