UNDERTAKING JT-4.01

Reference:

OSEA-005

Undertaking:

To the extent the information is available, to provide a list by technology, by installed capacity, of connection agreement changes for load displacement or behind-the-meter generation from 2015 to 2020 on an annual basis. If this information is not available, to explain why.

Response:

The table below provides behind-the-meter generation installed capacity in MW by fuel type in each year for 2015-2020.

Fuel Type	2015	2016	2017	2018	2019	2020
Biomass	0.005	0	0	0.02	0	0
Wind	0.02	0.015	0.005	0.005	0.002	0
Hydro	0	0	0.04	0	0	0
Solar	1.075	1.94	3.605	8.406	5.51	8.719
Other	18.187	2.83	1.018	11.894	20.358	39.269
Total	**19.287**	**4.785**	**4.658**	**20.315**	**25.87**	**47.988**

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UNDERTAKING JT-4.02

Reference:

STAFF-CLS-338

Undertaking:

With reference to IR A-CLS-Staff-338 and based on a list of entities Mr. Hovde inquires after, to explain which of these entities were excluded from the sample for distribution work, and why.

Response:

Response from Clearspring:

Mr. Hovde of PEG provided a list of eight distribution utilities he requested further explanation on regarding why these entities were excluded from the Clearspring distribution total cost benchmarking sample. We explain each one, in turn, using their ID provided in the working papers dataset.

ID 3001167: Excluded due to merger that impacted reported data in 2014.

ID 3004222: Excluded due to implausible substation data. Sample average substations per 10,000 customers is around 4, all observations are at 0.8 or above. This utility's value is 0.06.

ID 4004218: Excluded last two years (2018 and 2019) due to enormous increase in expenses resulting from legal causes.

ID 4017451: Excluded due to merger that impacted reported data around 2012.

ID 4057096: Implausible change in customers and volumes reported in 2000 and 2004.

ID 4072456: Excluded due to implausible service area data.

ID 4073320: Excluded due to merger that impacted reported data in 2007.

ID 4147257: Implausible and missing data for several years.

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UNDERTAKING JT-4.03

Reference:

STAFF-CLS-338

Undertaking:

With reference to IR A-CLS-STAFF-338, the Clearspring report, page 46, to provide an explanation for the exclusion of eight companies

Response:

Response from Clearspring:

The total cost benchmarking sample can include utilities that do not necessarily have robust data for all years of the sample period, in this case 2000 to 2019. This is called an unbalanced panel dataset and Clearspring and PEG regularly employ an unbalanced panel dataset in benchmarking research. However, TFP trend research requires each sample utility to have robust data for all years of the sample period to calculate a consistent TFP trend through all years of the sample period.

The undertaking mentions eight utilities, however, there are actually nine utilities excluded from the TFP sample that are included in the benchmarking sample. We provide explanations for all nine below. Many of the explanations are due to the OM&A general expense allocator. This is a percentage of the general OM&A expenses that should be allocated to the transmission total costs of each utility. The OM&A general expense allocator should be in a range of 0 to 1. It would get a value of "1" if the utility only provided transmission services (i.e., all general expenses should be allocated to the transmission operations), the allocator value declines for utilities that provide more services such as generation and distribution.

ID 4061513: Excluded in 2019 due to reported transmission line lengths reduced by nearly half.

ID 4056975: Excluded in 2009 due to negative OM&A general expense allocator.

ID 4007784: Excluded in 2001, 2006, and 2007 due to negative OM&A general expense allocator.

ID 4008616: Excluded in 2000 due to OM&A general expense allocator above one. Excluded in 2005 due to a negative OM&A general expense allocator.

ID 4057085: Excluded in 2005 due to negative OM&A general expense allocator.

ID 4057002: Excluded in 2001 due to negative OM&A general expense allocator.

ID 4057004: Excluded in 2004 due to negative OM&A general expense allocator.

ID 4057099: Excluded in years prior to 2008 due to missing or implausible substation data.

ID 4057027: Excluded in 2000 due to negative OM&A general expense allocator.

UNDERTAKING JT-4.04

Reference:

I-01-A-Staff-CLS-351

Undertaking:

Referencing IR A-CLS-STAFF-351; EB-2019-0082, Exhibit A-4-1, Attachment 1, page 10 of 59, Table 2; EB-2021-0110, Attachment 1 of Exhibit A-4-1, page 29 of 84: to consider a request to comment on the reasons why Clearspring's recent models show improved cost performance over the identical historical period, or to advise if Hydro One objects to answering this question on any basis.

Response:

Response from Clearspring:

Clearspring made a number of updates and enhancements to the benchmarking research in this application relative to the prior Hydro One transmission application, including in response to points that were raised by PEG in that application (as discussed in the Clearspring report). In examining the updates and enhancements, the one that caused the largest change in the historical benchmark scores of Hydro One was the change in using the system peak demand data instead of the transmission peak demand data. Both peak demands are reported on the FERC Form 1. The system peak demand is found on p. 401b of the FERC Form 1 and the transmission peaks are found on p. 400.

