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Joanne Richardson

Director – Major Projects and Partnerships
Regulatory Affairs

BY EMAIL AND RESS

August 11, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

EB-2021-0169 – Hydro One Networks Inc. Request for an Accounting Order to Establish a Regulatory Account for Affiliate Transmission Projects – Interrogatory Responses

Please find attached Hydro One Networks Inc.'s ("Hydro One") responses in regard to Hydro One's Application under section 78.1 of the Ontario Energy Board Act, 1998, for an Accounting Order, or Orders, authorizing Hydro One to establish a new regulatory account, the Affiliate Transmission Projects Account ("ATP Account"), effective May 28, 2021.

An electronic copy of the Interrogatory Responses has been filed through the OEB's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joanne Richardson", written in a cursive style.

Joanne Richardson

OEB INTERROGATORY #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.

Interrogatory:

- 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?

Response:

- a) Hydro One is currently tracking costs for the Waasigan Transmission Line, Chatham to Lakeshore Transmission Line and the Lambton to Chatham project. The costs are captured in each Project's respective project code. That methodology is described in Exhibit I, Tab 1, Schedule 5. A report can be run to detail the costs in each project code. If the ATP Account were not established, Hydro One would continue to track costs in this manner. Please see Exhibit I, Tab 3, Schedule 1 for further information

1 regarding the tracking of costs for the Waasigan Transmission Line, which was
2 previously approved by the OEB.

- 3
- 4 b) The benefits of ATP Account arise from two key aspects. First, the Projects in
5 question are required to be undertaken and will ultimately be part of a rate base of a
6 licensed transmitter other than Hydro One Transmission. If the ATP was not
7 approved, there would not be transparency as to costs that ultimately will not form
8 part of Hydro One Transmission's revenue requirement. The approval of the ATP
9 Account ensures that costs are properly tracked and understood at the time the project
10 is transferred to the new partnership and also at the time when rate recovery or the
11 account's disposition is considered by the OEB. It does not contribute to regulatory
12 efficiency to include in Hydro One Transmission's revenue requirement application
13 development and capital expenditures that are unrelated to a future rate request that
14 Hydro One will make. The ATP Account will allow for recording/tracking of actual
15 costs that will be recovered from ratepayers at a future hearing (either by the New
16 Partnership or Hydro One) either through disposition of the deferral account balance,
17 or recovery of the tracked capital costs in rate base.

18

19 Second, the projects are large, complex and non-discretionary, requiring significant
20 lead time resulting in the potential for material risks. Projects of these sizes are
21 usually high cost, whose costs to develop, construct and engage with impacted parties
22 change over time. As the planning process evolves more information is gathered and
23 as a result more accurate cost information will be available. The ATP account allows
24 Hydro One to proceed with the projects in a cost efficient manner without impacting
25 other projects. See part c) below for further information.

- 26
- 27 c) On page 2 of the Application, Hydro One mentioned that "large transmission projects
28 have higher levels of risk and uncertainty due to their size, impact on landowners,
29 environmental impacts and lengthy timelines in both the development and
30 construction phase. These risks impact project schedule, costs, and in some cases the
31 need for the project". Also mentioned in the Application is that in order to meet the
32 required in-service dates expected by the Ministry and/or the IESO, development
33 activities must commence many years in advance of when the project starts
34 construction.

35

36 The ATP Account allows Hydro One to manage both its responsibilities as they relate
37 to system planning and to recognize the importance of engaging with Indigenous

1 communities by offering to partner with them in the large Greenfield projects
2 contemplated in this account.

3
4 Hydro One believes that the type of projects proposed to be included in the ATP
5 account are non-discretionary in nature. These projects have been identified by either
6 the Ministry of Energy, Northern Development and Mines or the IESO as being
7 needed to ensure that Ontario's transmission grid has the capacity to safely and
8 reliability provide electricity services to Ontarians. Large Greenfield projects will
9 incur costs over an extended period of time and at the same time can be exposed to
10 changes that impact their schedule, costs and need (e.g. route changes may result
11 from the environmental assessment, changing government priorities). Approval of
12 the ATP Account also gives Hydro One the ability to commence project activities in a
13 timely manner, as per a request from the IESO and/or the Minister, such that the
14 assets can be ready to be in-serviced in the timelines identified to ensure the needs of
15 the transmission system are met. Without the ATP Account, Hydro One would either
16 need to defer commencement of the projects until they receive capital expenditure
17 approval that includes these projects (potentially impacting the requested in-service
18 date), or re-prioritize projects included in an approved revenue requirement
19 application, potentially impacting safety, reliability and quality of electricity services
20 to ratepayers. The ATP account will enable Hydro One and the New Partnership to
21 manage these projects without impacting its capital portfolio and will provide
22 transparency of the rate base costs that are expected to be held by a new partnership.

23
24 Hydro One is committed to working with Indigenous Peoples in the spirit of
25 cooperation and shared responsibility. Hydro One has existing Indigenous
26 partnerships for the Niagara Reinforcement Project (NRLP) and the Bruce to Milton
27 Transmission Project (B2MLP). The ATP account is recognizing that the new, large
28 Greenfield projects contemplated to be tracked and/or recorded in it, are expected to
29 be owned by a new partnership which will in part be owned by Indigenous Peoples.

OEB INTERROGATORY #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”.

Interrogatory:

- 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?

Response:

a) A deferral account captures deferred costs. The amounts can be requested for recovery in a future proceeding (typically in a rate application) and are subsequently reviewed and approved for disposition by the OEB.

A tracking account tracks costs and is meant to provide visibility to the OEB. Tracking accounts are not requested for recovery. In the event that a particular transmission project that has received approval to be recorded in the ATP Account is ultimately not placed in-service, Hydro One would remove that project's construction costs from CWIP and transfer the balance to the ATP deferral account. That balance would then be requested for recovery in a future proceeding. These entries are outlined in Appendix I, page 17-18 of the Application.

b) Refer to response (a).

c) Pre-construction costs prior to capitalization would be recorded in the ATP Account – Development, Preliminary Engineering, and Planning Costs Deferral Account, as shown in Appendix I, part 1) only once a project meets Hydro One's capitalization criteria would costs be recorded in the tracking account. This could include development costs.

