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BY EMAIL

May 9, 2022

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

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission – Confidential Filing
Hydro One Networks Inc.
2023-2027 Joint Transmission and Distribution Rate Application
OEB File Number: EB-2021-0110**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to the Decision on Confidentiality Requests and Procedural Order No. 5.

Yours truly,

Martin Davies
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2021-0110



ONTARIO ENERGY BOARD

OEB Staff Submission

Hydro One Networks Inc.

2023-2027 Joint Transmission and Distribution Rate Application

EB-2021-0110

May 9, 2022

Background

Hydro One Networks Inc. (Hydro One) filed an application dated August 5, 2021 with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Hydro One charges for electricity transmission and distribution, beginning January 1, 2023 and for each following year through to December 31, 2027.

By letter dated November 30, 2021, Hydro One requested, among other things, the permanent redaction of certain portions of its 2021-2027 Integrated Business Plan.¹ In its Decision on Confidentiality Requests and Procedural Order No. 5, dated April 14, 2022, the OEB sought submissions from parties on the redactions proposed by Hydro One in the 2021-2027 Integrated Business Plan. Specifically, the OEB requested that parties provide submissions addressing two questions:

1. Is some or all of the redacted information relevant to this proceeding, and if so, which information and why?
2. If some of the information is relevant to this proceeding, should this information be confidential and why?

OEB staff's submissions addressing the two questions are set out below.

OEB Staff Submissions

In its November 30, 2021 letter, Hydro One stated that permanent redaction of certain portions of its 2021-2027 Integrated Business Plan was required as it contains: (i) forward looking financial information that relates to Hydro One Limited² at the aggregate level and includes financial information for Hydro One's non-rate regulated affiliates; and (ii) information relating to Hydro One's non-rate regulated affiliates and non-rate regulated business activities. Hydro One submitted that information regarding its non-rate regulated affiliates and non-rate regulated business activities is not relevant and would not assist the OEB in deciding the issues in this proceeding.

1. Is some or all of the redacted information relevant to this proceeding, and if so, which information and why?

OEB staff has reviewed the proposed redactions in consideration of the reasoning

¹ Included as Attachment 1 to A-CCC-001.

² The parent company of Hydro One.

provided by Hydro One in its November 30, 2021 letter. OEB staff notes that the *Practice Direction on Confidential Filings* (Practice Direction), at the time Hydro One filed its letter, stated that the “...onus is on the person requesting confidential treatment to demonstrate to the satisfaction of the OEB that confidential treatment is warranted in any given case”³ and that:

It is also the expectation of the OEB that parties will make every effort to limit the scope of their requests for confidentiality to an extent commensurate with the commercial sensitivity of the information at issue or with any legislative obligations of confidentiality or non-disclosure, and to prepare meaningful redacted documents or summaries so as to maximize the information that is available on the public record. This will provide parties with a fair opportunity to present their cases and permit the OEB to provide meaningful and well-documented reasons for its decisions.⁴

It is on this basis that OEB staff submits that certain portions of the redacted information contained in the 2021-2027 Integrated Business Plan are relevant to this proceeding as they relate to rate regulated affiliates and activities. The information that OEB staff views as relevant to this proceeding is outlined in Table 1 (with commentary specific to each slide provided below).

Table 1: Redacted Information in the 2021-2027 Integrated Business Plan that OEB Staff Views as Relevant to this Proceeding

2021-2027 Integrated Business Plan Slide	Slide Title	Is Some or All of the Redacted Information in the Slide Relevant?
10	Financing Assumptions, Credit Ratings and FFO / Debt Metric	Some
27	<i>*No title but has Tx OM&A as a heading</i>	All
30	<i>*No title but has Dx OM&A as a heading</i>	All

³ *Practice Direction on Confidential Filings*, February 17, 2021, Section 5, p. 6. This same wording is contained in the revised version of the Practice Direction, dated December 17, 2021, Section 6, p. 4.

