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July 27, 2021

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Long,

**RE: EB-2021-0169 – Hydro One Networks Inc. Request for an Accounting Order for a
Regulatory Account for Affiliate Transmission Projects
Interrogatories of Energy Probe**

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2021-0169 proceeding, the application by Hydro One Networks Inc. to the Ontario Energy Board for the approval of its request for an accounting order for affiliate transmission projects.

Yours truly,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.
Consultant representing Energy Probe

cc. Tracy Garner (OEB Staff)
Roger Higgin (Sustainable Planning Associates Inc.)
Joanne Richardson (Hydro One)

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**IN THE MATTER OF the Ontario Energy Board Act,
under section 78 of the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15 (Schedule B).**

**AND IN THE MATTER OF an Application by Hydro One
Networks Inc. for an accounting order to establish a deferral
account for the purpose of recording and tracking
development and capital costs relating to large transmission
projects expected to be in-service in an Affiliate company.**

**Hydro One Networks Inc.
Accounting Order to Establish a Regulatory Account
For Affiliate Transmission Projects**

Energy Probe Interrogatories

July 27, 2021

EB-2021-0169

**Hydro One Networks Inc. Application for an accounting order to establish a new
regulatory account effective May 28, 2021**

Energy Probe Interrogatories

July 27, 2021

1-EP-1

Reference: Page 1

- a) Please confirm that Hydro One is requesting that the account be effective May 28, 2021
- b) Assuming that the OEB approves the application for the ATP account, please explain how Hydro One is accounting for the costs incurred
 - i. prior to May 28, 2021, and
 - ii. between May 28, 2021, and the date of OEB approval.

1-EP-2

Reference: Page 1

To date, Has Hydro One received a project direction from the IESO, or an Order in Council or direction of the Ministry in respect of Hydro One or its OEB Transmission Licence for the development or construction of any of the transmission projects that are mentioned in this application?

2-EP-3

Reference: Page 3

- a) Please confirm that Hydro One is seeking approval for ATP as a regulatory account and not a tracking account.
- b) Please confirm that a regulatory account has a high probability of recovery and that therefore the balance in a regulatory account is shown as an asset on the balance sheet of Hydro One whereas a tracking account does not have a high probability of recovery and the balance in a tracking account is not shown as an asset on the balance sheet.

2-EP-4

Reference: Page 4

- a) What are the current interest rates on Hydro One's CWIP and DVA accounts?
- b) Will the balance in the ATP account and the accrued interest be transferred to the New Partnership by way of sale?

2-EP-5

Reference: Page 5

Preamble: "Hydro One has not, and does not, intend to include the costs captured in the ATP Account in any OEB-approved revenue requirement for Hydro One".

Please confirm that Hydro One will not seek recovery from ratepayers of any costs that are recorded in the ATP account, even if some of the affiliate transmission projects are cancelled.

2-EP-6

Reference: Page 9

Preamble: "Development work commenced on this project in 2019, after receipt a letter⁹ from the IESO requesting Hydro One to initiate the Chatham to Lakeshore Project including the development and regulatory approvals (Environmental Assessment and Leave to Construction) and subsequent construction of the Chatham to Lakeshore Project. As a result, the Project met Hydro One's criteria for capitalization in 2019."

- a) When in 2019 did the development work commence?
- b) Please describe the development work that was performed in 2019.
- c) Were any amounts capitalized in 2019 or were they recorded in a Hydro One CWIP account?
- d) Did the development work continue in 2020 or did it end in 2019?
- e) If the work continued in 2020, did it meet Hydro One's criteria for capitalization in 2020?
- f) Were Hydro One's criteria for capitalization in 2020 different than in 2019? If the answer is yes please describe the differences.
- g) Please file Hydro One's criteria for capitalization.

2-EP-7

Reference: Page 9

Preamble: “If the ATP regulatory account is approved, Hydro One would track any previously capitalized costs and track any future capital expenditures to the ATP tracking account. These project costs will eventually form part of the New Partnership’s rate base. The costs for this Project that are recorded in Hydro One’s CWIP, will then no longer be part of the Hydro One Transmission regulated entity and therefore will not form part of Hydro One’s future rate application.”

