A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 001

Reference:

No reference provided

Interrogatory:

Please provide all materials provided to HON's Board of Directors related to this Application.

Response:

Attached please find:

- Business Plan 2023-2027 dated May 7, 2021, as filed in Exhibit A-3-1 Attachment 1;
- Attachment 1: PowerPoint presentation dated May 7, 2021 titled "Integrated Business Plan"

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2021-27
Integrated Business Plan

Board of Directors | May 7, 2021

hydro One

Integrated Business Plan: May 7 Board Approval

Executive Leadership Team & Board of Director Engagement

December 4, 2020
Board Meeting

Board Approval
1. 2021-27 Integrated Business Plan,
2. 2021 Consolidated Budget

March 16, 2021

ELT Approval
- **Investment Plan** to be included as part of 2021-27 Integrated Business Plan

April 21, 2021

ELT Approval
- 2021-27 Integrated Business Plan

May 6, 2021
IPSO[1] Committee

Board Review
- **Investment Plan** within the 2021-27 Integrated Business Plan

May 7, 2021
Board Meeting

Board Approval
- 2021-27 Integrated Business Plan,
- 2021 Consolidated Budget

Include Phase 2 Customer Engagement Results

The Integrated Business Plan and Consolidated Budget:

- Incorporates the Board approved Corporate Strategy 2020-24;
- Materially consistent with OEB filings;
  - Approved 2018-22 Distribution and 2020-22 Transmission rate applications, with a moderate increase in capital expenditures to meet load growth in Distribution and Transmission through 2022
- Reflects customer needs and preferences received during the two phases of Customer Engagement;
- Increase in capital expenditure run rate to meet sustainment and growth needs in Distribution and Transmission 2023-27

[1] *Indigenous Peoples, Safety & Operations ("IPSO") committee of the Board of Directors.*

Hydro One's Strategy: Strategic Priorities, Focus Areas and Outcomes

	1	2	3	4	5
Strategic Priorities	Plan, design and build a grid for the future	Be the safest and most efficient utility	Be a trusted partner	Advocate for our customers and help them make informed decisions	Innovate and grow the business
Focus Areas	**A** Plan, design and build a reliable grid for the future to prevent outages **B** Increase grid resiliency, both physical and cyber, to quickly restore from events **C** Improve grid flexibility to integrate and operate DERs enabling customer choice **D** Lower our environmental footprint **E** Deliver value through great planning (capital & O&M)	**A** Transform and improve our safety culture **B** Enable field operations to drive productivity and reliability **C** Optimize corporate support **D** Drive efficient capital delivery	**A** Grow relationships with government and industry partners **B** Build strong partnerships with Indigenous peoples **C** Build trust with our customers, communities and all Ontarians	**A** Make it easier to do business with Hydro One **B** Help customers make informed decisions by leveraging our position as energy experts **C** Expand access to energy offerings to become provider of choice to customers	**A** Responsibly invest in rate base assets **B** Pursue new regulated business opportunities **C** Pursue innovative unregulated business opportunities
PLAN OUTCOMES[1]	▪ Improve Dx SAIDI by **31%** from 6.1 in 2021 to 4.2 hours by 2027 ▪ Improve Tx SAIDI-mc by **9%** from 7.7 in 2021 to 7.0 mins by 2027	▪ Reduce serious injury frequency from **0.107** in 2021 **to 0.0** by 2024 and **sustain** through 2027. ▪ Sustain recordable incidents **below 1.0** through 2027 ▪ Achieve annual incremental productivity of **$50mm**	▪ Improve brand attribute tracker index to TBC[3] ▪ Achieve **Gold** Level Certification under the Canadian Council for Aboriginal Business Progressive Aboriginal Relations Program by 2024 and **sustain** through 2027	▪ Achieve Customer Overall Favourable Impression of TBC[3]	[redacted]

[1] *The starting point is the proposed 2021 corporate target.*
[2] *SAIDI: Duration of Customer Unplanned Interruptions.*
[3] *Targets will be revisited and confirmed as part of the December 2021 Business Plan.*

Health and Safety

- Our value of "Safety Comes First" guides us to work relentlessly with our employees to achieve world-class health and safety performance.
- Hydro One has made tremendous progress in reducing the rate of recordable injuries, whereby recordable injuries have declined by approximately 90% over the past ten years.
- Hydro One is committed to eliminating life-altering injuries and fatalities by 2024, and sustain through to 2027.

Safety Improvement Plan

- In early 2020, a Safety Improvement Team was created to understand the barriers that prevent building a strong culture and ending serious injuries and fatalities.
- These recommendations have been incorporated into Hydro One's multi-year Safety Implementation Plan, which will be implemented over the next several years.

Execute on the Safety Improvement Plan: Build around the following 5 pillars:

Enhancing our Safety Culture

Strengthening our Safety Management System

Improving Apprentice Safety

Establishing a Safety Centre of Excellence

Learning and Implementing Industry Best Practice

Key Assumptions Underlying the Business Plan

OEB Rate Filings	▪ OEB approvals for Tx and Dx out to end of 2022
	  ▪ Tx Forecast capital of $68mm[1] and ISA of $83mm in excess of Tx rate order
	  ▪ Dx Forecast capital of $187mm and ISA of $61mm in excess of Dx rate order
	▪ Joint Rate Filing 2023-27: Includes Phase 2 customer engagement and third party reports

JRAP Investment Plan	▪ 2023-27: Forecast decrease in total Tx capital spend of $7mm and increase in total Dx capital spend of $325mm, relative to December Board
New Transmission Partnerships – Investment Plan	▪ 2021-27: ~$600mm investments to support agricultural growth in Leamington and Windsor-Essex region, $86mm of which is in the 2020-22 period. ▪ New Filing Approach: Lines investments supporting regional growth to be pursued by new affiliate(s) of HOI (NewCo)
Deferred Tax Asset ("DTA")	▪ OEB's April 2021 decision approving the recovery of DTA amounts previously shared with ratepayers ▪ 2017-21 balances collected from July 1, 2021 to June 30, 2023 ▪ DTA sharing excluded from rates / revenue requirement starting in 2022
COVID-19	▪ As of March 2021, $13mm of incremental COVID-19 costs have been forecast for 2021, mostly relating to janitorial services, pandemic supplies, and increased fleet rental requirements ▪ Plan continues to assume incremental COVID-19 costs are offset with other reductions ▪ Any favourable or unfavourable impact associated with COVID-19, relative to planned income levels, will be tracked and reported to the Board
Load Forecast	▪ Based on 2020 year-end forecast data (31 year weather-normalized) ▪ Favourable Tx load, relative to December Board, reflected in revenues for 2021-22, [redacted]
Collective Bargaining	▪ Aligns to negotiated collective agreements, or inflation where contract years do not exist
Growth	[redacted]
Dividend Policy	[redacted]

[1] *Unadjusted variance to Tx 2020-22 OEB approved includes NewCo Capital of $34mm. If adjusted, variance is $102mm.*

Key Financial Highlights

[redacted]

Key Financial Outlook against Board Approved Plan

[redacted]

Financial Growth Highlights

[redacted]

Earnings Per Share ("EPS") Bridge – Plan over Plan

[redacted]

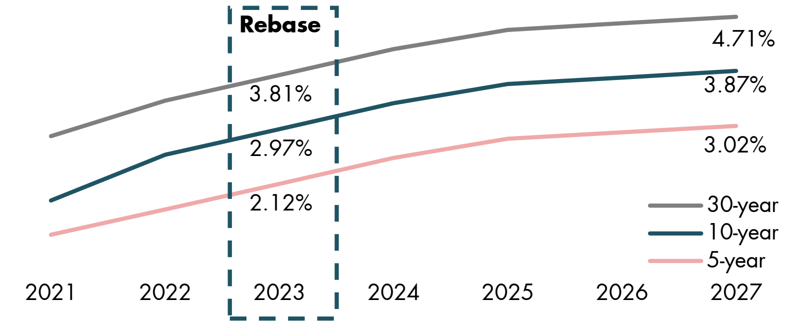
Financing Assumptions, Credit Ratings and FFO/Debt Metric

Hydro One Financing Assumptions

- Interest rate forecasts for 2021 are materially in line with current levels. Interest rates beyond 2021 are forecast to rise[1]
- Fixed rate debt issuances distributed evenly over 5, 10 and 30 year tranches

[redacted]

Hydro One Inc. Interest Rate Forecast[2]



Debt Outlook – HOI and HOL ($B)

[redacted]

Credit Ratings and FFO/Debt Metric

Rating Agency	Current Debt Ratings	Current FFO/Debt Projections (Avg. 2021-23)	Minimum FFO/Debt For Current Rating
S&P	HOL: [redacted] HOI: A- (Stable)	[redacted]	
Moody's	HOI: A3 (Stable)		

[1] *Interest rate forecasts are based on April 2021 Consensus Forecast for 2021 and the April long-term Consensus Forecast for 2022-27.*

[2] *Increase in interest rates will lead to an increase in cost of debt and ROE for revenue requirement, beginning in 2023; this forecast can change depending on future economic conditions.*

Business Plan Opportunities & Risks

	Opportunity/Risk Identification	2021 Budget Net Income Impact	Annual Net Income Impact[1]
Load Forecast	Revenue based on actual demand. Consumption may differ from the March 2021 Load Forecast[2]. *1 standard deviation*	[redacted]	[redacted]
OEB – Capital Reduction	A Capital reduction of 10%. Tx: ~$150mm annually, Dx ~$100mm annually	[redacted]	[redacted]
ROE Risk	A 50bps change in allowed ROE. ROE rate in 2023 will set the basis of the JRAP 2023-27. ▪ 2023 plan forecast of 8.83%. Update for JRAP in Q4 2022.	[redacted]	[redacted]
Interest Rates	1% change in the cost of borrowing. ▪ Plan includes fixed and floating rate debt financing. ▪ The cost of debt will be updated for JRAP in Q4 2022.	[redacted]	[redacted]
COVID-19	▪ Operations - Incremental costs for safe operations (no costs planned). ▪ Bad Debt - Incremental bad debt as a result of the pandemic (not planned).	[redacted]	[redacted]
Inflation Risk	A 50bps change to the current Plan forecast. 2022 inflationary rate will released by the OEB in Q4 2021 and will reflect 2019 and 2020 actuals.	[redacted]	[redacted]

[redacted].

[2] *Considers the effects of weather and conservation on peak load for transmission and consumption for distribution.*

Net Income - Monte Carlo Simulation Analysis

[redacted]

Regulatory Radar – Joint Rate Application

Overview

- The Joint Rate Application ("JRAP") was directed by the OEB in March 2018 so that: "Matters such as corporate costs, taxes, pensions and benefits can be considered as a whole in a single application resulting in regulatory consistency and efficiency"
- The JRAP rebases Hydro One's in-service invested capital to include organic and justified rate base growth of its regulated transmission and distribution businesses, and to recover the corresponding return on equity from the invested capital
- The JRAP is the company's next opportunity to present the OEB with a plan that will bring value to customers and shareholders. The objective of the JRAP is to obtain OEB-approval of the proposed OM&A and capital envelopes and associated in-service additions to rate base

Integrated Process

- The investment plan and business plan form the substantive basis of the JRAP evidence. As such, the JRAP process and evidence development have been integrated with other critical processes including investment, business and workforce planning
- The JRAP is based on an investment plan that is integrated with, and directly reflects, the customer engagement process and results
- Key messages addressed in the evidence include: establishing the need for the work program, ability to execute the work program, productivity measures, among others

Customer Focus – Customer Engagement: Integrated with the Planning Process

A key component of the JRAP is its **customer engagement process**, which provides the company with a unique opportunity to reach its customers to explain what Hydro One wishes to accomplish during the rate period and why.

Phase 1 Customer Engagement

- ***Feb 2020***
- Customers said Hydro One should keep pace with aging infrastructure and supported:
  - an increase in renewal work in Dx
  - maintaining or increasing renewal work in Tx
- Responses reflected a desire to invest in the future of the grid

Initial Investment Plan

- ***Feb-June 2020***
- Phase 1 results informed initial investment plan
- 3 scenarios developed for each of Tx & Dx to be presented to customers in Phase 2

Pulse Checks

- ***June-July 2020***
- Pulse checks in June 2020 verified Phase 1 results which occurred pre-COVID-19

Phase 2 Customer Engagement

- ***Aug-Nov 2020***
- Customers given tradeoff decisions across the 3 scenarios, and were able to calculate the total bill impact arising from their choices
- Plurality of customers preferred Scenario 2, except for modernization of the Dx system, where a plurality of customers prefer Scenario 3

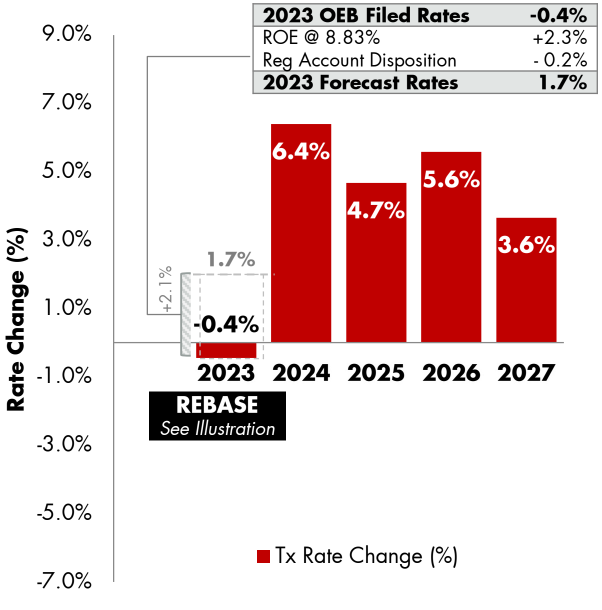
Final Investment Plan

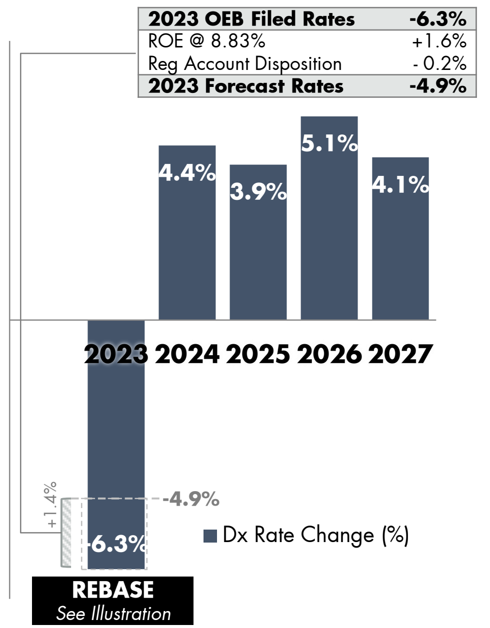
- ***Nov 2020-Feb 2021***
- **Final investment plan developed to align with customer needs and preferences, asset needs and rate impacts**

Final Plan *– balances needs of system, assets, customer preferences and rates, allowing Hydro One to keep pace with and/or improve asset condition while managing costs and rate increases now and in the future.*

hydro One

JRAP Annual Rate Changes 8.34% (2021 ROE)





2023 ILLUSTRATIVE EXAMPLE at 8.34% ROE
Total R1 Bill Impact

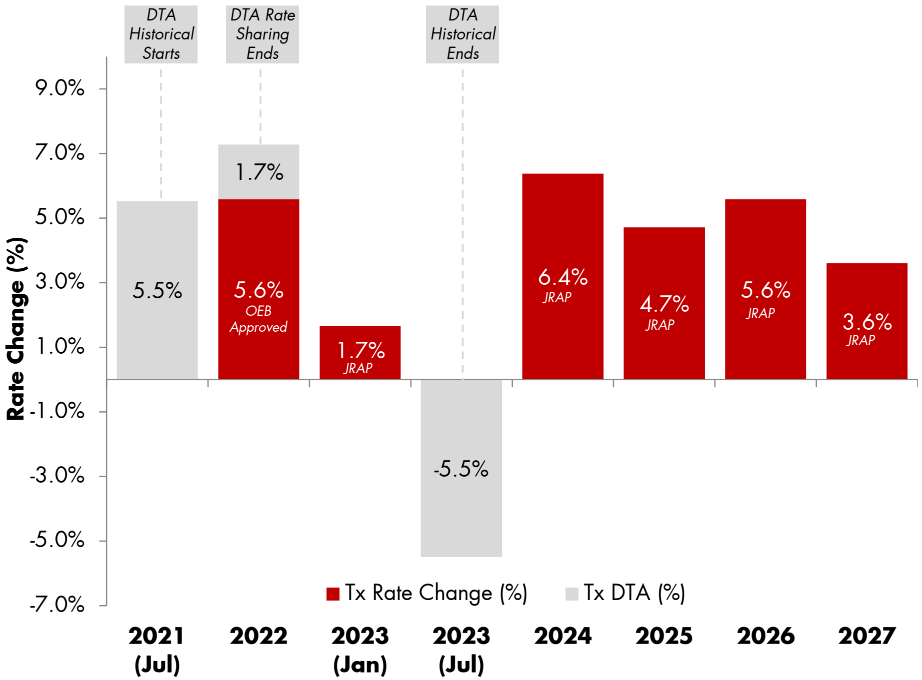
	2022 Rates Rev. Requirement	2023 Rates Rev. Requirement	Rate Change %	Load Impact %	R1 Bill Impact %	Total R1 Bill Impact %
	A	**B**	**C** **=** (B – A) / A	**D**	**E**	**F** **=** (C + D) x E
Tx	1,781	1,764	-0.9%	0.5%	7%	-0.0%
Dx	1,617	1,539	-4.9%	-1.4%	31%	-1.9%
						-2.0%

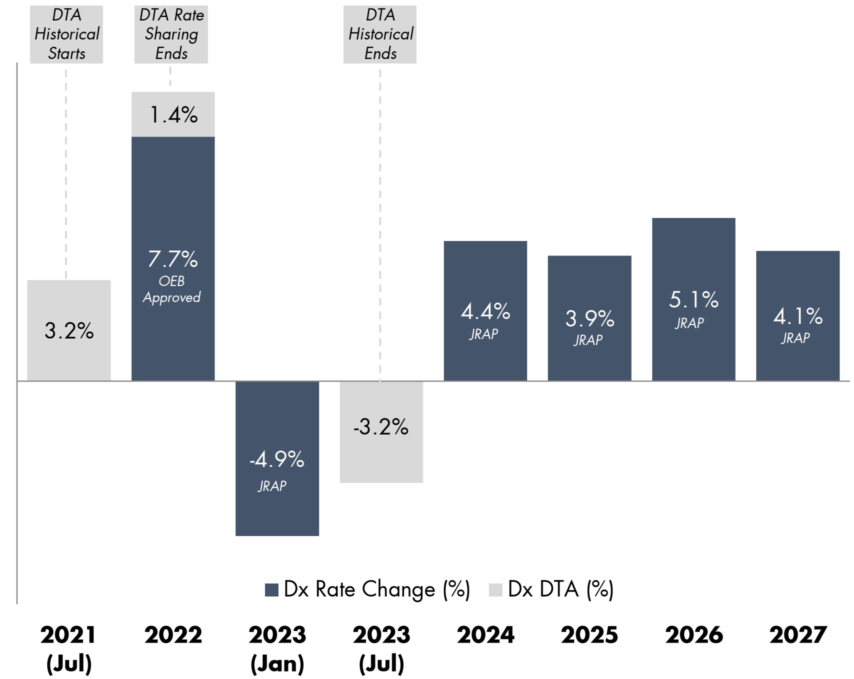
Total Rate Change % (C + D)
Tx: -0.4%
Dx: -6.3%

	2023	2024	2025	2026	2027	Average
Total R1 Bill Impact	**-2.0%**	**1.8%**	**1.5%**	**2.0%**	**1.5%**	**1.0%**

- 2023-27 Cumulative R1 bill impact of 4.9%, or 5-year average increase of 1.0% year-over-year, compared to estimated CPI of 2%
- 2023 Rates, as initially filed with the OEB, including load impacts, **forecasted to decline** in Tx by 0.4%, and in Dx by 6.3%
- Consistent with past practice, initial filed evidence will include the 2021 OEB approved ROE of 8.34%, as well as 2020 audited balances for regulatory accounts
  – If the ROE were to increase to 8.83%, as currently forecast in 2023, and regulatory accounts include forecast 2021 balances, rates revenue requirement would be 2.1% and 1.4% higher for Tx and Dx, respectively.