OEB INTERROGATORY #3

References:

Application, page 1 of 19

Preamble:

Hydro One indicated that the new ATP Account would apply to future projects that meet the criteria, 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

Interrogatory:

- 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.

Response:

- a) Confirmed.

The criteria Hydro One proposes be used for a project to be included in the ATP Account is consistent with Section 1.0, page 1, of Hydro One's Application¹ ("Application").

As outlined in Section 5.0 of the Application, Hydro One has received an Order in Council from the Ministry, filed as Attachment A to the Application to initiate development work for the Waasigan Transmission Line Project. Additionally, Hydro

¹ EB-2021-0169

- 1 One has received both a letter from the IESO (Attachment B to the Application) and an
2 Order in Council (Attachment C to the Application) for the Chatham to Lakeshore
3 Transmission Line Project, and a letter from the IESO (Attachment D to the
4 Application) for the Chatham to Lambton Transmission Line Project. All three of these
5 projects are expected to be owned by a new, yet to be established, Partnership and are
6 not expected to be included in the rate base of Hydro One Transmission.
7
8 b) All three projects are in the development phase.
9
10 c) The three projects referenced in part a) above are in the development phase and
11 accordingly the cost estimation process is one of the tasks included in this phase. Once
12 prepared, a project's cost estimate would be included in a future Hydro One s.92
13 application to the Board for that project.

OEB INTERROGATORY #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".

Interrogatory:

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?

Response:

a) Where applicable, each project will track costs separately for the a) transmission line work, and b) associated station work. Hydro One does not expect costs that encompass work related to both the transmission line and station work will be material, however, where those costs do exist Hydro One contemplates these will be allocated using a pro-rata methodology, using actual lines and stations costs for the project as the ratio.

OEB INTERROGATORY #5

Reference:

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.

Interrogatory:

- 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.

Response:

- a) The project costs will include direct costs that are recorded in Hydro One’s financial system to each specific project’s respective project code. For example, direct labour costs are recorded through timesheets being coded in the financial system directly to the specific project code. This may include employees that work on various projects, however through timesheets, costs are appropriately applied to the corresponding project. Indirect costs (corporate overheads) are applied by using Hydro One’s overhead capitalization methodology that was most recently accepted by the OEB in the application for Transmission revenue requirement for the period 2020 through 2022 (EB-2019-0082). To ensure that capital work reflects all of the costs incurred to enable assets to be placed into service and to operate for their intended use, Hydro One (a) capitalizes costs that are directly attributable to capital work, such as the purchase price for materials and equipment, and costs directly incurred to bring

1 materials and equipment to work sites and to install and otherwise make them ready
2 for service, and (b) capitalizes common corporate costs, or overheads, that relate to its
3 capital work. The treatment of the project costs for the projects expected to use the
4 ATP Account, is consistent with the treatment for all Hydro One regulated projects
5 which ensures the appropriate costs are allocated to the specific projects and that no
6 cross subsidization occurs between Hydro One business segments, regulated or
7 otherwise.

8

9 b) N/A.

OEB INTERROGATORY #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.

Interrogatory:

- 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?

Response:

- a) Yes, Hydro One intends to file a letter to inform the OEB regarding the change in a Project's status.

OEB INTERROGATORY #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.

Interrogatory:

- 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?

Response:

a) Confirmed.

b) Confirmed.

c) Disposition of the deferral sub-account can be sought before the assets go into service. Depending on the account balance, Hydro One may request disposition of the balance at the next rate application or after it has confirmed that all the pre-capitalization costs have been captured in the deferral account.

d) Refer to response (a) in Exhibit I, Tab1, Schedule 2.

e) No.

PWU INTERROGATORY #1

Reference:

a) Exhibit EB-2021-0169, ATP Account, Page 2 of 19, Footnote 4

Most new transmission projects include both transmission lines as well as supporting upgrades and modifications to existing assets, such as stations, to enable the new line to energize. The ATP Account will only be used to record assets that are expected to form part of the rate base of the New Partnership.

Interrogatory:

a) Please confirm if the above statement means that there are likely to be cases where one or more of the assets of such transmission projects will be apportioned between those recorded in the rate base of Hydro One and those recorded in the rate base of the New Partnership.

Response:

a) Confirmed.

PWU INTERROGATORY #2

Reference:

- a) Exhibit EB-2021-0169, ATP Account, Page 8-12

In this reference, Hydro One discusses the three projects (Chatham to Lakeshore Transmission Line Project, Waasigan Transmission Line, and Lambton x Chatham Transmission Line) and states that project costs including tracked capital expenditures will for the rate base of the New Partnership but that project costs related to Station work will be included in Hydro One's rate base.

- b) Exhibit EB-2021-0169, ATP Account, Page 12 of 19, Footnote 15

As noted previously, 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

Interrogatory:

- a) Please explain the reason why Station related project work associated with these projects will be included in Hydro One's rate base and not in the New Partnership's rate base.
- b) Will there be circumstances wherein all of Station related project work will be included in the rate base of a New Partnership? If yes, please describe
- c) Will there be circumstances wherein Station related project work is apportioned between Hydro and a New Partnership's rate bases? If yes, please describe
- d) Please explain the reason why the line portions of new projects will form part of a new Partnership?

Response:

- a) Station assets are expected to be owned by Hydro One. Hence these assets would be included within the Hydro One rate base and not in a New Partnership's rate base.
- b) This is not presently envisaged to occur.

- 1 c) Hydro One does not expect this to occur.
- 2
- 3 d) Aligned with Hydro One's corporate strategy of being a Trusted Partner and our
- 4 Indigenous Relations policy (see Attachment 1), large Greenfield transmission lines
- 5 that tend to traverse larger portions of traditional lands provide an excellent investment
- 6 opportunity for Indigenous communities to partner with Hydro One and are a
- 7 meaningful way to provide lasting economic benefits.

