

**BY E-MAIL**

December 6, 2023

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Hydro One Networks Inc. (Hydro One)  
Renewable Generation Connection Rate Protection (RGCRP)  
Ontario Energy Board (OEB) File Number: EB-2023-0291**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Hydro One has been copied on this filing.

Hydro One's responses to interrogatories are due by January 18, 2023. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Narisa Jotiban  
Senior Advisor – Electricity Distribution Rates

## **OEB Staff Interrogatories**

### **Renewable Generation Connection Rate Protection Application Hydro One Networks Inc. (Hydro One)**

**EB-2023-0291**

**December 6, 2023**

\*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

#### **1-Staff-1**

Question(s):

- a) OEB staff has identified some errors and issues which may require updates to Hydro One's revenue requirements models, provincial continuity schedules, and RGCRP amounts. Based on updated evidence that Hydro One provides in its responses to OEB staff interrogatories in this proceeding, please provide:
  - i) A spreadsheet detailing all the changes made.
  - ii) Summary tables of updated RGCRP amounts for 2024 to 2027 and the one-time payments requested for Hydro One Distribution and Peterborough RZ (if applicable).

#### **1-Staff-2**

**Ref 1: Report of the Board – Framework for Determining the Direct Benefits Accruing to Customers of a Distributor Under Ontario Regulation 330/09 (EB-2009-0349), Section 1.1, p. 3**

**Ref 2: Attachments 2 – 4 and 6 - 8**

Preamble:

In reference 1, the OEB set out its interpretation of the following in relation to O. Reg. 330/09:

“Eligible investment” costs, as set out in O. Reg. 330/09 and section 79.1 (5) of the Act, are not limited to only the initial capital investment costs but also includes the up-front OM&A costs necessary for the purpose of “enabling the connection of a qualifying generation facility”. However, given that section 79.1 focuses solely on the initial investment, ongoing OM&A costs that are incurred by the distributor after the investment has been made will not be eligible for provincial recovery.

Question(s):

- a) Please confirm that the OM&A costs used to calculate the provincial rate protection revenue requirement amounts in reference 2 only include up-front OM&A costs, not on-going OM&A costs incurred by Hydro One after the investment has been made.

### 1-Staff-3

**Ref 1: OEB Accounting Procedures Handbook Guidance issued on March 2015 – [APH Guidance March2015 \(oeb.ca\)](#), Question 10, Pages 10-13**

**Ref 2: Attachment 1 - Hydro One Distribution Account 1533 Distribution Generation – Provincial Continuity Schedule**

**Ref 3: Attachment 5 - Haldimand RZ Account 1533 Distribution Generation – Provincial Continuity Schedule**

**Ref 4: Attachment 7 - Peterborough RZ Account 1533 Distribution Generation – Provincial Continuity Schedule**

Preamble:

On page 11, Reference 1 states that:

The following is the account description for Account 1533 Renewable Generation Connection Funding Adder Deferral Account, **Sub-account Provincial Rate Protection Payment Variances**.

This account is used to record the Provincial Rate Protection payments under O. Reg. 330/09 at the end of the each fiscal year. The account will include the net of

- I. The annual revenue requirement impact on an actual basis applicable to in-service capital assets, depreciation, and incurred OM&A expenses, eligible for Provincial Rate Protection,  
AND
- II. Provincial Rate Protection payments, as approved by the Board, and received from the IESO in that year

On page 12 Paragraph (A), Reference 1 states that:

No carrying charges are to be recorded on the balance in Account 1533, Sub-account Provincial Rate Protection Payment Variances

In Ref 2, OEB staff noted that Hydro One Rate Zone had recorded transactions in Distribution Generation – Provincial - Other Feeders – Deferral Account, and Distribution Generation – Provincial - Express Feeders – Deferral Account.

In Ref 3, OEB staff noted that Haldimand Rate Zone had recorded transactions in Distribution Generation – Other –Provincial – Deferral Account.

In Ref 4, OEB staff noted that Peterborough Rate Zone had recorded transactions in Distribution Generation – Provincial - Express Feeders – Deferral Account.

