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July 19, 2019 **VIA E-MAIL**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

Re: EB-2019-0082 – Hydro One Network 2020 Transmission Revenue Requirement
Interrogatories to PEG -Incentive Regulation for Hydro One Transmission
From the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Ms. Linda Gibbons, Senior Regulatory Coordinator – Regulatory Affairs Hydro One Networks Inc.
regulatory@HydroOne.com

REQUESTOR NAME	**VECC**
TO:	**Exhibit M1 – Pacific Economics Group (PEG)**
DATE:	**September 9, 2019**
CASE NO:	**EB-2019-0082**
APPLICATION NAME	**Hydro One EB-2019-0082**

M1-VECC-1

Reference: ExM1/ pages 41-45

a) Please clarify – is PEG suggesting that Hydro One increase its proposed asymmetrical 98% CISVA band to an asymmetrical band of 95%?

M1-VECC-2

Reference: ExM1/page 45

At the reference below the author makes the following statement:

> Hydro One should, in our view, be permitted to keep a share of the value of any capex underspends. This would strengthen the Company's incentive to contain capex (but also its incentive to exaggerate its capex needs). We believe that the Company should be permitted to keep 5% of the value of capex underspends.

a) Since there is both an incentive to contain actually capital spending, but also an offsetting incentive to exaggerate capital budgets, what evidence do the authors have that there is a net benefit to the proposal? Specifically, what evidence do the authors have to refute the hypothesis that the net result of a scheme - in which ratepayers pay for 5% of non-built (fictitious) capital - is negative?

b) If it is true and there is an incentive to exaggerate capex needs can one then presume that the capital expenditure forecasts presented by the Hydro One in this application are inherently too high? If so (or if not) how would that be determined?

M1-VECC-3

Reference: ExM1/page 42

At the reference below the author make the following statement:

> The need for the OEB to sign off on multiyear total capex proposals greatly complicates Custom IR proceedings and is one of the reasons why the Board now requires and reviews transmission business plans - a major expansion of its workload and that of stakeholders. Despite the extra regulatory cost, OEB staff and stakeholders will inevitably struggle to effectively challenge the Company's capex proposal.

a) Is it PEG's understanding that the Board approves Hydro One's capital forecast for each of the IRM term years?

b) Presumably all investments are not equally productive (for example a larger more expensive car may serve the exact function as a smaller less expensive vehicle). The Applicant has presented a certain Transmission System Plan which includes specific projects. In the short term how might the Board best able to determine the extent (if any) of sub-optimal capital substitutions being made after the fact of the rate proceeding? Specifically is it the author's view that the Board should do a retrospective review of capital plans and judge prudence by the degree of adherence to the previously reviewed transmission rate capital plan?