Forecast Annual Rate Changes including DTA and JRAP 8.83% (2023 ROE)





Total R1 Bill Impact	2021 Jul. 1	2022	2023 Jan. 1	2023 Jul. 1	2024	2025	2026	2027
JRAP at 8.83%	-	2.8%	-1.4%	-	1.8%	1.5%	2.0%	1.5%
DTA	1.4%	0.5%	-	-1.4%	-	-	-	-
Total R1 Bill Impact	1.4%	3.3%	-1.4%	-1.4%	1.8%	1.5%	2.0%	1.5%

Average 2023 Annual Impact	
January 1 2023	**-1.4%**
July 1 2023	(-1.4% / 2) = **-0.7%**
2023 Average	**-2.1%**

Summary: The investment plan balances the needs of customers, system reliability and overall stewardship of the assets with a focus on increasing productivity and minimizing rate increases

OEB Framework

- To determine that the capital plan is reasonable and appropriate, the OEB must conclude that:
  - Customers were properly engaged and their preferences incorporated;
  - Mandatory third party driven projects are reflected;
  - Renewal investments respond to condition based asset need; and
  - The investment plan is reasonably paced, reflecting an appropriate risk balance to accomplish the outcomes intended by the plan.

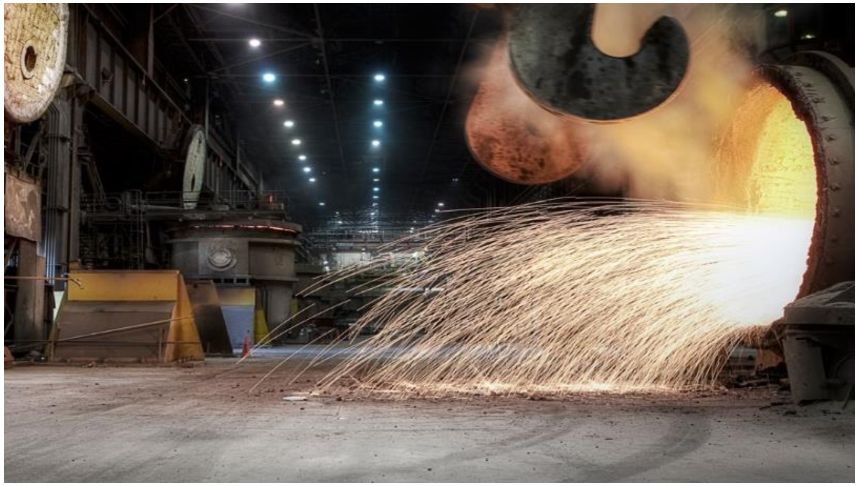
Outcomes

- Based on customer feedback, Hydro One is investing to maintain the system and produce the desired outcomes expressed by customer preferences, including:
  - Maintaining and improving reliability and service quality;
  - Addressing system pressures, including deteriorated infrastructure, an expanding customer base and provincial growth; and
  - Focusing on efficiency opportunities to manage and/or reduce costs.

Pacing and Balance

- Although the Plan focuses on poor condition assets, not all known poor condition assets will be replaced during the term.
- This is consistent with Hydro One's overall pacing in which the Plan addresses critical and major risks and any reduction to the plan has tangible risk consequences.
- The Plan does not eliminate all risk; residual risk is managed to establish a balanced portfolio to maintain system health and reliability.

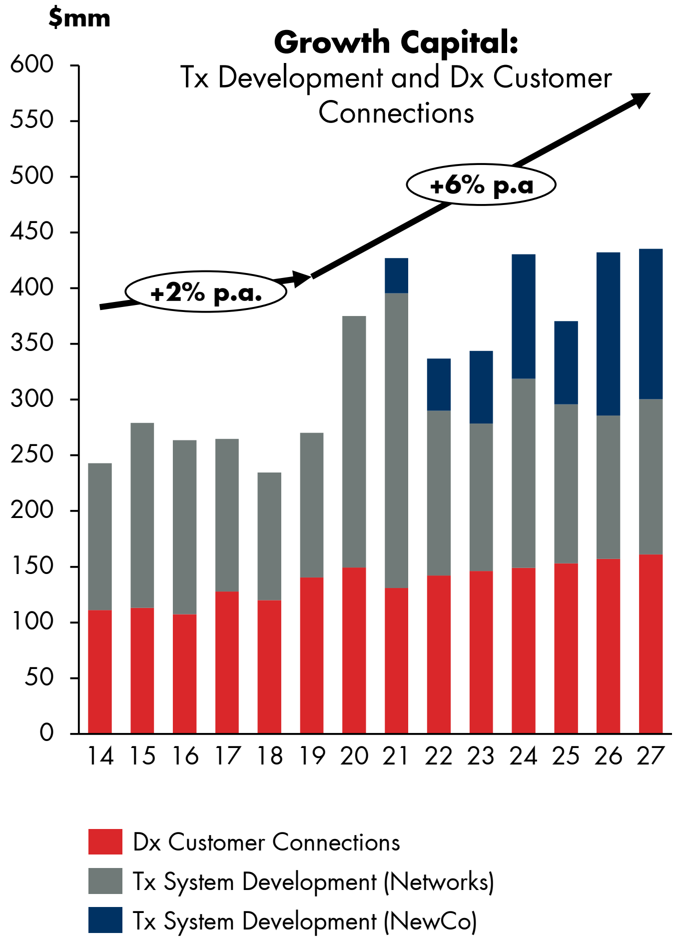
The outcomes and objectives of the Plan are aligned to outcomes of the OEB's Renewed Regulatory Framework



	Renewed Regulatory Framework Performance Outcomes	Plan Outcomes
The plan incorporates OEB[1] and Customer Feedback and balances system need with risk mitigation	**Customer Focus**	▪ Deliver industry-leading customer service, in response to identified customer preferences ▪ Improve and maintain current levels of customer satisfaction
	Operational Effectiveness	▪ Achieve top-tier safety performance and eliminate serious injuries ▪ Focus on continuous improvement to enhance efficiency, productivity, and reliability ▪ Maintain top tier Tx reliability performance and improve long-term Tx and Dx reliability
	Public Policy Responsiveness	▪ Deliver on obligations mandated by government through legislation and regulatory requirements ▪ Lower our environmental footprint through greenhouse gas ("GHG") reduction
	Financial Performance	▪ Responsible investment in rate base assets to ensure the safety and reliability of the grid ▪ Manageable and stable rate impacts over the course of the planning period

[1] *Legacy concerns expressed by the OEB and responsive actions are included in slide 48.*

Growth: The pace of regional growth has driven increased levels of investment, which were not contemplated when regulatory filings were initially developed



Growth Outlook

- Distribution level customer connection investments have increased by ~30% over the past 7 years, to a level which is expected to continue through 2027
- Regional pockets of growth have developed, requiring more significant transmission level reinforcements, with development capital expenditures anticipated to more than double (+210% increase) from 2019 to 2027
- These upstream reinforcements are identified through IESO integrated planning processes, and direction is provided to Hydro One to carry out this work.

Historic Approach

- Historically Hydro One would defer renewal investment to accommodate unexpected growth / system expansion
- From 2011-13, direction to support "green" transmission projects along with associated enabling infrastructure postponed at least $220mm of critical maintenance and renewal to our infrastructure to support the safe and reliable delivery of electricity
- With the current growth outlook, it is no longer possible to continue to fund unanticipated development through re-direction away from system renewal.

Partnerships (NewCo|Joint Venture)

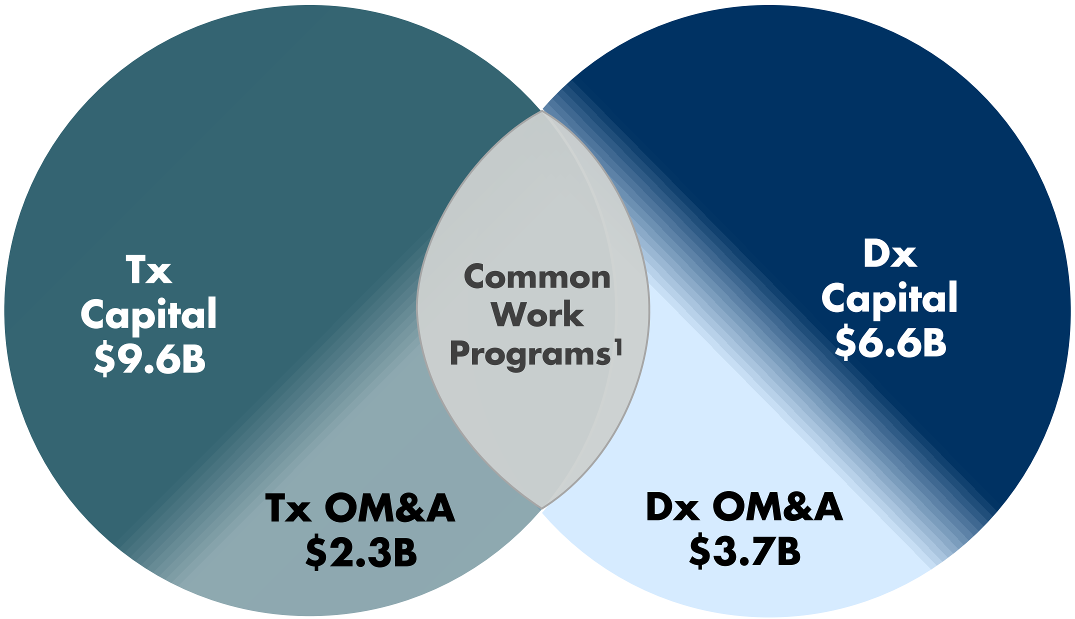
- With increased regional growth, particularly in Southwest Ontario, new transmission lines have been identified to meet this system need
- New transmission lines are candidates to be owned by future new company ("NewCo") Indigenous partnerships, subject to separate future rate applications, and are not anticipated to be included in HONI's Networks rate base
- These NewCos will be co-owned by single purpose HOL subsidiaries and Indigenous partners
- These NewCo lines investments will be tracked in a separate account that will be established in a forthcoming Accounting Order Application to the OEB; these lines have been removed from JRAP, while the associated stations work remains with Networks

The Investment Plan, informed by Phase 2 of Customer Engagement, will form the basis of the Tx and Dx System Plans in the Joint Rate Application

Hydro One 2021-27 Investment Plan Spend Breakdown

Recommended Transmission Investment Plan: $11.9 billion

Recommended Distribution Investment Plan: $10.3 billion



The Investment Plan excludes corporate & centralized operation costs (Finance, Human Resources, etc.), LDC acquisitions, New Company partnerships, HOSSM, Remotes, B2M, Telecom, etc. and taxes which are included in the Business Plan

[1] *~$2.7 billion of Common Work Program expenditures, which are embedded within the Tx Capital & OM&A, and Dx Capital & OM&A figures within the graph.*

2021-22 Investment Plan[1] – Plan over Plan

Transmission Plan	2021-22 Total $mm		
	OM&A	Capital	ISA
December 4th Plan	**617**	**2,343**	**2,425**
May 7th Plan	**629**	**2,321**	**2,388**
Change from Prior Plan	***12*** *(1.9%)*	***(22)*** *(-1.3%)*	***(37)*** *(-1.5%)*
Recommended Overspend (20-22)		**68** (2.1%)	**83** (2.5%)
NewCo Partnerships Excluded (20-22)*		**86**	-
Overspend w/ NewCo Partnerships (2020-22)		**153** (4.4%)	**83** (2.5%)

Consistency with December Board Approval (Overall)

OM&A: Contingent increase
Capital: increase

Key Drivers of Change

OM&A: Change driven by:
- Revenue contingent opportunities to address deferred maintenance backlog of identified equipment and vegetation defects
- Pacing of environmental investments, including PCB work

Capital: Changes driven by:
- Project maturity and 2020 actuals, including inflight variances
- Load growth forecasts, including need and timing of transmission reinforcements
- Joint venture partnerships projects ("NewCo") have been excluded, and will not form part of Hydro One Network's rate base, but are included in consolidated capital

*** NewCo Partnerships Excluded:**

New Partnership $mm	2020	2021	2022
In-Service Additions		$0	$0
Capital Exp.			
Chatham x Lakeshore	$2	$10	$15
Waasigan	$5	$17	$16
West of London (Ph. 1 / 2)	-	$3	$10
Other	-	$1	$6
	$7	**$32**	**$47**

Distribution Plan	2021-22 Total $mm		
	OM&A	Capital	ISA
December 4th Plan	**1,024**	**1,302**	**1,311**
May 7th Plan	**1,025**	**1,379**	**1,357**
Change from Prior Plan	**1** *(0.1%)*	***77*** *(6.7%)*	**46** *(3.5%)*
Recommended Overspend (18-22)		**187** (6.1%)	**61** (1.9%)

Consistency with December Board Approval

OM&A: materially consistent
Capital: increase

Key Drivers of Change

OM&A: Change driven by:
- Pacing of environmental investments, including PCB work

Capital: Increase driven by:
- Project maturity and 2020 actuals.
- Load growth forecasts
- Findings/recommendations of third party studies (benchmarking, shared asset allocation)
- Updated pacing of advanced metering infrastructure mass deployment

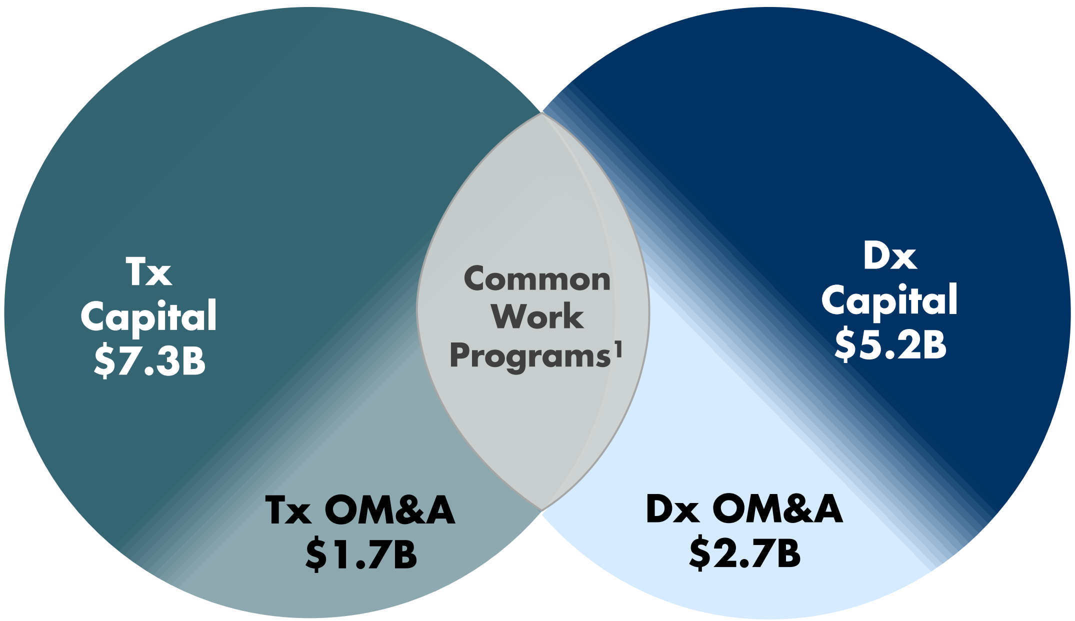
[1] *Represents remainder of current rate period for Tx and Dx.*

The Investment Plan, informed by Phase 2 of Customer Engagement, will form the basis of the Tx and Dx System Plans in the Joint Rate Application

Hydro One 2023-27 Investment Plan Spend Breakdown

Recommended Transmission Investment Plan: $9.0 billion

Recommended Distribution Investment Plan: $7.9 billion



The Investment Plan excludes corporate & centralized operation costs (Finance, Human Resources, etc.), LDC acquisitions, New Company partnerships, HOSSM, Remotes, B2M, Telecom, etc. and taxes which are included in the Business Plan

[1] ~$2.0 billion of Common Work Program expenditures, which are embedded within the Tx Capital & OM&A, and Dx Capital & OM&A figures within the graph.

2023-27 Investment Plan – Plan over Plan (JRAP Period)

Transmission Plan	2023-27 Total $mm		
	OM&A	**Capital**	**ISA**
December 4th Plan	**1,698**	**7,266**	**7,009**
May 7th Plan	**1,707**	**7,258**	**7,291**
Change from Prior Plan	**9** *(0.5%)*	**(7)** *(-0.1%)*	**282** *(4.0%)*
NewCo Partnerships *(Cumulative delta)*		**533** *(7.2%)*	**358** *(5.1%)*

Consistency with December Board Approval (Overall)

OM&A: materially consistent
Capital: increase

Key Drivers of Change

OM&A: Change driven by:
- Pacing of environmental investments, including acceleration of PCB work

Capital: Changes driven by:
- Customer Engagement result updates
- Load growth forecasts, including need and timing of transmission reinforcements and exclusion of potential partnership projects
- Findings/recommendations of third party studies (benchmarking, shared asset allocation, productivity)

NewCo Joint Venture/Partnerships:

New Partnership $mm	2023	2024	2025	2026	2027
In-Service Additions	$0	$0	$126	$41	$190
Capital Exp.	$65	$112	$75	$147	$135

Distribution Plan	2023-27 Total $mm		
	OM&A	**Capital**	**ISA**
December 4th Plan	**2,690**	**4,893**	**4,920**
May 7th Plan	**2,702**	**5,218**	**5,293**
Change from Prior Plan	**12** *(0.5%)*	**325** *(6.7%)*	**373** *(7.6%)*

Consistency with December Board Approval

OM&A: materially consistent
Capital: increase

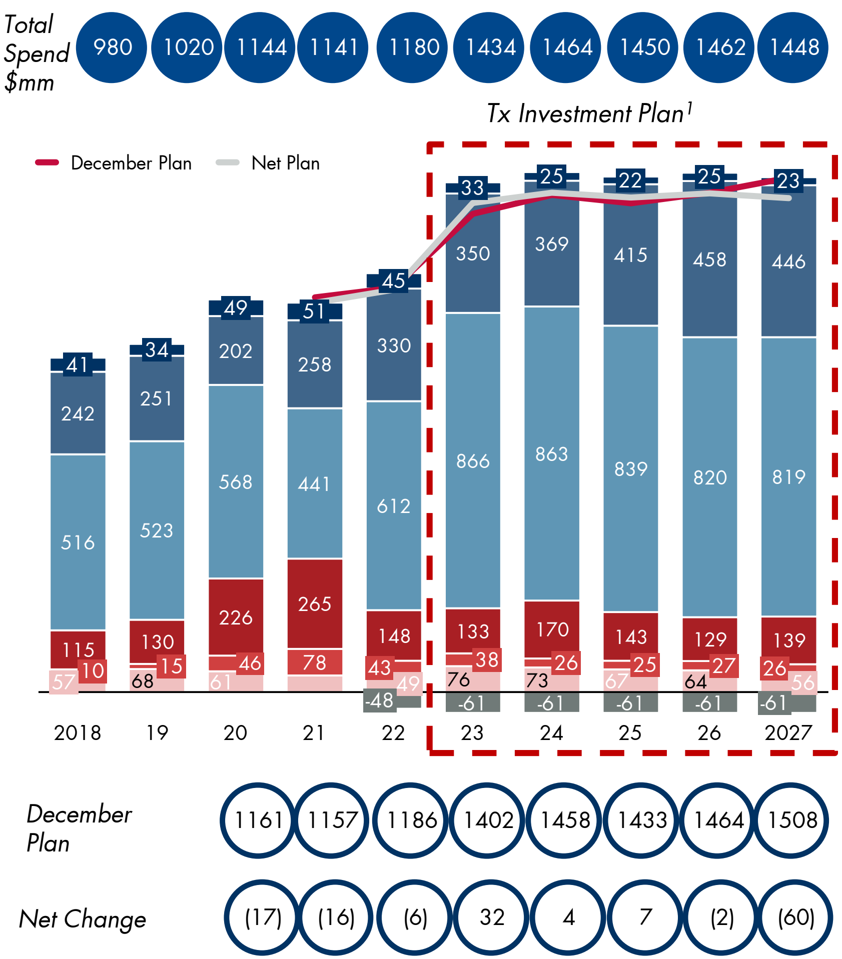
Key Drivers of Change

OM&A: Change driven by:
- Pacing of environmental investments, including acceleration of PCB work
- Historic post-employment benefit commitments associated with staff repatriation

Capital: Increase driven by:
- Customer Engagement result updates
- Load growth forecasts
- Findings/recommendations of third party studies (benchmarking, shared asset allocation)
- Updated pacing of advanced metering infrastructure mass deployment

Tx Capital manages critical safety and environment risks, maintaining first quartile reliability and enabling growth

Capital Expenditure Trajectory
$ Millions



[1] Includes facilities and security
[2] Progressive productivity and other adjustments temporarily included as part of Stations Sustainment
[3] Operating & Customer is 100% Operating in Capital, and 95%+ Operating in OM&A

Tx Capital Plan is $7.3B over five years

- Responsive to customer needs and preferences and balances the needs of the system, the assets, and rates
- Maintain first quartile reliability performance through continuous improvement

Development

- Meets the growing needs of the agricultural sector in the southwestern Ontario communities of Leamington, and the broader Windsor-Essex region; investments anticipated to be owned through partnerships excluded