OEB also noted that carrying charges are recorded in each of the deferred accounts mentioned above for all three rate zones.

Question(s):

- a) Please confirm that Hydro One has complied with the March 2015 Accounting Guidance on Account 1533, specifically:
  - i) If the transaction debits/(credits) recorded in the Account 1533 continuity schedules of Hydro One RZ, Haldimand RZ and Peterborough RZ represent the net of annual revenue requirement on the actual basis and the IESO payments for the year. If the transaction debits/(credits) recorded in the Account 1533 does not represent the net difference as referred in the March 2015 Accounting Guidance, please explain in detail what the transaction debits/(credits) represent.
- b) Please write off the interest recorded in all continuity schedules of Account 1533 for Hydro One main and all rate zones, given the direction in the March 2015 Accounting Guidance
- c) For Hydro One main and all rate zones, please provide the following:
  - i) The revenue requirement calculations based on the actual spending for each project on an annual basis.
  - ii) The IESO payments schedule for each project on an annual basis
  - iii) The calculation of the variance between i) and ii) on an annual basis for each project.
  - iv) Please provide historical actual spendings per year and details of the work related to renewable generation connection projects. Please include the following:
    - Please provide a list of generation connected, the type of connection that led to the drawdown of the funding and the actual amount of spending for each type.
    - Please describe the work involved.
    - Please explain drivers for any material increases in in-service additions and start-up OM&A costs.

## Hydro One Distribution

### 1-Staff-4

#### **Ref: Attachment 2 - Hydro One Distribution RGCRP Revenue Requirement Updated Model**

Preamble:

OEB staff notes that Tab 2, cell I36 appears incorrect since it is a hard-coded number of \$1.8 M for OM&A cost instead of linking to Tab 3, cell M10 which represents the OM&A cost of \$2.1 M.

OEB staff notes that Tab 2, cell E36 does not have a formula for OM&A which should link to Tab 4, cell E10.

Question(s):

- a) Please confirm OEB staff's observations noted above and update the evidence as needed.
- b) Please update any attachments that are affected by the corrections (if applicable).

### 1-Staff-5

#### **Ref: Attachment 3 – Hydro One Distribution Revenue Requirement Comparison Historical Model Updated**

Preamble:

In tab 1, OEB staff notes that cell C21 has an error in the calculation for provincial portion for total expansion and REI investments which uses 89.04% instead of 81.8%.

The 81.8% is an allocation percentage for expansion investments for provincial recovery which was established in EB-2009-0096 as part of Hydro One's Green Energy Plan (81.8% for provincial ratepayers and 18.2% for direct benefit/Hydro One Distribution customers).

In tab 2, OEB staff notes that cell E36 has zero value instead of linking to Tab 4, cell E10.

Question(s):

- a) Please confirm OEB staff's observations and update the evidence as needed.

**1-Staff-6**

**Ref 1: Attachment 2 - Hydro One Distribution RGCRP Revenue Requirement Updated Model**

**Attachment 3 - Hydro One Distribution RGCRP Revenue Requirement Comparison of Historical Model to Updated Model**

**Ref 2: [OEB's Cost of Capital Parameter Updates](#)**

Preamble:

In reference 1, OEB staff notes that tab 4 in both attachments contains discrepancies between Hydro One's assumed short-term debt rate, long-term debt rate, and ROE percentages from 2010 to 2024 compared to the OEB's approved Cost of Capital Parameters Updates in reference 2.

Question(s):

- a) Please explain the discrepancies in cost of capital parameters used in the revenue requirement models.
- b) Please revise the evidence to reflect the OEB's approved Cost of Capital Parameters as needed.

**1-Staff-7**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Table 3, p. 7**

**Ref 2: Attachment 2 – Hydro One Distribution RGCRP Revenue Requirement Updated Model**

Preamble:

In reference 1, Table 3 shows OM&A costs for the renewable generation connection programs approved as part of the Settlement Proposal for the JRAP (EB-2021-0110). The OM&A cost for 2023 is \$1.5 M and was derived by applying a 2% reduction (as agreed in the JRAP Settlement Proposal) to Hydro One's proposed program costs of \$1.5 M. The amounts for 2024 to 2027 in Table 3 were derived by applying an annual escalation of 3.25% (2023 OEB inflation of 3.7% less 0.45% productivity factor).

