

Table B1

Resultant C-Factor Under Different S-Factors

C Factor Component (%)	Variable	2021	2022	Average
Increase in Capital RR as a Percentage of Total RR in previous year	C_n	5.18	4.68	4.93
Capital Cost Share	S_{cap}	78.42%	79.16%	78.79%
I	I	1.40	1.40	1.40
S (HON-Tx Proposed)	S_1	0.00	0.00	0.00
S (HON Dx IRM)	S_2	0.15	0.15	0.15
S (ACM Equivalent)	S_3	0.31	0.31	0.31
C Factor: HON-Tx Proposed	$C_1 = C_n - S_{cap} * (I + S_1)$	4.09	3.59	3.84
C Factor: S=0.15	$C_2 = C_n - S_{cap} * (I + S_2)$	3.96	3.46	3.71
C Factor: ACM Equivalent	$C_3 = C_n - S_{cap} * (I + S_3)$	3.84	3.33	3.58

Note: Highlighted cells changed as a result of corrections.

Table B2
Calculating the ACM Markdown

Variable Name	Plant Additions Markdown	Base Year 2020	Year 1 2021	Year 2 2022
M	M Factor		10%	10%
CKD ₀	Base Year Depreciation (\$M)	474.60	--	--
VKA	Gross Plant Additions (\$M)		1,297.70	1,293.00
	Markdown = $M \cdot CKD_0 / VKA_t$		3.66%	3.67%

Table B3
Capital Cost Markdown

Variable Name	Capital Cost Markdown	Base Year 2020	Year 1 2021	Year 2 2022
CK	Capital Cost (\$M)	1,298.00	1,384.70	1,467.40
CK^{NEW}	Capital Cost of New Additions (\$M)	--	111.42	230.89
	Markdown (Depends on X and S)		$11.65 \cdot (X+S)$	$11.95 \cdot (X+S) - 5.62 \cdot (X+S)^2$

Note: Highlighted cells changed as a result of corrections.

Year 2

Year 1 term simplified	(X+S) term simplified	(X+S) ² term simplified
11.65	11.95	5.62

Table B4
Calculating the ACM-Equivalent S Factor for Capital Cost

Variable	Base Year	Year 1	Year 2
Name	2020	2021	2022
Step 1: Plant Additions Markdown			
M	M Factor	10%	10%
CKD ₀	Base Year Depreciation (\$M)	474.60	--
VKA	Gross Plant Additions (\$M)	1,297.70	1,293.00
[A]	Markdown = $M \cdot CKD_0 / VKA_t$	3.66%	3.67%
Step 2: Capital Cost Markdown			
CK	Capital Cost (\$M)	1,298.00	1,384.70
CK ^{NEW}	Capital Cost of New Additions (\$M)	--	111.42
[B]	Markdown (Depends on X and S)	$11.65 \cdot (X+S)$	$11.95 \cdot (X+S) - 5.62 \cdot (X+S)^2$
Step 3: Solve for S			
Set [A]=[B] and solve for S			
S-factor (assume X=0)		0.31%	0.31%

Note: Highlighted cells changed as a result of corrections.

Table HON-13

Summary of S Factor Calculations

S Factor Calculations					
X	ACM Markdown		year 1	year 2	2 year ave.
	Year 1	Year 2	S	S	
0.00%	0.0366	0.0367	0.31%	0.31%	0.0367 0.31%
0.05%	0.0366	0.0367	0.26%	0.26%	0.0367 0.26%
0.30%	0.0366	0.0367	0.01%	0.01%	0.0367 0.01%

Impact of X Factor and S Factor Changes on HON C Factor and RCI Growth

Variable	Index Year			Difference from HON Proposal
	2021	2022	Averages	
Cn	5.18	4.68	4.93	
Sck	78.42	79.16	78.79	
I	1.4	1.4	1.4	
X = 0 (PSE)	0	0	0	
X = 0.0005 (PEG)	0.0005	0.0005	0.0005	0.0005
X = 0.3	0.0030	0.0030	0.003	0.0030
S=0, X=0 (PSE)	0	0	0	
S (X=0)	0.0031	0.0031	0.0031	0.0031
S (X=0.0005) (PEG)	0.0026	0.0026	0.0026	0.0026
S (X=0.30)	0.0001	0.0001	0.0001	0.0001
C (X=0) PSE	4.09	3.58	3.83	
C (X=0)	3.84	3.33	3.59	-0.24
C (X=0.0005) (PEG)	3.88	3.37	3.63	-0.20
C (X=0.30)	4.08	3.57	3.82	-0.01
RCI (X=0) PSE	5.49	4.98	5.23	
RCI (X=0)	5.24	4.73	4.99	-0.24
RCI (X=0.0005) (PEG)	5.23	4.72	4.98	-0.25
RCI (X=0.30)	5.18	4.67	4.92	-0.31

*Values for the C Factor and RCI under Hydro One's proposal may differ from those in Exhibit A, Tab 4, Schedule 1, pages 7-8 due to rounding.

Capital-Related Revenue Requirement of HON Tx's Proposed Plant Additions

	Plan Year		
	2020	2021	2022
Rate Base ¹			
* Gross Plant Additions	518,550,000.00	1,297,700,000	1,293,000,000
* Accumulated Depreciation		29,300,000	59,600,000
New Additions Rate Base	518,550,000	1,138,100,000	2,373,850,000
Capital-Related Annual Revenue Requirement (New)			
Interest Expense [D]		30,410,032	63,429,272
Return on Equity [E]		40,880,552	85,268,692
Depreciation Expense [F]		29,300,000	59,600,000
PILs/Taxes [G]		10,833,346	22,596,203
Total [H = D + E + F + G]		111,423,930	230,894,167
Capital-Related Annual Revenue Requirement (Total Proposed) [I]	1,298,000,000	1,384,700,000	1,467,400,000

Comments

Source for gross plant additions for 2020-2022 is Exhibit C, Tab 2, Schedule 1, p.2. Source for 2020-2022 depreciation expenses is Exhibit I, Tab 1, Schedule 179. To follow the half year rule, we subtracted the 12.9 million value of 2020 depreciation expenses in 2020 from all 2020 depreciation expenses in 2021 and 2022.

Assumptions for the capital structure, rate of return on debt, and rate of return on equity were provided in Exhibit G, Tab 1, Schedule 3.

PEG assumed that the rate of return on debt and equity will not change between 2020 and 2022.

PILs/Taxes are assumed to be 11.5% for provincial income tax and 15% for Canadian income tax.

2020 values are included at 1/2 of their proposed amounts to reflect the half-year rule as it applies to Ontario regulation (e.g., the use of an average rate base assumes that all assets were placed in service in the middle of the year, which allows only half of the value of additions to be added to rate base).