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BY EMAIL

April 24, 2020

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

Dear Ms. Long:

**Re: EB-2019-0261 Hydro Ottawa Limited 2021-2025 Custom IR Rate Application
– Intention to File Expert Evidence**

In accordance with Procedural Order No. 1 and Decision on Confidentiality issued on March 31, 2020, please find below a summary of the expert evidence that OEB staff plans to file in the proceeding to consider the application referenced above.

OEB staff has retained Pacific Economics Group Research LLC (PEG) to provide one or more reports presenting PEG's review of the evidence prepared by Clearspring Energy Advisors LLC (Clearspring), for Hydro Ottawa Limited (Hydro Ottawa) with respect to Clearspring's evidence on total cost benchmarking and reliability benchmarking for Hydro Ottawa and a comparator sample of U.S. and Ontario electricity distributors. OEB staff notes that it is this evidence of Clearspring on which Hydro Ottawa is basing the proposed Operating, Maintenance & Administration stretch factor and some other aspects of the utility's proposed Custom IR plan for 2021-2025. PEG's analyses will include a detailed review of Clearspring's report and working papers,¹ and may include new analyses on Hydro Ottawa's cost performance.

PEG will review Hydro Ottawa's proposed Custom IR plan design and parameters, including comparisons with other incentive rate-setting plan designs approved in Ontario

¹ The working papers consist of data base files, spreadsheets, program code and other documentation with the data and summary analyses that would allow for replication of Clearspring's analyses. Consistent with past practice, the Ontario Energy Board has granted confidentiality to Clearspring's working papers in Procedural Order No. 1 and Decision on Confidentiality.

and in some other North American jurisdictions. PEG will also review certain other cost benchmarking evidence that Hydro Ottawa has done and filed in its application.

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 are Dr. Lowry's evidence and testimony on similar total factor productivity and cost benchmarking analyses 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
- EB-2019-0082: Hydro One Networks Inc.'s 2020-2022 Custom IR plan for electricity transmission revenue requirement.

The estimated budget for PEG's work in preparing its evidence in this proceeding is approximately \$237,000, including costs for matters such as interrogatory responses and hearing attendance.

Any questions relating to this letter should be directed to the author at keith.ritchie@oeb.ca or at 416-440-8124. The Ontario Energy Board's toll-free number is 1-888-632-6273.

Yours truly,

[Original signed by]

Keith C. Ritchie
Project Advisor – Electricity Distribution Major Rate Applications & Consolidations

cc: All registered parties to EB-2019-0261