In reference 2, OEB staff notes that tab 1, Cell O7 shows \$0.76 M as an input for a start-up OM&A cost for total REI Investments and Cell O13 shows \$0.76 M as an input for a start-up OM&A cost for total expansion investments in 2023 (the total OM&A is \$1.5 M).

OEB staff notes that the OM&A amounts from 2024 to 2027 in Table 3 (reference 1) are used as a start up OM&A cost in Tab 1, Row 7 and Row 13 for 2024 to 2027. These OM&A costs are based on an escalation stated above.

OEB staff notes that the OEB inflation of 4.8% for 2024 is now publicly available.

Question(s):

- a) Please confirm whether the OM&A cost of \$1.5 M in 2023 represents a start-up or not.
  - i) If confirm, please explain why it is carried forward into the 2024 to 2027 (using the inflation escalation).
  - ii) If not, please update the evidence to include only start-up OM&A costs.
- b) Please confirm whether the OM&A costs for 2024 to 2027 are start-up costs or not.
  - i) If so, please recalculate the OM&A costs for 2023 to 2027 using the OEB inflation of 4.8% less productivity factor of 0.45% and compare against the OM&A costs in Table 3 (reference 1).
  - ii) Please comment on whether the OM&A cost variances in b(i) are material or not.
    - i) If material, please update the revenue requirement model in reference 2 to reflect the OEB inflation rate for 2024.

### **1-Staff-8**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Lines 24-29, p.7**

**Ref 2: Attachment 4 - Hydro One Distribution RGCRP Revenue Requirement – 2023-2027 Revenue Requirement Comparison**

Preamble:

In reference 1, Hydro One states that it had incorrectly applied a direct benefit percentage of 18.2% for REI projects in Account 1533 – Distribution Generation – Provincial – Other Costs – Deferral Account, as opposed to Hydro One’s established 5% direct benefit percentage for REI projects. As a result, a higher percentage of actual REI costs were incorrectly allocated to Hydro One Distribution customers, cumulatively totaling approximately \$0.6 M from 2010 to 2022.

Also, Hydro one stated that it discovered that it had incorrectly applied a direct benefit percentage of 18.2% for REI projects when establishing the revenue requirement for 2023-2027 in the JRAP. As a result, a higher percentage of forecasted REI costs were incorrectly allocated to Hydro One Distribution customers, cumulatively totaling approximately \$1.9 M between 2023-2027.

In reference 2, Hydro One provides a summary of the \$1.9 M impact from 2023 to 2027 which is the difference between the following revenue requirement amounts:

- Provincial portion deducted from the revenue requirement in Hydro One’s 2023-2027 Custom IR Application for Transmission and Distribution (EB-2021-0110)

- Provincial Portion that would have been deducted from revenue requirement in Hydro One's 2023-2027 Custom IR Application for Transmission and Distribution (EB-2021-0110) using an REI direct benefit percentage of 5%.

The total impact of the error results in a total refund of approximately \$2.5 M to Hydro One's distribution customers.

Question(s):

- a) Please provide an excel spreadsheet that shows a detailed derivation of revenue requirement amounts from 2023 to 2027 in each category in reference 2.
  - i) Please also provide sources of information used to derive the derivation (i.e. EB#, Decision/Settlement, page number, exhibit, and issuance date).
- b) Please provide a residential bill impact resulting from the \$2.5 M credit using Hydro One Distribution's current rates.

### 1-Staff-9

#### Ref: Attachment 2 - Hydro One Distribution RGCRP Revenue Requirement Updated Model

Preamble:

In the reference, tab 2 shows the allocation of fixed assets which OEB staff summarized in the table below.

