PUBLIC INTEREST ADVOCACY CENTRE
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May 2, 2022 **VIA E-MAIL**

Ms. Nancy Marconi
Acting Registrar
Ontario Energy Board
Toronto, ON

Re: EB-2021-00110 – Hydro One Networks Inc. 2023 Joint Rate Application (JRAP)
Updated Evidence - Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark C Garner

Digitally signed by Mark C Garner
Date: 2022.05.02 15:44:23 -04'00'

Mark Garner
Consultants for VECC/PIAC

Email copy:
Ms. Eryn Mackinnon, Senior Regulatory Coordinator, HONI
Regulatory@HydroOne.com

REQUESTOR NAME	**VECC**
TO:	**Hydro One Networks Inc (HONI)**
DATE:	**May 2, 2022**
CASE NO:	**EB-2021-00110**
APPLICATION NAME	**2023 JRAP Rates -Revenue Requirement Updated Evidence Interrogatories**

INFLATION UPDATE

O-VECC-143 / Tab 1, Schedule 1

REFERENCE: Exhibit O, Tab 1, Schedule 2, page 9

$$Proration\ Factor = \frac{(1 + i_{2021}) \times (1 + i_{2022}) \times (1 + i_{2023})}{(1 + i_{as-filed})^3}$$

Where: i_{2021} is the actual Ontario inflation in 2021 of 3.5%

i_{2022} is the Scotia forecasted Ontario inflation in 2022 of 4.5%

i_{2023} is the Scotia forecasted Ontario inflation in 2023 of 3.3%

$i_{as-filed}$ is the 2% rate used in as-filed plan

$$Proration\ Factor = \frac{(1.035)x(1.045)x(1.033)}{1.02^3} = 1.0525$$

a) It is unclear to us why Hydro One is proposing a "proration factor" as opposed to simply replacing the inflation forecast of the original proposal with an updated forecast. Please explain the reasons for this approach and what material difference there is between this approach a simpler updating of the application for a revised inflation forecast.

O-VECC-144 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, page 4 of 42

a) Why was Scotiabank engaged to produce a specific forecast for Hydro One as opposed to the alternative of using a pre-existing forecast, for example the Consensus forecast?
b) What is the current Consensus Forecast for 2022 and 2023 inflation?
c) Does Hydro One carry out any other business with Scotiabank? If yes, please describe that business relationship.

O-VECC-145 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, page 6-7, Table 2

a) Hydro One explains that it is "*is experiencing price escalation for many materials and services, especially for those associated with steel, copper, aluminum, and transportation*". Has the Company undertaken any studies or analysis of its exposure to inflation on the material costs listed in Table 2?

b) What steps has Hydro One taken to limit is exposure to price increases in the contracting for materials?

O-VECC-146 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, page 18-

a) Using Table 6 (TX OM&A) and Table 7 (DX OM&A) as a response format, please provide the proportion of OM&A costs in each cost category that are attributable to internal labour costs (collective agreement and other internal)?

b) Which collective agreements expire prior to the end of 2022, 2023 and 2024?

O-VECC-147 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2,

a) Using Tables 8 (TX Capex) and 10 (DX Capex) as a response format, please provide the estimated capital expenditures for materials currently in store (including items already purchased but yet to be delivered) and, separately, those yet to be purchased.

O-VECC-148 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, pages 11-

a) What specific price risk analysis has been undertaken on the significant projects in both distribution and transmission. For example, it is noted that the Pole Sustainment Program requires a large number of poles. Has an analysis been undertaken on the risk of pole price increases and how that might be mitigated (by for example, ordering in advance).

O-VECC-149 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, pages, 11- 17

If the plan is not adjusted for updated inflation assumptions, a range of investments that are not deemed "mandatory" (e.g., driven by regulatory or compliance obligations) would be impacted by deferrals and reductions.

If the cumulative inflation for 2022 and 2023 exceeds 10%, Hydro One will aim to manage its work program to the capped amount through investment reprioritization and redirection and will adjust the outcomes outlined in TSP Section 2.5 and DSP Section 18 3.5 accordingly.

a) It is unclear to us why it would be appropriate for Hydro One to make reductions to its spending if inflation exceeds 10% but not otherwise for a different amount (say 9.5% or some other amount). Please explain the analysis that went into choosing 10% as a point from which no further adjustments would be made to the capital (and presumably OM&A) plans.
b) Given that Hydro One is proposing to make no adjustment to rates for the proposed inflation change provided in this update why would there be any change to budgets irrespective of the actual quantum of inflation during the period?
c) How is Hydro One intending to finance the shortfall that will accumulate in the proposed deferral accounts?