HYDRO ONE INDIGENOUS RELATIONS POLICY¹

AT HYDRO ONE, WE WILL WORK PROACTIVELY TO BUILD RELATIONSHIPS WITH INDIGENOUS PEOPLES BASED ON UNDERSTANDING, RESPECT AND MUTUAL TRUST. WE WILL RESPECT THE RIGHTS OF INDIGENOUS PEOPLES INCLUDING THE ABORIGINAL AND TREATY RIGHTS OF ABORIGINAL PEOPLES AS RECOGNIZED AND AFFIRMED IN SECTION 35 OF THE *CONSTITUTION ACT, 1982*.

¹ Indigenous includes the First Nation, Inuit and Métis peoples

OUR COMMITMENT:

Hydro One is committed to working with Indigenous Peoples in a spirit of cooperation and shared responsibility. We acknowledge that Indigenous Peoples have unique historic and cultural relationships with their land and a unique knowledge of the natural environment. Forging meaningful relationships with Indigenous Peoples based upon trust, confidence, and accountability is vital to achieving our corporate objectives. Hydro One recognizes distinctions between and among First Nations, Inuit, and the Métis Nation. These commitments and relationships are a priority for Hydro One and as such, we will:

- Adapt our business practices to respond to the legal rights of Indigenous communities and individuals.
- Develop and maintain relationships across all Hydro One lines of business with Indigenous Peoples that demonstrate understanding, respect and are based upon mutual trust.
- Increase procurement opportunities for Indigenous businesses to support their aspirations for self-sustainability and track progress of such growth.
- Increase Indigenous representation in all levels in our workforce and track progress of such growth.
- Increase Indigenous community investments through our sponsorship and grant programs to assist communities in advancing positive and lasting socio-economic outcomes.
- Undertake procedural aspects of consultation, as required by law or guided by leading industry practices, in the early stages of, and throughout, projects that may have an impact on Indigenous rights.
- Seek good faith resolution of transmission and distribution line issues on First Nation reserve lands in a fair manner.
- Ensure our employees have the skills, training and resources necessary to perform their duties with respect to developing and advancing relationships with Indigenous Peoples that demonstrate mutual respect and understanding of the unique rights of Indigenous Peoples.

Mark Poweska
President and CEO
Hydro One Ltd.

November 8, 2019



hydroOne

ENERGY PROBE INTERROGATORY #1

Reference:

Page 1

Interrogatory:

- 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.

Response:

- a) Confirmed.

Chatham to Lakeshore Transmission Line Project:

If the ATP Account is approved, Hydro One would track any previously capitalized costs and track any future capital expenditures to the ATP tracking sub-account.¹

Waasigan Transmission Line:

If the ATP Account is approved, Hydro One requests that the Waasigan Transmission Line Tracking Deferral Account (WTTDA), previously approved by the OEB in EB-2019-0151, be closed. Any previous balances tracked in the WTTDA would then be transferred to the tracking sub-account of the proposed ATP Account, and likewise, any future capital expenditures will be tracked in the same sub-account.²

Lambton x Chatham Transmission Line:

If the ATP Account is approved, Hydro One would track all capital expenditures to the tracking sub-account of the ATP Account

¹ EB-2021-0169 Application, page 9 of 19.

² EB-2021-0169 Application, page 10 of 19.

1 b)

- 2 i. Please refer to response above and response in Exhibit I, Tab 1, Schedule 1.
3 Costs incurred prior to May 28, 2021 for the Waasigan Transmission Line are
4 captured in the OEB-approved Waasigan Transmission Tracking Deferral
5 Account. Costs incurred prior to May 28, 2021 for the Chatham to Lakeshore
6 and the Lambton to Chatham project are currently in Hydro One's CWIP
7 account.
8
- 9 ii. On July 12, 2021, the OEB ordered that the ATP Account can be established on
10 an interim basis until the final determination of this Application, therefore costs
11 incurred after May 28, 2021 will be transferred to ATP Account and either
12 recorded (via the deferral sub-account) or tracked (in tracking sub-account).

ENERGY PROBE INTERROGATORY #2

Reference:

Page 1

Interrogatory:

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?

Response:

In terms any Ministerial Direction or IESO letter, please refer to Attachments 1 through 4 of Hydro One's prefiled evidence (EB-2021-0169) in respect of the three transmission projects mentioned in the Application.

Additionally the directions provided by the Minister to the OEB regarding the *Northwest Bulk Transmission Line Project* (renamed and now known as the *Waasagin Project*) and the *Chatham to Lakeshore Line Project*, were implemented by the OEB Amending Hydro One's transmission license [ET-2003-0035] (see Sections 19.6 and 19.7 respectively¹).

¹ <https://www.rds.oeb.ca/CMWebDrawer/Record/698225/File/document>

ENERGY PROBE INTERROGATORY #3

Reference:

Page 3

Interrogatory:

- 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.

Response:

- a) The Proposed ATP Account has two sub-accounts, the first can be classified as a Deferral Account, for recording project related costs incurred prior to the point where any expenditures meet the capitalization criteria.

The second sub-account sought for approval is a cost tracking sub-account, which will have a nil balance on Hydro One's balance sheet. This sub-account will track all project costs that meet Hydro One's capitalization criteria, and would therefore be recorded in Hydro One's Construction Work-In-Progress balance sheet account. The future expectation of the costs tracked in the capital tracking sub-account is that at the point of project completion the assets tracked in that account will be transferred via sale to a New Partnership and form part its rate base.

- b) Please refer to Exhibit I, Tab I, Schedule 2. Hydro One does not confirm there is a higher probability of recovery for a balance in a regulatory account versus a tracking account. The OEB has established rules and filing requirements for the use and disposition of regulatory accounts. Hydro One or the New Partnership will need to be able to defend the prudence of any balances in these accounts that will eventually be recovered by ratepayers. Please see Exhibit I, Tab 1, Schedule 2 for further information.

ENERGY PROBE INTERROGATORY #4

Reference:

Page 4

Interrogatory:

- 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?

Response:

a) CWIP accounts – Consistent with the OEB's Decision in EB-2008-0408, effective January 1, 2012, Hydro One does not have a specified allowance for funds used during construction (AFUDC) rate. The current interest rate for capitalization is based on Hydro One's embedded cost of debt used to finance capital expenditures for its Transmission business.

DVA accounts – The interest rates used by Hydro One for interest improvement of its deferral and variance account balances, are those issued on a quarterly basis by the OEB, as provided to all utilities and posted on the Board's website¹.