If we had used the transmission peak demand data (as we did in the last application), the Hydro One historical benchmark scores would be more similar to those found in that prior study. For example, in the prior study, Hydro One's 2016 benchmark score was -23%. If we were to make no other changes except use the transmission peak demands that was used in the last application, in 2016 we estimate Hydro One's benchmark score would be -30%.[1] Further, if we were also to restrict the sample to only go through 2016, as was done in the prior transmission benchmarking research, Hydro One's 2016 benchmark score would be -24%.[2] While there are other updates or enhancements that impact the benchmark scores in either direction, it appears the primary cause of the change in results is due to using the system peak demand data.

[1] We did also begin the sample in 2004 since the transmission peak demand data series begins in 2004 making it impossible to use the data prior to 2004.

[2] The results shown in this undertaking response are estimates used to respond to the undertaking. They are not results that have undergone our normal vetting process due to time constraints.

Witness: FENRICK Steve

We made this change, and it was necessary, because beginning the sample period prior to 2004 requires using the system peak demand data rather than the transmission peak demands. In the last transmission application PEG began its sample period prior to 2004 and PEG used the system peak demands. We wanted to address PEG's concern raised in the last transmission application regarding using a longer sample period. As we state on p. 14 of 84 in the Clearspring report,

> Starting in 2000 for both studies provides consistency in the studies and addresses PEG's desire for a somewhat longer sample period and our preference to begin the sample period after the transmission industry's restructuring and the markedly different cost challenges found in the 1990s.

While Clearspring would not have an objection to using the transmission peak demand data, using the transmission peak demand data would require that the sample period begins in 2004 or later. We stated on p. 17 of 84 in the Clearspring report,

> There are advantages and disadvantages of using either one of these data sources; the primary advantage of using the system peak demand data is that that data series begins prior to 2004, whereas the transmission peak data does not. Since Clearspring's sample now begins in 2000, we have decided to use the system peak demand data in the current research.

We note that if the transmission peak demand data were to be used instead of the system peak demand data, with no other methodological changes other than the sample period beginning in 2004, Hydro One's benchmark score during the custom incentive regulation period of 2023 to 2027 would remain in the 0.0% stretch factor cohort with a score of -26%.[3]

[3] Using the transmission peak demand data would also enable the transmission substation capacity variable to be included in the model as it would now come in statistically significant. This would further improve Hydro One's benchmark score during the CIR period.

UNDERTAKING JT-4.05

Reference:

STAFF-CLS-356
STAFF-CLS-353

Undertaking:

Referring to IR A-CLS-STAFF-356 and 353 part (e), to confirm the substation data used

Response:

Response from Clearspring:

Mr. Hovde of PEG requested we re-examine the substation data for two utilities to assure the variable values are accurate. PEG stated that they looked at the subtotals for two of the utilities and there was some discrepancies between the variable values in Clearspring's dataset and those subtotals. Mr. Hovde also wanted to know if any possible discrepancies would be a meaningful issue regarding the benchmarking results. These two IDs are provided and discussed below.

ID 3005475: Clearspring calculated the substation numbers and capacities based on the detailed data for each substation reported on p. 426 and 427 of the reported FERC Form 1 for each utility. Some utilities, including ID 3005475, also provide subtotals of their substations. However, Clearspring did not use those subtotals if and when the detailed data was available. For ID 3005475, it appears the subtotals only count different distinct addresses for substations but ignore multiple substations at the same address. The approach that Clearspring took was to give this utility credit for each separately reported substation. We are of the opinion that our calculation approach is the proper one.

ID 4004320: In years 2018 and 2019, the subtotaled substation totals equal Clearspring's summations of the detailed substation data. For the prior years, it appears the same subtotaling issue noted above for ID 3005475 is occurring for this utility. Our response to that issue is the same as discussed above.

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UNDERTAKING JT-4.06

Reference:

STAFF-190

Undertaking:

To provide a best estimate of EV usage for 2023 and any intermediate years to 2027; to include all the calculations to derive to each year's numbers.

Response:

The starting point of Hydro One's bottom-up estimate of EV usage is the IESO's high scenario forecast from the 2020 APO (the "Original Estimate"). The IESO estimated total EV usage of 1.36 TWh by 2027. Based on the IESO's assumptions, the average annual electricity usage per EV is approximately 3.2 MWh and the number of EVs ramps up from about 0.17 million vehicles in 2023 to about 0.45 million in 2027. The EV estimated usage from 2023 to 2027 is based on the average annual level of electricity usage per EV multiplied by the number of EVs.

Subsequently, in view of increasing optimism regarding the future state of the economy at the time of forecast, Hydro One increased the estimate so that by 2027 the total usage would be 1.43 TWh (the "Revised Estimate"). In order to calculate the EV usage per year, Hydro One conducted the following steps.