Sustainment

- The step-change increase reflects system reinvestment to address verified, condition based asset and system needs deferred as a result of the OEB decision, including replacement of poor condition transformers, refurbishment of deteriorated and at risk conductors, and related components
- Supports load growth and facilitates a flexible and diverse supply mix, including strengthening of interconnections to other jurisdictions and hardening facilities interfacing with major generators including Bruce, Lennox and Beck

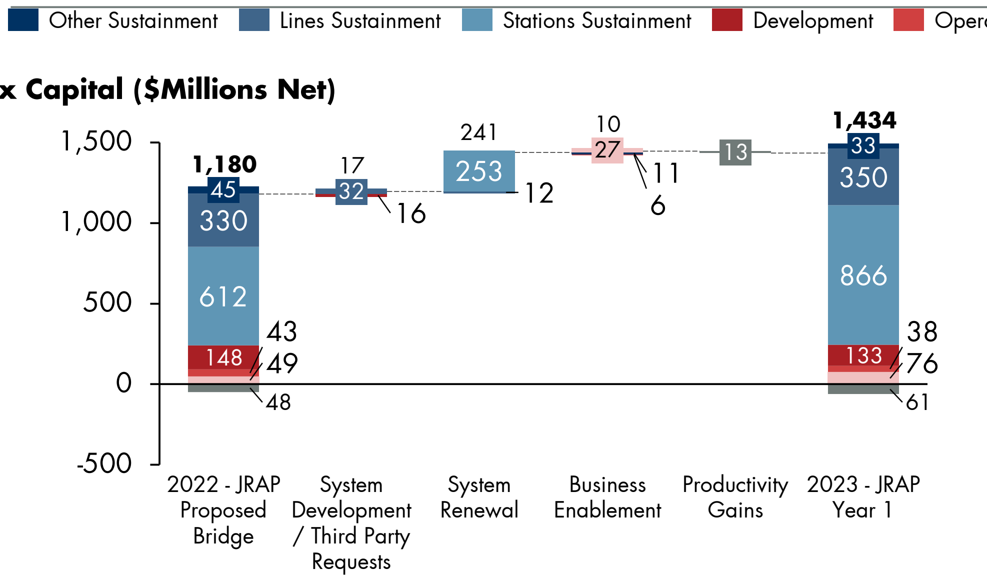
Common

- Technology enablement and transformation, including investments in core SAP systems such as Finance, and enhancements to work and asset management capabilities

Category	**December ($B)**	**Delta**	**Total ($B)**	**Total (%)**
Other Sustainment [1]	0.1	-	0.1	2%
Lines Sustainment	2.1	(0.1)	2.0	27%
Stations Sustainment [2]	4.0	0.2	4.2	56%
Development	1.0	(0.3)	0.7	9%
Operating and Customer [3]	0.1	-	0.1	2%
Common	0.3	-	0.3	4%
Progressive Productivity	(0.4)	0.1	(0.3)	(4%)
	7.3	**-**	**7.3**	

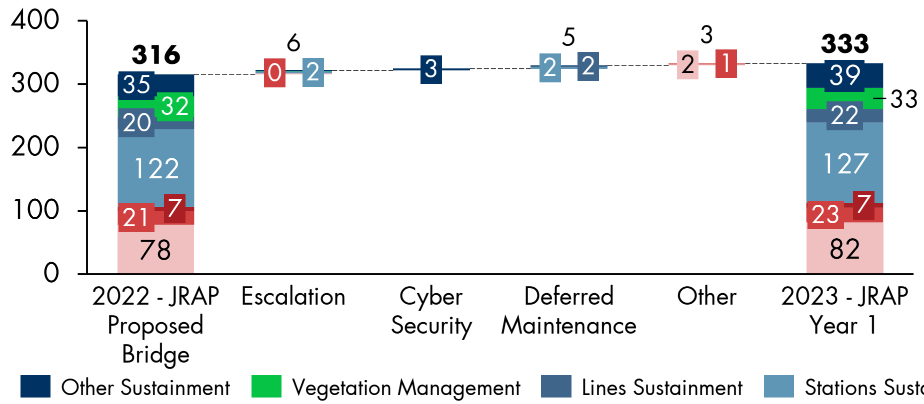
Transmission Bridge 2022 - 2023: The Transmission plan is responsive to customer needs and preferences and balances the needs of the system, the assets, and rates, with strategic priorities recovering from the OEB's disallowances

Tx Capital ($Millions Net)



Category	Driver
System Development / Third Party Requests	**Third Party Modifications**: Relocation of facilities to accommodate Metrolinx expansion (+32mm) **System Development**: Need and timing of system enhancements (-$16mm)
System Renewal	**Stations /Lines Renewal**: Address poor condition infrastructure and recover following deferral of 2020-22 investments as a result of OEB decision and to accommodate near-term system growth[1] (+241mm)
Business Enablement	**Optimization and Enablement**: New facility builds, fleet lifecycle renewal and technology roadmaps (+$10mm)

Tx OM&A ($Millions Net)



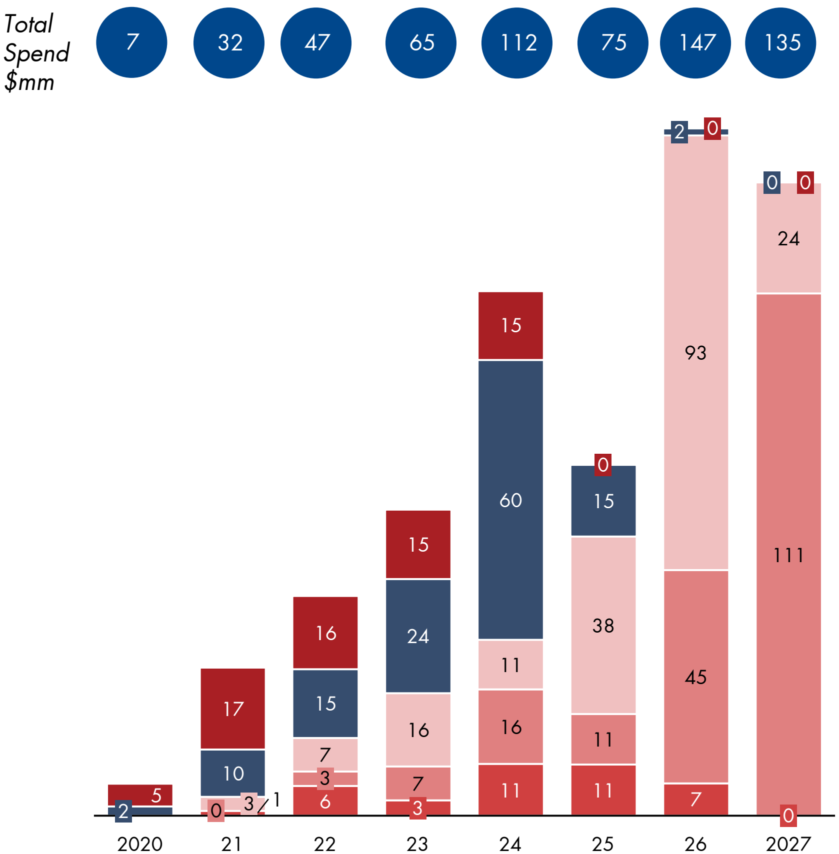
Category	Driver
Cyber Security	Harden systems against evolving risk and ensure compliance (+$3mm)
Deferred Maintenance	**Lines Maintenance**: Broader implementation of long-sample testing to identify future replacement candidates and address defects (+$2mm) **Station Maintenance**: increased power equipment and ancillary maintenance, to address identified defects and repair grounding systems (+$2mm)
Other	**IT/OT**: Continued application management and provision for software licences, contracts and cloud hosting (+$3mm)

[1] *Investment areas subject to Phase 2 Customer Engagement input*

David Lebeter

Partnership Projects: Tx Capital Investments, less stations work, to be In-serviced into a New Partnership are held separate from the Networks Capital Plan, reflecting incremental investments

Capital Expenditure Trajectory
$ Millions



Waasigan (Northwest Bulk Transmission Line Project)
Build Chatham SS xlakeshore SS double circuit line
Lambton x Chatham - Lines (NewCo)
Longwood x Chatham - Lines (NewCo)
Build Leamington Area 230/27.6 DESN #5 (Lines - NewCo)

New Partnership $mm	2020	2021B	2022	2023	2024	2025	2026	2027
Rate Base	$0	$0	$0	$0	$0	$63	$145	$258
Capital Exp.	$7	$32	$47	$65	$112	$75	$147	$135
Net Income	$0	$0	$0	$0	$0	$3	$4	$6

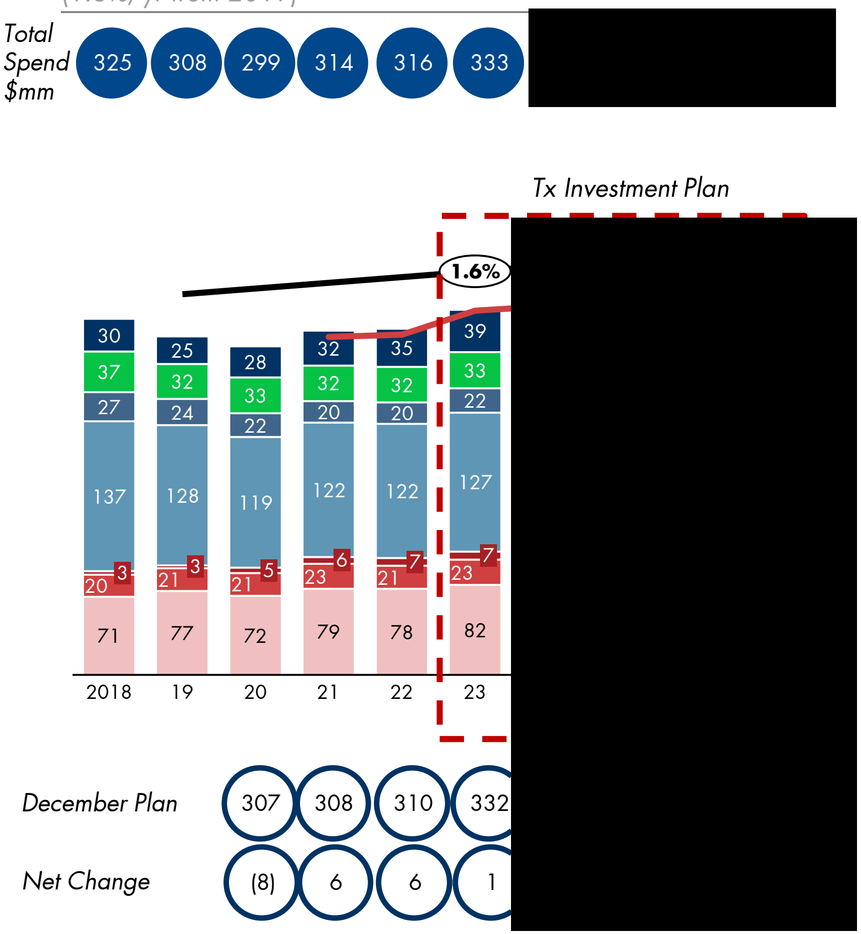
Over $600M in Lines Investments to be In-Serviced into New Partnerships. Investments largely focused on growing needs of the agricultural sector in Leamington and the broader Windsor-Essex region

- December Board included ~$200 million of Lines work associated with these projects as part of HONI rate base however, each project they will be in-serviced into a new partnership:
  - Waasigan (Northwest Bulk Transmission Line)
  - Chatham x Lakeshore
  - Leamington #5 Transmission Line
- **Increase vs December:** ~$400 million of new lines investment to enable further growth in Southwest Ontario:
  - IESO hand off letter received for Lambton x Chatham reinforcements;
  - direction on second phase expected in Q2/Q3 for Longwood x Chatham
- **New Filing Approach:**
  - Lines investments to be in-serviced into new partnerships will be tracked in a separate account that will be established in a forthcoming Accounting Order Application to the OEB
  - Lines investments have been removed from HONI rate base and JRAP in the amounts indicated in the bar chart, relative to December Board
  - Stations work remains within HONI and will be included in JRAP

Tx OM&A reflects the OEB Decision in 2020-22, which maintains compliance and addresses most of the identified near-term risk on the system

Work Program OM&A Trajectory 2021-27

$ Millions (Does not include corporate common costs)
(1.6%/yr from 2019)



Tx OM&A Plan is $1.7B over five years

- Carryout critical inspections, testing and patrols e.g. conductor condition assessments, dissolved gas analysis, annual station inspections, right of way patrols, etc.
- Reduce greenhouse gas emissions through targeted SF6 leak reductions
- Maintain NERC and Cyber Security Compliance programs/activities
- Achieve PCB compliance by 2025, consistent with Environment Canada deadline

2022 vs 2023

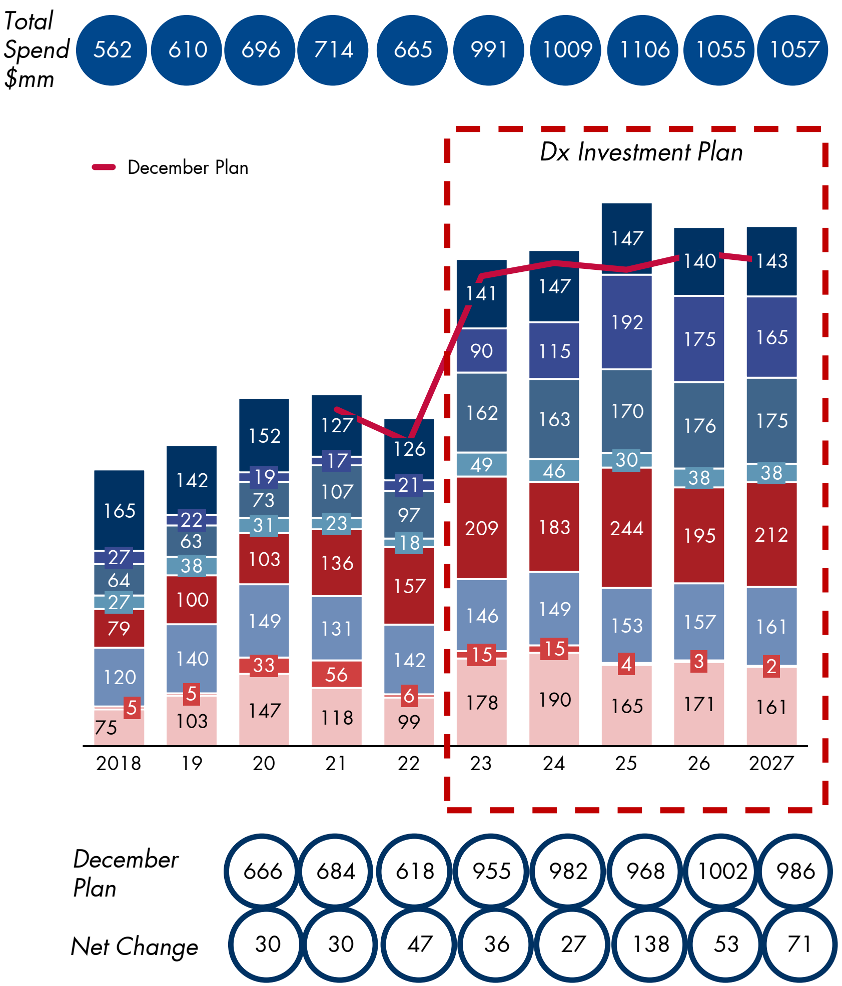
- The 2023-27 period will see a proposed recovery from reduced OEB levels in 2019-22, with continued focus on PCB retrofills, cyber security, lines maintenance, vegetation management, and sustainment of technology
- Lines and Stations maintenance cycles have been extended as a result of OEB decisions, as well to accommodate increased PCB work; 2023+ will see a focused effort to realign with historic cycles

Category	**December ($B)**	**Delta**	**Total ($B)**	**Total (%)**
Other Sustainment	0.2	-	0.2	11%
Vegetation Management	0.2	-	0.2	10%
Lines Sustainment	0.1	-	0.1	6%
Stations Sustainment	0.6	-	0.6	38%
Development	0.0	-	0.0	3%
Operating and Customer	0.1	-	0.1	7%
Common	0.4	-	0.4	25%
	1.7	**-**	**1.7**	**100%**

Dx Capital plan reflects Customer Engagement results, will address critical asset needs, improve reliability through grid modernization and facilitate customer growth

Capital Expenditure Trajectory

$ Millions, 2021-27



[1] Includes Joint Use, facilities and security at stations

[2] Operating & Customer is 100% Operating in Capital, and 13% Operating in OM&A

Dx Capital Plan is $5.2B over five years

- 2021/22 bridge includes a recommended $53mm of in-service addition overage associated with Leamington area upgrades (South Middle Road), a variance from the December Plan
- The Draft Plan follows a similar trajectory as presented to customers.
- The Dx System Plan balances delivering outcomes valued by customers with steady and stable rate impacts

Development

- Connects new customers and meets the growing needs communities across the province, including the agricultural sector in the southwestern Ontario communities of Leamington, and the broader Windsor-Essex region
- Modernizes existing facilities through automation to improve reliability

Sustainment

- Critical asset needs are addressed, including $2.2B in investment to sustain our current fleet of assets, including emergency response and replacement and refurbishment of ~65k wood poles
- Replace first generation advanced metering infrastructure through a paced approach, including a pilot project through 2023, followed by a paced Metering Refresh starting in 2023/24

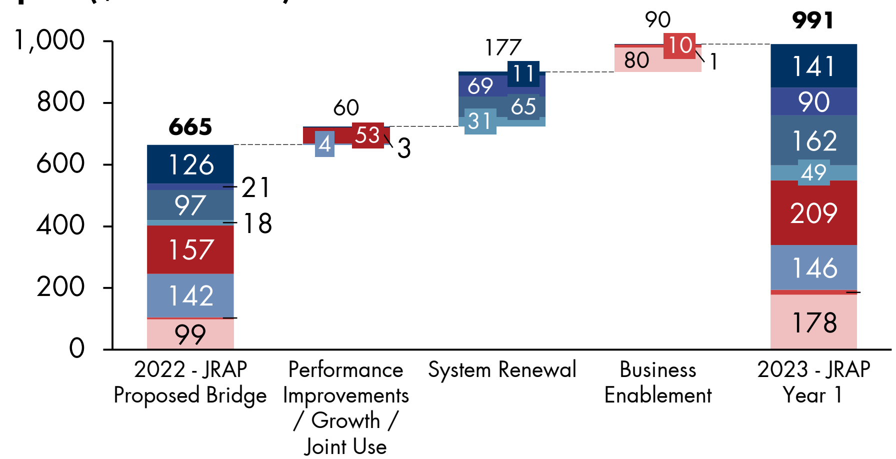
Common

- New facilities and work centres in Orillia and Peterborough
- Technology enablement and transformation, including investments in core SAP systems such as Finance and CIS, and enhancements to work and asset management capabilities

Category	December ($B)	Delta	Total ($B)	Total (%)
Other Sustainment [1]	0.7	-	0.7	14%
Metering	0.7	0.1	0.7	14%
Lines Sustainment	1.0	(0.1)	0.8	16%
Stations Sustainment	0.2	-	0.2	4%
Development	0.9	0.1	1.0	20%
Development – Customer Connections	0.7	0.1	0.8	15%
Operating and Customer[2]	0.0	-	0.0	1%
Common	0.7	0.2	0.9	17%
	4.9	**0.3**	**5.2**	**100%**

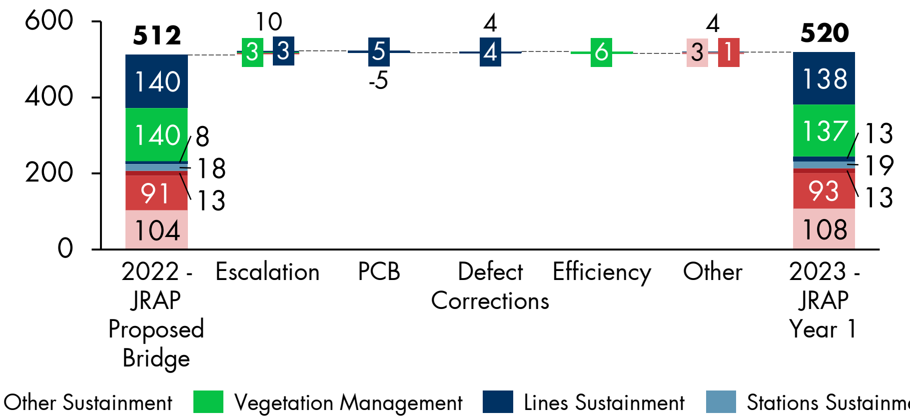
Distribution Bridge 2022 - 2023: The Distribution plan is responsive to customer needs and preferences, focusing on improved performance outcomes and meeting the needs of the system, assets and strategic priorities

Dx Capital ($Millions Net)