- b) The only balance in the ATP Account will be for the project development costs, and the associated deferral account interest improvement that will have been incurred prior to an individual project meeting Hydro One's capitalization criteria. This balance will be recovered by Hydro One.

The tracking of the capitalized amounts (including carrying costs) in the ATP tracking sub-account (which will have a net balance of \$0 as per the accounting entries provided in Appendix 1 of the Application) that will be recorded in Hydro One's CWIP (however, not included in Hydro One's transmission regulated business), is the amount that will eventually be sold to the New Partnership and

¹ <https://www.oeb.ca/industry/rules-codes-and-requirements/prescribed-interest-rates>

Filed: 2021-08-11

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Exhibit I

Tab 3

Schedule 4

Page 2 of 2

- 1 included in its rate base. Hydro One will apply to the OEB under section 86 of the
- 2 OEB Act for approval of this transaction.

ENERGY PROBE INTERROGATORY #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”.

Interrogatory:

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.

Response:

Hydro One would seek recovery in the ATP Account as follows:

- a) For costs incurred prior to a project meeting Hydro One’s capitalization criteria. These costs are expected to be recovered by Hydro One.
- b) In the event a project is cancelled, due to factors beyond Hydro One’s control, Hydro One would seek recovery of the balance in the ATP Account (after transferring the CWIP amount to the Deferral Account) at a future OEB hearing. If approved, the disposition would follow the same process and protocols of other regulatory accounts.

The above categorized costs would most likely be recovered through a regulatory account mechanism, in the same manner as other Hydro One deferral and variance accounts have been in the past, i.e. the total regulatory account balance approved by the OEB would be added to the revenue requirement Hydro One is approved to recover, and then included in the rates calculation for recovery from ratepayers.

ENERGY PROBE INTERROGATORY #6

Reference:

Page 9

Preamble:

“Development work commenced on this project in 2019, after receipt a letter 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.”

Interrogatory:

- 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.

Response:

- a) Development works for the Chatham x Lakeshore Project commenced shortly after receipt of the IESO’s letter in June 2019.
- b) Preliminary engineering / design and planning work were done in 2019.

- 1 c) The receipt of the IESO's letter confirming the need for the project and that a
2 transmission solution was required to meet that need, meant that any costs incurred
3 after that date met Hydro One's capitalization policy. Therefore, any project costs
4 incurred in 2019 were recorded in Hydro One's CWIP Account to be capitalized once
5 the project is placed in-service.
6
- 7 d) The development works continued in 2020.
8
- 9 e) Yes, see part c) above.
10
- 11 f) No.
12
- 13 g) Hydro One's capitalization policy allows for project expenditures to be capitalized
14 when all of the below criteria have been met:
- 15 • there is evidence of a commitment to proceed with the project;
 - 16 • the project meets, or is reasonably expected to meet, significant legal, regulatory
17 and operational requirements; and
 - 18 • there are adequate technical, financial and other resources available, or can be
19 obtained, to complete the project.

ENERGY PROBE INTERROGATORY #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."

Interrogatory:

- 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.

Response:

- a) Confirmed.
- b) Confirmed.
- c) Please refer to Exhibit I, Tab 3, Schedule 4 part b).

ENERGY PROBE INTERROGATORY #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."

Interrogatory:

- 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)?

Response:

- a) Please see Exhibit I, Tab 1, Schedule 2a).
- b) \$0.8 million was the audited balance in the OM&A deferral account as at December 31, 2018. There were minor additional costs recorded in the beginning of 2019.
- c) At that time, the Waasigan Project had not met Hydro One's capitalization policy threshold, therefore the costs were disposed of through disposition of the deferral account balance (OM&A).
- d) As at December 31, 2020, the balance in the WTTDA was \$6.5 million (capital tracking dollars) prior to the contra entry.

ENERGY PROBE INTERROGATORY #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.”

Interrogatory:

- 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.

Response:

- a) Confirmed. The above excerpt is describing how costs will be tracked, after the project meets Hydro One’s capitalization threshold, for the Lambton x Chatham Transmission Line. This could include both development and/or construction costs.

All costs incurred after a project qualifies to be capitalized (as described in Exhibit I, Tab 3, Schedule 6), to bring the assets into service would be capitalized. Costs to operate and maintain the asset would not be included in the ATP Account. As Hydro One received a letter from the IESO confirming the Project’s need and transmission solution in March 2021, all costs incurred from that date forward will be capitalized. Hydro One did not incur any costs for this Project prior to receipt of the IESO’s letter.

- 1 b) Development and engineering costs could be recorded in both the deferral sub-
- 2 account (prior to capitalization qualification) and in the tracking sub-account, post
- 3 qualification for capitalization. The nature of the costs is not the distinguishing factor
- 4 as to whether costs are capitalized or not, rather it is the assurance that a project will
- 5 be completed, go into service, and that those expenditures are expected to result in
- 6 future economic benefits. As mentioned in part a) above, this Project now mets
- 7 Hydro One's capitalization policy and all incurred costs are recorded in CWIP.

ENERGY PROBE INTERROGATORY #10

Reference:

Pages 3-4; Appendix 1

Interrogatory:

- 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		Account Balance
	Direct Costs	Indirect costs	
Waasigan Transmission Line			
Chatham to Lakeshore Transmission Line			
Lambton to Chatham Transmission Line			

ATP Account Construction Cost (Tracking Account)

Project	ATP Project Construction Costs		Account Balance
	Direct Costs	Indirect costs	
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.

Response:

a)

Table 1 - ATP Sub-account PDPEW (Deferral Account)

Project	ATP Project Development PE &Planning		
\$/M	Direct Costs	Indirect costs	Account Balance
Waasigan Transmission Line	0.75	0.09	0.8
Chatham to Lakeshore Transmission Line	-	-	-
Lambton to Chatham Transmission Line	-	-	-

The Chatham to Lakeshore and the Lambton to Chatham Transmission Line Projects have not incurred any costs that would be recorded in the Project Development, Preliminary Engineering and Planning Work (PDPEW) deferral account as both of these projects now meet Hydro One's criteria to capitalize costs (see Exhibit I, Tab 3, Schedule 6).

