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BY EMAIL AND RESS

September 9, 2024

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

Dear Ms. Marconi,

EB-2024-0117 – Niagara Reinforcement Limited Partnership (“NRLP”) – 2025-2029 Transmission Revenue Requirement – Interrogatory Responses

In accordance with Procedural Order No.1 issued on July 19, 2024, please find attached an electronic copy of interrogatory responses provided by Hydro One Networks Inc. on behalf of NRLP.

Interrogatory responses have been assigned Exhibit I and have been addressed in the following order:

Exhibit	Tab	Intervenor
I	1	OEB Staff
I	2	School Energy Coalition
I	3	Association of Major Power Consumers in Ontario

An electronic copy of these responses has been submitted using the Board’s Regulatory Electronic Submission System.

Sincerely,

Kathleen Burke

OEB STAFF INTERROGATORY - 01

Reference:

Exhibit A-2-2, Page 3

Preamble:

In the amended application submitted by NRLP stated that:

In terms of the materiality used by NRLP, 0.5% of the average of 5 years of the revenue requirement in the revenue requirement period of \$45k is applicable.

Interrogatory:

a) To account for the appropriate materiality threshold, please update all values in the following tables to two decimal places. Please submit this in a complete version of the Application which contains the amended and non-amended sections in one unified document.

- i. Exhibit A-3-1: Table 2 Page 8, Table 4 Page 11, Table 3 Page 14, Table 4 Page 15
- ii. Exhibit B-3-1: Table 5 Page 16
- iii. Exhibit C-1-1: Tables 1 to 5
- iv. Exhibit E-1-1: Tables 1 to 7
- v. Exhibit F-1-1: Table 1
- vi. Exhibit F-2-1: Tables 1 to 3

b) Please ensure all subsequent quantitative responses to IRs are provided to two decimal places and in excel format.

Response:

a) Please find below the requested tables updated to two decimal places. NRLP will submit a complete version of the Application containing the amended sections and non-amended sections in one document separate from these interrogatory responses.

b) Interrogatory responses containing numerical values have been provided to two decimal places. With respect to providing interrogatory responses in excel format, not all responses are created in excel format. As a result, NRLP requests that OEB Staff please indicate which Interrogatory responses OEB Staff would like to receive in excel format and NRLP will provide these in excel format.

1 **Tables requested updated to two decimal places:**

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Exhibit A-03-01:

Exhibit A-03-01, Table 2, page 8 (as amended on July 31, 2024)

Table 2 - Revenue Requirement (\$M) *

Components	2025	2026	2027	2028	2029
OM&A	1.08	1.03	1.03	1.10	1.89
Depreciation	1.64	1.64	1.64	1.64	1.64
Income Taxes	0.06	0.06	0.06	0.06	0.06
Return on Capital	6.21	6.19	6.10	6.00	5.91
Total Revenue Requirement	8.99	8.94	8.82	8.81	9.49
Deduct External Revenues and Other	(0.59)	0.00	0.00	0.00	0.00
Rates Revenue Requirement	8.40	8.94	8.82	8.81	9.49

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Exhibit A-03-01, Table 4, page 11 (as amended on July 31, 2024)

Table 4 - Transmission Rate Base (\$M) *

Description	2025	2026	2027	2028	2029
Mid-Year Gross Plant	119.50	119.57	119.57	119.57	119.57
Mid-Year Accumulated Depreciation	(9.57)	(11.21)	(12.84)	(14.48)	(16.12)
Mid-Year Net Plant	109.93	108.37	106.73	105.09	103.45
Cash Working Capital	0.00	0.00	0.00	0.00	0.00
Materials and Supply Inventory	0.00	0.00	0.00	0.00	0.00
Transmission Rate Base	109.93	108.37	106.73	105.09	103.45

1 Exhibit A-03-01, Table 3, page 14

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Table 3 - Summary of OM&A (\$M)*

	Historical												Bridge		Forecast				
	2020			2021			2022			2023			2024		2025	2026	2027	2028	2029
	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
SLA Costs	0.53	0.36	(0.17)	0.54	0.29	(0.25)	0.54	0.31	(0.23)	0.55	0.74	0.19	0.56	0.79	0.51	0.55	0.54	0.61	1.38
Incremental Expenses	0.32	0.23	(0.09)	0.32	0.23	(0.09)	0.32	0.29	(0.03)	0.32	0.32	0.01	0.33	0.46	0.57	0.48	0.49	0.49	0.50
Total OM&A	0.85	0.67	(0.18)	0.85	0.51	(0.34)	0.86	0.60	(0.26)	0.87	1.06	0.19	0.89	1.27	1.08	1.03	1.03	1.10	1.89

* The Plan values reflect the test year values (2020) approved by the OEB as part of the previous rate application, EB-2018-0275, as escalated by approved Revenue Cap Index values.