Category	Driver
Performance Improvements / Growth	**System Development**: ▪ Grid modernization and reliability improvements[1] (+$18mm) ▪ Battery storage[1] (+$30mm) ▪ Facilitating regional growth[1], completion of South Middle Road investment **New Customer Connections** • Increased connection requests (+$4mm) **Joint Use:** Revised cost allocation assumptions (+$3mm)
System Renewal	**Aged and deteriorated infrastructure:** Increased Wood Pole Replacement, Stations Sustainment and deployment of next generation AMI[1] (+$177mm)
Business Enablement	**Optimization and Enablement**: New facility builds, fleet lifecycle renewal and technology roadmaps (+$90mm)

Dx OM&A ($Millions Net)

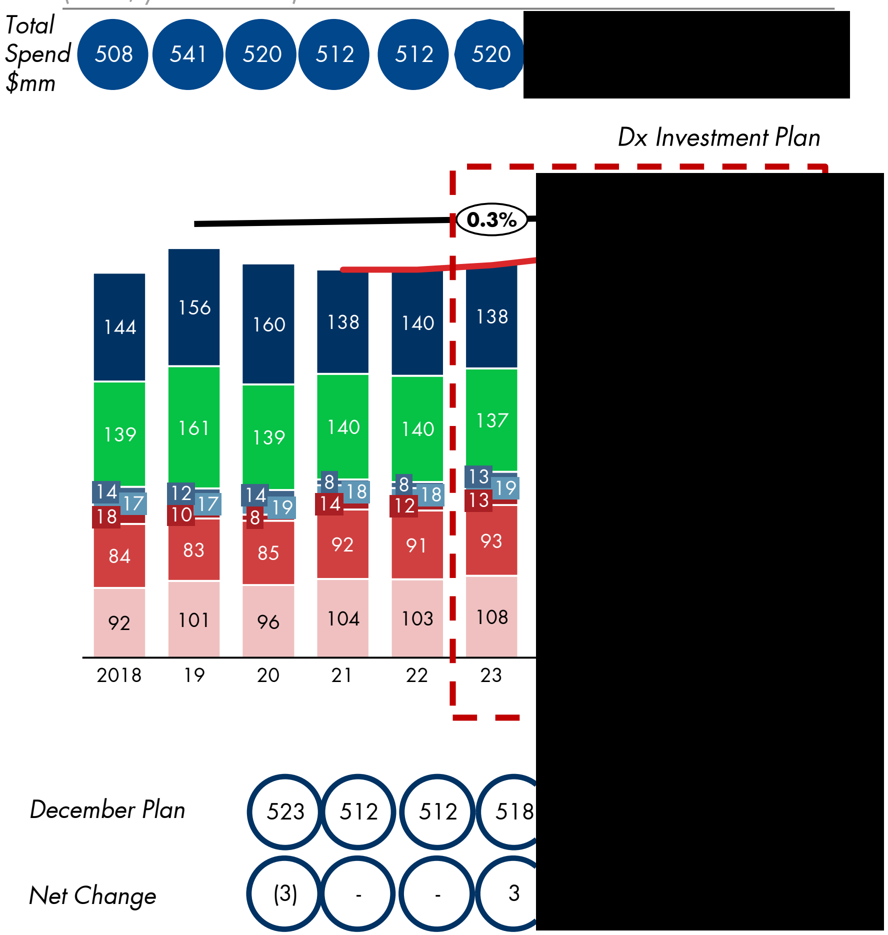


Category	Driver
PCB	**PCB**: Lower volumes of PCB inspection and testing as 2025 deadline nears (-$5mm)
Defect Corrections	**Lines Maintenance**: Increased focus on defect corrections, to address reliability and safety risks (+$4mm)
Efficiency	**Vegetation Management**: Realizing benefits of on-cycle maintenance (-$3mm)
Other	**IT/OT**: Continued application management and provision for software licences, contracts and cloud hosting (+$3mm)

[1] *Investment areas subject to Phase 2 Customer Engagement input*

Dx OM&A addresses most of the identified near-term risks on the system and improves reliability

Work Program OM&A Trajectory 2021-27
$ Millions (Does not include corporate common costs)
(0.3%/yr from 2019)



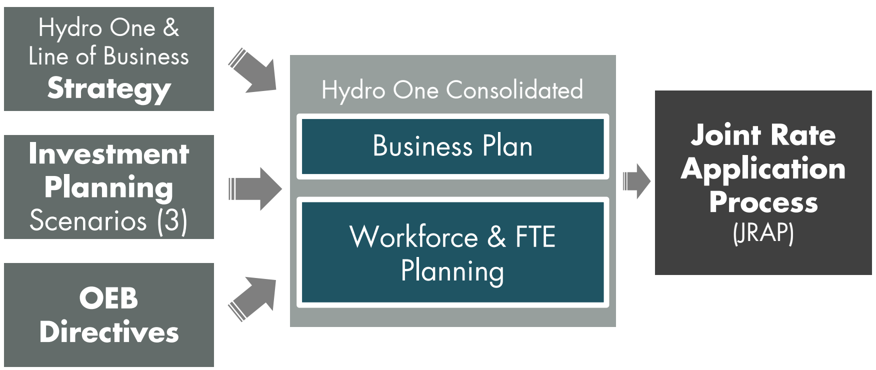
Dx OM&A Plan is $2.7B over five years

- $1.6B in expenditures to sustain the system, including emergency response and vegetation management
- $444mm in customer service expenditures, including the Customer Contact Centre to address customer concerns, meter reading, metering network operations and billing to deliver timely and accurate bills, and regulatory compliance and collections
- Vegetation management is performed using the Optimal Cycle Protocol approach.
- Expand centralized Operating control of the Dx system using Distribution Management System ("DMS") to improve situational awareness and outage response times
- Manage trouble call volumes through investments to prevent outages

Category	December ($B)	Delta	Total ($B)	Total (%)
Other Sustainment	0.7	-	0.7	26%
Vegetation Management	0.7	-	0.7	26%
Lines Sustainment	0.1	-	0.1	2%
Stations Sustainment	0.1	-	0.1	3%
Development	0.1	-	0.1	2%
Operating and Customer	0.5	-	0.5	19%
Common	0.6	-	0.6	20%
	2.7	**-**	**2.7**	**100%**

FTE Planning Process

Planning Framework



Planning Factors

- **Responsive to Investment Plan and Customer Engagement** – built three (3) scenarios with HR input in 2020.
- Process focused on **alignment between work plans and resourcing needs**
- Plans were **reviewed with Labour Relations** to analyze labour impact
- **Labour** costs (FTEs) and **Non-Labour** Costs (contracting, admin, etc.) were planned in the same process for a holistic view

Planning Timeline / Key Steps

LoB Workforce and Business Planning

LOBs complete planning templates including FTE requirements for the 3 investment planning scenarios

Planning and Alignment

Lines of Business conducted requirements meetings, aligning future strategy with resource needs.

HR Consolidation

HR produced a consolidated 2021-22 FTE plan based on the 3 investment plan scenarios for ELT approval.

Consultation

Consolation with Labour Relations implications and HR CoEs on impact.

Revised FTEs based on final Investment Plan and Narrative Confirmation

HR worked with Lines of Business to confirm resource narrative and planned 2023-27 internal workforce resources (FTEs). Lines of Business provided opportunity to update plans based on revised Investment Plan.

Plans consolidated for ELT and Board Approval.

FTE Planning Assumptions[1] & Noted Trends

- The workforce planning process for JRAP involved individual consultations with each Lines of Business to assess proposed FTEs from the December 2020 approved Plan
- In Q1 2021, FTE plans were reviewed vis-a-vis the key drivers and unique needs of each Lines of Business, for example, the addition of regular or casual FTEs for rate period
- As a result, the FTE plans noted in this table indicate that, despite a significant increase in planned work commencing in 2023, **FTEs will only increase by1.4% from 2023-27**, with a strategy to contract out incremental work to meet peak demand
- Planning process, described previously, pertains to internal workforce resources (FTEs), details of external resources (contracting out plans) are contained in execution exhibits

Type	Representation	2021	2022	2023	2024	2025	2026	2027
Regular	MGT/Non-Represented	724	761	765	760	760	763	763
	Society	1,675	1,771	1,781	1,783	1,791	1,817	1,841
	PWU	3,704	3,748	3,738	3,720	3,718	3,703	3,674
	Total Regular	**6,103**	**6,280**	**6,284**	**6,263**	**6,269**	**6,283**	**6,278**
Casual	PWU Hiring Hall	1,329	1,300	1,388	1,397	1,480	1,602	1,524
	CUSW	938	911	912	912	912	912	912
	EPSCA	198	192	192	192	192	192	192
	LIUNA	247	237	237	237	237	237	237
	Total Casual	**2,712**	**2,640**	**2,729**	**2,738**	**2,821**	**2,943**	**2,865**
	Total Non-Regular	175	158	159	158	157	157	157
Total		**8,990**	**9,078**	**9,172**	**9,159**	**9,247**	**9,383**	**9,300**

[1] *Table represents HONI, all HOI FTEs have been excluded.*

Corporate and Centralized Operating Costs

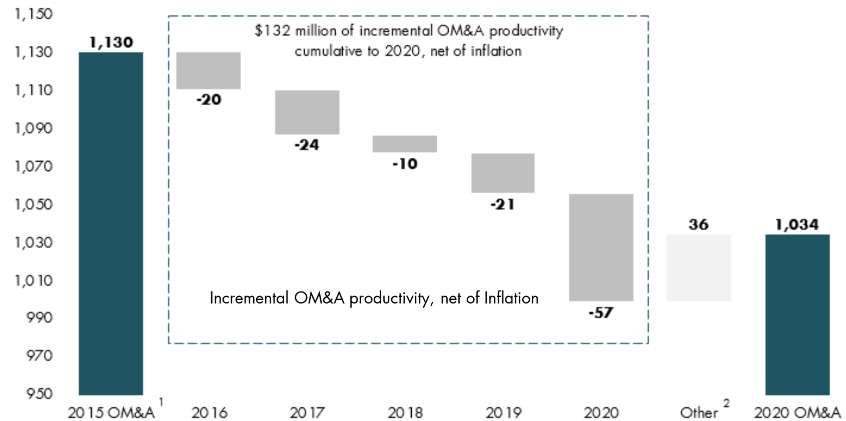
- In prior Plans, Hydro One management undertook a process to identify significant cost reductions in labour, contract/consultant, and administrative spending. The reduced costs were reflected in the Tx 2020-22 rate application filing and have contributed to incremental earnings relative to the Dx 2018-22 rate application.
- Management has redirected resources to support the successful execution of the corporate priorities in 2022 while maintaining envelope costs in line with prior plan commitments.
- For JRAP, Hydro One was required to benchmark corporate costs.
- UMS Group was selected to conduct the benchmarking to a comparator group of utilities
  - Hydro One's corporate costs **benchmarked well** against the comparator group. Hydro One is at or near 1st quartile levels for 5 functions, and median levels for 4 functions.

$M	2019A[1]	2020A	2021B	2022	2023	2024	2025	2026	2027	% Capital[2]
CEO and Board[3]	7	7	6	6	6	6	6	6	7	26%
Customer and Corp. Affairs[4]	33	34	39	41	43	44	45	46	47	14%
Finance	62	52	59	60	61	62	63	64	65	46%
HR	22	24	22	24	26	27	28	28	28	70%
ISD	15	15	14	16	17	18	18	19	19	43%
Legal & Secretariat	34	34	33	35	33	34	39	37	38	27%
Operations	90	87	91	95	96	97	99	102	105	48%
Other	1	2	2	2	2	2	2	2	2	43%
	$264	**$255**	**$266**	**$279**	**$284**	**$290**	**$300**	**$304**	**$311**	
Change from Prior Year				*$12* *5%*	*$5* *2%*	*$6* *2%*	*$10* *4%*	*$5* *2%*	*$7* *2%*	

[1] Includes increased costs for Executive Leadership team transition (~$8 million)
[2] Capital percentage is an approximation using a methodology approved by Black & Veatch
[3] Includes CEO, Chair, Board, and Ombudsman
[4] Excludes bad debt

Productivity Savings

- **Incremental OM&A Savings** have contributed to Dx ratepayers receiving a direct benefit in 2018, 2019 and 2020 via the **earnings sharing mechanism.**
- **Capital Savings** demonstrate the ability to **replace aging assets while mitigating rate impacts**. Increasing capital work programs will enable productivity.
- Maintaining the commitment to Progressive Productivity in planning to support the **execution of productivity stretch factors**.
- Hydro One will create new and innovative initiatives to offset undefined commitments in future years.



Draft allocations based on planned work program spend.

Productivity Savings ($mm)	2018 A	2019 A	2020 A	2021 B	2022	Reset 2023	2024	2025	2026	2027
Dx Capital	39	49	61	77	73	15	30	50	63	79
Tx Capital	44	69	82	100	130	22	44	65	88	109
Capital Total	**$82**	**$118**	**$143**	**$177**	**$203**	**$37**	**$74**	**$115**	**$151**	**$188**
Dx OM&A	36	48	86	81	108	8	15	20	28	36
Tx OM&A	17	20	35	32	34	5	11	15	21	26
Other OM&A	0	7	11	9	9	0	0	0	0	0
OM&A Total	**$53**	**$75**	**$132**	**$122**	**$151**	**$13**	**$26**	**$35**	**$49**	**$62**
Revenue	**$0**	**$10**	**$11**	**$6**	**$6**	**$0**	**$0**	**$0**	**$0**	**$0**
Grand Total	**$136**	**$202**	**$286**	**$305**	**$360**	**$50**	**$100**	**$150**	**$200**	**$250**

[1] Hydro One Inc. OM&A, excluding one-time transaction costs associated with Avista Corp. and other non-regulated growth.
[2] Includes $50 million of one-time costs related to COVID-19.

Regulated Growth

[redacted]

Unregulated Growth

[redacted]

Integrated Business Plan: Resolution to Approve

Executive Leadership Team & Board of Director Engagement

December 4, 2020 Board Meeting ✓	March 16, 2021 ✓	April 21, 2021 ✓	May 6, 2021 IPSO[1] Committee	May 7, 2021 Board Meeting
Board Approval 1. 2021-27 Integrated Business Plan, 2. 2021 Consolidated Budget	**ELT Approval** ▪ **Investment Plan** to be included as part of 2021-27 Integrated Business Plan	**ELT Approval** ▪ 2021-27 Integrated Business Plan	**Board Review** ▪ **Investment Plan** within the 2021-27 Integrated Business Plan	**Board Approval** ▪ 2021-27 Integrated Business Plan, ▪ 2021 Consolidated Budget

Include Phase 2 Customer Engagement Results

Management is seeking resolution from the Board, approving:

1. 2021-27 Integrated Business Plan;
   - Approval inclusive of forecasted spend in excess of Tx rate order by $68mm capital and $83mm in-service, as well as an additional $86mm of capital spend supporting NewCo Transmission
   - Approval inclusive of forecasted spend in excess of Dx rate order by $187mm capital and $61mm in-service
2. Revised 2021 Consolidated Budget; and
3. 2021 STIP Scorecard and 2021-23 LTIP Program, subject to approval by the HRC[1]

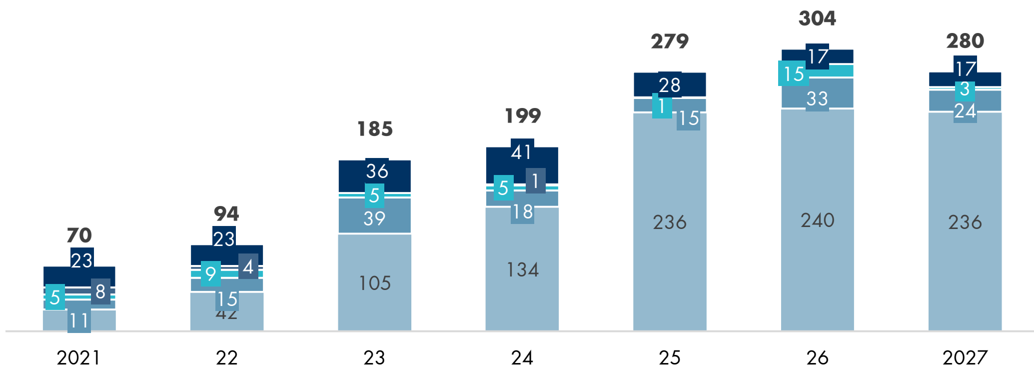
[1] *Indigenous Peoples, Safety & Operations ("IPSO") committee of the Board of Directors. Human Resources Committee ("HRC") of the Board of Directors.*

Appendix

Investments Linked to Strategy

Capital Investments Year-over-Year Linked to Strategy 2021-27

Net $mm (Spend by Focus Area Year-over-Year)



STRATEGIC TOTAL INVESTMENT 2021-2027			
PRIORITY/ENABLER	NET CAPITAL ($mm)	NET OM&A ($mm)	Total ($mm)
GRID OF THE FUTURE	$1,016	$52	$1,068
SAFETY/ EFFICIENCY	$155	$4	$159
TRUSTED PARTNER	$42	$4	$46
CUSTOMER	$13	$50	$63
ENABLERS	$185	$11	$196
TOTAL	**$1,411**	**$121**	**$1,532**

Strategic Initiatives[1]

Grid of the Future
- AMI Next Generation Deployment
- Outlier Delivery Points
- Operationalize Distribution Management System (DMS)
- Improve Automation and Sectionalization
- Storage Behind the Meter and on Feeders
- GHG Emissions Reduction Plan

Safety / Efficiency
- Safety Improvement Team
- Optimal Cycle Protocol
- Project Lighthouse (Empower Field Operators)
- Continuous Improvement Model
- Capital Work Program
- Capital Delivery
- Restoration Improvement
- Business Continuity & Emergency Management

Trusted Partner
- Indigenous Relations Strategy

Customer
- Customer Strategy

Enablers
- People Strategy
- Regulatory Strategy (JRAP & SPC)
- Technology Roadmap
- Strengthen Security Governance

Capital & OM&A Plan – $1.53 billion[1] over 7 years

- Overall definition and level of investments linked to strategic initiatives is greater year over year.
- Last year's plan had $250mm of strategic early stage initiatives which were not incorporated (funded) into the business plan. All strategic initiatives are funded.
- The Strategy Implementation Office is building the tools and processes to steward all multiyear strategic initiatives.

[1] *Excludes unregulated Growth initiatives.*

Plan, Design, and Build a Grid For The Future

Plan, design, and build a grid for the future: This strategic priority consists of actions taken on the physical grid to achieve reliability, resiliency, and flexibility goals. In addition, this priority focused on the continued development of Hydro One's world-class, risk-based capital planning process. Hydro One's environmental sustainability initiatives are also addressed, as many of the initiatives flow through the capital planning process.

CORPORATE MEASURE		KPI DETAILS	Historical Performance			Target						
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Reliability	Dx Reliability	SAIDI (Hours per customer)	6.8	7.0	7.3	6.1	5.4	4.7	4.4	4.3	4.3	4.2
	Tx Reliability	SAIDI-mc (mins per mutli-circuit delivery point)	15.4	7.9	4.6	7.7	7.5	7.4	7.3	7.2	7.1	7.0

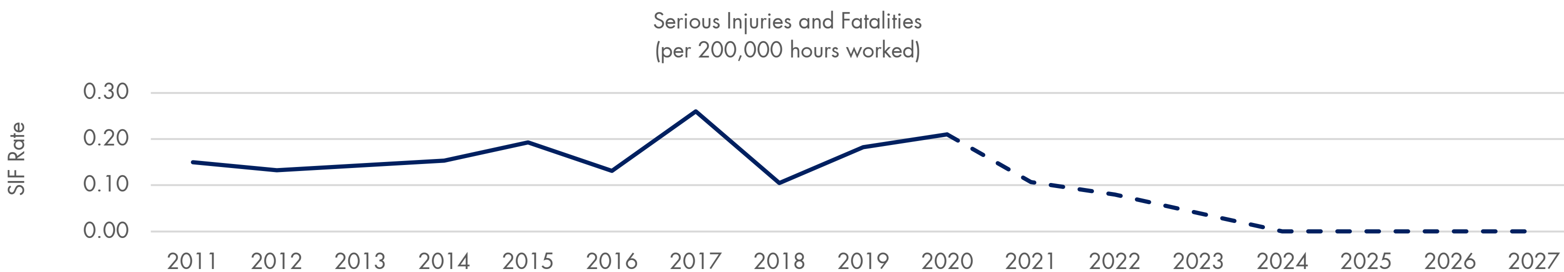
Strategic Initiatives	Expected Benefit
Outlier Delivery Points	Improve customer supply reliability and meet OEB requirements to address performance of delivery points.
Operationalize the DMS	Leverage DMS to perform load transfer studies and operation of modernized devices supported by the Dx Operations Model to maximize the value of Dx Grid Modernization.
Automation and Sectionalization	Improved response/restoration times and assist in remotely restoring power. As a result, reducing outage duration and improving reliability.
AMI Next Generation Deployment	Enable future customer options with enhanced infrastructure and enrich its data portfolio through improved capture capabilities.
Storage Behind the meter and on Feeders	Reliability improvement based on the pilots and sets the foundation for potential future Capital investment deferral and operating flexibility.
Restoration Improvement	Reduce human errors, enhance outage response, and improve overall grid reliability.
Optimal Cycle Protocol	Reduce the likelihood of a vegetation outage, and drive improvement to reliability metrics, safety and costs.