O-VECC-150 / Tab 1, Schedule 2

REFERENCE: Exhibit O, Tab 1, Schedule 2, Attachment Scotiabank

"*Scotiabank Economics has a proprietary model based upon expanded work done by our econometricians. It was recently updated to better account for supply side drivers. This econometric approach builds upon a traditional Phillips Curve approach that expresses the relationship between inflation and unemployment. We use a modified approach that takes into account the levels of spare capacity in the economy, as well as labour costs. The resulting model offers a reasonable statistical 'fit' to actual recent inflation*."

a) Please identify the authors of the study.
b) The forecast incorporates the Phillips curve in its macroeconomic models. Do the authors agree that the empirical evidence for a negative relationship between inflation and unemployment is weak at best and currently disputed in the academic community?
c) In any event, the evidence itself identifies changes in aggregate demand as causes to changes in both unemployment and inflation. Do the authors of the

study agree that in the current economic environment all forecast with respect to inflation are inherently problematic/unreliable?

d) Please provide the author's December 2021 forecast for 2022 inflation (or the most recent 2021 year-end forecast) that utilized the same or similar econometric model as being used here.
e) Please list the "supply side drivers" incorporated into the econometric model.
f) What judgement inputs are added to the outcome of the econometric model?
g) Please provide (and chart) the actual annual Canadian inflation rates (CPI-trim, CPI-median and CPI-common) for the period 2005 to 2021.

LOAD FORECAST UPDATE - TRANSMISSION

O-VECC-151 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 1 and 4
Exhibit O – Updates to Exhibit I, Tab 24, Schedule D-VECC-036 g), VECC-0 40 a), b) & g) & VECC-0 41 a) & g) and Exhibit JT-VECC-TCQ-06

PREAMBLE: The Update states (page 1)
"*In December 2021, the IESO issued its 2021 APO. The 2021 APO contains materially higher forecasts for CDM in Ontario, averaging a 19% increase in CDM compared to the forecast used in the as-filed evidence over the test period (2023-2027). As a result of the change in the IESO's CDM forecast, from its 2020 APO to its 2021 APO, the CDM assumptions used to establish Hydro One's load forecasts for both transmission and distribution became outdated*".

VECC-TCQ-06 (March 2022 Update) states:
"*In this evidence update, CDM energy savings for the years 2019-2021 are the same as in APO 2021*".

a) Please provide a schedule that sets out the historical CDM savings (MWh) for 2020 and earlier years: i) as reported in APO 2020 (per VECC-TCQ-06), ii) as used in HONI's pre-filed evidence , iii) as reported in APO 2021 (per VECC-TCQ-06) and iv) as used for purposes of HONI's updated March 2022 evidence. For items (ii) and (iv), please clarify whether they are consistent with the APO values in their treatment of savings due to codes and standards. If the MWh associated with codes and standards are included in items (ii) and (iv), please separate the impacts of energy efficiency programs vs. codes & standard where possible.
b) The March 2022 Update to VECC-TCQ-06 states - "In this evidence update, CDM energy savings for the years 2019-2021 are the same as in APO 2021". However, the historical CDM values provided in the March 2022 Update to

VECC 40 b) have changed from those in the original response. Please reconcile.

c) It is noted that the development of the Monthly Model (see VECC 40 a)) and the Annual Model (see VECC 41 a)) both used historical CDM (MWh) values for 2019 and previous years. It is also noted that the development of the Monthly Model used 2020 data (see VECC 40 a)). Are the historical CDM (MWh) savings reported in the APO 2021 for 2020 or earlier years different from those used by HONI in its pre-filed evidence (see VECC 40 b)?

d) If the historical CDM values for the years 2020 and earlier provided in the 2021 APO differ from those used by HONI in developing its transmission load forecast model did HONI update its historical CDM values (for 2020 and earlier), re-estimate its Monthly and Annual Models and update its resulting gross energy forecasts for each model?
   i. If HONI revised its historic CDM values (for 2020 and earlier) and re-estimated these models, is this the reason for the March 2022 updates provided for VECC 40 b), VECC 40 g), VECC 41 b), VECC 41 f), VECC 41 g) and VECC 43 c).
   ii. If HONI did not update its historic CDM values and re-estimate these models, please explain why the forecast growth rates for Monthly and Annual models as set out in the March 2022 Update for VECC 43 c) have changed.

e) Please also provide the revised 2020 gross demand to which the growth rates in March 2022 update of VECC 43 c) would be applied.

O-VECC-152 / Tab 1, Schedule 3

REFERENCE: Exhibit G. Tab 1, Schedule 1, Attachment 3
Exhibit O – Update to Exhibit I, Tab 24, Schedule D-VECC-0 40 b)

a) Do the revisions to the historical CDM savings impact the calculation of the 2018 and 2019 CDM and Demand Response Variance Account amounts?
   i. If yes please provide an update to Exhibit G. Tab 1, Schedule 1, Attachment 3 and HONI's responses to VECC's related interrogatories.
   ii. If not, why not?

O-VECC-153 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 1, 3 and 4
Exhibit O – Updates Exhibit I, Tab 24, Schedule D-VECC-036 g), VECC-0 40 a) & g) and VECC-0 41 a) & g)

PREAMBLE: The Update states (page 1)

"*In December 2021, the IESO issued its 2021 APO. The 2021 APO contains materially higher forecasts for CDM in Ontario, averaging a 19% increase in CDM compared to the forecast used in the as-filed evidence over the test period (2023-2027). As a result of the change in the IESO's CDM forecast, from its 2020 APO to its 2021 APO, the CDM assumptions used to establish Hydro One's load forecasts for both transmission and distribution became outdated*".