First, for both the Original Estimate and the Revised Estimate, the incremental difference between 2027 usage and 2020 usage (which was estimated to be 0.2 TWh by IESO) was calculated. Next, the ratio of the incremental difference for the Revised Estimate to that for the Original Estimate was calculated, which turned out to be 1.06. Finally, for each year, the difference between the Original Estimate compared to 2020 usage was multiplied by the ratio defined above (1.06) to arrive at Hydro One's estimate over the test years as presented in the following Table in TWh.

2023	0.56
2024	0.73
2025	0.93
2026	1.15
2027	1.43

Hydro One notes that these figures represent an estimate. A detailed discussion on how Hydro One's load forecast considers EVs is provided on pages 55-57 of the Technical Conference transcript for December 15th, 2021.

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UNDERTAKING JT-4.07

Reference:

I-22-B3-SEC-154

Undertaking:

In response to a question from VECC regarding ISA values from B3-SEC-154, Attachment 1, and whether or not VECC could use the ISA values there to match up with the capital values presented B3-SEC-002, Attachment 4, Appendix 2-AA, to clarify the capital and ISA values.

Response:

In summary, capital and ISA values for the Advanced Metering Infrastructure 2.0 (AMI2.0) investment were provided in the following evidence:

1. DSP Section 3.9, Attachment 1 (Appendix 2-AA), Capital Projects Table – August 5, 2021
2. B3-SEC-154, Attachment 1 – Submission to the Board of Directors – November 9, 2021
3. A-SEC-002, Attachment 4 (Appendix 2-AA), Capital Projects Table – November 29, 2021
4. B3-Energy Probe-038, Table 7 Total Investment Cost – November 29, 2021

The correct capital expenditures for the AMI2.0 are those presented in B3-Energy Probe-083 (item 4. above) as these values include corrections for removal costs, as discussed in the interrogatory response. Table 7 from the response is reproduced below:

Table 7 - Total Investment Cost (Corrected Version)

($M)	Prev. Years	2023	2024	2025	2026	2027	Forecast 2028+	Total
Gross Investment Cost	4.6	30.9	62.0	153.7	154.4	158.3	128.0	691.9
Less Removals	0.0	0.0	1.4	3.4	3.5	4.6	17.4	30.3
Capital and Minor Fixed Assets	**4.6**	**30.9**	**60.6**	**150.3**	**150.9**	**153.7**	**110.6**	**661.6**
Less Capital Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Investment Cost	**4.6**	**30.9**	**60.6**	**150.3**	**150.9**	**153.7**	**110.6**	**661.6**

Note: Exhibit B-3-1 Section 3.11 D-SA-04 Table 2 had removal costs overstated (see IR response to B3-Staff-138). The total net impacts based on errors from Exhibit B-3-1 Section 3.11 D-SA-04 Table 2 and Exhibit B-3-1 Section 3.11 D-SR-12 Table 7 is a total understated net removal cost of $0.8M between 2023 and 2027.

Witness: PAISH David

The errors associated with items 1. to 3. above are as follows:

1. DSP Section 3.9, Attachment 1 (item 1.) and A-SEC-002, Attachment 4 (item 3.):
    a. Did not include $11.9M of removal expenses and incorrectly accounted for removal costs associated with the D-SA-04 Metering Sustainment investment.

2. B3-SEC-154, Attachment 1 – Submission to the Board of Directors:
    a. Differences in the Gross Capital Costs due to rounding errors, the inclusion of OM&A costs in prior years, and an interest charge error in 2023.

These errors are not material and do not have a material impact on the calculation of the revenue requirement, which was presented in the prefiled evidence filed on August 5, 2021.

As part of the Draft Rate Order process, Hydro One will make the necessary corrections to the evidence.

UNDERTAKING JT-4.08

Reference:

I-08-A-Energy Probe-009, Part b)

Undertaking:

a) To confirm or clarify that the 5.82 percent creates $600 million in additional ISAs; to confirm whether depreciation, funding from other sources, and retirements from other sources also contributes to the budget for new ISAs.

Response:

The 5.82 percent is the increase in capital related revenue requirement expressed as a percentage of the previous year's total revenue requirement. This amounts to $106 million of additional capital related revenue requirement as shown in row 15 of Table 1 and represents an in-service addition of approximately $1.35 billion using a high-level assumption for average depreciation rates and CCA claim. The half-year rule estimate of $600 million only is taking into account the 2024 half-year rule of ISA and not the remaining ISA from 2023 to which the half year rule was initially applied. When considering the ISA for any given year, the prior year and the current year is required to be considered to determine the revenue requirement impact of new in-service additions. There are no other sources of funding which contribute to the budget for new ISAs.

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UNDERTAKING JT-4.09

Reference:

As indicated in VECC questions.

Undertaking:

To consider and respond to the written questions filed by VECC as Exhibit No. KT 4.1; or if unable to or objects to doing so in respect of any of the questions, to advise.

Response:

Please refer to answers to written questions filed as JT-VECC-TCQ-01 to JT-VECC-TCQ-26.

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UNDERTAKING JT-4.10

Reference:

SEC-237

Undertaking:

To review SEC's document and consider SEC's question, and provide a response; or to advise if Hydro One is unable to do so or objects to doing so.

