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BY EMAIL

September 24, 2021

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

Dear Ms. Long:

**Re: EB-2021-0110 Hydro One Networks Inc. 2023-2027 Custom Rate Application
– Intention to File Expert Evidence**

In accordance with Procedural Order No. 1 issued on September 17, 2021, please find below a summary of the expert evidence that OEB staff plans to file in the proceeding to consider the application referenced above.

Pacific Economics Group Research LLC (PEG) will provide one or more reports presenting PEG's review of the evidence prepared by Clearspring Energy Advisors LLC (Clearspring), for Hydro One Networks Inc.'s (Hydro One's) 2023-2027 Custom Rate Application with respect to Clearspring's evidence on total cost benchmarking and Total Factor Productivity (TFP) for Hydro One's Transmission Custom Plan and total cost benchmarking of Hydro One's Distribution Custom Plan. Clearspring's analyses compare Hydro One's historical performance (and in the case of total cost benchmarking, forecasted performance during the 2023-2027 plan term) against that of a sample of U.S. utilities with electricity transmission and distribution operations. It is Clearspring's evidence on which Hydro One is basing the proposed base productivity and stretch factors for the Transmission and Distribution plans.

PEG's analyses will include a detailed review of Clearspring's report and working papers,¹ and may include new analyses on Hydro One's cost performance. PEG will

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.

also review Hydro One's proposed custom plan designs and parameters for both Transmission and Distribution, and include comparisons with other incentive rate-setting plan designs approved in Ontario and in some other North American jurisdictions. 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 15 years. Of particular relevance are Dr. Lowry's evidence and testimonies before the OEB on 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:

- 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
- EB-2019-0261: Hydro Ottawa Limited's 2021-2025 Custom IR plan.

The estimated budget for PEG's work in preparing its evidence in this proceeding is approximately \$500,000, including costs for matters such as interrogatory responses, technical conference and hearing attendance.

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

Yours truly,



Tracy Garner
Project Advisor – Generation and Transmission Application

cc: All registered parties to EB-2021-0110