⁴ *Practice Direction on Confidential Filings*, February 17, 2021, Section 5, p. 6. This wording has been modified in the revised version of the Practice Direction, dated December 17, 2021, Section 5, p. 5 to read as:

It is also the expectation of the OEB that parties will make every effort to limit the scope of their requests for confidentiality to an extent commensurate with the commercial sensitivity of the information at issue or with any legislative obligations of confidentiality or non-disclosure. Parties must prepare meaningful redacted documents or summaries so as to maximize the information that is available on the public record. This will provide parties with a fair opportunity to present their cases and permit the OEB to provide well-documented reasons for its decisions.

35	Regulated Growth	All
45	Other Subsidiaries – Net Income	Some

OEB staff notes that in requesting the permanent redaction of certain information in the 2021-2027 Integrated Business Plan, Hydro One submitted that the redacted information consisted of: (i) forward looking financial information related to Hydro One Limited at the aggregate level and included financial information for Hydro One's non-rate regulated affiliates; and (ii) information related to Hydro One's non-rate regulated affiliates and non-rate regulated business activities. From OEB staff's review of the redacted information on slides 27, 30, 35 and 45, it is unclear how Hydro One's reasoning for permanent redaction is applicable. The redacted information on slides 27 and 30 appears to pertain to Hydro One's rate regulated transmission and distribution businesses (i.e., it is not non-rate regulated affiliates and non-rate regulated business activities). Similarly, OEB staff is unclear on the reasoning for the permanent redactions on slide 35 as it relates to regulated growth and slide 45 as it relates to rate-regulated subsidiaries. For redactions proposed on slide 10 relating to debt metrics, OEB staff provides its reasoning for relevance below.

OEB staff does not consider the remaining redacted information⁵ in the 2021-2027 Integrated Business Plan to be relevant to this proceeding. The information is not relevant as it pertains to non-rate regulated affiliates, non-rate regulated business activities, and / or certain assumptions / forecasts, opportunity / risk commentary, and information (e.g., earnings per share, compound annual growth rate, and dividends per share) that in OEB staff's view is not necessary in order for the OEB to decide on issues in this proceeding.

OEB staff submits that information it has identified as not relevant to this proceeding should be permanently redacted. OEB staff notes that such treatment would be consistent with the OEB's treatment of certain information contained in documents filed in the Ontario Power Generation Inc. (OPG) 2022-2026 payment amounts proceeding.⁶ In that case, OPG requested permanent redaction, without disclosure except to the OEB, of certain information in its Amended 2020-2026 Business Plan⁷ and Amended 2020-2026 Business Planning Instructions⁸. OPG submitted that such information related to its unregulated business and that, pursuant to applicable securities law, OPG was not permitted to disclose it. In approving OPG's request for permanent redaction, the OEB determined that the information was specific to unregulated businesses and

⁵ The redactions requested by Hydro One in slides 3, 5, 6, 7, 8, 9, 11, 12, 36, 44, and 52 of the 2021-2027 Integrated Business Plan.

⁶ EB-2020-0290.

⁷ EB-2020-0290 / Exhibit A2 / Tab 1 / Schedule 1 / Attachment 1.

⁸ EB-2020-0290 / Exhibit A2 / Tab 1 / Schedule 1 / Attachment 2.

was not publicly available. In addition, the OEB stated that sufficient information was available elsewhere on the record, without such forward-looking financial information, to consider issues in the proceeding.⁹

Slide 10 Redactions:

OEB staff submits that some of the information contained in the slide entitled ‘Financing Assumptions, Credit Ratings and FFO / Debt Metric’ is relevant to this proceeding. The information that OEB staff considers relevant pertains to Hydro One Inc.’s debt outlook and funds from operations / debt metric. OEB staff considers this information relevant as the projections are for years encompassing the application’s rate period and can provide the OEB and parties with context on Hydro One. This is because Hydro One issues debt to Hydro One Inc. to reflect debt issued by Hydro One Inc. to third party public debt investors, and the debt rate outlook pertains to the rate period encompassing this application.

