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Frank D'Andrea

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

February 7, 2022

Ms. Nancy Marconi
Acting Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2021-0110 – Custom IR Application (2023-2027) for Hydro One Networks Inc. Transmission and Distribution (Hydro One) – Request for Postponement of the Settlement Conference

Further to Hydro One's February 4, 2022 letter, indicating that Hydro One would not be able to proceed with the settlement conference scheduled for today, Hydro One respectfully requests the postponement of the settlement conference from February 7 to April 4, 2022, to allow Hydro One to make necessary amendments to its application and evidence to reflect the impact of inflation on the application.

Hydro One's investment plan was prepared using forecasted inflation rates available at the time (as of 2020) to build its capital and OM&A costs for the 2021 to 2027 period. These assumptions continued to be reasonable through to January 2022.

As of January 2022, inflation expectations for 2022 have now risen relative to prior expectations and relative to the assumptions used to forecast the costs included in the investment plan. The September 2021 Consensus Forecast had reflected inflation for 2022 at 2.5% which was relatively consistent with the inflationary assumptions used to build the investment plan, albeit slightly higher. However, elevated inflation trends continued through Q4 2021 and the inflation rate (as measured by the Consumer Price Index) rose to 4.8% on a year-over-year basis at December 2021. The January 2022 Consensus Forecast has annual average inflation projections for 2022 which now range from 2.6% to 4.5%, with a 3.4% mean from the eighteen contributing forecasters.

This new forecast represents an unexpected and material increase. The consequence is that based on the current forecasted costs for 2023-2027, Hydro One will not be able to achieve the associated volumes of work included in the investment plan for 2023-2027, since the full inflationary impacts in 2021 and 2022 are not reflected in the 2023 forecast amounts. This impact will have a cumulative effect throughout the rate period, as forecast OM&A and capital expenditures will start from an inappropriate base amount in 2023.

As a result of this material change, and in accordance with the OEB's applicable rules of practice and procedure (including its Practice Direction on Settlement Conferences), Hydro One is obligated to amend

its application and portions of the evidence. Presently, we expect the amendment to consist of an update to the inflation assumptions within Hydro One's plan, and to include resulting amendments to OM&A and capital at the envelope level, together with associated bill impacts. This amendment needs to be done as the next step in the proceeding, in advance of the settlement conference, so that the parties may review the amendment and take it into account in connection with settlement discussions. Accordingly and as a practical matter in order for discussions to be meaningful and productive, Hydro One is requesting the settlement conference be postponed.

Recognizing the importance of participating in settlement discussions and the timely completion of the hearing (if necessary), Hydro One will prepare its amendment expeditiously and intends to file it on or before March 14, 2022. Hydro One proposes the revised schedule included at Appendix A relating to this amendment, which would still permit a decision in this proceeding by October 21, 2022 if there is no settlement, and by September 23, 2022 if there is partial settlement. The proposed timelines between the various steps in the timetable are based on the Illustrative Schedule D attached to Procedural Order No 1, and no blue page update is being proposed or requested by Hydro One.

Hydro One requests the Commission approve the proposed schedule and, if appropriate, to pause the proceeding until March 14, 2022 pursuant to section 3 of the OEB's Protocol for Adjusting Adjudicative Timelines.

Separate and apart from this inflation amendment, Hydro One will be in a position to provide a mechanistic update to its load forecast, and may also be seeking to file brief reply evidence from Clearspring in response to the evidence recently received from PEG. These points would not cause any additional delay as they can be accommodated within the proposed schedule set out below. Hydro One will correspond on these other points at the earliest opportunity.

This filing has been submitted electronically using the OEB's Regulatory Electronic Submission System (RESS).

Sincerely,

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

Frank D'Andrea

Encls.

cc. EB-2021-0110 parties

APPENDIX A

Procedural Steps	No Settlement	Partial Settlement
Hydro One Submits Evidence Update	Monday, March 14, 2022	
Interrogatories from Intervenors	Monday, March 21, 2022	
Responses to Interrogatories Due	Monday, March 28, 2022	
Settlement Conference	Monday, April 4, 2022	
Settlement Conference Ends	Thursday, April 7, 2022	
Settlement Conference Progress Letter Filed	Thursday, April 7, 2022	
Settlement Proposal Filed	Monday, April 11, 2022	Thursday, April 28, 2022
OEB Staff Submission on Settlement Proposal Filed	NA	Friday, May 6, 2022
Oral Hearing Begins	Monday, April 18, 2022	Monday, May 16, 2022
Oral Hearing Ends	Friday, May 20, 2022	Friday, May 27, 2022
Hydro One's Argument in Chief Filed	Friday, June 3, 2022	Friday, June 10, 2022
OEB Staff Submission Filed	Friday, June 24, 2022	Friday, July 1, 2022
Intervenor Submission Filed	Friday, July 1, 2022	Friday, July 8, 2022
Hydro One's Written Reply Submissions Filed	Friday, July 22, 2022	Friday, July 29, 2022
Decision Issued	Friday, October 21, 2022	Friday, September 23, 2022
DRO Received	Friday, November 11, 2022	Friday, October 14, 2022
Intervenor & OEB Staff Comments on DRO	Friday, December 2, 2022	Friday, November 4, 2022
Hydro One's Reply to Comments on DRO	Friday, December 23, 2022	Friday, November 25, 2022
Issue Final Rate Order & Tariff Sheets	Friday, January 13, 2023	Friday, December 16, 2022

**Note, under full settlement, a decision would be issued on July 2, 2022*