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BY EMAIL

January 10, 2022

Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: **EB-2021-0110 Hydro One Networks Inc. (Hydro One) 2023-2027
Transmission and Distribution Joint Rate Application Proposed Issues List**

In accordance with Procedural Order No. 1, OEB staff advises the OEB that parties have agreed on a proposed issues list for Hydro One's Transmission and Distribution Joint Rate Application. The proposed issues list is attached at Schedule A.

Any questions relating to this letter should be directed to Tracy Garner at Tracy.Garner@oeb.ca, copying Martin Davies at Martin.Davies@oeb.ca and James Sidlofsky at James.Sidlofsky@oeb.ca.

Yours truly,

Tracy Garner

Tracy Garner
Senior Advisor, Generation and Transmission

c: All parties to EB-2021-0110

SCHEDULE A
PROPOSED ISSUES LIST
HYDRO ONE NETWORKS INC.
2023-2027 TRANSMISSION AND DISTRIBUTION JOINT RATE
APPLICATION
EB-2021-0110
JANUARY 10, 2022

HYDRO ONE NETWORKS INC.

2023-2027 TRANSMISSION AND DISTRIBUTION JOINT RATE APPLICATION

EB-2021-0110

PROPOSED ISSUES LIST

1.0 GENERAL

1. Has Hydro One responded appropriately to all relevant Ontario Energy Board (OEB) directions from previous Transmission and Distribution rate proceedings?
2. Are all elements of the proposed Transmission and Distribution revenue requirements and their associated total bill impacts reasonable?
3. Were Hydro One's customer engagement activities sufficient to enable customer needs and preferences to be considered in the formulation of its proposed spending?
4. Is the accounting standard used for regulatory purposes appropriate, and is the rate-making treatment of any impacts from any changes in accounting standards, policies and estimates appropriate?

2.0 CUSTOM APPLICATION

5. Are all components of Hydro One's proposed Transmission Custom Incentive Rate Methodologies appropriate?
6. Are all components of Hydro One's proposed Distribution Custom Incentive Rate Methodologies appropriate?

3.0 PRODUCTIVITY IMPROVEMENT AND PERFORMANCE SCORECARD

7. Has Hydro One taken appropriate steps to identify and quantify productivity improvements in all areas of its Transmission and Distribution operations?
8. Are the metrics and targets in the proposed Transmission and Distribution scorecards appropriate?

4.0 TRANSMISSION SYSTEM PLAN

9. Are the proposed Transmission capital expenditures and in-service additions arising from the Transmission System Plan appropriate, and is the rationale for planning and pacing choices (including consideration of customer preferences, planning criteria, system reliability, non-wires alternatives, facilitation of distributed energy resources, asset condition and benchmarking) appropriate and adequately explained?
10. Does Hydro One's Transmission System Plan sufficiently address the unique rights and concerns of Indigenous customers and rights-holders?
11. Has Hydro One appropriately considered measures to cost-effectively reduce transmission losses in its planning processes and included such measures where appropriate?

5.0 DISTRIBUTION SYSTEM PLAN

12. Are the proposed Distribution capital expenditures and in-service additions arising from the Distribution System Plan appropriate, and is the rationale for planning and pacing choices (including consideration of customer preferences, planning criteria, system reliability, non-wires alternatives, facilitation of distributed energy resources, asset condition and benchmarking) appropriate and adequately explained?
13. Does Hydro One's Distribution System Plan sufficiently address the unique rights and concerns of Indigenous customers and rights-holders?
14. Has Hydro One appropriately considered measures to cost-effectively reduce distribution losses in its planning processes and included such measures where appropriate?

6.0 GENERAL PLANT SYSTEM PLAN

15. Are the proposed General Plant capital expenditures and in-service additions arising from the General System Plan appropriate, and is the rationale for planning and pacing choices (including consideration of customer preferences, planning

criteria, system reliability, asset condition and benchmarking) appropriate and adequately explained?

16. Are the methodologies used to allocate Common Corporate capital expenditures to the Transmission and Distribution businesses and to determine the Overhead Capitalization Rates for the Transmission and Distribution businesses appropriate?
17. Does Hydro One's General Plant System Plan sufficiently address the unique rights and concerns of Indigenous customers and rights-holders?

7.0 OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

18. Are the proposed Transmission OM&A expenditures appropriate?
19. Are the proposed Distribution OM&A expenditures appropriate?
20. Are the methodologies used to allocate Common Corporate OM&A Costs and Other OM&A costs to the Transmission and Distribution businesses appropriate?
21. Are the amounts proposed to be included in the revenue requirement for income taxes appropriate?
22. Is Hydro One's proposed depreciation expense appropriate?

8.0 COMPENSATION COSTS

23. Are the compensation related costs appropriate?

9.0 RATE BASE, COST OF CAPITAL, AND REVENUE REQUIREMENT

24. Are the amounts proposed for the Transmission and Distribution rate bases (including working capital allowances) reasonable?
25. Is the proposed cost of capital (interest on debt, return on equity) and capital structure for Transmission and Distribution appropriate?
26. Is the proposed calculation of the Transmission and Distribution Revenue Requirements appropriate?

10.0 LOAD FORECAST

27. Are the load forecast methodologies and the resulting load forecasts appropriate for each of Transmission and Distribution?

11.0 DEFERRAL/VARIANCE ACCOUNTS

28. Are the proposed amounts for disposition, and the continuance or discontinuation of Hydro One's existing deferral and variance accounts for each of Transmission and Distribution appropriate?

29. Are the proposed new or modified Transmission and Distribution deferral and variance accounts appropriate?

12.0 COST ALLOCATION FOR TRANSMISSION

30. Is the proposed Transmission cost allocation appropriate?

13.0 COST ALLOCATION AND RATE DESIGN FOR DISTRIBUTION

31. Is the proposed Distribution cost allocation appropriate?

32. Is the proposed Distribution rate design appropriate?

33. Are the proposed billing determinants appropriate?

34. Are the proposed revenue-to-cost ratios for all rate classes over the test period appropriate?

35. Is the rate harmonization proposal for the Acquired Utilities (Norfolk, Haldimand and Woodstock) appropriate?

36. Are the proposed changes in the Sub-Transmission class eligibility requirements appropriate?

37. Are the proposed Retail Transmission Service Rates appropriate?

38. Are the proposed bill impact mitigation measures appropriate?

14.0 OTHER CHARGES AND REVENUES

39. Are Other Revenue forecasts for each of Transmission and Distribution appropriate?

40. Are the proposed Specific Service Charges appropriate? (Distribution)