1 *Exhibit A-03-01, Table 4, page 15 (as amended on July 31, 2024)*

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 3 **Table 4 - 2025-2029 Return on Capital**

	Return on Capital (\$M)				
	2025	2026	2027	2028	2029
Long term debt	1.91	1.96	1.93	1.90	1.87
Short-term debt	0.27	0.27	0.27	0.26	0.26
Common Equity	4.05	3.99	3.93	3.87	3.81
Total	6.21	6.19	6.10	6.00	5.91

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 5 *Exhibit A-03-01, Table 5, page 16 (as amended on July 31, 2024)*

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 7 (Please note that NRLP is assuming the interrogatory was intending to refer to Exhibit A-
 8 03-01: Table 5, Page 16 as there is no Exhibit B-03-01 as requested in the interrogatory).

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 10 **Table 5 - Summary of Regulatory Account Balances (\$)**

Description	Principal Balance as at Dec. 31, 2023	Projected Interest up to Dec. 31, 2024	Total Balance
Tax Rate and Rule Changes Variance Account	0.00	0.00	0.00
Niagara Reinforcement Limited Partnership Deferral Account	0.00	0.00	0.00
ESM Deferral Account	(535,760.50)	(50,288.47)	(586,048.97)
Total Group 2 Balances	(535,760.50)	(50,288.47)	(586,048.97)

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 12 **Exhibit C-01-01:**

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 14 *Exhibit C-01-01, Table 1, page 1*

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 16 **Table 1 - 2020 OEB-approved versus 2020 Historic Year Rate Base (\$M)**

Rate Base Component	2020 Actual	2020 OEB-approved	Variance
Mid-Year Gross Plant	119.42	119.43	(0.01)
Less: Mid-Year Accumulated Depreciation	(1.59)	(1.59)	0.00
Mid-Year Net Utility Plant	117.84	117.84	(0.00)
Cash Working Capital	0.00	0.00	0.00
Materials & Supply Inventory	0.00	0.00	0.00
Total Rate Base	117.84	117.84	(0.00)

1 *Exhibit C-01-01, Table 5, page 3*

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3 **Table 5 - Continuity of Fixed Assets Summary (\$M)**

Description	Test				
	2025	2026	2027	2028	2029
Opening Gross Asset Balance	119.42	119.57	119.57	119.57	119.57
In-Service Additions	0.15	0.00	0.00	0.00	0.00
Retirements	0.00	0.00	0.00	0.00	0.00
Sales	0.00	0.00	0.00	0.00	0.00
Transfers / Other	0.00	0.00	0.00	0.00	0.00
Closing Gross Asset Balance	119.57	119.57	119.57	119.57	119.57

4 **Exhibit E-01-01:**

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6 *Exhibit E-01-01, Table 1, page 1 (as amended on July 31, 2024)*

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8 **Table 1 - Revenue Requirement (\$M)**

Components	2025	2026	2027	2028	2029	Reference
OM&A	1.08	1.03	1.03	1.10	1.89	Exhibit F-01-01
Depreciation	1.64	1.64	1.64	1.64	1.64	Exhibit F-05-01
Income Taxes	0.06	0.06	0.06	0.06	0.06	Exhibit F-06-01, Attachment 1
Return on Capital	6.21	6.19	6.10	6.00	5.91	Exhibit G-01-01
Total Revenue Requirement	8.99	8.94	8.82	8.81	9.49	
Deduct External Revenues and Other	(0.59)	0.00	0.00	0.00	0.00	Exhibit H-01-01
Rates Revenue Requirement	8.40	8.94	8.82	8.81	9.49	Exhibit E-01-01, Attachment 1

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10 *Exhibit E-01-01, Table 2, page 2*

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12 **Table 2 - OM&A Expense (\$M)***

	2025	2026	2027	2028	2029
Service Level Agreement Costs	0.51	0.55	0.54	0.61	1.39
Incremental Expenses	0.57	0.48	0.49	0.49	0.50
Total OM&A	1.08	1.03	1.03	1.10	1.89

* Exhibit F-02-01

1 *Exhibit E-01-01, Table 3, page 2 (as amended on July 31, 2024)*

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3 **Table 3 - Depreciation and Amortization Expense (\$M)***