Table 2 - ATP Account Construction Cost¹ (Tracking Account)

Project	ATP Project Construction Costs		
\$/M	Direct Costs	Indirect costs	Account Balance
Waasigan Transmission Line	10.0	1.8	11.8
Chatham to Lakeshore Transmission Line	6.4	1.4	7.8
Lambton to Chatham Transmission Line	0.1	0.0	0.1

b) As discussed in Exhibit I, Tab 1, Schedule 5, Hydro One applies indirect costs to a project by using an overhead capitalization methodology. See Exhibit I, Tab 1, Schedule 2 for a description of development cost activities.

¹ The capitalized construction costs shown in the Table 2 above represent to-date project costs that will be tracked in the ATP Account tracking sub-account. The account is used for reporting/tracking purposes , Hydro One's financial ledger does not contain a balance (as the account has equal and offsetting Debit and Credit entries). The construction costs are recorded in the financial ledger in the Construction Work-in Progress Account.

ENERGY PROBE INTERROGATORY #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.”

Interrogatory:

- 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?

Response:

- a) Hydro One’s resourcing for these projects is through a combination of internal resources and external partners. New staff members as well as contract partners have been added to work on these projects.
- b) Please refer to Exhibit I, Tab 1, Schedule 1.
- c) Please refer to Exhibit I, Tab 3, Schedule 6.

ENERGY PROBE INTERROGATORY #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.”

Interrogatory:

- 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.

Response:

- a) In this sentence ‘prudency’ is appropriate. The OEB at the time of any regulatory account disposition application by a utility it regulates, will determine the prudency of any expenditures recorded in a regulatory account.
- b) This question is unclear. BPI is not a party to this Application nor is any leasing of office space currently contemplated in this Application. For these reasons this specific question cannot be addressed. To generally respond to the posed interrogatory, an OEB-licensed transmitter, is expected to adhere to the Board’s Affiliate Relationship Code (“ARC”, or the “Code”). The Code sets out rules that govern the conduct of utilities as that conduct relates to their respective affiliates, with the objectives as listed in Section 1.1. (Page 2) of the Code¹. Hydro One and its affiliates have, and will continue, to comply with the ARC.

¹ https://www.oeb.ca/oeb/Documents/Regulatory/Affiliate_Relationships_Code_ARC_Electricity.pdf

ENERGY PROBE INTERROGATORY #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.”

Interrogatory:

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

Response:

In the excerpt provided, Hydro One has used the term ‘ring-fencing’ to describe and confirm that it will record, and/or track, each unique project’s development and construction costs in the ATP Account separately. Ring-Fencing in this case, is confirming that separate accounting for each project’s costs can be accommodated by Hydro One’s financial system and will be done for each individual project that Hydro One proposes the ATP Account be used for.

SEC INTERROGATORY #1

Preamble:

Until the end of 2022, Hydro One's transmission rate framework is governed by the Board's decision in EB-2019-0082.

Interrogatory:

Under what aspect of that approved rate framework is Hydro One's basis for the proposed account (e.g. Z-Factor, etc.)?

Response:

As per Section 2.10 of the OEB's Filing Requirements for Electricity Transmission Applications – dated February 11, 2016 an applicant can propose a new deferral or variance account assuming that the eligibility criteria of Causation, Materiality and Prudence are met. In Section 4.0 of the application, Hydro One outlined how the three identified criteria are met.

Furthermore, as previously stated in the application Hydro One is not seeking recovery of any costs at this time or in Hydro One's Joint Rate Application for Transmission and Distribution.

The revenue requirement associated with costs to be captured/tracked in the ATP account, has not been previously recovered in a Hydro One Transmission revenue requirement application.

SEC INTERROGATORY #2

Preamble:

SEC seeks to understand the need for the proposed ATP Account:

Interrogatory:

- a) Is the driver of the request for the proposed ATP Account the fact that Hydro One has been directed to develop and/or construct a given transmission project, or that these are projects that will be owned by a New Partnership? Please explain your response in detail.
- b) Did Hydro One have a similar DVA for the assets transferred to B2M LP or NRLP? If not, please explain why it requires this account for other similarly situated projects. If so, please provide details including reference to the Decision and Order in which they were established.
- c) Has Hydro One had similar DVAs for any assets that it had been directed to develop/construct by the IESO and/or Ministry in the last 15 years. If so, please provide details including reference to the Decision and Order in which they were established.

Response:

- a) The driver for the request for the ATP Account is that the project's line assets are eventually expected to be owned by a New Partnership and will not form part of Hydro One Transmission's rate base. The reference to the IESO and Ministerial directive is to inform parties of the types of projects that are anticipated to have external equity ownership. For these projects, either the IESO or the Ministry has identified a need for electricity infrastructure in an area.
- b) Hydro One did not have a similar DVA for the assets transferred to B2MLP or NRLP. Both of these projects were developed and constructed 14 to 17 years ago¹. Hydro One had not requested approval of an account, such as the ATP regulatory account, for those projects as consideration of equity investment options with Indigenous partners had not been envisioned at the time project approval was sought. During the construction phase of both of these projects, impacted Indigenous communities expressed interest to invest

¹ Niagara Reinforcement Project filed a s.92 application (EB-2004-0476) in 2004; Bruce to Milton Project filed a s.92 application (EB-2007-0050) in 2007

1 equity in the proposed transmission line components of these projects. Therefore, the
2 lines were developed, constructed and in-serviced in Hydro One Transmission prior to
3 the line assets being sold to the new transmission companies, B2MLP and NRLP.

4
5 Aligned with Hydro One's corporate strategy of being a trusted partner and our
6 Indigenous relations strategy of breaking barriers and providing innovative and lasting
7 benefits to Indigenous communities, large Greenfield transmission lines that tend to
8 traverse larger portions of traditional lands provide an excellent investment opportunity
9 for Indigenous communities to partner with Hydro One. Accordingly Hydro One
10 believes that the ATP Account is appropriate, as line assets from these projects are not
11 expected to form part of Hydro One Transmission rate base at the time of in-servicing,
12 so this account will keep Hydro One Transmission's financial records more reflective
13 of its actual business activities. This Application is not seeking any revenue
14 requirement recovery of the amounts recorded in this account at this time. At a future
15 date, the new transmission company (i.e. New Partnership) will file an application
16 seeking revenue requirement approval for the in-serviced assets, therefore, ratepayers
17 will be protected from any large schedule and cost estimate variances that may occur
18 over the development/construction life cycle of the projects.