Comparison of 2022 Dx/Tx Bills for 100 kW GS>50 Customer

	Town	Service Provider	Monthly	Annual
1	Rockland	Hydro One GSd	$2,461.45	$29,537.40
2	Owen Sound	Hydro One UGd	$1,750.39	$21,004.68
3	Carleton Place	Hydro One UGd	$1,750.39	$21,004.68
4	Simcoe	Hydro One AGSd	$1,085.10	$13,021.20
5	Caledonia	Hydro One AGSd	$1,000.74	$12,008.88
6	New Hamburg	Kitchener Wilmot	$1,159.34	$13,912.08
7	Strathroy	Entegrus	$1,093.72	$13,124.64
8	Beamsville	Niagara Peninsula	$1,073.03	$12,876.36
9	Amherstburg	Essex	$1,150.48	$13,805.76
10	Uxbridge	Elexicon	$1,120.82	$13,449.84

Response:

Hydro One has reviewed SEC's document (above table).

Hydro One notes that the bills of customers of other utilities are beyond the scope of this proceeding. Hydro One has not verified the calculations in SEC's document for the bills of customers of other utilities.

Regarding the bills for Rockland (Hydro One GSd), Owen Sound (Hydro One UGd), Carleton Place (Hydro One UGd), Simcoe (currently NPDI, AGSd in 2023) and Caledonia (current HCHI, AGSd in 2023), using the OEB approved 2022 rates, Hydro One has reviewed the table and notes that the results are reasonably close to our calculations.

Hydro One observes that the annual bills listed for New Hamburg, Strathroy, Beamsville, Amherstburg and Uxbridge are approximately $13k, appear to be fairly comparable to the total bills listed for Hydro One customers in Simcoe (in the former Norfolk service area) and Caledonia (in the former Haldimand service area) which will be part of the proposed AGSd class.

Witness: LI Clement

Hydro One does not have separate rates for the individual communities that it serves. The annual bills listed for Rockland, Owen Sound and Carleton Place are based on the rates of Hydro One's legacy demand billed classes, which are set based on the average cost of serving the customers of all communities within those classes.

Hydro One is not able to comment on the costs and associated bills for other utilities. However, the three drivers contributing to the differences in the bills between Hydro One's demand billed classes and the bills of customers in the new acquired demand billed classes as discussed in Hydro One's response to SEC IR# 238 would also contribute to the differences between the bills of Hydro One and other utilities.

UNDERTAKING JT-4.12

Reference:

VECC-125

Undertaking:

For the two demand-billed classes GSD and UGD, to explain why the acquired fixed charges would be going up and the legacy fixed charges would be going down.

Response:

As shown in the 2023 rate design model (Exhibit L, Tab 2, Schedule 1, Attachment 1, page 1), the unadjusted revenue-to-cost ratios for the two acquired demand-billed rate classes (i.e. AUGd and AGSd) fall outside the OEB-prescribed range (Col F). The revenue requirement from these classes has to be increased by over 8% (Col J) to bring them within the OEB approved range. This is the reason why the acquired demand-billed classes' 2023 rates are going up as compared to 2022, while the rates for the legacy demand-billed classes (UGd and GSd) go down. During the 2024 to 2027 period, these rates for these classes are increasing by very similar amounts.

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UNDERTAKING JT-4.13

Reference:

No Reference Provided.

Undertaking:

To provide any interrogatory response or related evidence, corrections, or updates that may be needed in respect of transmission external revenues.

Response:

Hydro One Transmission tracks the difference between certain forecast and actual net external revenues in the External Station Maintenance, Engineering and Construction Services (E&CS) and Other External Revenue Variance Account. The requirement to track differences for station maintenance and E&CS external revenues was established in 2009 in EB-2008-0272, whereas the requirement to track differences for "other external revenues" was established in 2013 in EB-2012-0031. These variances are presented together in one account. This undertaking response and the issue set out below relates primarily to the "other external revenues" portion of this account.

Hydro One identified a potential inconsistency in its actual External Station Maintenance, E&CS and Other External Revenues amounts in connection with its responses to interrogatories VECC-026, 027 and 028. Hydro One took steps to investigate the inconsistency, however the investigation could not be completed prior to the Technical Conference. As described below, Hydro One's investigation revealed a discrepancy in respect of its calculation of actual "other external revenues", which originates from the time this aspect of the account was established in 2013.

Upon identifying the potential inconsistency, Hydro One conducted a review of its actual External Station Maintenance, E&CS and Other External Revenues including by performing a reconciliation against Hydro One's general ledger account going back to 2013. Hydro One concluded that the amounts in the account inadvertently omitted certain actual revenues that are paid to Hydro One Transmission by Hydro One Transmission affiliates including Hydro One Distribution, and Acronym (formerly Hydro One Telecom Inc.).