	2025	2026	2027	2028	2029
Depreciation	1.64	1.64	1.64	1.64	1.64
Total Depreciation Expense	1.64	1.64	1.64	1.64	1.64

* Exhibit F-05-01

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5 *Exhibit E-01-01, Table 4, page 2*

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7 **Table 4 - Corporate Income Taxes (\$M)***

	2025	2026	2027	2028	2029
Regulatory Taxable Income (after loss Carryforward)	0.00	0.00	0.00	0.00	0.00
Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%
Corporate Income Tax <i>(Does not apply if less than zero)</i>	0.00	0.00	0.00	0.00	0.00
Accounting Income	2.29	2.25	2.22	2.18	2.15
OCMT Rate	2.70%	2.70%	2.70%	2.70%	2.70%
Net Income Taxes (OCMT)	0.06	0.06	0.06	0.06	0.06

* Exhibit F-06-01

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9 *Exhibit E-01-01, Table 5, page 2 (as amended on July 31, 2024)*

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11 **Table 5 - Return on Capital (\$M)***

	2025	2026	2027	2028	2029
Return on Debt	2.16	2.20	2.17	2.13	2.10
Return on Equity	4.05	3.99	3.93	3.87	3.81
Return on Capital	6.21	6.19	6.10	6.00	5.91

* Exhibit G-01-01

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13 *Exhibit E-01-01, Table 6, page 3 (as amended on July 31, 2024)*

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15 **Table 6 - Comparison of 2025 to 2024 OEB-approved**

Description	2024 (\$M)	2025 (\$M)	2025 vs. 2024 (\$M)	2025 vs. 2024 (%)
Total Revenue Requirement	8.57	8.99	0.43	4.97%

1 *Exhibit E-01-01, Table 7, page 3 (as amended on July 31, 2024)*
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Table 7 - Impact of the Individual Component on Total Revenue Requirement

Description	<u>2020</u> (\$M)	<u>2025</u> (\$M)	<u>2025 vs. 2020</u> (\$M)	<u>2025 vs. 2020</u> (%)
OM&A	0.85	1.08	0.23	27.37%
Rate Base	5.61	5.69	0.08	1.41%
Cost of debt	1.68	2.16	0.48	28.85%
Tax	0.06	0.06	0.00	0.85%
Impact on Total Revenue Requirement	8.20	8.99	0.80	9.71%

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 5 **Exhibit F-01-01:**
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7 *Exhibit F-01-01, Table 1, page 1 (as amended on July 31, 2024)*
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Table 1 - Operating Costs (\$M)

Description	Historical Years				Bridge Year	Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OM&A	0.59	0.51	0.60	1.06	1.27	1.08	1.03	1.03	1.10	1.89
Depreciation and Amortization	1.59	1.59	1.59	1.59	1.59	1.64	1.64	1.64	1.64	1.64
Income Taxes	0.07	0.07	0.07	0.07	0.06	0.06	0.06	0.06	0.06	0.06
Total Operating Costs	2.33	2.17	2.28	2.72	2.92	2.78	2.75	2.72	2.80	3.58

1 **Exhibit F-02-01:**
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 3 *Exhibit F-02-01, Table 1, page 2*
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Table 1 - Summary of OM&A (\$M)

	Historical												Bridge		Forecast				
	2020			2021			2022			2023			2024		2025	2026	2027	2028	2029
	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Actual	Var	Plan*	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
SLA Costs	0.53	0.36	(0.17)	0.54	0.29	(0.25)	0.54	0.31	(0.23)	0.55	0.74	0.19	0.56	0.79	0.51	0.55	0.53	0.60	1.38
Incremental Expenses	0.32	0.23	(0.09)	0.32	0.23	(0.09)	0.32	0.29	(0.03)	0.32	0.32	0.01	0.33	0.46	0.57	0.48	0.49	0.49	0.50
Total OM&A	0.85	0.59	(0.26)	0.85	0.51	(0.34)	0.86	0.60	(0.26)	0.87	1.06	0.19	0.89	1.27	1.08	1.03	1.03	1.10	1.89

* The Plan values reflect the test year values (2020) approved by the OEB as part of the previous rate application, EB-2018-0275, as escalated by approved Revenue Cap Index values.