19
20 c) Hydro One currently has approval for the Waasigan Transmission Tracking Deferral
21 Account (formerly North West Bulk Transmission Line Deferral Account). This
22 account was originally approved under OEB docket EB-2014-0311 on March 27, 2015.
23 The account was approved to record expenses relating to Hydro One undertaking
24 preliminary design and engineering costs, costs estimation, public engagement and
25 consulting, routing and siting, and environmental assessment preparation work
26 associated with the North West Bulk Transmission Line (NWBTL) project prior to the
27 point from which costs would qualify to be recorded in construction work-in-progress.
28 At the time, the need for the project had not been fully developed, however Hydro One
29 had received a directive from the Ministry of Energy to begin the development phase
30 of the project. On September 12, 2019, the OEB approved a name change of the
31 account, from NWBTL Deferral Account, to Waasigan Transmission Tracking
32 Deferral Account, and also approved that the nature of the account be changed from a
33 deferral account to a tracking account, effective January 1, 2019 under docket EB-
34 2019-0151.

1 Another similar-type of deferral account was the “IPSP and Other Preliminary Planning
2 Costs” account, originally approved by the OEB in EB-2008-0272 and amended to
3 include new projects in EB-2009-0416. That account was approved by the OEB to
4 record preliminary planning costs to advance 18 projects required by the Ontario Power
5 Authority (now IESO) in their Integrated Power System Plan (IPSP) and to incorporate
6 Darlington “B” Generating Station into the transmission system. On March 25, 2010
7 the OEB approved the addition of the ‘Green Energy Green Economy’ Projects (14
8 additional projects) to also be included in this account under docket EB-2009-0416.

9
10 The Board in the EB-2008-0272 decision (page 59), approving the establishment of
11 this deferral account wrote:

12
13 *An important consideration in this specific request is that Hydro One’s*
14 *activities are clearly driven by current Ontario energy policy. Hydro One itself*
15 *is not the driver behind these expenditures; as the largest transmission utility*
16 *in the Province, it is responding to the policy drive by the Ontario government*
17 *to meet certain objectives regarding new generation. Although project plans*
18 *have not unfolded as originally conceived, there are clear expectations of the*
19 *largest transmission utility that the planning work for these projects must*
20 *continue.*

21
22 *As Hydro One points out, the alternative would have been a request for these*
23 *expenditures to be treated as OM&A costs and expensed in the test years. This*
24 *would have been a more difficult assessment to make for both the intervenors*
25 *and the Board, as it would involve considerations and conclusions based on*
26 *incomplete and inadequate information. Deferral of these costs protects the*
27 *ratepayers from determinations that may be proved wrong.*

SEC INTERROGATORY #3

Interrogatory:

Please explain the impact of the Board denying approval of the proposed ATP Account.

Response:

Please see Exhibit I, Tab 1, Schedule 1.

SEC INTERROGATORY #4

Reference:

Page 1

Preamble:

Hydro One states the ATP Account will apply where, “Hydro One has or will receive a letter from the Independent Electricity System Operator (“IESO”) identifying transmission system needs, 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 License for the development or construction of a transmission project”:

Interrogatory:

- a) What legal basis does the IESO have to require Hydro One to undertake any specific project?
- b) Please confirm that by “Order in Council or direction of the Minister of Energy, Northern Development and Mines”, it is referring to an Order in Council or Directive to the Ontario Energy Board, not to Hydro One directly.

Response:

- a) Hydro One amended its Application to correct a misstatement that implied that the IESO could direct Hydro One to develop, or develop and construct a new transmission line. To that end, the IESO will send Hydro One a letter identifying transmission system needs. As written in Footnote 3 of the Application:

The IESO is responsible for maintaining the reliability of the IESO-controlled grid, including conducting transmission planning (s. 6 (1) (c) of the Electricity Act, 1998). Accordingly, the IESO engages in regional and bulk planning for the transmission system. Where a need is identified in regional planning, consistent with Section 21.2.2 part c, of its OEB licence the IESO sends an “urgent letter” to lead transmitters notifying the transmitter of any necessary investment in transmission facilities. The IESO follows a similar process in respect of its bulk planning. It is noted that the IESO has an open engagement in respect of its bulk planning process, and changes may result.

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Exhibit I

Tab 4

Schedule 4

Page 2 of 2

- 1 As noted in response to Exhibit I, Tab, 4, Schedule 2, the request for the ATP Account
- 2 is driven by the fact that a project's line assets will be in-serviced in a new transmission
- 3 company versus a request from the IESO.
- 4
- 5 b) Confirmed.

SEC INTERROGATORY #5

Reference:

Page 1

Preamble:

Hydro One states that the ATP Account will apply where, “all or part of the project is expected to be owned by and included in the rate base of a New Partnership, as a licensed transmitter, and will not form part of Hydro One’s rate base.”

Interrogatory:

- a) Please provide a definition of ‘New Partnership’ that can be used for the purpose of establishing the criteria for the ATP Account.
- b) Please confirm that any New Partnership will include entities that are not a subsidiary of, or otherwise controlled by, Hydro One Limited.
- c) If ultimately Hydro One decides that the project will not be transferred to a partnership, but owned by Hydro One, does Hydro One expect to be able to dispose of the ATP Account balance? If so, please explain.