- a) Please confirm that prior to the approval of the ATP account any previously incurred costs are and will be recorded in a CWIP account.
- b) Please confirm that no costs related to this project are currently in any transmission plant in service accounts of Hydro One.
- c) Please confirm that if the OEB approves the ATP account, Hydro One will transfer the balance in the CWIP account, including carrying costs, to the ATP account.

2-EP-8

Reference: Page 10

Preamble: On December 21, 2018, Hydro One wrote to the OEB requesting that the North West Bulk Transmission Line Deferral Account be changed to a tracking account (effective January 1, 2019), as the IESO had confirmed the need for additional electricity capacity in the area will arise in the mid- 2030s, such that costs met Hydro One’s accounting policy for capitalization.”

- a) Please explain the difference between a deferral account, a tracking account and a CWIP account.
- b) Was \$0.8 million the entire balance in the tracking account when it was disposed in 2018?
- c) Why was the balance disposed instead of transferred to a CWIP account?
- d) What is the current balance in the Waasigan Transmission Line Tracking Deferral Account (WTTDA)?

2-EP-9

Reference: Pages 11-12 Lambton-Chatham Transmission Line

Preamble: “If the ATP regulatory account is approved, Hydro One would track all capital expenditures to the ATP tracking account. These project costs will eventually form part of the New Partnership’s rate base. The costs for this Project that are recorded in Hydro One’s CWIP, will then no longer be part of the Hydro One Transmission regulated entity

and therefore will not form part of Hydro One's future rate application. Station related project work associated with this project will be included in Hydro One's rate base."

- a) Please confirm that this evidence relates to Construction Costs sub-account for the Lambton-Chatham Transmission Line. Please indicate in detail what costs are to be capitalized.
- b) Please confirm that Development and Engineering costs will be also be incurred and recorded in the Project Development and Planning Sub Account. List these costs by category and which will be capitalized and which expensed.

4-EP-10

Reference: Pages 3-4; Appendix 1

- a) For each of the three current Transmission Projects please provide an illustrative example breakdown of costs to date using the cost categories Hydro One will record in the two Deferral Accounts:

ATP Sub-account PDPEW (Deferral Account)

Project	ATP Project Development PE & Planning		
	Direct Costs	Indirect costs	Account Balance
Waasigan Transmission Line			
Chatham to Lakeshore Transmission Line			
Lambton to Chatham Transmission Line			

ATP Account Construction Cost (Tracking Account)

Project	ATP Project Construction Costs		
	Direct Costs	Indirect costs	Account Balance
Waasigan Transmission Line			
Chatham to Lakeshore Transmission Line			
Lambton to Chatham Transmission Line			

- b) Please discuss the categories of costs and the basis used to record and allocate both Hydro One Direct and Indirect costs and third party costs in each sub-account. Please relate these to the Accounting Order in Appendix 1.

4-EP-11

Reference: Page 4

Preamble: “This sub-account will record costs related to project preparation work conducted by Hydro One prior to the point from where costs qualify to be recorded in construction-work-in progress (CWIP), including items such as: preliminary design/engineering and planning, cost estimation, public engagement/consultation, routing and siting, real estate assessment costs, and environmental assessment.”

- a) Has Hydro One hired or plans to hire incremental staff to work on these projects?
- b) In general, how are project costs treated prior to the point where they qualify to be recorded in a CWIP account?
- c) How do project costs qualify to be recorded in a CWIP account?

4-EP-12

Reference: Page 7

Preamble:” The final determination of prudence will be made at the time Hydro One or the New Partnership applies for disposition of all or part of the ATP Account.”

- a) Please confirm that the correct term is “prudence” not “prudency”.
- b) Please explain how BPI will adhere to the OEB’s Affiliate Relationships Code in its leasing of office space to affiliates.

5-EP-13

Reference: Page 6

Preamble: “Hydro One would ensure that records are maintained to provide a line of sight to expenditures for each unique project. This will include ring-fencing each project’s recorded or tracked costs in both the development and subsequent construction phases.

Please describe what is meant by “ring-fencing”.

Submitted on behalf of Energy Probe by its consultants,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

Roger Higgin
Sustainable Planning Associates Inc.