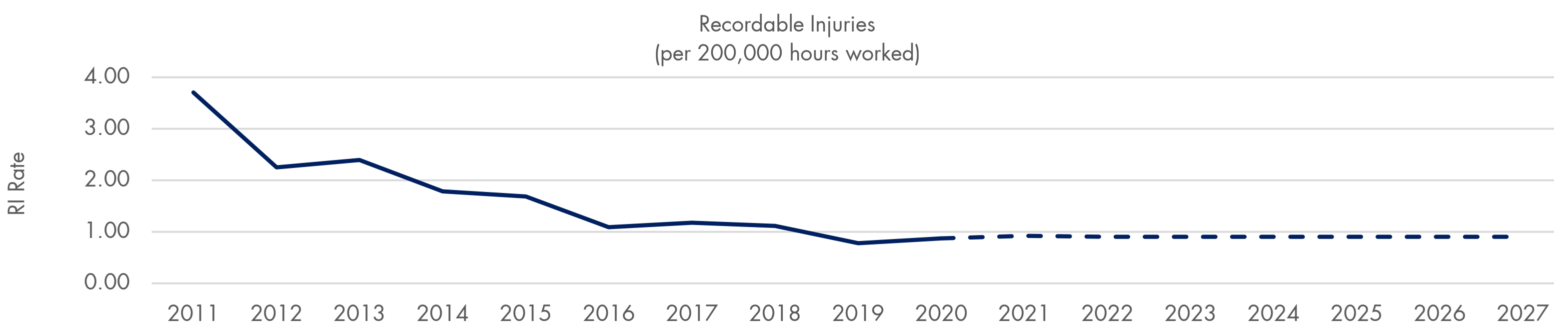
Be The Safest and Most Efficient Utility

Be the safest and most efficient utility: This strategic priority addresses the safety and efficiency of Hydro One's workforce in operations, capital delivery and corporate support. Safety and efficiency appear together in the same strategic priority, as properly-designed processes and initiatives will result in positive outcomes for both.

CORPORATE MEASURE		KPI DETAILS	Historical Performance			Target						
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Safety	Serious Injuries and Fatalities	Per 200,000 hours	0.105	0.182	0.209	0.107	0.08	0.04	0	0	0	0
	Recordable Incidents	Per 200,000 hours	1.112	0.781	0.874	0.923	0.900	0.900	0.900	0.900	0.900	0.900

Strategic Initiatives	Expected Benefit
Safety Improvement Team	Progression on initiatives will have drastic improvements to Serious Injuries and Fatalities ("SIF") and Recordable Incident Rate.





Transmission Load Forecast

- The Tx load forecast has been updated to reflect the following:
  - Actual 2020 load, which came in better-than-expected
  - Latest economic consensus information, which included an improved Housing Starts forecast
  - Current IESO CDM peak assumptions, which have been lowered due to government mandate to focus on local/regional peak system needs
  - Anticipated peak impact due to Tx developments in southwestern Ontario (Leamington area)
- Tx peak load is anticipated to increase by 0.3% on average over the Plan period
- When the load forecast is reset in 2023 under the JRAP, the change in load relative to previous OEB-approved levels is expected to have a load impact on Tx rates of +0.5%

TRANSMISSION Monthly Peak (MW)	2019	2020	2021	2022	Rebase 2023	2024	2025	2026	2027
OEB Approved	19,595	19,586	19,556	19,543					
December Plan[1]	19,575 (actual)	19,158	19,127	19,024	18,917	18,819	18,728	18,653	18,568
YoY % Growth		-2.1%	-0.2%	-0.5%	-0.6%	-0.5%	-0.5%	-0.4%	-0.5%
Current Plan	19,575 (actual)	19,219 (actual)	19,338	19,381	19,451	19,527	19,547	19,584	19,607
YoY % Growth		-1.8%	0.6%	0.2%	0.4%	0.4%	0.1%	0.2%	0.1%
Rate Impact due to load – December Plan					*+3.2%*				
Rate Impact due to load – Current Plan					*+0.5%*				

Process:

- Load forecast methodology, which has been consistently approved by the OEB, uses econometric models, customer forecast surveys and IESO conservation and demand management ("CDM") assumptions
- Forecast may be further updated as part of the JRAP proceeding to reflect any material change in forecast assumptions

[1] *Load utilized for the December 2020 Board Approved Business Plan leveraged September forecast data.*

Distribution Load Forecast

- The Dx load forecast has been updated to reflect the following:
  - Actual 2020 load and number of customers, both of which came in better-than-expected
  - Latest economic consensus information, which shows an improved Housing Starts forecast that also impacts Hydro One's customer forecast
  - Current IESO CDM assumptions, which have been lowered as a result of the change in government mandate on approach to CDM
  - Anticipated Dx load growth associated with Tx developments in Southwest Ontario (Leamington area)
- Over the plan period, Dx load is anticipated to increase by 0.3% and number of customers is expected to increase by 0.7%
- At the time of rebasing in 2023 under JRAP, the change in load relative to previous OEB-approved levels is expected to have a load impact on Dx rates of –1.4%. The rate impact in Dx is dominated by change in number of customers as ~70% of revenue comes from monthly fixed charges

DISTRIBUTION GWh and # Customers		2019	2020	2021	2022	**Rebase** 2023	2024	2025	2026	2027
OEB Approved	GWh	32,641	32,572	32,618	32,593					
	Customers	1,307,578	1,316,150	1,324,957	1,333,853					
December Plan	GWh	32,990	32,639	32,509	32,551	32,551	32,568	32,564	32,574	32,586
	Customers	1,316,762	1,322,885	1,327,674	1,335,128	1,342,586	1,350,046	1,357,509	1,364,975	1,372,443
YoY % Growth	GWh		-1.1%	- 0.4%	+0.1%	0.0%	+0.1%	0.0%	0.0%	0.0%
	Customers		+0.5%	+0.4%	+0.6%	+0.6%	+0.6%	+0.6%	+0.5%	+0.5%
Current Plan	GWh	32,990	32,691	32,797	32,912	33,021	33,136	33,246	33,352	33,457
	Customers	1,316,762	1,323,421	1,333,269	1,343,110	1,353,017	1,362,940	1,372,696	1,381,838	1,390,870
YoY % Growth	GWh		-0.9%	+0.3%	+0.4%	+0.3%	+0.3%	+0.3%	+0.3%	+0.3%
	Customers		+0.5%	+0.7%	+0.7%	+0.7%	+0.7%	+0.7%	+0.7%	+0.7%

Rate Impact due to load – December Plan	*- 0.5%*
Rate Impact due to load – Current Plan	*- 1.4%*

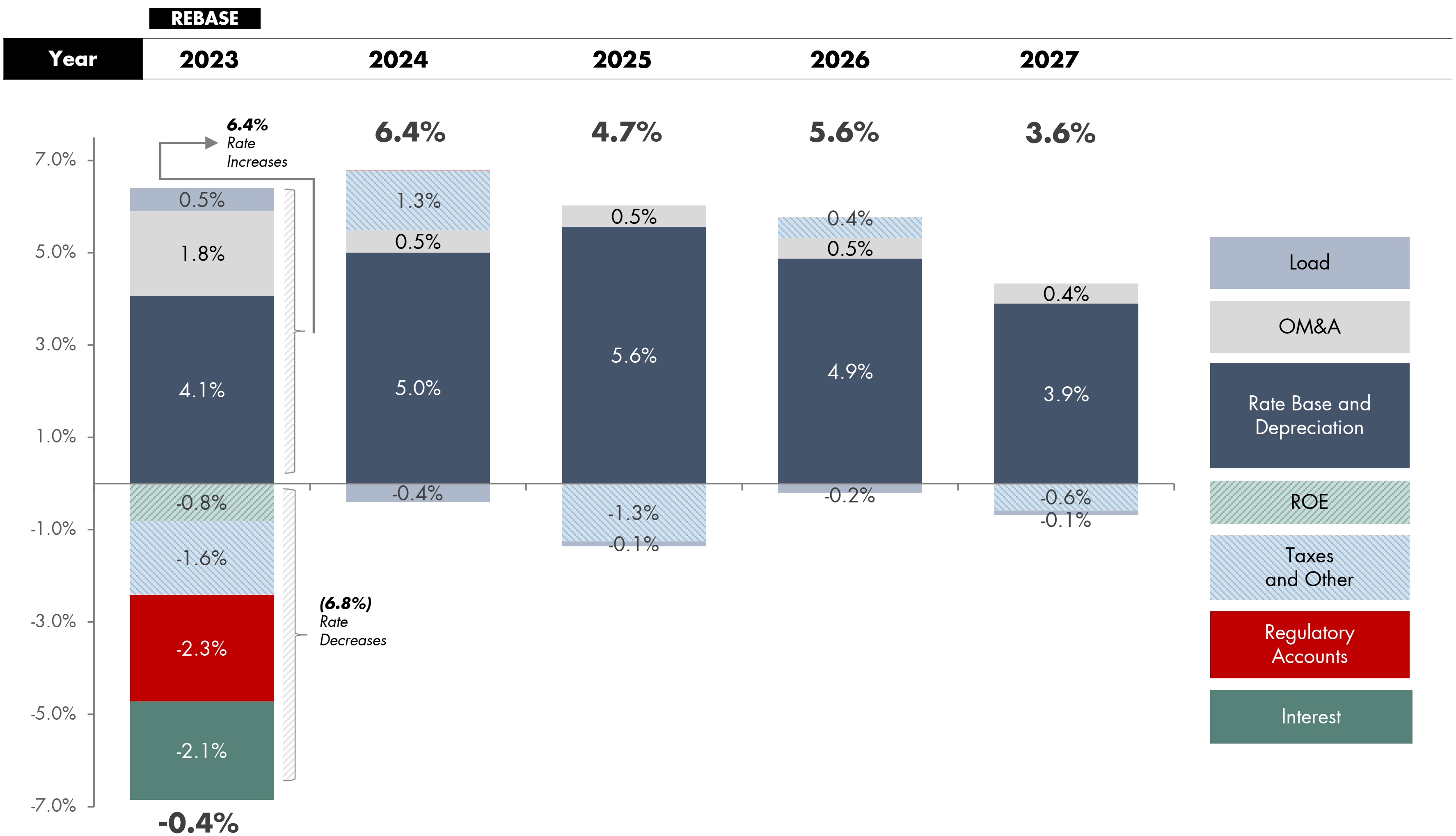
Summary Financial Statements

[redacted]

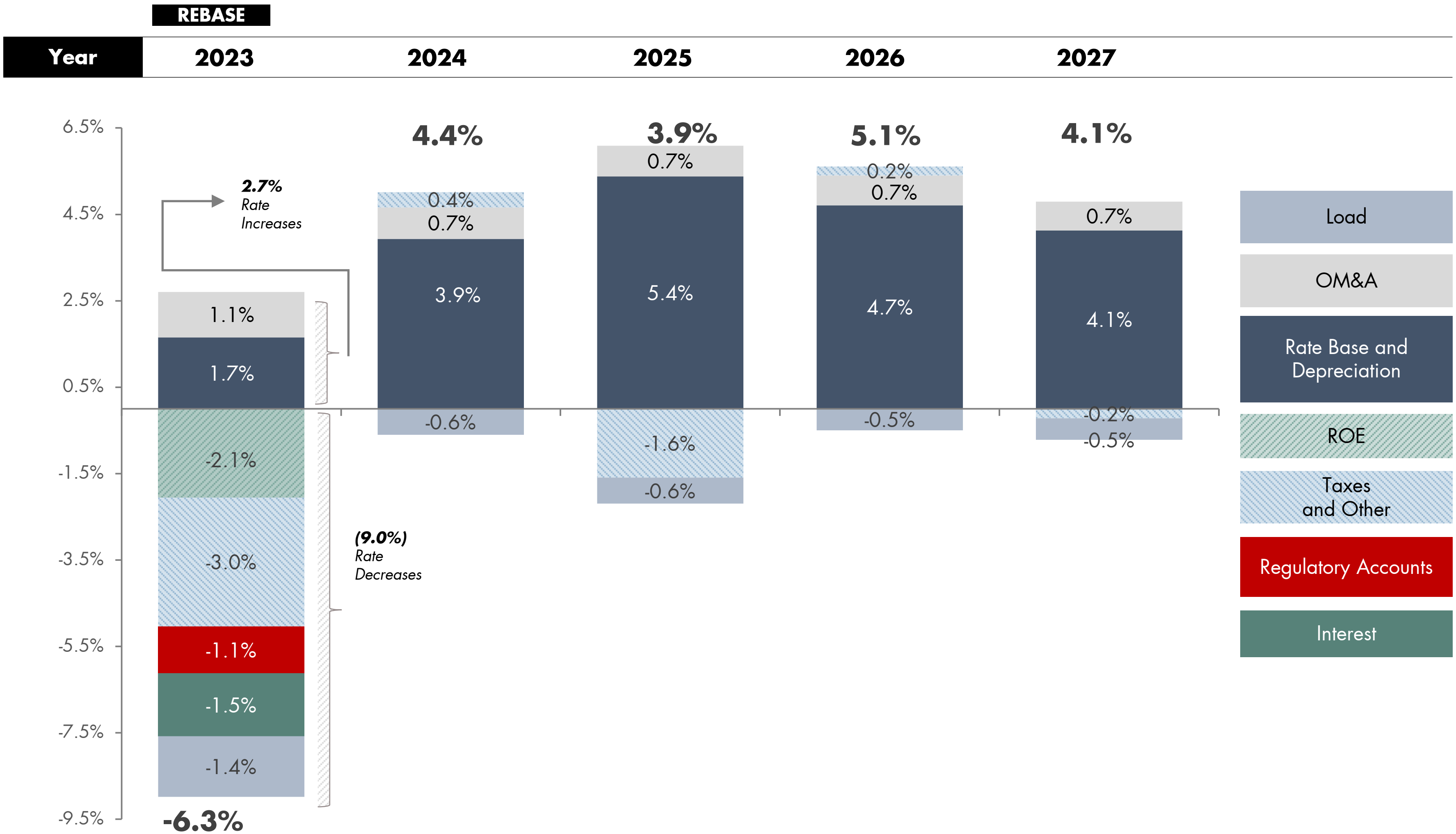
Other Subsidiaries – Net Income

[redacted]

Tx : Year over Year Rate Change Estimates by Component at 8.34% (2021 ROE)



Dx : Year over Year Rate Change Estimates by Component at 8.34% (2021 ROE)



Investment Plan Process: Addressing concerns raised by the OEB

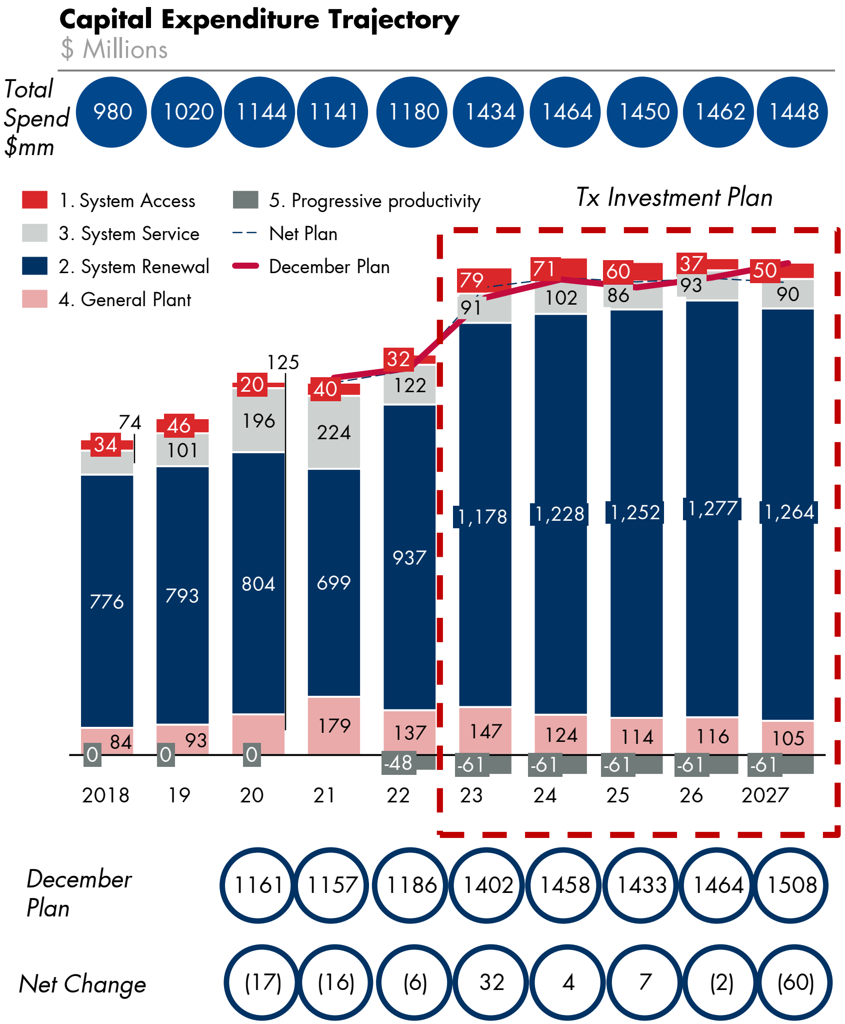
OEB Finding	Feedback	Actions Taken
Customer engagement	▪ Use customer engagement feedback to inform Plan	▪ Customer engagement process integrated over two phases with investment planning and customer needs and preferences directly incorporated into plan
Asset Condition Data	▪ Questioned availability and quality of data and amount of judgment and estimation used in the asset condition assessment	▪ Communicate the rigour of asset analytics, steps taken to ensure reliable data and that replacement decisions are underpinned by actual condition assessed in the field
Repair vs Replace Evaluations	▪ Suggestion that Hydro One is more likely to replace than repair an asset, because NPV is calculated on assumption that repairs don't extend asset life	▪ Clarify the selected economic end of life for NPV analysis and why repairs do not extend life
Relationship between Capital and OM&A	▪ OEB believes there is a linear relationship between increased capital spending and decreased OM&A	▪ Delineate investments that impact OM&A and those that don't; maintenance is still required on new assets; OM&A reductions (new assets) are offset by larger population of aging assets that require more maintenance
Project Costs	▪ Material variances in large projects were scrutinized and disallowed in part in the last Tx application	▪ Show maturation of design and estimates over time pursuant to a disciplined project gating process, and change management and re-direction process
Unit Costs	▪ OEB will review of Hydro One's unit cost assumptions for the plan and assessment to test for trend of higher unit cost or lower volume	▪ Use benchmarking studies and developing a clear understanding of unit cost trends across the portfolio

Overview of Investment Planning Process

Process stage:	0. Investment planning context	1. Candidate investment development and scoring	2. Calibration	3. Optimization / Challenge	4. Enterprise Engagement	5. Develop final plan	6. Review and approval	7. Execution/ performance monitoring

	Stage	Description
0	**Investment Planning Context**	Translation of high-level strategic objectives into initial financial requirements and strategic outcomes/metrics, informed by Customer Engagement.
1	**Candidate Investment Development and Scoring**	Develop investments to address strategic, customer or asset needs. Evaluating risk and flag considerations.
2	**Calibration**	Comprehensive alignment on risk, investment efficiency, critical investment plan considerations and process to address corporate priorities.
3	**Optimization/ Challenge**	Detailed review of the initial scenario results to prioritize investments in the investment plan based on risk scores and other considerations noting efficiencies, risks, asset need, and customer impacts. Align investment portfolio to multi-year envelope based on risk prioritization.
4	**Enterprise Engagement**	Ensure alignment between Planning and Execution on investment needs, resource capabilities, and identified opportunities for trade-off discussions. Customer stakeholdering of draft plans/scenarios.
5	**Develop Final Plan**	Final review and approval of the Investment Plan proposal to ensure alignment of plan with corporate priorities, including clarity on outcomes, risk, customer feedback and strategic direction.
6	**Review and Approval**	Leadership and Board review and approval of Investment Plan.
7	**Execution / Performance Monitoring**	Deliver investment portfolio, monitor outcomes, and redirect as required.