Response:

- a) Hydro One considers ‘New Partnership’, as used in this Application, to be an entity formed in the future that will hold the assets of the line portion of a transmission project. These assets are not expected to form part of Hydro One Transmission’s future rate base, and will be included in the regulated rate base of that New Partnership entity. Hydro One expects to have an ownership interest in the New Partnership.
- b) Confirmed.
- c) Yes, if the Project is not transferred to a new partnership, Hydro One will seek disposition of the regulatory account balance. It is important to note however, that the foregoing is not the intent. Hydro One’s intention, and its Indigenous Relations policy supports this intention, is to transfer the projects in question to a new partnership. Please note that the capital elements of the regulatory account are just for tracking purposes, and therefore have a net nil cost balance. The costs captures in

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Exhibit I

Tab 4

Schedule 5

Page 2 of 2

- 1 CWIP will still appear on the financial statements of Hydro One, however will not
- 2 form part of its regulated business. If the assets are placed in-service and **not**
- 3 transferred to the New Partnership, Hydro One would then seek to include those
- 4 assets in its transmission business' regulated rate base.

SEC INTERROGATORY #6

Reference:

Page 5

Preamble:

SEC seeks to understand how Hydro One will allocate certain costs to the ATP Account.

Interrogatory:

- a) Is Hydro One seeking to record only incremental costs incurred by Hydro One related to any qualifying project? If not, please explain the methodology it will use to allocate costs.
- b) Hydro One's approved transmission revenue requirement includes amount for various departments who will be responsible for certain activities that will be required for development of any qualifying project. How will Hydro One ensure that it is not going to double recover these amounts?

Response:

- a) The costs associated with the projects, applicable to the ATP Account, are captured in each respective project code in Hydro One's financial cost reporting system. Please refer to Exhibit I, Tab 1, Schedule 5 for further explanation on how costs will be captured and the methodology used.
- b) The approach for recording costs as described in Exhibit I, Tab 1, Schedule 5, ensures that costs are appropriately captured and no cross subsidization i.e., no double recovery will exist.

SEC INTERROGATORY #7

Reference:

Pages 9-11

Preamble:

With respect to the three projects that Hydro One has identified that meet the criteria of the ATP Account.

Interrogatory:

- a) Please provide details regarding the New Partnerships Hydro One is expecting to form to own these assets.
- b) For each project, please provide the estimated, i) development, and ii) construction costs.

Response:

- a) Hydro One expects to form New Partnerships with Indigenous communities for large Greenfield transmission lines that tend to traverse larger portions of traditional lands. Details of the partnerships have not yet been established (see Exhibit I, Tab 4, Schedule 5), but for regulatory purposes, Hydro One expects them to be similar to that of NRLP and B2MLP.
- b) Please see Exhibit I, Tab 1, Schedule 3.

SEC INTERROGATORY #8

Reference:

Page 3

Preamble:

Hydro One states:

“In the event the project does not proceed to completion as a result of circumstances that are beyond Hydro One’s control, Hydro One would seek to recover its prudently incurred development costs, construction costs and reasonable wind-up costs recorded in the ATP Account to the extent that the amount meets the established materiality threshold.”

Interrogatory:

Is Hydro One requesting the Board decide in this proceeding that, subject to prudence, if a project does not proceed as a result of circumstances that are beyond Hydro One’s control, it will be allowed to recover its costs recorded in the ATP Account?

Response:

No, Hydro One would seek that approval in a future application.

AMPCO INTERROGATORY #1

Reference:

Amended ATP Account P2

Preamble:

The evidence states

“Through IESO’s planning process, Hydro One, as a lead transmitter, may receive a letter from the IESO identifying a need for transmission infrastructure. From time to time the Ministry will direct Hydro One to develop, or develop and construct, a new transmission line.”

Interrogatory:

- a) Please provide a list of transmission infrastructure projects identified by the IESO and Ministry for Hydro One over the past ten years.
- b) How has Hydro One been tracking development and construction costs to date for the above types of projects?
- c) Please identify the projects in part a) that were subsequently cancelled.
- d) For each of the cancelled projects, please provide the nature of the costs and total amounts recovered by Hydro One.

Response:

- a) Since 2011 Hydro One has been requested to complete the following projects by either the IESO and/or the Ministry:
 - Lambton x Longwood 230 kV L24L and L26L Upgrade (re-conductoring). June, 2011
 - Conversion of Essa x Barrie E3B/E4B transmission line with new 230 kV infrastructure (rebuild 115 kV line to 230 kV). December, 2015
 - South Nepean Area of Ottawa (Rebuilding of approximately 13 km of the existing 115kV single circuit S7M with a new 230kV double circuit transmission line). April 2016
 - North West Bulk, renamed the Waasigan Transmission Line Project (new line) October, 2018

- 1 • Chatham x Lakeshore (new line) June, 2019
- 2 • Merivale x Hawthorne M30A/M31A (re-conductoring) February, 2019
- 3 • Upgrade of A8K and A9K Circuits in the Kirkland Lake Area (re-conductoring)
- 4 May, 2020
- 5 • Trafalgar x Richview (re-conductoring) December, 2020
- 6 • Lambton x Chatham (new line) March, 2021.
- 7
- 8 b) With the exception of the Waasigan project, please see Exhibit I, Tab 1, Schedule 5 for
- 9 an explanation of Hydro One's methodology for tracking project costs. For these
- 10 projects, the station related costs and the line related costs are tracked separately. For
- 11 the Waasigan Project, the costs currently incurred are classified as development costs,
- 12 are being tracked in an OEB-approved regulatory tracking account, and have been
- 13 recorded in Hydro One's financial statements as Construction Work in Progress
- 14 ("CWIP").
- 15
- 16 c) Not applicable. None of the projects identified in part a) above were cancelled.
- 17
- 18 d) Please refer to the response in part c) above.

AMPCO INTERROGATORY #2

Reference:

Amended ATP Account P2

Preamble:

Hydro One indicates it will record costs in the manner consistent with B2M LP and NRLP which only comprise the development and lines costs associated with those projects.

Interrogatory:

- a) Please explain the above process to record costs.
- b) Please distinguish lines costs from station costs.

Response:

- a) As development and construction activities are performed, the costs associated with these tasks are recorded in Hydro One's financial cost accounting system. Please see Exhibit I, Tab 1, Schedule 5 for further details.
- b) Station costs typically include all assets located within the fenced area of the station property, while the lines costs typically include all assets that are located outside of the fenced area of the station property.

AMPCO INTERROGATORY #3

Reference:

Amended ATP Account P4

Preamble:

Once a project meets Hydro One's capitalization policy criteria, expenditures will be recorded in the ATP Account – Sub-Account Project Construction Costs.