The Update states (page 3):
"*The updated peak and 12-month average peak CDM figures are presented in Table 2. A two-step process was used to update the CDM figures. First, the 12-month average peak was updated for all years using the latest load profile from the IESO, which distinguishes between leap years and non-leap years. Peak values are not affected by this step. Second, for the years 2019 to 2027, both peak and 12-month average peak values were scaled by the latest forecast of energy savings from CDM in the 2021 APO over the forecast of energy savings from CDM used in the as-filed evidence*". (emphasis added)

a) Please provide a schedule that sets out the forecast CDM savings (MWh) for 2021 through 2027: i) as reported in APO 2020 (along with references), ii) as assumed in HONI's pre-filed evidence , iii) as reported in APO 2021 (along with references) and iv) as used for purposes of HONI's updated March 2022 evidence. For each of the four sources, please clarify whether they are consistent in that they all include or all exclude savings due to codes and standards. If the MWh associated with codes and standards are included, for each of the four sources please separate the impacts of energy efficiency programs vs. codes & standard where possible.

b) Please confirm that, for each year, it is the ratio of the CDM forecasts (MWh) provided in parts (iii) and (ii) of the preceding question that was used as the scaling factor in step 2 of the process outlined on page 3. If not confirmed, what was the basis for the scaling factor used?

c) Please provide a schedule that, for the years 2023-2027 sets out the IESO's forecast for Ontario's annual energy demand based on: i) the IESO's 2020 APO and ii) the IESO's 2021 APO. In doing so, please provide comparable forecasts net of CDM and embedded generation. If this is not possible, please provide comparable forecasts based on the two sources and clarify the treatment of CDM and embedded generation in the forecasts.

d) Please provide a schedule that, for the years 2023-2027, sets out the IESO's forecast for Ontario's annual summer peak demand based on: i) the IESO's 2020 APO and ii) the IESO's 2021 APO. In doing so, please provide comparable forecasts net of CDM and embedded generation. If this is not

possible, please provide comparable forecasts based on the two sources and clarify the treatment of CDM and embedded generation in the forecasts.

e) Based on the foregoing responses please comment on whether the increased CDM in the 2021 APO relative to the 2020 APO is due to: i) similar levels of CDM penetration in both APOs but a higher gross energy forecast in the 2021 APO or ii) higher levels of CDM penetration in the 2021 APO being applied to a gross energy forecast that is similar to that in the 2020 APO.

O-VECC-154 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 3 and 4
Exhibit D, Tab 4, Schedule 1, page 5 (Table 2)
Exhibit I, Tab 24, Schedule D-VECC-038, Attachment 1

PREAMBLE: The Update states (page 3)
"*The updated peak and 12-month average peak CDM figures are presented in Table 2. A two-step process was used to update the CDM figures. First, the 12-month average peak was updated for all years using the latest load profile from the IESO, which distinguishes between leap years and non-leap years. Peak values are not affected by this step. Second, for the years 2019 to 2027, both peak and 12-month average peak values were scaled by the latest forecast of energy savings from CDM in the 2021 APO over the forecast of energy savings from CDM used in the as-filed evidence. This leaves the load factor intact, as the ratio of average hourly energy savings to maximum hourly energy savings in each year*."

VECC 38, Attachment 1 calculates the monthly demand impact for CDM (Cells AB30-AK44) for 2019-2027. These values along with the resulting 12-month averages are set out below:

Row Labels	Max of 2019	Max of 2020	Max of 2021	Max of 2022	Max of 2023	Max of 2024	Max of 2025	Max of 2026	Max of 2027
1	1808.203	1810.963	1934.112	2064.812	2162.947	2153.139	2121.133	2055.916	1931.14
2	1761.945	1761.82	1862.22	1981.292	2097.087	2115.588	2100.844	2036.672	1912.647
3	1655.871	1657.285	1806.124	1949.876	2079.315	2098.393	2083.931	2020.103	1896.295
4	1659.693	1674.8	1846.651	1987.892	2117.458	2135.209	2119.569	2054.334	1928.608
5	1868.508	1865.047	1954.767	2039.035	2100.389	2073.233	2056.946	1991.654	1861.823
6	2114.954	2105.605	2183.984	2264.793	2324.232	2300.969	2258.038	2174.851	2017.567
7	2469.434	2453.506	2510.495	2579.724	2630.281	2617.024	2536.611	2428.207	2234.827
8	2511.479	2492.848	2543.623	2609.263	2682.543	2667.416	2581.175	2469.482	2272.989
9	2062.931	2053.089	2127.45	2203.59	2324.93	2326.67	2281.085	2196.848	2039.157
10	1726.821	1724.866	1817.166	1900.226	2005.709	2028.963	2020.002	1959.816	1839.854
11	1770.654	1769.001	1863.732	1956.676	2055.903	2057.525	2046.963	1985.459	1864.354
12	1767.096	1767.983	1878.691	2004.09	2103.312	2096.785	2072.587	2009.457	1885.814
12-Month Avg.	**1931.46575**	**1928.06775**	**2027.417917**	**2128.439083**	**2223.6755**	**2222.576167**	**2189.907**	**2115.23325**	**1973.75625**

a) For a number of the years in the 2019-2027 period the results for peak demand and 12-month average peak demand as calculated in VECC 38, Attachment 1 don't reconcile with the values provided in the pre-filed evidence (Table 2). Please explain why this is the case.