Tx Capital - OEB Cost Categories: manages critical safety and environment risks, maintaining first quartile reliability and enabling growth



Tx Capital Plan is $7.3B over five years

- Responsive to customer needs and preferences and balances the needs of the system, the assets, and rates
- Maintain first quartile reliability performance through continuous improvement

System Service and System Access

- Meets the growing needs of the agricultural sector in the southwestern Ontario communities of Leamington, and the broader Windsor-Essex region; investments anticipated to be owned through partnerships excluded

System Renewal

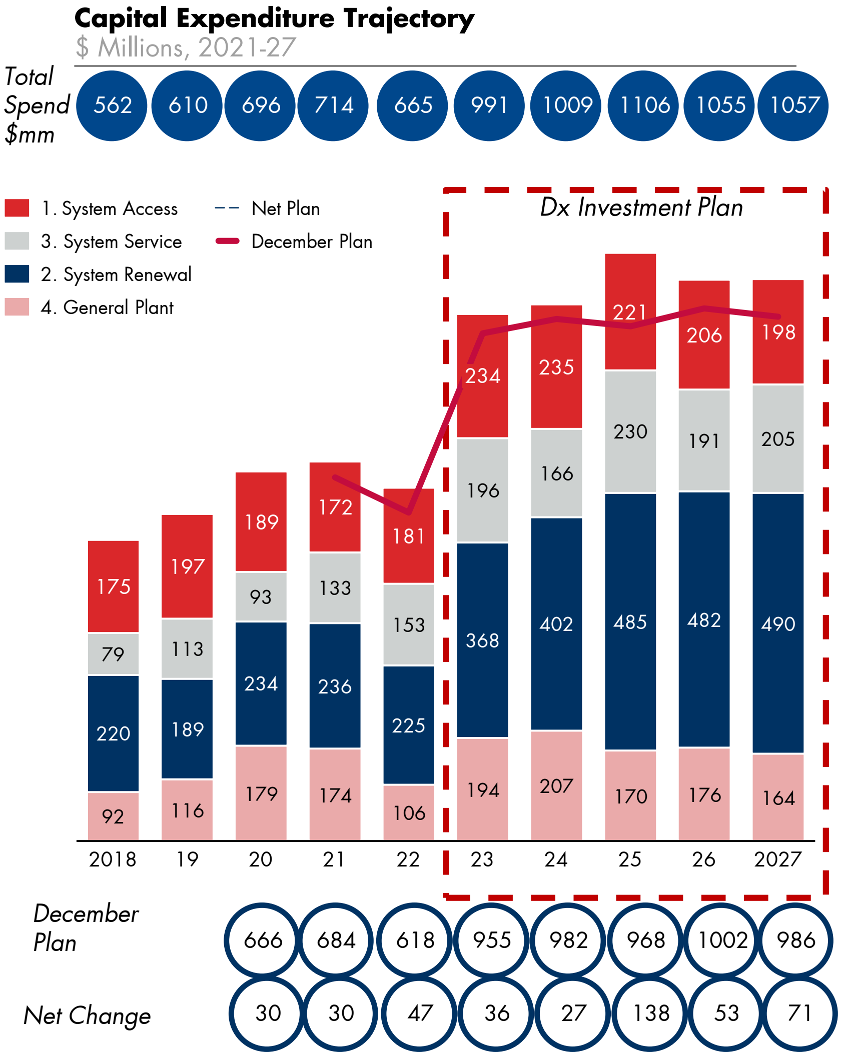
- The step-change increase reflects system reinvestment to address verified, condition based asset and system needs deferred as a result of the OEB decision, including replacement of poor condition transformers, refurbishment of deteriorated and at risk conductors, and related components
- Supports load growth and facilitates a flexible and diverse supply mix, including strengthening of interconnections to other jurisdictions and hardening facilities interfacing with major generators including Bruce, Lennox and Beck

General Plant

- Technology enablement and transformation, including investments in core SAP systems such as Finance, and enhancements to work and asset management capabilities

Category	**Total ($B)**	**Total (%)**
System Access	0.3	4%
System Service	0.5	6%
System Renewal	6.2	85%
General Plant	0.6	8%
Progressive Productivity	(0.3)	-4%
	$7.3	**100%**

Dx Capital - OEB Cost Categories: plan will address critical asset needs, improve reliability through grid modernization and facilitate customer growth



Dx Capital Plan is $5.2B over five years

- 2021/22 bridge includes approximately $65M of in-service addition overage associated with Leamington area upgrades (South Middle Road), a variance from the December Plan
- The Draft Plan follows a similar trajectory as presented to customers
- The Dx System Plan balances delivering outcomes valued by customers with steady and stable rate impacts

<u>System Access and System Service</u>

- Connects new customers and meets the growing needs communities across the province, including the agricultural sector in the southwestern Ontario communities of Leamington, and the broader Windsor-Essex region
- Modernizes existing facilities through automation to improve reliability

<u>System Renewal</u>

- Critical asset needs are addressed, including $2.2B in investment to sustain our current fleet of assets, including emergency response and replacement and refurbishment of ~65k wood poles
- Replace first generation advanced metering infrastructure through a paced approach, including a pilot project through 2023, followed by a paced Metering Refresh starting in 2023/24

<u>General Plant</u>

- New facilities and work centres in Orillia and Peterborough
- Technology enablement and transformation, including investments in core SAP systems such as Finance and CIS, and enhancements to work and asset management capabilities

Category	Total ($B)	Total (%)
System Access	1.1	21%
System Service	1.0	19%
System Renewal	2.2	43%
General Plant	0.9	17%
	5.2	**100%**

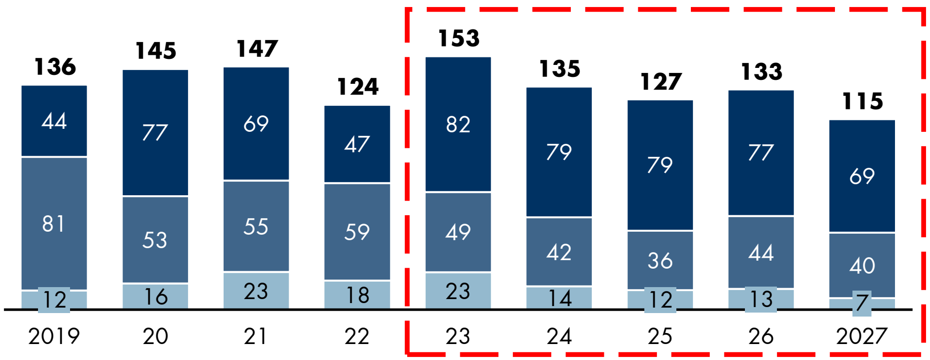
Other Capital: Approximately [redacted] of other capital investment opportunities are included in the consolidated business plan (non-Networks, non-NewCo) which are largely operationally integrated but reported separately

[redacted]

Information Solutions Division – CAPEX and OM&A Work Program Summary

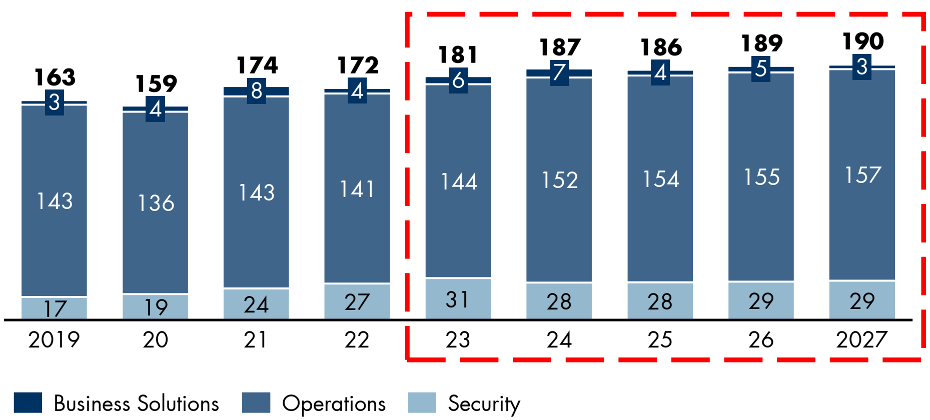
Enable *the business through digital solutions,* ***protect*** *through increased cyber, physical, & personnel security maturity, and* ***operate*** *efficiently through modernized information and power systems technology.*

Capital Expenditure Trajectory 2021-2027
$ Millions



**Additional security investments are executed by other LOBs including fencing, cameras, gate access and so on totaling approx. $42M*

Work Program OM&A Trajectory 2021-2027
$ Millions (Does not include corporate common costs)



Capital Plan - $0.7B over 5 years

($0.4B Common Work Program; $0.3B Sustainment/Development/Operating/Customer)

- Deliver on business technology roadmaps and execute on key projects to drive business value
- Drive efficiencies and improved analytics in the business through implementation of robotics and machine learning, reporting analytics and business process optimization
- Invest in Enterprise class technology to drive digital capabilities supporting the Corporate Strategy and driving operational cost reductions
- Investing in improved cyber capabilities to mitigate risk associated with increasing threat landscape

OM&A Plan - $0.9B over 5 years

($0.6B Common Work Program; $0.3B Sustainment/Development/Operating/Customer)

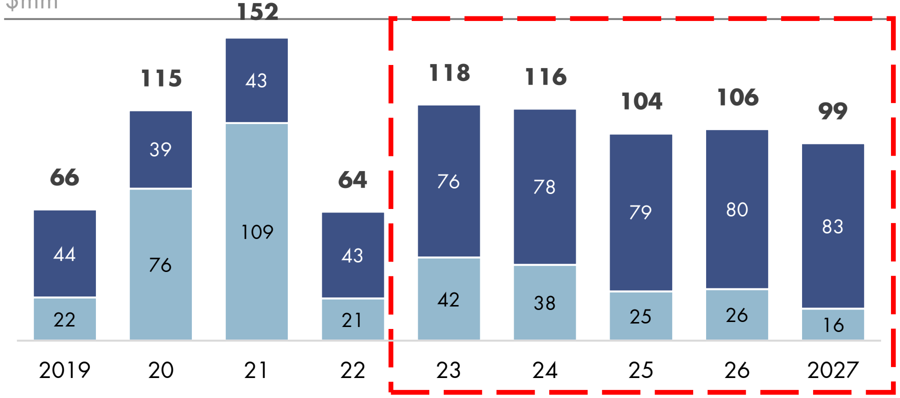
- Pivot to a new operating model to better enable desired business outcomes and strategy, restructure outsourcing model with modernized IT operations driving operational efficiency
- Increasing demands for software and licensing to support key corporate objectives and growing work programs, and additional support for the new distribution management system
- Improvements in cyber, physical and personnel maturity, including NERC compliance required to protect our assets, manage security risk, and ensure a safe and secure work environment

Shared Services – Common Work Program Summary

***Deliver** shared service that enable the business to achieve operational excellence, and **create value** innovative solutions and exceptional customer service, through Facilities & Real Estate and Fleet Services.*

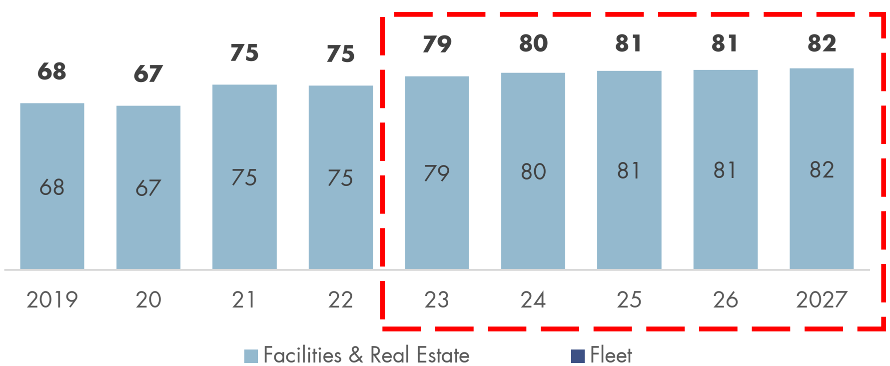
Capital Expenditure Trajectory 2021-27

$mm



OM&A Trajectory 2021-27

$mm (Does not include corporate & centralized operating costs)



Capital and OM&A Plan - $0.9[1] billion over 5 years

Fleet Services[2] provides centralized services that include equipment acquisition, maintenance, administration, vehicle replacement and final disposition of Transport and Work Equipment by:

- Using Human Success tools to enhance safety culture at Fleet garages and office locations
- Continuing the transformation journey for fleet electrification
- Using innovation and technology to transform our garage management systems

Facilities & Real Estate Services[3] manages the facilities programs and the land rights portfolio. Key work programs include:

- Acquire or construct new facilities, building additions and other capital improvements and sustainment activities for existing facilities, including the Ontario Grid Control Centre
- Manage land rights for Dx lands, stations and other properties
- Continue to optimize our Real Estate assets
- Maintain and acquire all rights related to owned Tx lands, easement and "statutory right" as necessary to ensure the safe and reliable operation of the Tx and Dx systems
- Increase in Facilities expenditures in 2020-21 is attributed to the construction of ISOC; the increase in 2023-26 is attributed to the planned construction of two new operating centres

[1] *Common Work Program expenditures, when combined with ~$1.0B of ISD Common Work Program noted on slide 53, reconciles to the ~$2.0B of total Common Work Program identified on slide 22.*
[2] *Fleet costs specific to labour, materials, and fuel are directly charged to work orders for Development, Sustainment and Operating projects and programs. These expenditures are approximately $130mm per year between 2021-27.*
[3] *Facilities & Real Estate expenditures include costs allocated to Operations.*

Productivity Third Party Benchmarking

- Concentric Energy Advisors have prepared a third party report to assess the reasonability and independence of Hydro One’s Productivity Framework
- Concentric evaluated programs via mix of interviews and received written responses from 7 utilities:
  - Hydro Quebec, FortisBC, FortisAlberta, Enbridge, NB Power, OPG and Evergy
  - Multiple utilities declined to offer insight referencing links to competitive advantage
- Concentric concluded that **“Hydro One’s Productivity Framework stands out as being uniquely robust, well defined and transparent”**
  - Of the programs evaluated, HONI’s is the most comprehensive in terms of scope, measurement, and reporting
  - More rigorous and challenging to the organization than industry standards
  - Differentiated by the incentive compensation process and degree of regulatory review
  - Most companies do not have a clearly defined Productivity Program with robust tracking and reporting mechanisms
    - Companies with more defined programs are typically geared to transformational efforts and achieving synergies post M&A
  - Recognition made regarding post “quick-win” period, sustaining a robust program becomes increasingly challenging
  - Internal documentation can include improvements towards a more clear understanding of the program definitions
- Program observations, including 2023 rebase and simplification of the program, are recommended for implementation to support JRAP

A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 002

Reference:

Exhibit A, Tab 2

Interrogatory:

Please describe, in detail the overall planning process that HON undertook in developing its rate plan and the underlying budgets. Please include a timeline. Please provide all directives and budget guidelines provided to employees as part of that process.

Response:

Please refer to SPF Section 1.7, page 3, Figure 2, which includes a detailed timeline of the material events contributing to the development of the System Plans and Business Plan.

Please refer to A-SEC-007 for materials provided to employees as part of the planning process.

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 003

Reference:

Exhibit A-2-3

Interrogatory:

HON Distribution has updated its Conditions of Service. A Summary of Key Changes has been filed. Please indicate where the changes have been substantial and could result in significant cost impacts for customers relative to the previous Conditions of Service. To what extent did HON undertake customer engagement regarding its proposed changes. How is HON communicating these changes to its distribution customers?

Response:

The most recent Conditions of Service were updated on March 1, 2019. None of the changes listed in the table pose an incremental cost to this rate application. Hydro One followed the procedures outlined in Section 1.4 Amendment and Changes of the Conditions of Service (see below), as mandated by the OEB's Distribution System Code section 2.4.8.

SECTION 1 – INTRODUCTION

1.4 Amendments and Changes

These Conditions of Service, and any amendments thereto form the part of the contract between Hydro One and any connected Customer, Retailer or Generator and supersede all previous Conditions of Service, oral or written, of Hydro One and any of its predecessor municipal electric utilities and Local Distribution Companies, as of the effective date.

Hydro One will issue an advance public notice by means of a not e on t he Customer's bill or included with the Customer's bill to advise of any changes to the Conditions of Service. Once Customers receive this notification, they have ten days to provide comments using the contact information included in the notice.

The most recent Conditions of Service can be downloaded from www.HydroOne.com/COS. Customers may also contact Hydro One to obtain a current printed version. Hydro One may charge a fee for providing a copy of these Conditions of Service.

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 004

Reference:

Exhibit A-3-1, Page 7

Interrogatory:

Do the bill impacts include the disposition of the deferral and variance accounts?
Please provide the distribution only rate impacts for both all of the residential classes including the Seasonal Rate Class. Please provide these impacts with and without deferral and variance recoveries.

Response:

Yes, the bill impacts shown in the referenced table include the disposition of the deferral and variance accounts.

Tables below provide the requested information.

Change in Distribution Bill - Including Rate Riders													
Rate Class	Monthly Consumption (kWh)	2023		2024		2025		2026		2027		5-year average	
		Change in Base DX Bill ($)	Change in Base DX Bill (%)	Change in Base DX Bill ($)	Change in Base DX Bill (%)	Change in Base DX Bill ($)	Change in Base DX Bill (%)	Change in Base DX Bill ($)	Change in Base DX Bill (%)	Change in Base DX Bill ($)	Change in Base DX Bill (%)	Change in Base DX Bill ($)	Change in Base DX Bill (%)
UR	750	($2.19)	-5.69%	$0.80	2.20%	$1.47	3.96%	$1.98	5.13%	$1.68	4.14%	$0.75	1.95%
R1 (without DRP)	750	($2.39)	-3.70%	$1.49	2.40%	$2.51	3.95%	$3.38	5.11%	$2.40	3.45%	$1.48	2.24%
R2 (without DRP)	750	($17.58)	-21.14%	$3.35	5.10%	$5.08	7.37%	$6.86	9.27%	$5.81	7.19%	$0.70	1.56%
Seasonal-UR	369	($34.57)	-48.68%	$0.80	2.19%	$1.47	3.95%	$1.98	5.11%	$1.68	4.13%	($5.73)	-6.66%
Seasonal-R1	369	($10.73)	-15.11%	$3.47	5.76%	$2.51	3.94%	$3.38	5.10%	$2.40	3.45%	$0.21	0.63%
Seasonal-R2	369	$52.11	73.36%	$6.43	5.22%	$5.08	3.92%	$6.86	5.09%	$5.81	4.11%	$15.26	18.34%
AUR	750	($3.11)	-9.61%	$1.32	4.52%	$1.21	3.96%	$1.63	5.13%	$1.38	4.13%	$0.49	1.63%
AR-Norfolk	750	($3.95)	-10.00%	$1.60	4.50%	$1.47	3.96%	$1.98	5.12%	$1.68	4.14%	$0.56	1.54%
AR-Haldimand	750	($1.72)	-4.60%									$1.00	2.62%

*The rate impacts shown above do not reflect any mitigation measures for Seasonal-R2 customers. Please refer to interrogatory response at I-06-L-CCC-042 for bills impacts for Seasonal-R2 customers after the mitigation measures as approved by the OEB in EB-2020-0246.