Upon completing its internal review, Hydro One engaged Ernst & Young LLP (EY) to conduct an analysis of Hydro One's conclusions regarding the actual balance of the External Station Maintenance, E&CS and Other External Revenue Variance Account for the 2013 – 2020 period, and to identify any new items if observed. EY's analysis and conclusions are described in Appendix A. In brief, EY concluded that certain transactions between Hydro One Transmission and its

affiliates, as well as other minor adjustments, which had not been included in the account were appropriately identified by Hydro One as external revenue items. EY concluded that, when adjusted for these omitted items: "…nothing has come to our attention that would suggest additional material errors are present in the external revenue account for the 2013-2020 period."

Hydro One's external auditors, KPMG, will audit the correcting entry as part of Hydro One's annual audit process. The results will be incorporated into our audited financial statements for the year ended December 31, 2021 which we plan to release publicly on February 25, 2022, after which time Hydro One will file the corrected account entry, and update the evidence impacted by this adjustment, including interrogatory responses. Hydro One has been advised that the disclosure of this information to intervenors prior to the public release of our financial statements would be considered selective disclosure, in keeping with securities regulations.

Hydro One

Assessment of External Revenue Variance Account

January 5, 2022

Building a better working world

Ernst & Young LLP (EY) prepared the attached Report only for Hydro One Inc. (Client) pursuant to an agreement solely between EY and Client. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached Report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of Client, as well as the appropriateness of the accounting for any particular situation addressed by the Report.

EY did not perform an audit, review, examination or other form of attestation (as those terms are identified by CPA Canada, the AICPA or by the Public Company Accounting Oversight Board) of Client's financial statements. Accordingly, EY did not express any form of assurance on Client's accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment Client should select or adopt.

The observations relating to accounting matters that EY provided to Client were designed to assist Client in reaching its own conclusions and do not constitute our concurrence with or support of Client's accounting or reporting. Client alone is responsible for the preparation of its financial statements, including all of the judgments inherent in preparing them.

This information is not intended or written to be used, and it may not be used, for the purpose of avoiding penalties that may be imposed on a taxpayer.

Assessment of External Revenue Variance Account

Approach: Hydro One management advised EY that they had reviewed all general ledger (GL) transactions that occurred between 2013-2020 and identified transactions that should have been included in the company's External Station Maintenance, Engineering and Construction Services (E&CS) and Other External Revenue Account ("external revenue account") but which had been omitted. EY reviewed management's analysis and reconciliation related to the external revenue variance account for the 2013-2020 period including the selected general ledger (GL) transactions. EY performed the following procedures as part of its approach:

- **Company Process Overview -** EY obtained an understanding relating to the processes/policies for the external revenue account. This included the identification of the components included and excluded from the external revenue deferral account.
- **Account and GL Comparison -** EY reviewed selected revenue and cost transactions identified by management within the external revenue account and the GL to determine the appropriateness for exclusion or inclusion in the deferral account. In addition, EY selected additional types of transactions that occurred during the period, to understand appropriateness for exclusion or inclusion in the deferral account.
- **Filings Review -** EY reviewed sections of the regulatory filings pertaining to the establishment of the external revenue variance account to understand previous decisions and rulings provided by the regulator, with regards to the inclusion and exclusion of the selected transactions.

EY findings and conclusion:

- **Appropriate Identification of Missing Items –** Based on the procedures identified above –management's conclusion that each of the items they identified as missing, should have been included in the variance account as external revenue items appears reasonable. In addition, no other items were identified based on the random sample of additional transactions types selected and reviewed by EY.
- **OEB account requirements -** Based on the requirements outlined in the relevant sections of specific regulatory filings and decisions (EB-2008-0272, EB-2012-0031), the selected transactions appear to be appropriately excluded/included from the deferral account.
- **Based on the approach taken and the findings and observations noted, nothing has come to our attention that would suggest additional material errors are present in the external revenue account for the 2013-2020 period.**

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UNDERTAKING JT-4.14

Reference:

I-23-E-SUP-008, Part a) and i)

Undertaking:

To provide a live excel version of the response to society IR No. 8

Response:

The excel version of the tables in Interrogatory Response E-SUP-008 part a) has been provided as attachment 1 to this undertaking response.

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UNDERTAKING JT-4.15

Reference:

I-23-E-SUP-008, Part d)

Undertaking:

To make an enquiry of Mercer to confirm whether Mercer is using the same attrition and retirement data which hydro one has provided in answer to society IR No. 8, part (a).

Response:

Response from Mercer:

The Mercer forecast uses individual job incumbent service data for the benchmark jobs included in the 2020 Study to assess the likelihood of turnover and retirement. For this reason, the Mercer data does not match that provided by Hydro One. However, in aggregate, the Mercer attrition and retirement rate data are of a similar magnitude to that provided by Hydro One.

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UNDERTAKING JT-4.16

Reference:

I-23-E-SUP-008, Part f

Undertaking:

To the extent Hydro One is able to do so: With reference to Society IR no. 8, part (f), to confirm whether HONI has done an NPV calculation of the benefits as summarized in that sentence, so the reduction in work place hazard exposures, et cetera. To advise if Hydro One is not in a position to provide this information.