b) How were the CDM peak and 12-month average peak demands used in the pre-filed evidence determined? As part of the response, please explain any adjustments made to the response set out in VECC 38, Attachment 1 in order to derive the resulting derivation of the Peak Demand and 12-Month Average Peak Demand values used in the pre-filed evidence and why they were made.

c) With respect to the first step in the process set out on page 3 of the referenced Updated Evidence, please explain with supporting calculations for each year, how the 12-month average peak impact of CDM was updated using the latest load profile and why this update did not lead to a change in the peak values.

d) Please provide a schedule, equivalent to Table 2, that sets out the results of the first step in process (i.e., updating just for the change in load profile).

e) As compared to the CDM load profiles used in the pre-filed evidence, for a given level of annual CDM energy savings, does the "latest load profile from the IESO" result in higher or lower values for: i) CDM Impact on Peak Demand and ii) CDM Impact on 12-Month Average Peak Demand (page 4, Table 2)?

f) With respect to the second step in the process, please provide the supporting calculations showing the determination of the "scale factor" for each year and the derivation of the revised CDM forecast.

g) Why was a two-step process used as opposed to simply applying the updated load profiles to the IESO's update forecast for CDM energy savings?

O-VECC-155 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 3 and 4
Exhibit O – Update for Exhibit I, Tab 24, Schedule D-VECC-43 c)
Exhibit O – Update for Exhibit JT-VECC-TCQ-04

a) Please confirm that as well as updating for the revised CDM forecast in the 2021 APO (as describe on pages 3-4), HONI altered the adjustments made to the load forecast for "Other" but maintained the adjustments for EV and Leamington as per the March 2022 updates for VECC-43 c) and VECC-TCQ-04.

b) In its 2021 APO did the IESO revise its assumptions and forecast for EV load relative to that included in the 2020 APO? If yes, what were the revisions for the period up to 2027?

O-VECC-156 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, page 5 (Table 3)
Exhibit D, Tab 4, Schedule 1, page 17 (Table 3)

a) What account for the annual variances (2021-2027) in the values for Ontario Demand Load Forecast Before Deducting Impacts of Embedded Generation and CDM as reported in Table 3 in Exhibit O versus Table 3 in Exhibit D?

LOAD FORECAST UPDATE - DISTRIBUTION

O-VECC-157 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 7-8 (including Table 7)
Exhibit D, Tab 5, Schedule 1, page 7 (Table 4)
Exhibit O – Updates for Exhibit I, Tab 24, Schedule E, VECC 49 a), VECC 50 a) and VECC 52 a) & c)

PREAMBLE: It is noted that HONI has revised the CDM impact on Distribution Load for both 2019 and 2020 (Application-Table 4 versus Update-Table 7).

It is also noted that HONI's Monthly and Annual Distribution Load Forecast models use 2019 and 2020 CDM impact data (per VECC 49 a) and VECC 50 a)).

a) Did HONI use its updated historical distribution CDM values (for 2020 and earlier) to re-estimate its Monthly and Annual Models and update its resulting gross energy forecasts for these models?

   i. If HONI re-estimated these models, does this explain the changes to VECC 52 a) and VECC 52 c). .

   ii. If HONI did not update these models for the changed historic CDM values please explain why and also explain the reasons for the changes to VECC 52 a) and VECC 52 c).

b) Please also provide the revised 2020 gross energy to which the growth rates in revised VECC 52 c) would be applied to yield the model based results in revised VECC 52 a).

O-VECC-158 / Tab 1, Schedule 3

REFERENCE: JT-VECC TCQ-13 a)
Exhibit O, Tab 1, Schedule 3, page 8 (Table 7)

PREAMBLE: VECC-TCQ-13 a) outlines how HONI derived the CDM (MWh) distribution savings from the total Ontario CDM savings.

a) For each of the years 2019-2027 please provide the details (i.e., the actual calculations) regarding the derivation of the total distribution CDM savings used in the March 2022 Update (i.e., the annual Totals per Table 7). In doing so, please reconcile the total Ontario CDM savings used in each year with the values from the 2021 APO.

