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Frank D'Andrea

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

November 24, 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-2021-0110 – Hydro One Networks Inc. (Hydro One) 2023-2027 Custom Rate Application (JRAP) – Blue Page Update

This letter is further to Procedural Order No. 2 and Decision on the Blue Page Update dated October 25, 2021 (the "Decision"). In the Decision, the Registrar found that:

- the OEB will follow Schedule D included in Procedural Order No. 1, on the assumption that a blue page update is not needed at this time;
- Hydro One will provide the most up-to-date financial information in the proceeding; and
- Hydro One will file the blue page update in April 2022 if necessary.

The Decision gives rise to some process uncertainty for Hydro One and potentially, timing and resource issues. These are detailed below along with a proposed solution.

In Hydro One's submissions on the blue page update pursuant to Procedural Order No.1, Hydro One indicated that it could file a blue page update reflecting 2021 audited financial information on the basis that it would be more efficient to provide an update once and not multiple times throughout the application process. Hydro One proposed mid-April 2022 as timing for filing the blue page update. However, this timing was premised on two aspects:

- (i) Because filing a blue page update by mid-April 2022 requires a change to both the timing and process of Hydro One's audited financial statements, Hydro One asked that the decision be provided by mid-October.
- (ii) A mid-April blue page update was premised on Schedule E in Procedural Order No. 1.

Under Schedule D, the hearing in all three scenarios (full, partial and no settlement) ends no later than April 8, 2022 and well before the blue page update would be filed on April 18, 2022. In other words, there is no scenario under Schedule D where a blue page update will inform the hearing and final decision. Hydro One has discussed with OEB staff on a number of occasions prior to filing that preparing a blue page update is a time and resource intensive process that is contingent upon the company's process to prepare its audited financial statements which are publicly filed and used for tax filing purposes. Hydro One is modifying its audit process to accommodate an early blue page filing on April 18, 2022.

Hydro One understands from OEB staff that the Commission may consider ordering a blue page update if, under Schedule D, settlement is not achieved in early February. This results in a new schedule that was not discussed at the August 12, 2021 stakeholder session on the JRAP schedule and was not included in Procedural Order No. 1 for parties to comment on. It also raises uncertainty in respect of the process moving forward if full settlement is not achieved, including: when a blue page update would be due, when a decision would be made to proceed with a bluepage update, when a hearing would occur under the new schedule, whether there would be an additional abeyance, and whether there is any risk to the effective date of January 1, 2023 as a result.

In terms of resource constraints, Hydro One notes that the Decision is premised on Schedule D and not Schedule E. The difference between Schedules D and E is that Schedule D contemplates a settlement conference and a hearing over February and March 2022 while Schedule E provides for a period from February 3 to April 25 where the Application is held in abeyance to aid in the preparation of a blue page update. Under the new schedule, Hydro One must prepare a blue page update without the period of abeyance and must do so in conjunction with the settlement conference and a potential full or partial hearing just in case the blue page update is needed. This gives rise to timing issues and resource constraints as the same personnel are involved in each of these activities.

The preparation of audited financial statements and a subsequent blue page update requires substantial resources both from Hydro One and its external auditors, and it takes time to provide audited results in an OEB format. While this is manageable during a period of abeyance as set out in Schedule E, it is difficult to achieve when the same resources are occupied with settlement and a potential hearing. As well, Hydro One requested a decision on the bluepage update to be provided by mid-October at the latest so it could perform upfront work on the audited financial statements that is normally conducted in January, with a view to making the April 18, 2022 bluepage deadline. The decision was provided on October 25, 2021 and

the resources who would have undertaken the upfront work are now fully engaged in the interrogatory and technical conference processes and Hydro One has lost its window to perform the upfront work. That upfront work is not possible in early 2022 as that is the start of the year end audit process. As a result, Hydro One must advise the OEB that while it will make best efforts to file a blue page update on April 18, 2022, it may not be possible to achieve in the circumstances.

In light of the above, Hydro One respectfully requests that the Commission review the responses to interrogatories and determine, prior to the technical conference, whether a blue page update is necessary, balancing the benefit of an additional quarter of 2021 actual information against a delay to the proceeding of 2.5 months or more. This will support the OEB and Hydro One's shared goal of process certainty and regulatory efficiency. While Hydro One is quite willing to alter its audited financial statements process and timelines, an important and complex process in and of itself, if it will aid in the JRAP scheduling and the OEB's new processing timelines, it requests that it only be asked to undertake this task if the product will actually be used in the proceeding.

Sincerely,

A handwritten signature in cursive script that reads "Frank D'Andrea".

Frank D'Andrea