Response:

An NPV of the benefits has not been completed. We are committed to preventing life-altering and life-threatening injuries / fatalities at Hydro One through the implementation of the comprehensive Safety Improvement Plan. These investments are driving a greater safety culture across the organization and encourage employee participation and accountability in workplace safety. Thus, ultimately helping to prevent life-altering and life-threatening injuries and fatalities.

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UNDERTAKING JT-4.17

Reference:

No Reference Provided

Undertaking:

To inquire as to whether the following information is available and can be provided: details of workplace hazard exposure incident reduction targets, or any targets in management performance contracts; to confirm whether there are any incentives for HONI executive and management to reduce accidents in the workplace; to provide internal articulations of safety and accident reduction strategies.

Response:

Hydro One's strategic objectives as they relate to safety are contained in Exhibit A-03-01 Attachment 1 pages 7-8 of the Business Plan Document (HONI JRAP Business Plan, dated May 7 2021.)

As Health and Safety is a component of the Corporate Scorecard, safety-related objectives stated in the business plan will impact performance-based compensation for executive and management employees.

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UNDERTAKING JT-4.18

Reference:

I-23-E-SUP-010

Undertaking:

To consider, in consultation with Mercer, a request to provide a response on where Hydro One stands versus market median in 2021/22, to show the progression or the regression is as estimated by Mercer. If Hydro One objects to provide this information, to advise.

Response:

What Hydro One's positioning may be in 2021 and 2022 in relation to market median is irrelevant to, and would not assist in a determination of, the issues in this application. In its main report and addendum report, along with its responses to various interrogatories and other undertakings, Mercer has provided Hydro One's positioning in the study year (2020), as well as for the years of the rate period covered by this application (2023-2027).

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UNDERTAKING JT-4.19

Reference:

I-23-E-SUP-010

Undertaking:

To make an enquiry of Mercer to confirm that the data it has used is consistent with compensation data in Appendix 2K.

Response:

The compensation data in Appendix 2K (Exhibit E-06-01 Attachment 2A) are not the same as the compensation data used by Mercer in the compensation forecast, as the two data sources serve distinct purposes:

Response from Hydro One:

- The purpose of the Appendix 2K is to show, on a best efforts basis, the actual and estimated compensation costs of all Hydro One Networks' employees. This exhibit (also referred as the compensation table) contains all salaries or wages paid to the entire workforce, as well as the other categories of compensation listed in Exhibit E-06-01 Attachment 2B, page 2, paragraph 5. As noted, it also contains employment-related costs that are incurred by the employer, such as CPP and EI (referred to as legislated payroll burdens).

Response from Mercer:

- Mercer's compensation study and forecast establishes Hydro One to market comparison for a select and representative group of jobs selected for benchmarking. Actual total compensation levels and forecast total compensation levels are developed by applying specific assumptions and the Mercer methodology at a job incumbent level. The results of these analyses are aggregated, within employment category and overall, to establish Hydro One's overall competitive position relative to market at various times.

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UNDERTAKING JT-4.20

Reference:

I-23-E-SUP-013

Undertaking:

To make an enquiry of Mercer to see if they have anything to add to their response on this point.

Response:

Response from Mercer:

For context on Mercer's standard practice of using a market competitive range when assessing an organization's compensation market competitiveness, please see Mercer's response to E-Staff-261 part a).

Among leading compensation consulting firms, Mercer understands that Willis Towers Watson considers a market position within +/-10% of P50 market median to be "aligned to market" for individual jobs and specific job families; Korn Ferry takes a similar approach.

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UNDERTAKING JT-4.21

Reference:

I-01-E-Staff-271

Undertaking:

Referring to E-STAFF-271, to ask Mercer about other considerations related to the non-represented group; if they are not in a position to respond, to advise.

Response:

Response from Mercer:

Mercer considered the following assumptions for the non-represented group:

Employee Group	Year	Annual Wage Grid Increase and Annual Equity
Non-Represented	2023 - 2027	Wage Increase: 2.00% Equity: 0.00%

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UNDERTAKING JT-4.22

Reference:

I-22-E-SEC-212, Table 1

Undertaking:

With reference to SEC 212, Page 2, Table 1; to ask Mercer if they are able to provide information matching the market median numbers; to provide the same numbers for 2023 and 2027 that match the data in Table 1; if they aren't in a position to or if Hydro One objects on some other basis to the question, to advise.

Response:

Response from Mercer:

Mercer notes that the 2023 market position was previously provided in E-SEC-213, and the 2027 market position was provided in Exhibit E-06-01, Attachment 1.1.

The information requested is summarized in the table below:

	2023	2027
Overall	9%	3% to 7%

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UNDERTAKING JT-4.23

Reference:

I-22-A-SEC-003
I-22-G-SEC-224
I-01-G-Staff-309

Undertaking:

To provide a breakdown of the costs included in account 1509, broken down by transmission and distribution, and a description of those costs, and whether they are OM&A or capital costs.