O-VECC-159 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 7-9
Exhibit I, Tab 24, Schedule D-VECC-52 c)
Exhibit JT-VECC-TCQ-11 b)

a) As well as updating for CDM forecast per the 2021APO (as described on pages 37-8), did HONI revise the adjustments made to the load forecast as described in VECC 52 c) and VECC-TCQ-11 b)?

   i. If yes, please provide a revised response to VECC-TCQ-11 b).

   ii. If not, why not given that similar adjustments made to the Transmission Load Forecast were revised as part of the March Update.

O-VECC-160 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, page 9 (Table 8) and page 12 (Table 12)
Exhibit D, Tab 5, Schedule 1, pages 18 (Table 5) and page 38, Table E.6

a) Please provide an explanation of the annual variances (2021-2027) in the values for Total Load Forecast Before Deducting the Impact of CDM as reported in Table 8 in Exhibit O versus Table 5 in Exhibit D.

b) Please provide an explanation of the variances in 2021-2027 between the total forecast GWh in Table 12 of Exhibit O and the totals in Table E.6 of Exhibit D and, in particular, how much is due to factors other than the changes in CDM.

O-VECC-161 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, page 9 (Table 8) and page 14 (Table 15)
Exhibit I, Tab 24, Schedule D-VECC-53, Attachment 1

a) Is the reason for the total CDM values for 2021-2027 being different in Tables 8 and 15 due to the fact the former is measured at the wholesale level while the later measured at the end-use level? If not, please explain the reason for the differences.

b) Please provide an updated response to VECC-53 (including Attachment 1) consistent with the updated distribution load forecast.

c) For the pre-filed evidence and the March Update, was the retail load by customer class determined by: i) subtracting the forecast CDM from the forecast total gross distribution load and then allocating the resulting net load forecast to customer classes as described in VECC 53, Attachment 1 or ii) by allocating the forecast gross distribution load to customer classes, allocating the total forecast distribution CDM to customer classes and then, for each class, subtracting the allocated CDM from the class's gross load forecast.
   - If the approach used was that set out in item (i), please explain how the CDM Impacts by Rate Class were determined for purposes of Table 15.
   - If the approach used was that set out in item (ii), please reconcile with the response to VECC 53, Attachment 1 which appears to allocate the total net load to customer classes.

O-VECC-162 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 3, 12 (Table 12) and 14 (Table 15)
Exhibit D, Tab 5, Schedule 1, page 38 (Table E.6) and page 40 (Table E.8)

a) At page 3 of the March 2022 Update HONI indicates that the CDM values were updated for the years 2019-2027. However, in Table 15 of the Updated Evidence the total CDM values for the years 2015-2018 have also been revised from those set out in the pre-filed evidence (Table E.8). Please explain the basis for the changes to the 2015-2018 CDM values in the Update.

b) It is noted that in the update the CDM values assigned to the acquired customer classes in the years 2021-2027 have changed from those in the pre-filed evidence (Table 15 vs Table E.8). However, the resulting forecast GWhs for the various acquired customers classes are unchanged (Table 12 vs. Table E.6). Please explain why this is the case.

REVENUE DEFICIENCY ASSOCIATED WITH CHANGE IN LOAD FORECASTS

O-VECC-163 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, page 3, (Table 1)
and page 15 (Table 16)
Exhibit H, Tab 10, Schedule 1, page 2 (Table 2)

a) Please confirm that for each of five years (2023-2027) the percentage change in the transmission charge determinants is the same for all three determinants (i.e., Network, Line Connection and Transformation Connection).

b) Please provide an updated version of Table 2 (Exhibit H, Tab 10, Schedule 1) assuming the transmission revenue requirement is the same as in the pre-filed evidence but the transmission billing determinants are per the March 2022 Update.

c) Please provide an update version of Table 2 (Exhibit H, Tab 10, Schedule 1) assuming the transmission revenue requirement and transmission billing determinants per the March 2022 Update.

O-VECC-164 / Tab 1, Schedule 3

REFERENCE: Exhibit O, Tab 1, Schedule 3, pages 16, (Table 17)
and Attachment 1
Exhibit L, Tab 6, Schedule 1, page 3 (Table 1)

a) Please confirm that if the update distribution load forecast was adopted for purposes of setting rates, then the allocation of the distribution revenue requirement to customer classes would need to be updated as would the rate design for each customer class.

b) Please confirm that such updates would likely result in different 2023 revenues for each customer class than those set out in Attachment 1 (based on the updated load forecast).

c) Please update Table 1 (Exhibit L, Tab 6, Schedule 1) assuming the distribution revenue requirement is the same as in the pre-filed evidence and the rates (fixed and variable) for each customer class are increased by the same percentage in order to recover the revenue shortfall for the class as set out in Attachment 1.

DEFERRAL ACCOUNT RECOVERY MECHANISM

O-VECC-165 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 1, page 6/ Schedule 4

"*As a result, relative to the Application as filed, there will be no material change to the proposed transmission or distribution rates for the 2023 to 2027 period due to the proposed inflation and load forecast updates*."

a) The new proposal creates intergenerational rate shifts to ratepayers. What is Hydro One's proposal to mitigate or minimize the risk to the 2022-2027 cohort of ratepayers and those risks of the 2028 and beyond cohort?
b) Please provide the annual number of Hydro One distribution account changes (close, open, name change) for each year 2017 to 2021.
c) In order to mitigate these risks why it is not preferrable for Hydro One to set rates on a permanent basis for the years 2022 and 2023 and then re-apply for 2024 rates -presumably when there is less inflation uncertainty?