#### DC203 (GEP) Allocation

<b>Fixed Assets</b>	<b>2010 - 2014</b>	<b>2015 - 2027</b>
1815	6.0%	0.0%
1820	0.0%	21.0%
1830	6.3%	9.0%
1835	3.7%	6.0%
1850	32.1%	28.0%
1860	8.3%	8.0%
1980	43.6%	28.0%

Question(s):

- a) From the table above, please provide an explanation to support why the allocation percentages have changed for each type of fixed asset.
- b) Please provide detailed references of OEB decisions where the allocations in the reference were approved (Decision/Settlement, page number, and issuance date).



**1-Staff-10**

**Ref: Exhibit A, Tab 4, Schedule 1, Line 18, p. 6**

Preamble:

In the reference, Hydro One states that to determine the provincial portion of these costs, Hydro One assumed the direct benefit percentage of 18.2% for expansion investment for Hydro One Distribution (81.8% allocated to provincial rate payers) which was established in EB-2009-0096 as part of Hydro One's Green Energy Plan.

Question(s):

- a) Please provide a detailed reference where the direct benefit percentage of 18.2% was approved by the OEB (Decision/Settlement, page number, and issuance date).

**1-Staff-11**

**Ref: Attachment 2 - Hydro One Distribution RGCRP Revenue Requirement Updated Model**

Preamble:

In the reference, Tab 2 shows the rate base calculations for Hydro One Distribution.

OEB staff notes that in-service additions were significantly larger in 2014, 2015 and 2016 (\$19 M, \$14.9 M, and \$14.3 M respectively) compared to other historic and forecast years.

Question(s):

- a) Please explain drivers for the large increases in the capital additions noted above.

**1-Staff-12**

**Ref: Exhibit A, Tab 4, Schedule 1, Table 3, p. 7**

Preamble:

Table 3 in the reference shows total renewable generation connection program costs included in 2023 to 2027 rates.

Questions(s):

- a) Please explain the renewable generation connection projects that lead to the forecast in-service additions and incremental start-up OM&A costs which Hydro One provided in the reference.

- i) Please provide a list of forecast generation connection and type of connection that drive the forecast costs.
- ii) Please describe planned work involved in the projects.

## **Haldimand RZ**

### **1-Staff-13**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Section 3.2.1, pp. 9-10 and Attachment 6 - Haldimand RZ RGCRP Revenue Requirement Model**

**Ref 2: Report of the Board – Framework for Determining the Direct Benefits Accruing to Customers of a Distributor Under Ontario Regulation 330/09 (Framework) (EB-2009-0349), Section 3.2.2.3, pp. 15-16**

**Ref 3: OEB Decision on Haldimand County Hydro Inc.'s cost of service rate application (EB-2013-0134)**

#### **Preamble:**

In reference 1, Hydro One states that it assumed a direct benefit percentage of 17% for all investments for 2014-2022 based on the historical assumptions applied by Haldimand County Hydro Inc. (HCHI) and is consistent with the OEB's policy for renewable energy generation expansion investments, set in EB-2009-0349 and in Chapter 2 of the Filing Requirements.

For 2023-2027, Hydro One states that as Haldimand RZ rates are now harmonized with Hydro One, the Haldimand RZ RGCRP Revenue Requirement Model assumes a direct benefit percentage of 18.2% to align with Hydro One's assumptions.

In reference 2, Section 3.2.2.3 of the Framework describes basic benefit assessments for basic Green Energy Act (GEA) plans. At that time, only Hydro One Distribution completed a detailed direct benefit assessment. The Framework states that the OEB only approved the allocation of costs proposed by Hydro One, on a provisional basis, at the time. Footnote #9 states that based on the provisionally approved methodology and allocation (i.e., dollar amounts) proposed by Hydro One as part of its 2010 and 2011 distribution rates application, those dollar amounts represent 6% for REI investments and 17% for Expansion investments.

In reference 3, the OEB approved the RGCRP amounts for HCHI for the period 2014 to 2017. The direct benefit percentage used to derive the RCGCP amounts was 17% for expansion investment.

