

February 8, 2022

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

Dear Ms Marconi:

EB-2021-0110 – Hydro One Networks Inc. - Transmission and Distribution – Custom IR Application

I am representing the Consumers Council of Canada (“Council”) in the above-referenced proceeding. On February 7, 2022, Hydro One Networks Inc. (“HON”) filed a letter with the Ontario Energy Board (“OEB”) requesting the postponement of the settlement conference from February 7 to April 4 to allow HON to make necessary amendments to its application and evidence to reflect the impact of inflation on the 2023-2027 rate application.

The basis for HON’s request is the January 2022 Consensus Forecast, which HON has characterized as “an unexpected and material increase.” From HON’s perspective, “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.”

HON plans to amend its application and portions of the evidence. The OM&A and Capital amendments will be at the “envelope level”, together with associated bill impacts. HON has proposed a revised schedule and is requesting that the OEB approve the schedule and to pause the proceeding until March 14, 2022.

In addition to the amendment HON intends to provide a mechanistic update to its load forecast and may also be seeking to file brief reply evidence from Clearspring in response the evidence from Pacific Economics Group¹.

The Council is not in a position, at this time to assess whether the impact of the inflationary increases will materially impact the forecasts HON has presented in its evidence. It is only until that evidence is filed can all parties, including the OEB assess whether an update is justified. The Council has specific concerns about the nature of the evidence HON intends to file and its proposed schedule.

Evidence:

¹ HON letter to Nancy Marconi dated February 7, 2022

HON is proposing to file what the Council views as a selective update to its evidence. The inflation forecasts, OM&A and Capital forecasts at the “envelope level” together with the associated bill impacts are not an adequate basis for parties to assess the reasonableness of HON’s proposals or for the OEB to set rates. From the Council’s perspective a much more comprehensive update would not only be more meaningful, it should be required. This would include updating all of the components of the evidence including interrogatory responses and the technical conference undertakings. The evidence should not be restricted to high level OM&A and Capital updates, as changes to those cost categories ultimately impact the revenue requirement, cost allocation and rates. In addition, 2021 actual numbers should be included in the update as those numbers are now available to HON.

HON is proposing to update its load forecast and potentially reply evidence from Clearspring. Again, this constitutes selective updating. It is not at all clear what a mechanistic update to its load forecast entails. In addition, the OEB has already considered and rejected HON’s request to file reply evidence regarding the benchmarking studies.

Schedule:

The Council submits that it would be premature for the OEB to establish a new schedule for the proceeding without seeing the updated evidence. At that time, the OEB can assess what constitutes a schedule that is reasonable and fair to all parties. This is a complicated case and it is important that the process allow for a full consideration of the evidence by all parties. Allowing HON five weeks to prepare its update, while giving intervenors and OEB Staff one week to review that evidence and pose questions is from our perspective unfair.

Conclusion:

If the OEB accepts that HON’s proposal to file an update to its evidence is appropriate the OEB should require a comprehensive update to all aspects of the evidence. Only when that evidence is filed will the OEB be in a position to set a schedule for the remaining stages in the proceeding.

Yours truly,

Julie E. Girvan

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CC: All parties