O-VECC-166 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 1, page 6, Schedule 4

a) What carrying costs do the proposed new deferral accounts attract?

O-VECC-167 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, page 9

a) What is the annual rate impact (residential) of the deferred distribution revenue requirement shown in Table 2?

O-VECC-168 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, page 8

a) What is the annual increase to the UTR of he deferred revenue requirement shown in Table 1?
b) For the 2015 to 2022 period please provide the total UTR revenue to Hydro One transmission and the Board approved amount for those years

O-VECC-169 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, pages 3 and 7
Exhibit O, Tab 1, Schedule 2, pages 16-17
Exhibit A, Tab 4, Schedule 1, pages 1-3

PREAMBLE: Exhibit A states (page 3):
"*The industry-specific weightings and pro-forma Inflation Factors for the Transmission and Distribution businesses are set out in Exhibits A-04-02 and A-04-03, respectively. The Inflation Factor will be updated annually to reflect the latest values issued by the OEB*".

Exhibit O, Tab 1, Schedule 4 states (page 3):
"*Based on a comparison between the updated and approved base revenue requirements (as confirmed and adjusted, if necessary, at the time of the DRO review) and the revenue requirements based on as-filed 2% inflation assumptions for Transmission and Distribution, the incremental revenue requirements associated with the inflation update, as presented in Table 1 and Table 2 (based on the current inflation assumptions, to be updated at DRO), will be recorded in the proposed Inflation Updates Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, as applicable, for recovery commencing in 2028. For greater certainty, the confirmation and adjustment for inflation at the time of the DRO review will be subject to a proposed inflation cap that is further described in Section 2.5.2 of Exhibit O-01-02*".

Exhibit O, Tab 1, Schedule 4 states (page 7):
"*Table 1 for Transmission and Table 2 for Distribution, below, summarize the incremental revenue requirements that Hydro One is proposing to record for each of the 2023 to 2027 test years in the Inflation Updates Sub-accounts, within each of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, as applicable*."

a) Please clarify, for the years after 2023, how the revenue requirements for transmission and distribution that will be used to determine rates will be established (e.g., will they be derived by escalating the previous year's revenue requirement used for rate setting by the RCI formula (Exhibit A, Tab 4, Schedule 1, page 1), where the inflation value used will be the inflation factor approved by the OEB for that year).

b) Please clarify how the amounts to be recorded in the Inflation Updates Sub-accounts will be calculated for the years after 2023. In doing, please explain whether the "DRO" referred in the Schedule 4 (page 3) quote above is: i) the

DRO for the 2023 rates such that for the years after 2023 the amounts to be recorded in the Inflation Updates Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account will be as determined in the 2023 DRO regardless of the inflation factors ultimately approved by the OEB for use in those years (as suggested by the reference from page 7) or ii) the DRO that will be generated for each of the subsequent years based on the OEB's approved inflation factors for the year concerned. To help in the explanation please provide a simplified example of the calculation for Transmission where the inflation factors approved by the OEB for 2024-2027 are different from those forecast at the time of the 2023 DRO.

c) If the proposed approach is as described in part (i) of the preceding question, please explain why this is appropriate.

O-VECC-170 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, pages 3 and 9
Exhibit O, Tab 1, Schedule 3, Attachment 1

PREAMBLE: Exhibit O, Tab 1, Schedule 4, page 3 states:
"*The final approved rates revenue requirements to be confirmed at the time of the DRO will be inclusive of the impact from all applicable deferral and variance accounts, and any other updates as determined to be necessary in the ordinary course of the DRO process. The revenue requirement shortfalls due to the load updates will be captured on an annual basis in the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account for recovery commencing in 2028". (emphasis added)*

Exhibit O, Tab 1, Schedule 4 (page 9) states:
"Table 3 for Transmission and Table 4 for Distribution, below, summarize the deferred revenue requirements that Hydro One is proposing to record for each of the 2023 to 2027 test years in the Load Shortfalls Sub-accounts, within each of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, as applicable".

a) With respect to the reference from Exhibit O, Tab 1, Schedule 4, page 3, please clarify the role of deferral and variance accounts in determining the amounts to be recorded in the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account.

b) Please confirm that the amounts set out in at Schedule 4, page 9, Tables 3 and 4 (and calculated in Schedule 3, Attachment 1) do not include any shortfalls in the refund/recovery of deferral and variance accounts due to the lower billing determinants?

c) With respect to Attachment 1, please confirm that (for both Transmission and Distribution) the revenue requirement that will be used to set the rates for 2024-2027 will not be known at the time the 2023 DRO is prepared and will only be known after the OEB has approved the inflation factor for the year in question.

   i. If not confirmed, please explain why.

   ii. If confirmed, please also confirm that for the years 2025-2027 the approved rates for the "previous year" will not be known at the time the 2023 DRO is prepared.

d) The reference from page 9 suggests that Hydro One is proposing that the amounts determine the amounts to be recorded in the Load Shortfalls Sub-accounts for 2024-2027 as part of the 2023 DRO. Please clarify whether or not this is the case. If yes, please explain why this is appropriate given the responses to the previous questions.