<table>
<tr><th colspan="14">Change in Distribution Bill - Excluding Rate Riders</th></tr>
<tr><th rowspan="2">Rate Class</th><th rowspan="2">Monthly Consumption (kWh)</th><th colspan="2">2023</th><th colspan="2">2024</th><th colspan="2">2025</th><th colspan="2">2026</th><th colspan="2">2027</th><th colspan="2">5-year average</th></tr>
<tr><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th><th>Change in Base DX Bill ($)</th><th>Change in Base DX Bill (%)</th></tr>
<tr><td>UR</td><td>750</td><td>($1.78)</td><td>-4.73%</td><td>$1.60</td><td>4.46%</td><td>$1.47</td><td>3.92%</td><td>$1.98</td><td>5.08%</td><td>$1.68</td><td>4.10%</td><td>$0.99</td><td>2.57%</td></tr>
<tr><td>R1 (without DRP)</td><td>750</td><td>($1.83)</td><td>-2.90%</td><td>$2.93</td><td>4.79%</td><td>$2.51</td><td>3.92%</td><td>$3.38</td><td>5.08%</td><td>$2.40</td><td>3.43%</td><td>$1.88</td><td>2.86%</td></tr>
<tr><td>R2 (without DRP)</td><td>750</td><td>($16.57)</td><td>-21.05%</td><td>$7.35</td><td>11.82%</td><td>$5.08</td><td>7.31%</td><td>$6.86</td><td>9.20%</td><td>$5.81</td><td>7.13%</td><td>$1.71</td><td>2.88%</td></tr>
<tr><td>Seasonal-UR</td><td>369</td><td>($33.36)</td><td>-48.18%</td><td>$1.60</td><td>4.46%</td><td>$1.47</td><td>3.92%</td><td>$1.98</td><td>5.08%</td><td>$1.68</td><td>4.10%</td><td>($5.33)</td><td>-6.12%</td></tr>
<tr><td>Seasonal-R1</td><td>369</td><td>($10.10)</td><td>-14.58%</td><td>$4.91</td><td>8.30%</td><td>$2.51</td><td>3.92%</td><td>$3.38</td><td>5.08%</td><td>$2.40</td><td>3.43%</td><td>$0.62</td><td>1.23%</td></tr>
<tr><td>Seasonal-R2</td><td>369</td><td>$50.33</td><td>72.70%</td><td>$10.43</td><td>8.72%</td><td>$5.08</td><td>3.91%</td><td>$6.86</td><td>5.08%</td><td>$5.81</td><td>4.09%</td><td>$15.70</td><td>18.90%</td></tr>
<tr><td>AUR</td><td>750</td><td>($1.49)</td><td>-4.79%</td><td>$1.32</td><td>4.46%</td><td>$1.21</td><td>3.91%</td><td>$1.63</td><td>5.07%</td><td>$1.38</td><td>4.09%</td><td>$0.81</td><td>2.55%</td></tr>
<tr><td>AR-Norfolk</td><td>750</td><td>($3.43)</td><td>-8.70%</td><td rowspan="2">$1.60</td><td rowspan="2">4.45%</td><td rowspan="2">$1.47</td><td rowspan="2">3.92%</td><td rowspan="2">$1.98</td><td rowspan="2">5.08%</td><td rowspan="2">$1.68</td><td rowspan="2">4.10%</td><td>$0.66</td><td>1.77%</td></tr>
<tr><td>AR-Haldimand</td><td>750</td><td>($1.27)</td><td>-3.41%</td><td>$1.09</td><td>2.83%</td></tr>
</table>

A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 005

Reference:
Exhibit A-3-1, Page 14

Interrogatory:
The evidence states - “Past and continuing productivity savings are embedded I the 2023-2027 plan. Hydro One’s current productivity plan is expected to achieve approximately $315M of savings in 2022 between Transmission and Distribution based on the current measurement approach. This is the equivalent of reducing the revenue requirement by $52M and $115m in 2023, for each of Transmission and Distribution, respectively. In other words, had Hydro One not implemented these productivity initiatives, while holding output constant, 2023 revenue requirement would be greater by these amounts. Ratepayers will continue to receive the benefit of these initiatives as planning at this level of efficiency has become part of normal business practice”:

a) Please indicate how the $315 million was calculated. Please provide a complete list of the productivity initiatives that contributed to the savings and the level of savings for each of those initiatives;

a) Please indicate how the $52 M and $115 M reductions in the revenue requirement were calculated;

b) Please explain what has become “normal business practice”.

Response:
a) The $315M reference in the question is a misstatement of the evidence. As stated in the evidence, Hydro One’s current productivity plan is expected to achieve approximately $351M of savings in 2022 between Transmission and Distribution based on the current measurement approach as indicated in the above reference and in SPF Section 1.4. The detailed support for these estimates is provided in SPF Section 1.4, Attachment 1, pages 8 and 11, for Distribution and Transmission, the amounts are $180.6M and $169.9M respectively.

b) These were calculated by applying the segmented 2022 productivity savings through the methodology as would normally be used to otherwise calculate revenue requirement, including in-year OM&A savings and depreciation of Capital savings, and the components impacted by Rate Base (debt, equity and income taxes).

c) ‘Normal business practice’ relates to the fact that Hydro One’s intends to re-baseline the productivity framework as at January 1, 2023, as described in SPF Section 1.4. All legacy initiatives prior to this date will continue to be planned at their lower baselines and cost points, however they will no longer be eligible for claimed productivity. As a result, they are considered to be a part of normal business planning. Stated differently, the sustained and continuing impacts of, and savings from, these initiatives are now being considered part of regular course planning practices, by having been included in (and thus reducing) the OM&A and capital plans supporting this Application. The initiatives will continue to deliver savings embedded in the plans.

A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 006

Reference:
Exhibit A-3-1, Page 22-23

Interrogatory:
"Hydro One employs a methodical asset management process to monitor its assets and determine the appropriate timing for asset maintenance and capital investments throughout the asset life cycle. The output of the asset management process is a key component of the investment planning process.

The development of candidate investments is underpinned by a needs assessment which considers different dimensions including (i) asset-specific investment needs (particularly condition). (ii) customer needs and preferences, and (iii) system needs (including regional planning considerations.)"

a) Please indicate if the same asset management approach is used for both Transmission and Distribution. If they differ, please explain in what ways;

b) Please indicate to what extent HON has made changes to its asset management process since the 2020-2022 Transmission proceeding (EB-2019-0082) and the 2018-2022 Distribution proceeding (EB-2017-0049);

c) When were the current processes first initiated?

d) Has HON undertaken analyses through external consultants to assess its asset management approach and determine whether they represent best practices? If not why not?

Response:
a) Hydro One's asset management approach is the same for both Transmission and Distribution as outlined in Exhibit B-1-1 Section 1.7 - SPF – Investment Planning Process.

b) A summary of key changes to the integrated asset management and investment planning processes are provided in interrogatory response B1-SEC-056.

c) Hydro One's asset management framework has been in place for close to 20 years. Recent enhancements to the investment planning process were introduced in 2017 for the transmission segment, and subsequently expanded to the distribution segment in 2018.

d) Please refer to EB-2019-0082 – TSP-1-4, attachment 14.

A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 007

Reference:
Exhibit A, Tab 3, Page 28

Interrogatory:
Please explain how the $61.0 progressive productivity amount was derived.

Response:
The $61.0M annual reduction in capital from 2023-2027 represents continuity to the prior proceeding (EB-2019-0082), where the Company committed to identifying $61.0M of progressive productivity savings in 2022.

As part of the last Transmission application for 2020-2022 Revenue Requirement (EB-2019-0082), Hydro One committed to providing progressive productivity as “a further reduction in cost that Hydro One included in the final Transmission Business Plan” and that it “represents a commitment from Hydro One to find further efficiencies over the planning period when executing the necessary planned investments in its transmission system without reducing work volumes.” As described in SPF Section 1.4, page 9, “Further, Hydro One remains committed to the sustained impacts of the capital based Progressive Productivity embedded in the prior Transmission rate application. Hydro One has embedded $61.0M annually from 2023 to 2027, as outlined in Table 1 below, which represents the 2022 capital commitment in the last Transmission application. Once Hydro One is able to identify $61.0M worth of productivity savings, it expects that these savings will continue in the 2023-2027 period, consistent with the goal of finding sustained productivity improvements. Since the progressive amount remains undefined, Hydro One found it appropriate to ensure that reductions associated with these savings would occur in every year through to the end of 2027.”

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 008

Reference:

Exhibit A-3-1, Page 37

Interrogatory:

Please provide a schedule that sets out historical General Plant Expenditures for the period 2015-2021 in the same format as Table 10. Please include Board approved amounts.

Response:

The General Plant expenditures for the period of 2015-2022[1] are provided in Table 1.

As noted in B-4-1, GSP Section 4.9.2:

> *Given the separate Transmission and Distribution Applications in prior years, the previous OEB approval envelopes differ between the two businesses due to evolving plans and the time elapsed between the separate filings. Therefore, any historical comparisons to the plan amounts are kept separate for Hydro One Transmission and Distribution.*[2]

The General Plant OEB approval amounts for Hydro One's Transmission and Distribution businesses are provided in Table 2.

[1] 2022 is included to also address the request under B4-CCC-20.

[2] Historical OEB approval on general plant has occurred on overlapping rate filings. Each of these filings use different underlying business plans based on the timing of the prior applications. The following applications are the sources of the referenced OEB Approved amounts: EB-2019-0082 (Transmission, 2020-2022) and EB-2017-0049 (Distribution, 2018-2022).

Table 1 – Net capital expenditures for General Plant from 2015-2021

General Plant Area	Actual ($M)						Forecast ($M)	Bridge ($M)
	2015	2016	2017	2018	2019	2020	2021	2022
Fleet	74.2	72.2	48.6	27.4	44.0	39.2	42.7	43.4
Facilities & Real Estate	47.1	47.0	32.3	37.1	31.6	64.7	39.1	42.0
Information Solutions	53.8	95.0	77.0	94.4	114.6	118.4	96.2	73.0
System Operations	21.2	17.8	17.0	9.1	10.7	71.6	114.8	27.5
Other	4.3	7.1	3.6	6.3	5.5	8.9	18.9	22.6
General Plant Total	**200.6**	**239.1**	**178.5**	**174.3**	**206.4**	**302.9**	**311.7**	**208.5**
General Plant - Transmission Allocation	88.6	94.8	76.9	83.6	92.1	124.7	137.8	102.8
General Plant - Distribution Allocation	112.0	144.3	101.6	90.7	114.3	178.2	173.8	105.7

Table 2 – OEB approved amounts for General Plant net capital expenditures for Transmission and Distribution

	OEB Approved ($M)							
	2015	2016	2017	2018	2019	2020	2021	2022
Transmission	116.3	114.6	86.0	119.7	-	111.1	94.4	94.7
Distribution	119.5	117.0	114.3	90.7	142.8	150.3	95.3	100.4

A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 009

Reference:

Exhibit A-3-1, Page 37

Interrogatory:

Please provide all previous Transmission and Distribution scorecards. Please provide all targets for the test period.

Response:

Below, Hydro One has provided references to three types of historic scorecards:

Electricity Distributor Scorecard

In 2014, the Ontario Energy Board introduced the Electricity Distributor Scorecard; Hydro One publically reports its scorecard performance results annually through its website: Hydro One Regulatory Information: Reports and Scorecards

Targets for the 2023 – 27 period for these measures are provided in Exhibit B-3-1, Section 3.5, Figure 1.

Hydro One Distribution Scorecard

Please refer to Exhibit B-3-1, Section 3.5, Figure 4, which includes actual performance for 2016 – 2020, and targets for the period 2018 – 27.

Hydro One Transmission Scorecard

Please refer to Exhibit B-2-1, Section 2.5, Figure 1, which includes actual performance for 2016 – 2020, and targets for the period 2018 – 27.

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 010

Reference:

Exhibit A-3-1, Page 43-47, Table 11

Interrogatory:

Does Table 11 represent a complete list of all third-party studies and reports undertaken in support of this Application? If not, please provide a complete list. Please indicate whether the work was subject to an RFP process and if not, indicate why it was sole sourced. Please provide the cost of the work (including costs related to the hearing process). Please indicate how those costs are to be recovered.

Response:

For the complete list of third-party studies, along with each study's procurement method, please refer to SPF Section 1.3 Tables 1 and 2 for the studies included in the System Plans and Exhibits A, C, H and L, respectfully. Sole sourcing was used where a study requires specific expertise, or where relevant knowledge and experience from conducting prior Hydro One studies would provide continuity and efficiency. For cost of work to-date (not including the hearing process), please see interrogatory response E-Energy Probe-72.

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 011

Reference:

Exhibit A-3-1, Page 49

Interrogatory:

The evidence states the requested 2023 total Distribution revenue requirement of $1.632.4MM represents a decrease of about 2.5% (or $42.2M) compared to the 2022 forecast. This decrease is predominantly driven by certain benefits expected in 2023 such as reduced cost of debt and incremental productivity gains. How much of the decrease is attributable to the reduced cost of debt and how much is attributable to productivity?

Response:

Of the decrease of $42.2M in 2023 total Distribution revenue requirement compared to the 2022 forecast, about $23.4M is related to lower cost of debt.

With respect to productivity, Hydro One Distribution is expected to achieve $180.6M of productivity savings, which is above the as-filed levels of $88.7M in 2022.[1] The Distribution productivity achievement from 2022 has been planned to continue and reduce revenue requirement by $115M in 2023.[2] Had Hydro One not implemented these forecasted initiatives, 2023 revenue requirement would be greater by these amounts. Relative to the as-filed revenue requirement reductions of approximately $50M in 2022, the difference of $65M (i.e. $115M - $50M) is accrued to ratepayers via lower annual revenue requirements in 2023 and in years thereafter.

Please also see Exhibit D-1-1, section 3.2.1, pages 10-11, for more information.

[1] Exhibit B-1-1, Section 1.4, Attachment 1, Page 8
[2] Exhibit B-1-1, Section 1.4, Page 10

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 012

Reference:
Exhibit A-3-1, Page 52

Interrogatory:
Please provide the Board Approved and Actual ROE for Transmission and Distribution for the years 2015-2020.

Response:

Hydro One Transmission	2015	2016	2017	2018	2019[1]	2020
Approved	9.30%	9.19%	8.78%	9.00%	-	8.52%
Achieved	10.93%	10.02%	9.03%	11.08%	9.53%	9.29%

[1]For 2019, Hydro One Transmission did not have an OEB Approved ROE

Hydro One Distribution	2015	2016	2017	2018	2019	2020
Approved	9.30%	9.19%	8.78%	9.00%	9.00%	9.00%
Achieved	8.77%	8.41%	7.94%	8.07%	10.90%	10.56%

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 013

Reference:

Exhibit A-4-2, Page 5

Interrogatory:

What is the total reduction in the Transmission revenue requirement over the period 2023-2027 related to the Supplemental Stretch factor of .15%? What would be the total reduction if the Supplemental Stretch factor was .30%?

Response:

The Supplemental Stretch factor of 0.15% provides a total reduction in the Transmission revenue requirement of $23.85 million over the period 2023-2027. If the Supplemental Stretch factor were increased to 0.30%, the total reduction in the Transmission revenue requirement would increase to $47.7 million over the period 2023-2027.

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A - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 014

Reference:

Exhibit A-4-3, Page 5

Interrogatory:

What is the total reduction in the Distribution revenue requirement over the period 2023-2027 related to the Supplemental Stretch factor of .15%? What would be the total reduction if the Supplemental Stretch factor was .30%?

Response:

The Supplemental Stretch factor of 0.15% provides a total reduction in the Distribution revenue requirement of $17.38 million over the period 2023-2027. If the Supplemental Stretch factor were increased to 0.30%, the total reduction in the Distribution revenue requirement would increase to $34.76 million. These calculations do not include the additional total reductions to Hydro One's distribution revenue requirement arising from the proposed Productivity Factor of 0.3% described in Exhibit A-4-3.

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C - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 015

Reference:
Exhibit C-2-1, Page 2, Table 1

Interrogatory:
Please update the Transmission In-Service Additions to include the most recent forecast for 2021.

Response:
Hydro One has provided the year-to-date 2021 in-service additions as of Q3 2021. Please see Interrogatory A-SEC-002 for further explanation.

	2021		
OEB Category	**OEB Appr.**	**Forecast**	**2021 YTD (Q3)**
System Access	13.8	15.1	1.9
System Renewal	735.9	653.7	315.6
System Service	235.7	180.7	62.5
General Plant	134.5	156.3	98.9
Sub-total before Adjustments	**1,119.8**	**1,005.9**	**478.9**
Progressive Productivity	-36.3	-	-
Other	-27.3	-	-
Grand Total	**1,056.2**	**1,005.9**	**478.9**

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C - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 016

Reference:

Exhibit C-2-2, Page 2, Table 1

Interrogatory:

Please update the Distribution In-Service Additions to include the most recent forecast for 2021.

Response:

Please refer to C-LPMA-011.

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B1 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 017

Reference:

Exhibit B-1-1, SPF Section 1.4

Interrogatory:

Please provide the Terms of Reference for the Concentric work – Hydro One Productivity Framework Review.

Response:

Please refer to Interrogatory Response B1-SEC-48.

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B4 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 018

Reference:

Exhibit A-3-1, Page 37
Exhibit B-4-1, GSP Section 4.1

Interrogatory:

Please provide copies of all policies regarding the management of HON's Fleet, Facilities and Real Estate, Information Solutions and System Operations.

Response:

It is not clear to Hydro One what is meant by all policies regarding the management of Hydro One's Fleet, Facilities and Real Estate, Information Solutions and System Operations. The scope of policies that could apply is a significant number, many of which would not apply to this proceeding. Hydro One declines to provide these policies without greater specifics.

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B4 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 019

Reference:

Exhibit B-4-1, GSP Section 4.1, Page 3, Table 1

Interrogatory:

Please provide a schedule setting out Transport and Work Equipment in the same format as Table 1 – TWE quantities by equipment type for each year 2018-2021. Please include forecast and actual.

Response:

Equipment Type	YE 2018 Actuals	YE 2019 Actuals	YE 2020 Actuals	January 2021[1]	2021 YTD Q3 Actuals	YE 2021 Forecast
Light	2,676	2,643	2,728	2,728	2,671	2,718
Heavy	1,446	1,412	1,441	1,441	1,436	1,440
Off-Road	467	456	453	453	450	452
Small Off-Road*[2]	0	1,132	1,129	1,138	1,106	1,138
Miscellaneous	2,519	2,685	2,468	2,459	2,459	2,459
Helicopters	7	8	8	8	8	8

[1] As originally provided in Exhibit B-4-1, GSP Section 4.1, Table 1.
[2] Small Off-Road Equipment were previously managed by the Lines of Business and were amalgamated into TWE in 2019.

Witness: BERARDI Rob

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B4 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 020

Reference:

Exhibit B-4-1, GSP Section 4.1, Page 8

Interrogatory:

Please provide a schedule in the same format as Table 2 – Planned net capital expenditures for General Plan by function from 2023-2027 that includes the years 2018-2022. Please provide Board approved and actual where applicable. Please explain why HON is not, going forward pacing the General Plant Expenditures rather than “front loading” them during the rate pln.

Response:

Please refer to B4-CCC-008 for a schedule in the same format as Table 2.

Please refer to B4-VECC-013 for the pacing of General Plant expenditures.

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B4 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 021

Reference:

Exhibit B-4-1, GSP Section 4.1, Page 16

Interrogatory:

HON Is gradually transitioning to low or zero emission technology, increasing the rate of electric vehicles from an estimate of 5% in 2021 to 50% by 2030. How will HON determine the pace of this transition?

Response:

Please refer to interrogatory B4-Staff-157 for a clarification to GSP Section 4.1, Page 16, lines 19 to 22.

As stated in GSP Section 4.6, pages 2-3, Hydro One is taking a gradual approach to "balance the need to transition to a green fleet while also minimizing potential business and operational risks associated with rapid changes in EV technology and infrastructure." The pace of the transition to purchase low or zero emission EV, including but not limited to the purchase of pickup trucks, vans and heavy power take-off units, will be determined by the feasibility of the procurement based on market availability and vehicle suitability for Hydro One's equipment needs.

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B4 - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 022

Reference:

Exhibit B-4-1, GSP Section 4.1, Page 18

Interrogatory:

What would be the impact on the annual capital factors for Transmission and Distribution if HON was required to pace these expenditures with an annual budget of $290 per year? How would it impact each of the annual revenue requirements? What is the most recent updated forecast for General Plan for 2021?

Response:

The General Plant capital expenditures planned for 2023-2027 are paced and prioritized based on the needs for specific investments and are not based on average annual level of expenditures. The selection of an average level of expenditures over 5 years is arbitrary and is not the basis of an appropriate hypothetical question. Furthermore, the question requires Hydro One to speculate as to the amount and pacing of in-service additions both in respect of general plant and relative to other areas of each of the TSP and DSP since each is a complete plan, inclusive of general plant, where adjustments to each plan are considered across the four plan segments. In this regard, Hydro One would be required to speculate as to the OEB's ultimate conclusion. Hydro One expects that that the current investment levels presented in the GSP will be considered by the OEB in this proceeding and it is not for Hydro One to speculate as to how the OEB may proceed or to make submissions in that regard through the interrogatory process. Please refer to interrogatory B4-VECC-013 for further information on the timing of General Plant investments.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 023

Reference:

Exhibit E-2-1, Page 2

Interrogatory:

The OEB reduced HON Transmission's OM&A costs by $10.1 million in its 2020-2022 Transmission Decision (EB-2019-0082). Please explain what HON measures HON took to respond to that Decision regarding its OM&A costs.

Response:

Hydro One is committed to managing within the envelopes for which the OEB approves expenditures in addition to managing within the approved overall revenue requirement. In EB-2019-0082, the OEB reduced the OM&A envelope by $10.1M and, due to the inclusion of non-service component of OPEB, increased the OM&A by $21.0M. The resulting approved 2020 OM&A envelope was $385.0M.

Actual expenditures for 2020 were $398.5M, or $13.5 million above OEB approved levels. In executing against OEB approved levels, Hydro One strived to achieve incremental productivity in order to alleviate any OEB-imposed reductions. Relative to as-filed levels for productivity, Hydro One was successful in doing so and was able to achieve approximately $11.8M more productivity.[1] However, 2020 posed unexpected challenges to OM&A with respect to COVID-19 costs. Incremental costs associated with the pandemic amounted to approximately $18M for Transmission, resulting in total actual OM&A costs in excess of the OEB approved level. Hydro One is not seeking recovery of any of these incremental costs.