Question(s):

- a) Please update Haldimand RZ RGCRP Revenue Requirement Mode using the direct benefit percentage of 18.2% for the period 2023 to 2027.
- b) Please provide a summary table that shows the provincial rate protection revenue requirement amount per year using the direct benefit percentage of 17% (or provincial recovery percentage is 83%) and 18.2% (or provincial recovery percentage 81.8%). Please also provide variances between the two from 2023 to 2027.
- c) Please comment on whether the variances from (b) are material or not.
- d) Please explain what information HCHI used to assume the direct benefit of 17% in its last cost of service application (reference 3) (e.g. based on Hydro One's detailed direct benefit assessment completed at the time as stated in Section 3.2.2.3 in reference 2 or its own direct benefit assessment)
  - i) Please provide a reference where the direct benefit of 17% was derived and approved (i.e. EB#, Decision/Settlement, page number, exhibit, and issuance date).

#### **1-Staff-14**

**Ref 1: Attachment 6**

**Ref 2: Attachment 2 and Attachment 3**

**Ref 3: [OEB's Cost of Capital Parameter Updates](#)**

Preamble:

In reference 1, OEB staff notes that the cost of capital calculations for Haldimand RZ use the short-term debt rate of 2.11%, long-term debt rate of 2.89%, and ROE of 9.36% from 2014 to 2027.

OEB staff notes that the cost of capital calculations for Haldimand RZ use the same rates each year for the historic and forecast periods. OEB staff also notes that this approach is different from the cost of capital calculations for Hydro One Distribution in reference 2 which apply different short-term debt rate, long-term debt rate and ROE each year.

OEB notes that the short-term debt rate, long-term debt rate and ROE in reference 1 are not consistent with the OEB's approved Cost of Capital parameters in reference 3.

Question(s):

- a) Please explain why Hydro One did not use the same approach to calculate cost of capital calculations for Haldimand RZ as it did for Hydro One Distribution.
  - i) Please explain if there are any material differences between using two different approaches.

- b) If there are material differences in (a), please update Attachment 8 to reflect the OEB's approved Cost of Capital parameters in reference 3.

**1-Staff-15**

**Ref 1: Attachment 6**

Preamble:

OEB staff notes large increases in gross capital additions of \$534k and \$201k in 2015 and 2016.

Question(s):

- a) Please explain drivers for these large increases in the capital additions.

**Peterborough RZ**

**1-Staff-16**

**Ref 1: Attachment 8 – Peterborough RZ RGCRP Revenue Requirement Model**

**Ref 2: Exhibit A, Tab 4, Schedule 1, pp. 12-13**

Preamble:

In reference 2, Hydro One states that for 2014 to 2022, it assumed a direct benefit percentage of 17% for all investments. This is based on the historical assumptions applied by PDI and is consistent with the OEB's policy for renewable energy generation expansion investments, set in EB-2009-0349 and in Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications.

Hydro One also states that for 2023 to 2027, as Peterborough RZ remains on deferred rebasing, the model continues to assume a direct benefit percentage of 17% to align with past practice for PDI. There are no material in-service additions anticipated for Peterborough RZ between 2023 to 2027.

Question(s):

- a) Please update Peterborough RZ RGCRP Revenue Requirement Model in reference 1 using the direct benefit percentage of 18.2% for the period 2023 to 2027.
- b) Please provide a summary table that shows the provincial rate protection revenue requirement amounts for 17%, 18.2% and variances between the two from 2023 to 2027.
- c) Please comment on whether the variances from (b) are material or not.
- d) Please explain what information PDI used to assume the direct benefit of 17% starting in 2013 (e.g. based on Hydro One's detailed direct benefit assessment

completed at the time as stated in Section 3.2.2.3 in reference 2 or its own direct benefit assessment)

- e) Please provide a reference where the direct benefit of 17% was derived and approved (i.e. EB#, Decision/Settlement, page number, exhibit, and issuance date).