O-VECC-171 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, pages 3 & 8, Attachment 1, page 2 and Attachment 2, page 2

PREAMBLE: Exhibit O, Tab 1, Schedule 4, page 3 states:
"*the incremental revenue requirements associated with the inflation update, as presented in Table 1 and Table 2 (based on the current inflation assumptions, to be updated at DRO), will be recorded in the proposed Inflation Updates Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, as applicable, for recovery commencing in 2028*".
And
"*The revenue requirement shortfalls due to the load updates will be captured on an annual basis in the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account for recovery commencing in 2028*". (emphasis added)

Exhibit O, Tab 1, Schedule 4 page 8 states:
"*As further outlined in Section 2.5.2 of Exhibit O-01-02, Hydro One proposes that at the time of the DRO it will update the revenue requirements for which it seeks approval, for each of Transmission and Distribution, based*

on the actual or most recent inflation forecast for 2022 and 2023, which would then be applied to the final approved Capital and OM&A plans. At that time, the incremental revenue requirement arising from the difference in inflation assumptions (i.e. the final inflation rate confirmed at the DRO process and the 2.0% original inflation rate used in the plan per year) will be recorded in the Inflation Updates Sub-accounts, within the Transmission Approved Revenue Requirement Deferral Account or the Distribution Approved Revenue Requirement Deferral Account, as applicable".

Attachment 1, page 2 states that for the "Transmission Approved Revenue Requirement Deferral Account", Sub-Account "Inflation Updates":
"*Initial entry to record the incremental approved revenue requirement, including taxes, in an amount equal to the difference between the as-filed base revenue requirement and approved base revenue requirement arising from the inflation update for the 2023-2027 rate application term*".

Attachment 1, page 2 states that for the "Transmission Approved Revenue Requirement Deferral Account", Sub-Account "Load Shortfalls":
"*Initial entry to record the portion of approved rates revenue requirement, including taxes, equal to the revenue deficiency attributed to the change in forecast billing determinants for the 2023-2027 rate application term*".

Attachment 2, page 2 states that for the "":
"*Initial entry to record the incremental approved revenue requirement, including taxes, in an amount equal to the difference between the as-filed base revenue requirement and approved base revenue requirement arising from the inflation update for the 2023-2027 rate application term*".

Attachment 2, page 2 states that for the "Distribution Approved Revenue Requirement Deferral Account", Sub-Account "Load Shortfalls":
"*Initial entry to record the portion of approved rates revenue requirement, including taxes, equal to the revenue deficiency attributed to the change in forecast billing determinants for the 2023-2027 rate application term*".

a) With respect to the Transmission Approved Revenue Requirement Deferral Account, Sub-Account Inflation Updates and the Distribution Approved Revenue Requirement Deferral Account, Sub-Account Inflation Updates, the above references indicate that the full amount of the deferred transmission and distribution revenues for the 2023-2027 period will be recorded in the

respective accounts as of January 1, 2023. Please clarify whether or not this is HONI's proposal.

i. If it is HONI's proposal, please explain why this is appropriate when interest is proposed to be calculated based on the opening monthly balance.

ii. If not, when does HONI's proposed that the shortfall for each year will be recorded in the respective accounts?

b) For the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, please clarify whether HONI is proposing that the amounts be recorded annually (per Exhibit O, Tab 1, Schedule 4, page 3) or all recorded as of January 1, 2023 (as suggested in Attachments 1 and 2).

i. If it is HONI's proposal to record the total amount for 2023-2027 as of January 1, 2023, please explain why this is appropriate when interest is proposed to be calculated based on the opening monthly balance.

ii. If it is HONI's proposal to record the annual revenue shortfalls at the start of each year, please explain why this is appropriate when interest is proposed to be calculated based on the opening monthly balance.

O-VECC-172 / Tab 1, Schedule 4

REFERENCE: Exhibit O, Tab 1, Schedule 4, page 3

PREAMBLE: Exhibit O, Tab 1, Schedule 4, page 3 states:
"*the incremental revenue requirements associated with the inflation update, as presented in Table 1 and Table 2 (based on the current inflation assumptions, to be updated at DRO), will be recorded in the proposed Inflation Updates Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account, as applicable, for recovery commencing in 2028*". (emphasis added)
And
"*The revenue requirement shortfalls due to the load updates will be captured on an annual basis in the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account and the Distribution Approved Revenue Requirement Deferral Account <u>for recovery commencing in 2028</u>*". (emphasis added)

a) With respect to the Inflation Updates Sub-account of the Transmission Approved Revenue Requirement Deferral Account, how does HONI anticipate the balance will be recovered from Transmission customers (i.e., how will the

balance to be recovered be allocated to Networks versus Transmission Connection vs. Line Connection)?

