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BY EMAIL

July 27, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Interrogatories
Hydro One Networks Inc. (Hydro One)
Application for an Accounting Order to Establish a Regulatory Account for
Affiliate Transmission Projects
OEB File Number: EB-2021-0169**

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

OEB staff notes that Hydro One is responsible for ensuring that all documents that it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Tracy Garner

Tracy Garner
Project Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2021-0169

HYDRO ONE NETWORKS INC.
**APPLICATION FOR AN ACCOUNTING ORDER TO ESTABLISH A REGULATORY
ACCOUNT FOR AFFILIATE TRANSMISSION PROJECTS**

EB-2021-0169

OEB STAFF INTERROGATORIES

July 27, 2021

Staff-1

Preamble:

Page 2 of the amended evidence states that:

Transmission projects that are subject to a Ministerial direction or an IESO letter can be large transmission projects that have higher levels of risk and uncertainty due to their size, impact on landowners, environmental impacts and lengthy timelines in both the development and construction phase.

Page 3 of the amended evidence states that:

To mitigate these uncertainties and provide transparency, Hydro One requests approval of the ATP Account (i) to capture the development costs incurred prior to the point where capitalization is appropriate, and (ii) to track the project's expenditures once Hydro One's capitalization criteria has been met.

Question(s):

- a) How has Hydro One been tracking costs to date for the three projects currently under development? If the ATP Account were not established, how would costs be tracked for future projects?
- b) What are the benefits of establishing and using the ATP Account compared to the approaches described in response to part (a)?
- c) How would using the ATP Account mitigate the uncertainties described on page 2 of the evidence?

Staff-2

References:

- (1) OEB Filing Requirements for Electricity Transmission Applications, Chapter 2, p. 35
- (2) Amended Evidence p.3 of 19

Preamble:

Reference 1 sets out the eligibility criteria for establishing a new deferral or variance account, including causation, materiality, and prudence.

At Reference 2, Hydro One states that:

The ATP Account would have two sub-accounts, the (i) *ATP – Project Development, Preliminary Engineering and Planning Work* **deferral account**, and the (ii) *ATP – Project Construction Costs* **tracking account**. Each of these sub-accounts, as described below, will record costs by individual project. *(Emphasis added)*.

In other instances, the evidence refers to the ATP Account as a “regulatory account”.

Question(s):

- a) In Hydro One's view, what is the difference between a deferral account and a tracking account?
- b) In Hydro One's view, is there a difference in the manner and timing of disposition between the deferral sub-account and the tracking sub-account?
- c) Is it possible that pre-construction costs, such as development costs, will be recorded in the ATP-Project Construction Costs tracking account?

Staff-3

Ref: Application, page 1 of 19

Preamble:

Hydro One indicated that the new ATP Account would apply to future projects that meet the criteria¹, as well as three projects currently under development. The projects are:

- a) Waasigan Transmission Line
- b) Chatham to Lakeshore Transmission Line; and
- c) Lambton to Chatham Transmission Line

Question(s):

- a) Please indicate whether the three projects referenced above meet the criteria to be included in the ATP Account.
- b) Please confirm the stage that each one of the projects is at (for example, development, construction, in service).
- c) For the three projects referenced above, please explain whether Hydro One has estimates of the costs that may potentially be recorded in the applied-for deferral account. If so, please provide them.

¹ The ATP Account will apply where:

- (i) Hydro One has or will receive a project direction from the Independent Electricity System Operator ("IESO"), or an Order in Council or direction of the Minister of Energy, Northern Development and Mines (the "Ministry") in respect of Hydro One or its OEB Transmission Licence for the development or construction of a transmission project; and
- (ii) all or part of the project is expected to be owned by and included in the rate base of a New Partnership, as a licenced transmitter, and will not form part of Hydro One's rate base.

Staff-4**Preamble:**

Footnote 15 on page 12 of the amended evidence states that "...Hydro One expects that the line portions of new projects will form part of a new Partnership, however, the Station work, may remain 100% with Hydro One".

Question(s):

- a) How will expenditures that encompass work related to both the transmission line and station work associated with the project be apportioned between the line and the station?

Staff-5

Ref: Application, page 3 of 19

Preamble:

At the above reference, Hydro One indicated:

“To mitigate these uncertainties and to provide transparency, Hydro One requests approval of the ATP Account (i) to capture the development costs incurred prior to the point where capitalization is appropriate, and (ii) to track the project’s expenditures once Hydro One’s capitalization criteria has been met.

Question(s):

- a) Based on the statement above, it appears that the project costs will include direct and indirect costs. If this statement is correct, please indicate whether the development and construction activities related to the project will be carried out by personnel dedicated 100% to the project.
- b) If the answer to a) is no, please explain what methodology will be used to ensure costs will be accurately captured/split between Hydro One’s project-related and non-project-related activities.

Staff-6

Preamble:

Pages 12 to 13 of the amended evidence states that:

Hydro One proposes to file the following information, where appropriate, prior to recording any amounts in the sub-accounts:

- Project description and expected in-service date;
- Direction provided to Hydro One to commence development activities and confirmation that the project is in accordance with the direction set forth by the Minister of Energy, Northern Development and Mines; and/or,
- A letter received by Hydro One from the IESO,;
- Confirmation that project costs will not be included in any revenue requirement applications;
- Confirmation that project costs are expected to meet Hydro One's materiality threshold of \$3 million.

Question(s):

- a) Will Hydro One inform the OEB at the point when a project that has expenses being recorded in the ATP Account ceases recording costs in the deferral sub-account and begins tracking costs in the tracking sub-account?

Staff-7

Preamble:

Page 7 of the amended evidence states that:

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. In the case of development costs incurred prior to the point of capitalization and recorded in the sub account, recovery would be sought in the future by Hydro One or the New Partnership (if the sub-account is transferred to the New Partnership) at a future date. For costs incurred that meet the capitalization criteria, they will be tracked until the assets are in-service and subsequently included in the New Partnership's rate base for recovery in that entity's separate revenue requirement application. In both instances, the Board and other stakeholders will have the opportunity to review the prudence of those costs at that time.

Question(s):

- a) Please confirm that the development costs incurred prior to the point of capitalization are those that will be recorded in the deferral sub-account.
- b) Please confirm that the development costs incurred that meet the capitalization criteria are those that will be recorded in the tracking sub-account.
- c) Will disposition of the deferral sub-account balance be sought before the assets go into service? If so, please describe the timing.
- d) Please explain the manner and timing of disposition of the costs recorded in the ATP Account for a specific project if the project does not proceed to completion.
- e) Will the approach to the disposition of the ATP Account balance differ between projects that were initiated by an Order in Council or direction of the Minister of Energy and projects that were initiated by a letter from the IESO?