**1-Staff-17**

**Ref 1: Exhibit A, Tab 4, Schedule 1, Table 5, p. 11**

**Ref 2: OEB Decision EB-2014-0005**

**Ref 3: OEB Decision EB-2014-0222**

Preamble:

In reference 1, Table 5 provides RGCRP compensation amounts that Peterborough Distribution Inc. (PDI)/Peterborough RZ received from the IESO based on the approved RGCRP amounts from the OEB’s decisions.

Based on the OEB’s decisions in Table 4, OEB staff produced a table below which shows approved monthly payments from the IESO to PDI/Peterborough RZ from 2014 to 2023.

	<b>Approved Monthly IESO Payments to PDI/Peterborough RZ (\$)</b>									
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Jan	1,123	1,115	1,098	1,082	1,065	1,065	1,016	1,016	1,016	1,016
Feb	1,123	1,115	1,098	1,082	1,065	1,065	1,016	1,016	1,016	1,016
Mar	1,123	1,115	1,098	1,082	1,065	1,065	1,016	1,016	1,016	1,016
Apr	1,123	1,115	1,098	1,082	1,065	1,065	1,016	1,016	1,016	1,016
May	1,123	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Jun	1,123	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Jul	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Aug	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Sep	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Oct	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Nov	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
Dec	1,486	1,093	1,098	1,065	1,065	1,065	1,016	1,016	1,016	1,016
<b>Total</b>	<b>15,653</b>	<b>13,204</b>	<b>13,176</b>	<b>12,848</b>	<b>12,780</b>	<b>12,780</b>	<b>12,192</b>	<b>12,192</b>	<b>12,192</b>	<b>12,192</b>

OEB staff used the approved monthly IESO payments to PDI/Peterborough RZ in the table above to produce a table below that compares the IESO payments against Hydro One’s Table 5 shown below.

	<b>OEB Staff's Calculation (\$)</b>	<b>Hydro One's Table 5 (\$)</b>
Jan 2014 to Jun 2014	6,737	13,474
Jul 2014 to Apr 2015	13,376	13,375
May 2015 to Apr 2016	13,136	13,117
May 2016 to Apr 2017	13,112	12,980
May 2017 to Apr 2018	12,780	12,782
May 2018 to Dec 2019	21,300	21,303
2020	12,192	12,192
2021	12,192	12,192
2022	12,192	12,192
2023	12,192	12,192
<b>Total</b>	<b>129,209</b>	<b>135,799</b>

OEB staff noted a discrepancy in the RGCRP amount of about \$6,590 from 2014 to 2023. The main difference is due to the OEB staff's calculation of \$6,737 from January 2014 to June 2014 compared to Hydro One's \$13,474.

OEB staff notes that footnote#13 in reference 1 states that the amount remitted for January 1, 2014 through June 30, 2014 includes \$6,737 of revenue requirement for 2013.

In reference 2, the OEB states the following with respect to its determination of 2014 compensation amount as of January 1, 2014:

With respect to the Peterborough amount, in proceeding EB-2012-0160 the Board approved the GEA Plan-related capital expenditures incurred by Peterborough and established a related 2013 revenue requirement of \$6,737 effective January 1, 2013. The decision was issued on August 22, 2013 and therefore no funds were recovered from the IESO in 2013. As a result, for 2014, the Board will allow a recovery of \$13,474 (2 x \$6,737) to address the shortfall from 2013.

In reference 3, the OEB's decision approved the monthly IESO payment of \$1,486 to PDI effective July 1, 2014.

Question(s):

- a) Please confirm OEB staff's calculation.

- i) If confirm, please provide an explanation why Hydro One's total RGCRP amount is different.

**1-Staff-18**

**Ref 1: Attachment 8 – Peterborough RZ RGCRP Revenue Requirement Model**

**Ref 2: Proposed Settlement Agreement, Appendix R, EB-2012-0160, July 24, 2013**

**Ref 3: Exhibit A, Tab 4, Schedule 1, p. 9**

Preamble:

In reference 1, the gross capital additions in the revenue requirement model were \$207,000 in 2013. From 2021 to 2027, the gross capital additions are shown below.

