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Frank D'Andrea

Vice President, Regulatory Affairs & Chief Risk Officer

BY COURIER

August 22, 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-2019-0082 - Hydro One Networks' 2020-2022 Transmission Custom Incentive Rate-setting Application – Proposed Issues List – Response to Environmental Defence

Hydro One is in receipt of Mr. Kent Elson's response to the Ontario Energy Board (OEB) staff letter of August 20, 2019 in respect of the proposed issues list. Hydro One is in agreement with Mr. Elson's suggestion that transmission losses may be dealt with under Issue 1, and is hereby providing confirmation that the proposed issues list will allow for the exploration of the appropriateness of Hydro One's response to the Board's direction regarding transmission losses.

An additional, standalone, issue asking: "What is the status of Hydro One's joint work with the IESO to explore cost effective line loss reduction opportunities and to report on those initiatives?" is therefore not required.

Included in this response is the final proposed issues list.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Hydro One Networks Inc.
2020 to 2022 Transmission Rates Application
Ontario Energy Board File Number EB-2019-0082
Proposed Issues List

A: GENERAL

1. Has Hydro One responded appropriately to all relevant Ontario Energy Board (“OEB”) directions from previous proceedings?
2. Are the bill impacts resulting from Hydro One’s proposed revenue requirement reasonable?
3. Were Hydro One’s customer engagement activities sufficient to enable customer needs and preferences to be considered in the formulation of its proposed spending?
4. Is the proposed effective date of January 1, 2020 appropriate?

B: CUSTOM APPLICATION

5. Are all elements of Hydro One’s proposed Custom Incentive Rate framework for the determination of revenue requirement appropriate?

C: PRODUCTIVITY IMPROVEMENT AND PERFORMANCE SCORECARD

6. Has Hydro One taken appropriate steps to identify and quantify productivity improvements in all areas of its transmission operations?
7. Are the metrics in the proposed scorecard appropriate and do they adequately reflect appropriate outcomes? Do the outcomes adequately reflect customer expectations?

D: TRANSMISSION SYSTEM PLAN

8. Are the proposed forecast capital expenditures and in-service additions arising from the transmission system plan appropriate, and is the rationale for planning and

pricing choices (including consideration of customer preferences, planning criteria, system reliability, asset condition and benchmarking appropriate and adequately explained?

9. Are the methodologies used to allocate Common Corporate capital expenditures to the transmission business and to determine the transmission Overhead Capitalization Rate appropriate?

10. Does Hydro One's Transmission System Plan sufficiently address the unique rights and concerns of Indigenous customers and rights-holders?

E: OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

11. Are the proposed 2020 OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?

12. Are the methodologies used to allocate Common Corporate Costs and Other OM&A costs to the transmission business appropriate?

13. Are the amounts proposed to be included in the revenue requirement for income taxes appropriate?

14. Is Hydro One's proposed depreciation expense appropriate?

F: COMPENSATION COSTS

15. Are the compensation related costs appropriate?

G: RATE BASE & COST OF CAPITAL

16. Are the amounts proposed for rate base (including the working capital allowance amounts) reasonable?

17. Is the proposed cost of capital (interest on debt, return on equity) and capital structure reasonable?

H: LOAD & REVENUE FORECAST

- 18. Is the load forecast methodology (including consideration of CDM impacts) and the resulting load forecast appropriate?
- 19. Are Other Revenue (including export revenue) forecasts appropriate?

I: DEFERRAL/VARIANCE ACCOUNTS

- 20. Are the proposed amounts, disposition and continuance of Hydro One's existing deferral and variance accounts appropriate?
- 21. Are the proposed new deferral and variance accounts appropriate?

J: COST ALLOCATION

- 22. Is the transmission cost allocation proposed by Hydro One appropriate?

K: EXPORT TRANSMISSION SERVICE RATES

- 23. Is the Export Transmission Rate of \$1.85 and the resulting ETS revenues appropriate?