Response:

The following is a breakdown of the amounts included in Account 1509 as at December 31, 2020, inclusive of accrued interest:

$M	Transmission	Distribution
Billing & System Changes Costs		-
Lost Revenues		9.5M
Other Costs	15.2M	18.9M
Bad Debt		14.4M
Total	**15.2M**	**42.8M**

Specifically for "Other Costs", the following is a breakdown:

$M	Transmission	Distribution
COVID-19 Work Order Costs (i.e. – cleaning materials, travel costs, IT services, safety equipment)	6.5M	9.6M
Labour	10M	8.5M
Critical Feeders Patrols		5.1M
Savings	-1.4M	-4.4M
Accrued Interest	0.1M	0.1M
Total	**15.2M**	**18.9M**

These are all OM&A costs.

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UNDERTAKING JT-4.24

Reference:

I-22-A-SEC-004

Undertaking:

To consider a request to provide the year end results for 2018, 2019, and 2020 for each of the measures delineated in the team scorecards, as requested in interrogatory A-SEC-4. If Hydro One objects to doing so, to advise.

Response:

Please see Attachment 1 to this undertaking.

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Measure	2018 Weighting	Threshold	Target	Exceeds	Performance	Achievement
Recordable Incidents	10.00%	1.30	1.10	1.00	1.11	93.85%
Tx Reliability	6.25%	9.2	7.6	5.4	15.37	0.00%
Dx Reliability	6.25%	7.5	7.0	6.8	6.82	190.00%
Tx ISA	6.25%	+/-6%	+/-4%	+/-1%	-1.16%	194.65%
Dx ISA	6.25%	+/-5%	+/-3%	+/-1%	-4.23%	83.99%
Net Income ($M)	30.00%	660.71	705.79	756.71	806.67	200.00%
Productivity ($M)	10.00%	103.1	114.5	140.0	135.51	182.40%
Residential and Small Businesses	50.00%	71%	73%	76%	76%	200.00%
LDCs	50.00%	84%	86%	90%	90%	200.00%
Total Scorecard Performance	**166.91%**					

Measure	2019					
	Weighting	Threshold	Target	Exceeds	Performance	Achievement
Recordable Incidents	10%	1.11	1.05	0.99	0.78	0.00%
Tx Reliability	6.25%	8.4	8.1	6.3	7.9	105.56%
Dx Reliability	6.25%	7.0	6.3	6.0	7.0	50.00%
Tx ISA	6.25%	+/-6%	+/-4%	+/-1%	0.90%	150.00%
Dx ISA	6.25%	-5%/4%	-3%/2%	+/-1%	-0.20%	150.00%
Net Income ($M)	30%	792	845	897	918	150.00%
Productivity ($M)	10%	164.1	193	222	202.3	116.03%
Residential and Small Businesses	10%	71%	77%	80%	86%	150.00%
LDCs	10%	85%	90%	92%	87%	70.00%
Commercial and Industrial	5%	73%	77%	80%	79%	133.33%
Total Scorecard Performance	**113.74%**					

Measure	2020					
	Weighting	Threshold	Target	Exceeds	Performance	Achievement
Serious Injuries & Fatalities	10.00%	0.143	0.136	0.129	0.209	0%
Recordable Incidents	10.00%	1.023	0.972	0.920	0.874	150%
Tx Reliability	5.00%	8.1	7.9	6.3	4.6	150%
Dx Reliability	5.00%	7.0	6.1	5.9	7.3	0%
Tx ISA	5.00%	+/-5%	+/-2%	+/-1%	1.50%	130.18%
Dx ISA	5.00%	+/-3%	+/-2%	+/-1%	0.60%	150%
Net Income ($M)	30.00%	808	861	914	903	139.62%
Productivity ($M)	10.00%	221.4	260.5	286.5	286	149.04%
Residential and Small Businesses	6.70%	81%	86%	89%	87%	116.67%
LDCs	6.70%	82%	87%	90%	83%	60%
Commercial and Industrial	6.70%	74%	79%	82%	86%	150%
Total Scorecard Performance	**115.08%**					

UNDERTAKING JT-4.25

Reference:

I-22-A-SEC-004

Undertaking:

To provide net income information to the extent possible for the historical years, and confidentially for forecast information.

Response:

The 2021 Team Scorecard including the Net Income has been provided on a confidential basis as Attachment 1 to this undertaking.

The response to JT-4.24 reflects 2018 – 2020 Team Scorecard measures including Net Income.