<b>Net Fixed Assets</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Gross Capital Additions (\$)	507,268	(357)	10,000	10,000	10,000	10,000	10,000

In 2021, OEB staff notes a large increase of \$507k in gross capital additions and a negative gross capital additions of \$357.

In reference 2, Peterborough Distribution Inc. (PDI) provided its revenue requirement calculation of provincial recovery for Green Energy Plan as part of its Settlement Proposal approved by the OEB in the Decision and Order (EB-2012-0160) dated August 22, 2013. The revenue requirement calculation for the provincial recovery assumes gross capital additions of \$207,000 in 2013.

OEB staff notes that the gross-capital additions of \$207,000 in 2013 in reference 1 is the same as the amount that was approved by the OEB in reference 2.

In reference 3, Hydro One states that the revenue requirement calculations are based on actual renewable generation in-service additions and OM&A expenditures from 2014 through 2022 and forecasted renewable generation in-service additions and OM&A expenditures for 2023-2027.

Question(s):

- a) Please indicate whether the approved gross capital additions of \$207k in 2013 are actual or forecast in-service additions.
- i) If the \$207k represents forecast in-service additions, please explain why Hydro One did not use an actual amount in 2013 in its revenue requirement calculations as stated in reference 3.
- b) Please explain in detail the drivers for a large increase in the gross capital additions of \$507k in 2021 in reference 1.
- i) Please indicate whether the gross capital additions in 2021 is related to

the original investment from PDI's original investment approved as part of its Green Energy Plan or a new investment.

- ii) If this is a new investment, please explain the renewable generation connection investment projects in detail.
- c) Please explain the negative value of \$357 in gross capital additions in 2022.
  - i) Please explain factors that caused the capital additions to be negative.

### **1-Staff-19**

#### **Ref 1: Attachment 8 – Peterborough RZ RGCRP Revenue Requirement Model**

Preamble:

In the reference, Hydro One assumes gross capital additions of \$10,000 per year from 2023 to 2027.

Questions(s):

- a) For 2023 to 2027, please describe the information that has led to the forecast of capital additions of \$10,000 per year.
  - i) Please provide a list of forecast generation connection and type of connection if available.

### **1-Staff-20**

**Ref 1: Attachment 8**

**Ref 2: Attachment 2 and Attachment 3**

**Ref 3: [OEB's Cost of Capital Parameter Updates](#)**

Preamble:

In reference 1, OEB staff notes that the cost of capital calculations for Peterborough RZ use the short-term debt rate of 2.07%, long term debt rate of 4.11%, and ROE of 8.98% from 2013 to 2027.

OEB staff also notes that this approach is different from the cost of capital calculations for Hydro One Distribution in reference 2 which applies different short-term debt rate, long-term debt rate and ROE for each year from 2010 to 2027.

OEB notes that the short-term debt rate, long-term debt rate and ROE in reference 1 are not consistent with the OEB's approved Cost of Capital parameters in reference 3.

Question(s):

- a) Please explain why Hydro One did not use the same approach to calculate cost of capital calculations for Peterborough RZ as it did for Hydro One Distribution.



- i) Please indicate and explain if there are any material differences between using two different approaches.
- b) If the amounts in (a) are material, please update Attachment 8 to reflect the OEB's approved Cost of Capital parameters in reference 3.

### **1-Staff-21**

#### **Ref: Attachment 8 – Peterborough RZ RGCRP Revenue Requirement Model**

##### Preamble:

In the reference, the tax rate for 2013 in cell E56 is 22.62%, resulting in grossed up income taxes payable of (\$109).

Working capital allowance (WCA) for 2013 in cell B23 is 13%, resulting in the WCA amount of \$1,950 for direct benefit revenue requirement.

OEB staff notes that the tax rate, income taxes payable, and gross up income taxes payable are not complete for years 2013 to 2027.

OEB staff also notes that there's no WCA rate applied to years 2014 to 2027, resulting in no WCA recovery amounts from direct benefit customers from 2014 to 2027 and no WCA recovery amounts from provincial ratepayers from 2013 to 2027.

##### Question(s):

- a) Please explain why the information is not complete and revise the evidence as needed.