Interrogatory:

- a) Please provide Hydro One's capitalization policy criteria.
- b) Please identify any expenditures post capitalization that are not eligible for inclusion in the ATP Account – Sub-Account Project Construction Costs.

Response:

- a) Please refer to Exhibit I, Tab 3, Schedule 6, part g.
- b) The ATP Account will track all expenditures that are required to construct project line work to bring the asset in-service as well as any associated trailing costs (e.g. project clean-up, final drafting of "as built" documents, etc.) that will incur prior to the New Partnership taking ownership of the line assets. Any expenditures incurred after the sale of the line assets to the New Partnership would not be part of the ATP Account and those costs would be managed directly by the New Partnership.

AMPCO INTERROGATORY #4

Reference:

Amended ATP Account Page 7

Preamble:

Hydro One indicates the costs to be recorded are for activities that are necessary for developing the project and obtaining required approvals, including putting Hydro One in a position to file an application for leave to construct.

Interrogatory:

- a) Please provide a breakdown of the key activities that are necessary for developing the project that will be tracked in the Deferral Sub-account.
- b) Please provide the percentage of total project costs typically allocated to the development phase.

Response:

- a) The depth and breadth of activities will vary dependent on the project and the directive being issued, however typically activities could be expected to include:
 - Preliminary design / engineering and planning
 - Engagement / consultation with Indigenous communities and the public
 - Routing and siting
 - Real estate assessment
 - Environmental assessment
- b) Whilst the response to part a) above indicates some activities that might be undertaken during the development phase, the level of effort will vary significantly dependent on the specific nature of an individual project and the directive being issued to Hydro One. Accordingly there is no general percentage of total project costs that could be allocated for development phase activities at this time.

AMPCO INTERROGATORY #5

Reference:

Amended ATP Account Page 8

Preamble:

Hydro One is seeking OEB approval to use the ATP Account for: (i) the Chatham to Lakeshore Transmission Line, (ii) the Waasigan Transmission Reinforcement, (iii) the Chatham to Lambton Transmission Line, and (iv) any other similar-type projects that qualify by meeting the criteria as discussed above.

Interrogatory:

- a) Please provide the start date and end date for each project.
- b) Please provide the estimated length of the development phase and construction phase for each project.
- c) Please provide the estimated development costs and construction costs for each project

Response:

- a) The timelines for the three projects are as follows:
 - i. Chatham to Lakeshore Transmission Line – Start date is July 2019; In-service date is planned for December 2025.
 - ii. Waasigan Transmission Reinforcement – Start date is October 2018¹; In-service date is December 2024.
 - iii. Lambton to Chatham Transmission Line – Start date is March 2021; In-service date is December 2028.
- b) The estimated length for development and construction phases are:
 - i. Chatham to Lakeshore Transmission Line – Development: 42 months; Construction: 36 months.
 - ii. Waasigan Transmission Reinforcement – Development: 75 months; Construction: TBD.

¹ Original start date was December 2013 as provided in prefiled evidence.

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Exhibit I

Tab 5

Schedule 5

Page 2 of 2

- 1 iii. Lambton to Chatham Transmission Line – Development and Construction: 93
- 2 months, split between phases: TBD.
- 3
- 4 c) Please see Exhibit I, Tab 1, Schedule 3 part c.

GLP INTERROGATORY #1

Reference:

Application for Accounting Order of Hydro One Networks Inc. (“HONI”) filed May 28, 2021 (the “**Application**”) (*all capitalized terms other than those indicated have the meaning set out in the Application*)

Interrogatory:

- a) How does HONI determine if a project is expected to be owned by an Affiliate Partnership?
- b) Please provide evidence to support this determination for the proposed projects to be included in the ATP Account?
- c) Please provide any documentation which sets out the process for the determinations above.

Response:

- a) Please refer to Exhibit I, Tab 2, Schedule 2. In addition, Hydro One determines economic benefits including Partnerships in accordance with our corporate strategy, the Indigenous Relations Policy 2019 and with input of potentially impacted Indigenous communities.
- b) Please refer to the Hydro One Indigenous Relations Policy 2019 attached to Exhibit I, Tab 2, Schedule 2.
- c) Please refer to response b) above.

GLP INTERROGATORY #2

Interrogatory:

- a) Why does HONI not form its affiliate partnerships prior to advancing the development work on a project or as a first step in the development and prior to proceeding with regulatory approvals such as environmental assessments?
- b) Please describe the considerations taken into account in determining the sequence of forming affiliate partnerships relative to other development work for the proposed projects here.
- c) Please provide any documentation which sets out the above considerations and determinations.

Response:

- a) Engagement and consultation with Indigenous communities is conducted as a part of the project development activities, including environmental assessment. This work precedes any decision on implementation or construction and is necessary to help determine how Indigenous communities might be impacted. Communities are in a better position to evaluate impacts, accommodation and economic benefits following development activities and the assessment of project impacts helps all parties solidify terms for any future partnership.
- b) Please refer to response a) above.
- c) Please refer to Exhibit I, Tab 6, Schedule 1.

GLP INTERROGATORY #3

Preamble:

HONI has been designated to undertake only the development of the Waasigan Transmission Project.

Interrogatory:

How will the accounts be treated, or how does HONI propose that accounts will be treated and development work transferred, to a different proponent should HONI or its affiliate partnership not be the proponent to undertake construction of the project?

Response:

Hydro One is developing the Waasigan Transmission Project, including seeking the necessary approvals to construct the project, per the directive from the Minister. In the event the project does not proceed to completion as a result of circumstances that are beyond Hydro One's control, Hydro One would seek to recover its prudently incurred development costs, construction costs and reasonable wind-up costs recorded in the ATP Account to the extent that the amount meets the established materiality threshold.

GLP INTERROGATORY #4

Reference:

Application, p. 4, lines: 4 – 8.

Interrogatory:

a) Does HONI expect to include indigenous participation and engagement costs in this account?

b) Please explain why or why not.

Response:

a) Hydro One expects that Indigenous participation and engagement costs that have been appropriately incurred as a necessary activity to develop and deliver the project, would be included in the ATP Account.

b) Please see the response to a) above.