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2021 Team Scorecard

2021 Team Scorecard						
Corporate Goal	Component Weight	Measure & Definition	Sub Component Weight	Performance Levels		
				Threshold	Target	Exceeds
Health and Safety	20%	Serious Injuries and Fatalities*: *Incidents per 200,000 hours*	50%	0.168	0.107	0.091
		Recordable Incidents: *Incidents per 200,000 hours*	50%	1.040	0.923	0.849
Work Program	20%	Transmissions (Tx) Reliability – average length of unplanned interruptions to multi-circuit supplied delivery points (SAIDI): *Minutes per Delivery Point*	25%	8.0	7.7	5.3
		Distribution (Dx) Reliability – average length of outages in hours that a customer experiences (SAIDI): *Hours per Customer*	25%	6.8	6.1	5.0
		Tx In Service Additions - Delivery Accuracy: *Variance (%) to approved budget of $1,006M*	25%	+/- 5.0%	+/-2.0%	+/-1.0%
		Dx In Service Additions - Delivery Accuracy: *Variance (%) to approved budget of $700M (Dx Application)*	25%	+/- 3.0%	+/-2.0%	+/-1.0%
Productivity	10%	Productivity Savings: *in $M*	100%	$259.5	$305.3	$335.8
Financial	30%	Net Income to Common Shareholders: *in $M*	100%	[redacted]	[redacted]	[redacted]
Customer	20%	Residential and Small Business Customer Satisfaction: *Overall Favourable Impression*	100%	76%	85%	88%

** If the company has a fatality, the attained Serious Injuries & Fatality measure will be reduced to 0% based on the findings of the System Investigation.*

UNDERTAKING JT-4.26

Reference:

I-22-C-SEC-177

Undertaking:

To provide the high-level impact associated with the 61 million progressive productivity commitment from the prior application, continued into 2023 to 2027.

Response:

The revenue requirement impact of including the progressive productivity commitment as outlined in Table 1 of SPF Section 1.4 is presented below.

The figures show that the revenue requirement has been reduced in this application annually by the amounts presented in the table below:

Components ($M)	**2023**	**2024**	**2025**	**2026**	**2027**
Depreciation Expense	(1)	(3)	(4)	(6)	(7)
Return on Debt	(1)	(2)	(4)	(5)	(6)
Return on Equity	(2)	(4)	(5)	(7)	(9)
Income Taxes	3	2	3	3	3
Total Revenue Requirement	**(1)**	**(7)**	**(11)**	**(15)**	**(20)**

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UNDERTAKING JT-4.27

Reference:

I-01-E-Staff-260

Undertaking:

To follow-up with Willis Towers Watson and advise as to when the report is expected.

Response:

Hydro One confirmed with Willis Towers Watson that the report will be ready no later than February 15th. If possible, the report will be made available in advance of the settlement conference.

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UNDERTAKING JT-4.28

Reference:

I-01-E-Staff 260

Undertaking:

To consider whether HONI is prepared to file previous studies done by Willis Towers Wilson on the record; if HONI takes the position that's not appropriate, to advise.

Response:

This question refers to previous studies by Willis Towers Watson which were filed as part of the previous Transmission rate application (EB-2019-0082). For ease of reference Hydro One can provide the requesting intervener with further copies of them. Hydro One's position, however, is that those prior studies are not relevant to the issues in this application, and so they have not been filed as part of this application. As Hydro One has indicated in Undertaking JT 4.27, an updated study report by Willis Towers Watson is in the process of being prepared and will be provided when it is ready.

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UNDERTAKING JT-4.29

Reference:

I-22-B1-SEC-053

Undertaking:

To consider a request to file the November report confidentially, if HONI is in a position to provide the information on any basis; if not, to advise and explain why.

Response:

Hydro One is not in a position to provide the November 2021 Productivity Report as it has been advised that this would constitute a selective disclosure of non-public material information. As Hydro One Networks Inc. (which includes the businesses of Hydro One Transmission and Distribution) is an indirect subsidiary of a Hydro One Limited and a subsidiary of Hydro One Inc., which are public companies subject to securities laws, Hydro One Networks Inc. is precluded from selectively sharing material non-public information.

Furthermore, Hydro One has provided both 2021 forecast as well as September 2021.

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UNDERTAKING JT-4.30

Reference:

I-06-A-CCC-001, Attachment 1
I-22-A-SEC-014

Undertaking:

To reconcile the total figures for total distribution and transmission productivity shown at B1-1-1, Section 1.4, Attachment 1 productivity report, Page 8 and Page 11 with the Figures in CCC 1, Attachment 1, Page 34.

Response:

Total Distribution and Transmission figures in SPF Section 1.4, Attachment 1, on pages 8 and 11 respectively, exclude unregulated Productivity savings, which is the Other OM&A line item in Interrogatory Response A-CCC-001 Attachment 1, slide 34. The Transmission figures in SPF Section 1.4, Attachment 1 (page 11) include Productivity from Secondary Land Use revenue, which is the Revenue line item on slide 34 from Interrogatory Response A-CCC-001.

The below reconciles the aforementioned references, with differences being attributable to rounding.

A-CCC-001 Attachment 1 - Productivity Table, slide 34	**Regulated**	**2021B**	**2022**
	Tx	100+32+6=138	130+34+6=170
	Dx	77+81=158	73+108=181
	Total	**296**	**351**
SPF Section 1.4 Attachment 1 (pages 8 and 11)	**Regulated**	**2021B**	**2022**
	Tx (page 11)	137.3	169.9
	Dx (page 8)	158.6	180.6
	Total	**295.9**	**350.5**

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