[1] Exhibit B-1-1, Section 1.4, Attachment 1 Page 11. 2020 Actual OM&A of $32.5 - $11.3 External Revenue = $21.2 achieves, less filed levels of $14.7 = $6.5 million above filed levels. 2020 Common Actual of $26.8, less filed levels of $21.5 = $5.3, of which the majority impacts OM&A. Total OM&A savings above filed levels = $6.5 + 5.3 = $11.8M

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 024

Reference:

Exhibit E-2-1, Page 3

Interrogatory:

The evidence states that forecasted Transmission OM&A productivity savings through to the end of 2022 are reflected in the OM&A budget in 2023, by having those efficiencies become part of regular business planning and thus reducing upward pressure on future OM&A expenditures. These are largely attributable to stations scheduling efficiencies and lower ground and site maintenance costs, lower costs associated with repatriating Inergi staff, and the corporate costing initiative which significantly reduced vacancies and limited contract spending to critical functions. Please explain how reductions in vacancies contributes to cost savings. Please quantify these productivity savings and demonstrate how they are included in the 2023 budget.

Response:

Reducing vacancies contributes to cost savings by not back-filling positions which were historically occupied. The 2022 forecast of these savings are quantified in SPF Section 1.4, Attachment 1, pages 8 and 11, under the headings "CCC - Administrative, Corporate Common Headcount Reductions".

Starting in 2023, Productivity savings will be provided to ratepayers upfront via the revenue requirement calculation in the form of a productivity factor and supplemental stretch factor on capital (calculated on a cumulative basis), as further described in PF Section 1.4. However, ratepayers will continue to receive the benefit of the prior initiatives as planning at this level of efficiency has become part of normal business practice.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 025

Reference:

Exhibit E-2-1, Page 4, Table 2

Interrogatory:

Please provide Transmission OM&A in the same format as Table 2 – Summary of Recoverable OM&A Expenses for the period 2015-2023. Please include the most updated forecast for 2021.

Response:

Please see updated table below for 2021 Q3 actuals by the following Transmission OM&A cost categories and also 2015 to 2017 figures. Please also see A-SEC-002 for further details.

Table 1 - Summary of Recoverable OM&A Expenses ($M) from Exhibit E-02-01

	Historical									Bridge	Test
	2015	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023
Transmission	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**OEB Approved**	**Actual**	**Q3 YTD Actuals**	**Forecast**	**Forecast**	**Forecast**
Sustainment	233.6	215.1	218.1	229.4	207.8		200.9	158.7	205.2	208.3	219.6
Development	6.1	4.6	5.1	5.2	4.4		6.7	5.4	8.3	8.9	8.6
Operations	59.0	62.5	61.1	53.4	51.0		47.9	35.3	48.8	48.6	49.0
Customer Care	5.1	4.5	8.5	11.0	7.2		7.0	4.3	6.0	6.7	6.9
Common and Other	73.9	60.1	41.5	54.9	26.7		70.5	46.9	51.6	50.7	65.0
Property Taxes and Rights Payments	63.9	61.3	50.7	65.3	60.8		65.4	47.1	69.1	70.2	71.4
Total	**441.6**	**408.1**	**385.0**	**419.2**	**357.9**	**385.0**	**398.5**	**297.6**	**389.0**	**393.4**	**420.5**

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 026

Reference:

Exhibit E-2-2, Page 2

Interrogatory:

Please recast Table 1 – Summary of Sustainment OM&A to include the most recent OM&A forecast for 2021.

Response:

Please see Interrogatory A-SEC-002.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 027

Reference:

Exhibit E-2-2, Page 5
Exhibit E-4-4, Page 18-21

Interrogatory:

Transmission Cyber Security OM&A has been significantly increasing since 2020. Please explain the extent to which Cyber Security activities are shared between Transmission and Distribution. What is the current status of the establishment of the Joint Security Operations Centre? Please discuss whether Cyber Security "insourcing" is common industry practice.

Response:

Cyber Security activities are shared across computer environments at Hydro One. Computer systems exist for Operational Technology (OT) to control and monitor both the transmission and distribution power systems and for common corporate Information Technology (IT) to operate the business. Some activities are common across all environments while some, such as NERC Cyber Security referenced in the question, are specific to a particular environment. As set out on page 14 of Exhibit E-04-04, Hydro One's security costs are comprised of General Security, Security Management, and NERC Cyber Security activities, each of which includes elements of the company's cyber security. Since NERC Cyber Security activities are only related to the Transmission system, the costs are allocated entirely to Transmission.

The Joint Security Operations Centre (JSOC) has been built within Hydro One's Integrated System Operations Centre (ISOC). The JSOC facility has been built and furnished. The next steps will be to build out the monitoring system equipment, develop operating processes and begin hiring staff.

Hydro One does not have sufficient information to comment on the resourcing practices that other companies or industries employ for comparable cyber security activities.

Witness: MARCOTTE Kevin

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 028

Reference:

Exhibit E-3-1

Interrogatory:

In its EB-2017-0049 Decision the OEB reduced HON's 2018 OM&A budget by $32.3 million. Please explain what measures HON took to respond to that Decision regarding its OM&A Costs.

Response:

Hydro One is committed to managing within the envelopes for which the OEB approves expenditures in addition to managing within the approved overall revenue requirement. In EB-2017-0049, the OEB reduced the OM&A envelope by $32.3M due to past cost performance, above market median reduction, pension reduction (as part of an overall reduction to OM&A as clarified by the OEB in EB-2019-0122), and the Hydro One Accountability Act reduction. Ultimately, the final approved 2018 OM&A envelope was $544.4M.

Actual OM&A for Distribution in 2018 was $558.8M, or $14.4M above OEB approved levels. However, it is important to note that the above decision was issued by the OEB in 2019, after the completion of the 2018 test year. As a result, and as referred to on pages 9 and 10 of Exhibit E-03-01, a comparison between 2018 OEB approved and 2018 actuals would not provide a meaningful comparison, as Hydro One did not have (and could not respond to) the decision until subsequently.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 029

Reference:

Exhibit E-4-2, Page 5

Interrogatory:

Please recast Table 2 – Summary of Allocated Common Corporate Functions and Services OM&A to include the most recent forecast for 2021. Please indicate whether the allocation percentages between Distribution and Transmission have changed.

Response:

Q3 2021 actuals are included at A-SEC-002. Re-forecast year-end values for 2021 and 2022 are currently unavailable, as Hydro One is in the midst of a business planning cycle for 2022 which is not complete and has not yet been approved by Hydro One's Board of Directors.

The most recent forecast for 2021 Common Corporate Functions and Services OM&A approved by Hydro One's Board of Directors is contained in Exhibit E-04-02, Table 2. Hydro One notes that the forecast has not materially changed and continues to be appropriate.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 030

Reference:

Exhibit E-4-2, Page 9

Interrogatory:

Please explain the significant increase in Corporate Management Costs in 2023 as compared to 2020. Please provide the most recent forecast for 2021.

Response:

As shown in Exhibit E-04-02, page 9, Table 4, Total Corporate Management costs allocated to Transmission and Distribution are forecasted to decline from $5.3M in 2020 to $4.8M by 2023 rather than increase. In the “Allocated to Other” row of Table 4, forecasted Corporate Management cost increases over the same period are allocated to other subsidiaries and affiliates, and are not recoverable from transmission and distribution customers.

Q3 2021 actuals are included in response to A-SEC-002. Re-forecast year-end values for 2021 and 2022 are currently unavailable, as Hydro One is in the midst of a business planning cycle for 2022 which is not complete and has not yet been approved by Hydro One’s Board of Directors. The most recent forecast for 2021 Corporate Management Costs approved by Hydro One’s Board of Directors is contained in Exhibit E-04-02, Table 4.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 031

Reference:

Exhibit E-4-2

Interrogatory:

Please explain the significant increase in Facilities and Real Estate Costs in 2023 as compared to 2020. Please provide the most recent forecast for 2021.

Response:

Please see interrogatory E-Staff-242 part a) for the increase in Facilities and Real Estate Costs in 2023 as compared to 2020.

Q3 2021 actuals are included in A-SEC-002. Re-forecast year-end values for 2021 and 2022 are currently unavailable, as Hydro One is in the midst of a business planning cycle for 2022 which is not complete and has not yet been approved by Hydro One's Board of Directors. Facilities and Real Estate Costs are on track and materially aligned with the filed evidence.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 032

Reference:

Exhibit E-4-2, Attachment 1

Interrogatory:

Please provide the Terms of Reference for the UMS Group work. Please indicate how the initial list of potential comparators was derived.

Response:

Please refer to Interrogatory Response **B1-SEC-048** for the retainer.

For the comparator selection process, please refer to Section II on page 6 of the UMS report, filed in Exhibit E-04-02 Attachment 1.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 033

Reference:

Exhibit E-6-1, Page 8

Interrogatory:

Please provide a schedule setting out for the years 2018-2023 what percentage of HON employees are retained through the hiring hall. Does HON see an increased or decreased reliance on the hiring hall through the rate plan period?

Response:

As detailed in Exhibit E-06-01 Schedule 1, page 18, Table 1, Hydro One will see an increased reliance on the PWU Hiring Hall over the course of the rate period.

2018-2027 Hiring Hall Schedule is provided below:

	2018 Actual	2019 Actual	2020 Actual	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
PWU Hiring Hall	1351	1373	1197	1329	1300	1388	1397	1480	1602	1524
Total	8429	8564	8509	8990	9077	9171	9160	9247	9383	9299
% PWU Hiring Hall	**16.0%**	**16.0%**	**14.1%**	**14.8%**	**14.3%**	**15.1%**	**15.3%**	**16.0%**	**17.1%**	**16.4%**

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 034

Reference:

Exhibit E-6-1, Page 18

Interrogatory:

With respect to FTEs HON has planned increases to regular FTE for 2021 and 2022 attributable to the addition of approximately 250 employees into the Shared Services and Information Services LOBs to repatriation of Inergi employees. Please provide the overall cost of the addition of these employees for 2023 and identify the offsetting reduction associated with a reduction in the Inergi contract can be found.

Response:

Table 1 below presents Hydro One's costs for information technology, supply chain, payroll, and finance and accounting services previously outsourced to Inergi. History of the Inergi Agreement and details of the sourcing strategy to transition concluding services are described in Exhibit E-05-01, Sections 4 and 5, respectively.

The total cost impact as a result of repatriating Inergi employees into Hydro One is more than offset by the reduction in fees paid to third parties, net of transition and other costs to insource work activities. The decision to repatriate Inergi employees was essential to achieving reduced rates in the Capgemini Agreement for non-sustainment work program delivery.

Table 1 - Summary of Total Costs for Information Technology, Supply Chain, Finance and Accounting, and Payroll Services Previously Outsourced to Inergi ($M)

	Historic			**Bridge**		**Test**
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Description	**Actual**	**Actual**	**Actual**	**Forecast**	**Forecast**	**Forecast**
Total Payments to Inergi LP	114.3	114.9	119.7	37.0	-	-
Total Payments to Third-Parties	-	-	-	44.0	48.1	48.1
Repatriation of Inergi Employees	-	-	-	22.7	40.6	41.1
Transition and Transformation	-	-	-	6.2	1.7	-
Tools and Other	-	-	-	-	5.6	5.6
Total	**114.3**	**114.9**	**119.7**	**109.9**	**96.0**	**94.8**

Witness: BERARDI Rob, MARCOTTE Kevin

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 035

Reference:

Exhibit E-6-1, Page 20

Interrogatory:

Please provide the revenue requirement impact on both Transmission and Distribution assuming HON is only allowed to recover compensation costs at the P50 market median, and not the premium of 9%.

Response:

Please refer to the response in **E-SEC-212**.

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E - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 036

Reference:

Exhibit E-6-1, Page 22

Interrogatory:

When does HON expect to ratify the collective agreement with the Society of United Professionals?

Response:

The latest collective agreement between the Society of United Professionals and Hydro One was ratified by the union membership on July 29th of 2021. The results of this vote were communicated to Hydro One on Tuesday August 3rd.

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G - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 037

Reference:

Exhibit G-1-1, Page 49

Interrogatory:

Please provide all calculations related to the amounts reported for the Distribution Earnings Sharing Mechanism Deferral Account. The December 31, 2020 balance was ($36.6M) and the expected balance as of December 31, 2022 ($15.2M)

Response:

The ESM calculation as of December 31, 2020 is detailed on page 50 of Exhibit G-01-01.

The difference between ($36.6M) and ($15.2M) in the DVA Continuity Schedule is primarily due to the ($21.7M) amount approved for interim disposition from the EB-2020-0030 proceeding.

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G - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 038

Reference:
Exhibit G-1-1, Page 59

Interrogatory:
Why is HON not seeking to clear the COVID-19 Emergency Deferral Account through this Application? When does HONI expect to apply for clearance? Please confirm that in both the Distribution and Transmission revenue requirements HON has not included any costs attributable to COVID-19.

Response:
Please refer to the response to G-Staff-309.

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G - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 039

Reference:

Exhibit G-1-2, Page 18

Interrogatory:

HON is requesting a new symmetrical variance account to record the revenue requirement impact, including tax, of variances between the in-service additions embedded on HON's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by government authorities, including directly through agencies, Crown Corporations or similar parties through regulation, policy changes or other official directives and the actual in-service additions during the 2023-2027.

a) Please provide a complete list all categories of costs that will be captured by this account even if they have not been included in the 2023-2027 forecast;

b) Please provide a list of all costs from the period 2018-2021 that would have been captured by this account had it been in place for that period;

c) How does this account differ from Z-factor treatment?

d) Is HONI seeking approval to record costs in this account only for costs that exceed the $3 million annual materiality threshold?

Response:

a) Please refer to Interrogatory G-Staff-304, for a description of the criteria for this work. It would capture in-service additions.

   Hydro One's forecasts are based on available information at a point in time; to the extent the externally driven factors detailed in G-01-02 emerge, additional projects may be developed to respond, with costs accordingly captured.

b) Please refer to Interrogatory G-SEC-227 part c).

c) Please refer to Interrogatory G-Staff-304 part g).

d) No, if the account is approved, Hydro One will seek approval to record any applicable costs in this account irrespective of the dollar amount.

G - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 040

Reference:

Exhibit G-1-2, Page 33

Interrogatory:

HONI is requesting a new symmetrical variance account to record the revenue requirement impact, including tax, of overspending and underspending relative to HONI's distribution capital investment plan which underlies the proposed revenue requirement for the 2023-2027 period where overspending or underspending is for work related to third-party initiate relocation, DER connection or service upgrades which HONI is required to undertake.

a) Please provide a complete 2023-2027 forecast of the costs that will be subject to this variance account;

b) Please provide a complete list all categories of costs that will be captured by this account even if they have not been included in the 2023-2027 forecast;

c) Please provide a list of all costs from the period 2018-2021 that would have been captured by this account had it been in place for that period;

d) How does this account differ from Z-factor treatment?

e) Is HON seeking approval to record costs in this account only for costs that exceed the $1 million annual materiality threshold?

Response:

a) The following table provides a forecast for in-service additions for the components of the ISDs that are anticipated to be impacted by this account:

		In-Service Additions				
		2023	**2024**	**2025**	**2026**	**2027**
D-SA-01	**Joint Use and Relocations**	24.4	28.7	27.1	26.5	27.2
D-SA-02	**New Load Connections, Upgrades, Cancellations – (Service Upgrades portion only)**	30.0	30.8	31.6	32.4	33.2
D-SA-03	**Customer Demand Distributed Energy Resources**	2.4	2.4	1.4	1.4	1.4

b) Please see Interrogatory Response G-Staff-304 part e) and refer to Exhibit G-01-02, Section 7.2 page 33 for a list of anticipated costs.

c) Please see Interrogatory Response G-Staff-304 part b).

d) Please see Hydro One's Interrogatory Response G-Staff-304 part g).

e) No. If the account is approved, Hydro One will record all eligible costs in this account irrespective of the dollar amount. Hydro One is not aware of a $1M materiality threshold or any materiality threshold pertaining to the amounts that may be recorded in an approved regulatory account.

G - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 041

Reference:

Exhibit G-1-2, Page 39-42

Interrogatory:

HON is proposing an asymmetrical Advanced Metering Infrastructure Variance Account to record the difference between the revenue requirement associated with the planned in-service additions included in the forecast cost of the AMI 2.0 program over the 2023-2027 period and the actual in-service additions achieved.

a) What is the current status of the AMI 2.0 project?

b) When is Board of Director approval expected?

c) When does HON expect to finalize the vendor contract?

d) What is the most recent cost forecast?

Response

a) Please see Interrogatory Response B3-SEC-154 (b).

b) A delegation of authority from the Board of Directors to the CEO to complete vendor selection was given in November 2021. Board of Director approval of the AMI 2.0 replacement strategy to execute the AMI 2.0 solution is expected in mid-2022.

c) Hydro One expects to finalize the vendor contract in 2022.

d) The most recent AMI 2.0 cost forecast is provided in ISD D-SR-12 Table 7.

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L - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 042

Reference:

Exhibit L-1-2, Page 4

Interrogatory:

Please provide a detailed description of HON's proposed mitigation regarding the elimination of the Seasonal Rate Class. Please provide all distribution and rate impacts for the Seasonal Customers for the rate plan period. Please provide all materials related to customer notices and communication regarding the implementation of the elimination effective January 1, 2023.

Response:

A detailed description of the OEB-approved mitigation plan for Seasonal customers moving to the R2 class can be found in the OEB's Decision and Order in EB-2020-0246 (issued on November 10, 2021), as well as in Hydro One's latest report on seasonal class elimination as filed with the OEB on October 15, 2020.

The table below provides the bill impacts for seasonal customers moving to the R2 class with the approved mitigation plan. Bill impacts for seasonal customers moving to the UR and R1 rate classes, for which no mitigation is required, can be found in the Exhibit L-06-01.

Bill Impacts for Seasonal-R2 customers	Monthly Consumption (kWh)	Change in DX Bill ($)	Change in DX Bill (%)	Change in Total Bill ($)	Change in Total Bill (%)
2023*	40	$8.06	13.2%	$7.65	12.1%
	369	$3.78	5.3%	$4.18	3.7%
	1,040	($4.94)	-5.4%	($2.91)	-1.3%
2024*	40	$3.00	4.4%	$2.83	4.0%
	369	$0.73	1.0%	$0.69	0.6%
	1,040	($3.90)	-4.5%	($3.67)	-1.7%
2025	40	$7.89	11.0%	$7.42	10.1%
	369	$7.69	10.2%	$7.23	6.1%
	1,040	$7.29	8.8%	$6.86	3.2%
2026	40	$8.87	11.1%	$8.35	10.3%
	369	$8.74	10.5%	$8.23	6.5%
	1,040	$8.47	9.4%	$7.97	3.7%
2027	40	$9.84	11.1%	$9.26	10.4%
	369	$9.57	10.4%	$9.01	6.7%
	1,040	$9.04	9.2%	$8.50	3.8%

** Higher impact for low-volume customers in 2023 is the result of recalculated Base Rate Adjustment to Recover Past Tax Amounts for the seasonal customers moving to the R2 class. Although the impacts shown in this table assumes that the rate rider will come off in 2024 (resulting in lower than anticipated bill impact in 2024), the rate rider will actually come off on July 1, 2023, which will result in effective total bill impacts on low volume seasonal customers below 10% for 2023.*

In its Decision and Order in Implementing the Elimination of the Seasonal Rate Class (EB-2020-0246), issued on November 10, 2021, the OEB directs Hydro One to submit to the OEB, as part of this Application (JRAP), a customer education and communication plan regarding the implementation of the seasonal class decision, including a clear explanation of the fixed and variable components of their bill. The OEB expects that this plan would be addressed as part of other customer engagement and communication plans associated with the JRAP proceeding. Hydro One plans to file this customer education and communication plan in early 2022.

L - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 043

Reference:

Exhibit L-1-2, Page 6

Interrogatory:

Is HON proposing to move the Orillia Power Distribution Inc. and Peterborough Distribution Inc. customers into the six new rate classes? If so, please provide all bill impacts and distribution rate impacts for these customers.

Response:

Customers from the former Orillia Power Distribution Corporation and Peterborough Distribution Inc. will not be integrated into Hydro One's rate structure until 2030. Hydro One has not determined at this time the rate classes that these customers will eventually move into.

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L - CONSUMERS COUNCIL OF CANADA INTERROGATORY - 044

Reference:

Exhibit L-1-2, Page 6

Interrogatory:

How long does HON anticipate maintaining the six new rate classes for the acquired customers? Will all newly acquired customers be assigned to those rate classes?

Response:

Currently, Hydro One anticipates maintaining these new acquired rate classes for the foreseeable future.

Hydro One anticipates that newly acquired customers may be assigned to one of the new acquired rate classes at the end of their deferred rebasing period, assuming that it does not result in significant bill impacts to customers. A final decision on the approach to rate harmonization of newly acquired customers will not be made until the deferred rebasing period for any newly acquired customers expires.

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