b) With respect to the Inflation Updates Sub-account of the Distribution Approved Revenue Requirement Deferral Account, how does HONI anticipate the balance will be allocated to the distribution rate classes and what billing determinant will be used to recover the amount allocated to each rate class.

c) With respect to the Load Shortfalls Sub-accounts of the Transmission Approved Revenue Requirement Deferral Account, how does HONI anticipate the balance will be recovered from Transmission customers (i.e., how will the balance to be recovered be allocated to Networks versus Transmission Connection versus. Line Connection)?

d) With respect to the Load Shortfalls Sub-accounts of the Distribution Approved Revenue Requirement Deferral Account, how does HONI anticipate the balance will be allocated to the distribution rate classes and what billing determinant will be used to recover the amount allocated to each rate class?

UPDATE ON TRANSMISSION EXTERNAL REVENUES VARIANCE ACCOUNT

O-VECC-173 / Tab 1, Schedule 5

REFERENCE: Exhibit O, Tab 1, Schedule 5, page 1

PREAMBLE: The Update states:
"*As noted above, Hydro One performed an internal review and identified that the External Station Maintenance, E&CS and Other External Revenues variance account balances from 2013 to 2020 were understated by $25.8 M as noted in Table 1As noted above, Hydro One performed an internal review and identified that the External Station Maintenance, E&CS and Other External Revenues variance account balances from 2013 to 2020 were understated by $25.8 M as noted in Table 1*".

a) Please provide a schedule that sets out for the years 2013-2020 the adjustments made to the actual values for each of External Station Maintenance, E&CS and Other External Revenues variance accounts.

b) Please provide a continuity schedule that sets out the annual adjustments required to the External Station Maintenance, E&CS and Other External Revenues variance account balances, including interest through to December 31, 2022, that results in the $27.5 M adjustment.

O-VECC-174 / Tab 1, Schedule 5

REFERENCE: Exhibit O, Tab 1, Schedule 5, page 3
Exhibit D, Schedule 2, Tab 1, pages 1 and 6

PREAMBLE: The Updates states:
"*Hydro One confirms that the findings from its review have no impact on the 2023 to 2027 revenue requirement, as the Transmission external revenue test year forecasts remain accurate*."

Historical and forecast Transmission external revenues per the original Application (page 1) were as follows:

Table 1 - Transmission External Revenues ($M)

	Historical				Bridge	Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Secondary Land Use	25.6	27.7	29.1	46.5	28.8	28.0	24.3	24.6	24.9	25.1
Station Maintenance	4.6	4.0	3.5	3.4	3.4	3.4	3.4	3.4	3.2	3.2
Engineering & Construction	0.1	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other External Revenues	9.1	8.1	5.2	8.7	7.2	8.4	8.2	8.1	7.8	8.6
Total	39.4	39.9	38.0	59.0	39.8	40.1	36.2	36.5	36.2	37.3

The following explanation was included in the original Application (page 6) regarding the forecast Other External Revenue:
"The Other category of external revenues is forecasted to be $8.4M in 2023 Test Year which is higher than the prior five-year average (2018-2022: $7.7M) and in line with the 2024-2027 forecast period average ($8.2M).

In the update, the historical and forecast values for Transmission External Revenues are now:

Table 2 - Updated Transmission External Revenues ($M)*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Secondary Land Use	25.6	26.9	28.4	46.5	28.8	28.0	24.3	24.6	24.9	25.1
Station Maintenance	4.6	4.0	4.2	3.4	3.4	3.4	3.4	3.4	3.2	3.2
Engineering & Construction	0.1	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other External Revenues	10.0	9.5	11.4	8.7	7.2	8.4	8.2	8.1	7.8	8.6
Total	40.3	40.5	44.2	59.0	39.8	40.1	36.2	36.5	36.2	37.3

**Exhibit Reference: D-02-01, Table 1*

a) The forecast Other External Revenues for the years 2021 and after are now less than those in any of the previous three years. Please explain why the forecast values are less than those experienced historically.

O-VECC-175 / Tab 1, Schedule 5

REFERENCE: Exhibit O, Tab 1, Schedule 5, page 3
Exhibit D, Schedule 2, Tab 1, page 1

PREAMBLE: The Updates states:
"*There were also minor corrections made to the Secondary Land Use and Stations Maintenance categories as an outcome of reviewing the groupings/classifications and completeness of the revenues*".

a) For 2020 the correction appears to be an increase in Station Maintenance of $0.7 M with an offsetting decrease of $0.7 M to Secondary Land Use. Please confirm that this was case, such that the "minor correction" did not change the total Transmission External Revenues for 2020.

b) For 2019 the correction appears to be a reduction of $0.8 M in Secondary Land Use revenues with no offsetting increase elsewhere. Please confirm that this is the case and explain the basis for the correction.

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