Slides 27 and 30 Redactions:

Redactions on slides 27 and 30 of the 2021-2027 Integrated Business Plan pertain to forward-looking OM&A cost projections for Hydro One’s transmission and distribution businesses, respectively. OEB staff notes that Hydro One’s OM&A costs for the transmission and distribution businesses will be determined using a cost of service, forward test year approach beginning in 2023. As such, the OM&A costs from 2024 to 2027 will be determined using an OEB-approved inflation factor calculated (and issued) annually by the OEB, less Hydro One’s productivity stretch factor.

Although the exact inflation factors and productivity stretch factor are not known at this time for 2024 to 2027, OEB staff submits that the redacted transmission and distribution OM&A cost projections can be informative to the OEB and parties. Such information can assist the OEB and parties by providing insights into Hydro One’s transmission and distribution OM&A cost trajectories and can also potentially provide context on the prioritization of Hydro One’s OM&A work program categories during the rate period.

Slide 35 Redactions:

Hydro One has proposed to redact the entirety of the slide entitled ‘Regulated Growth’ in the 2021-2027 Integrated Business Plan. OEB staff submits that all of the information is relevant to this proceeding as it relates to the growth of Hydro One’s regulated transmission and distribution businesses over the 2023 to 2027 period covered by the

⁹ EB-2020-0290 / Decision on Confidentiality / June 8, 2021 / pp. 2-3.

application. Future plans and assumptions pertaining to the growth of regulated entities is relevant to this proceeding as it can be informative to the OEB and parties by providing context on future increases in Hydro One's revenue requirement, debt financing, and net income.

Slide 45 Redactions:

Slide 45 of the 2021-2027 Integrated Business Plan pertains to net income of other subsidiaries. Hydro One proposes to permanently redact the slide in its entirety. OEB staff submits that the values reported under the heading 'Other Segments' is not relevant to this proceeding as it pertains to unregulated businesses. However, the information contained under the 'Distribution Segments' and 'Transmission Segments' is relevant to this proceeding as those businesses are rate regulated and the subject of this proceeding. That information will provide the OEB and parties with context on anticipated net income for each segment during the rate period of this application and, thus, is relevant.

OEB staff notes that Hydro One utilizes a centralized shared services model to deliver common services to its affiliated companies. Affiliates are allocated a share based on the output of a cost allocation methodology developed by Black and Veatch Corporation. The majority of corporate and centralized operating costs are allocated to Hydro One's transmission and distribution businesses. The remaining balance is allocated to Hydro One's affiliates and subsidiaries. As a result, information related to the net income, OM&A and capital expenditures, as well as in-service additions of Hydro One's subsidiaries is relevant to this proceeding as they will be receiving services that are funded by corporate and centralized operating costs. OEB staff also notes that in its application, Hydro One proposes to integrate the acquired utilities of Haldimand, Norfolk and Woodstock, for rate making purposes – further emphasizing the relevance of information related to such subsidiaries.

2. If some of the information is relevant to this proceeding, should this information be confidential and why?

OEB staff submits that the information it has characterized as relevant to this proceeding (noted in the section above addressing question one) should be afforded confidential treatment. OEB staff submits that the information should be treated as confidential as it pertains to non-public forward looking financial information.

Information of this kind has previously been maintained in confidence by the OEB. In Appendix B to the version of the Practice Direction in effect prior to December 17, 2021,

forward looking financial information was one of the types of information previously assessed or maintained by the OEB as confidential, and the OEB advised that parties may anticipate that the Board will accord confidential treatment to these types of information in the normal course. In Appendix B to the December 17, 2021 version of the Practice Direction, forward looking financial information was included in a list of specific categories of information that will presumptively be considered confidential, subject to any objections from parties as to why confidential treatment should not be accorded to such information in a particular proceeding. OEB staff submits that confidential treatment would be consistent with the OEB's typical practice in dealing with information of this type, and would be appropriate in the current proceeding. However, OEB staff submits that in the instance any of the redacted information discussed above is made public by Hydro One (e.g., disclosed publicly in financial reporting to other bodies), it should then be placed on the public record of this proceeding.

~All of which is respectfully submitted~