1 *Exhibit F-02-01, Table 2, page 3*

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Table 2 - Total SLA Costs (\$M)

	Actual				Bridge	Test Period (Forecast)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Maintenance Expenses	0.01 ¹	0.01	0.01	0.18	0.34	0.03	0.05	0.02	0.10	0.88
Shared Asset Allocation	0.00	0.00	0.00	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Administrative and Corporate Expenses	0.35	0.28	0.30	0.47	0.36	0.39	0.41	0.42	0.41	0.41
Total SLA Costs	0.36	0.29	0.31	0.74	0.79	0.51	0.55	0.53	0.60	1.38

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4 *Exhibit F-02-01, Table 3, page 3*

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Table 3 - Total Incremental Expenses (\$M)

Description	Historical								Bridge	Test Period (Forecast)				
	2020		2021		2022		2023		2024	2025	2026	2027	2028	2029
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
Insurance	0.05	0.05	0.05	0.04	0.05	0.07	0.05	0.08	0.09	0.11	0.11	0.11	0.12	0.12
Regulatory	0.00	0.00	0.00	0.01	0.00	0.02	0.00	0.02	0.02	0.12	0.02	0.02	0.02	0.02
Administrative	0.10	0.06	0.10	0.06	0.10	0.07	0.10	0.07	0.11	0.11	0.11	0.12	0.12	0.12
Managing Director's Office	0.16	0.11	0.16	0.12	0.16	0.12	0.16	0.12	0.24	0.23	0.24	0.24	0.24	0.24
Total Incremental Expense	0.32	0.22	0.32	0.21	0.32	0.25	0.32	0.28	0.46	0.57	0.48	0.49	0.49	0.50

¹ For 2020, Exhibit F-02-01 Table 2 should show \$0.01M instead of \$0.1M.

OEB STAFF INTERROGATORY - 02

Reference:

Exhibit A-4-1, Page 1

Preamble:

NRLP proposes to set its revenue requirement for a five-year period using a forecast of OM&A and capital (including tax) costs for each of the five years.

NRLP has suggested that the OEB's Renewed Regulatory Framework (RRF), as most recently set out in the Handbook, provides that electricity transmitters are to choose either Custom IR or a Revenue Cap IR. NRLP further asserts that the RRF was not conceived for a single-asset utility such as NRLP. NRLP believes that its proposal has a number of benefits:

- it considers the appropriate framework for single-asset utilities with a declining rate base, providing transparency to ratepayers and lower potential for overearning than a revenue cap index framework, especially in the later years of a rate period; and
- it provides appropriate protection for ratepayers and does not disincentivize productivity.

Interrogatory:

a) Please provide an annual quantitative analysis for the rate term including the OM&A, depreciation, taxes, rate base, return on equity, short-term debt and long-term debt, comparing the proposed revenue requirement model with the current OEB-approved NRLP model showing how the proposed model is a benefit to ratepayers.

- i. Please provide the results using an inflation rate of 2% as shown in the application and another calculation using the 2025 OEB inflation rate of 3.7%.
- ii. Provide the impact over the 5-year rate term as well as on an annual basis.

b) Please provide a quantitative analysis on how the use of the proposed revenue requirement model will impact shareholders over the 5-year period, and what the estimated earnings would be on an annual basis when compared with the current OEB-approved model.

- i. Please provide the results using an inflation rate of 2% as shown in the application and another calculation using the 2025 OEB inflation rate of 3.7%.
- ii. Please provide the estimated Earnings Sharing Mechanism deferral account balance for each year of the 5-year period

- 1 iii. Please provide the estimated ROE for each year of the 5-year period
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 3 c) Please indicate if an alternative Custom IR formula was considered to align with the
 4 RRF requirements.
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 6 i. If yes, please indicate the alternative formula that was considered and why it was
 7 not proposed.
 8 ii. If no, please indicate why an alternative that aligns with the RRF was not
 9 considered before developing the proposed revenue requirement model.
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 11 d) Please quantify how the NRLP proposal incentivizes productivity.
 12
 13 e) The NRLP Proposal includes an Earnings Sharing Mechanism and an off-Ramp which
 14 are typical features for transmitter applications. Please identify all features of the NRLP
 15 proposal that provide for ratepayer protection.
 16
 17 i. Please indicate why an alternative that aligns with the RRF was not considered
 18 before developing the proposed revenue requirement model.
 19

20 **Response:**

- 21 a)
 22 i.

23 **Scenario 1 - Previously Approved NRLP - RCI = 2% * 50% - X - SCAF**

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	8.99	8.94	8.82	8.81	9.49	45.05
Components						
OM&A	1.08	1.09	1.09	1.10	1.10	5.46
Depreciation	1.64	1.64	1.65	1.66	1.66	8.25
Return on Debt	2.16	2.17	2.18	2.19	2.20	10.90
Return on Equity	4.05	4.07	4.08	4.10	4.11	20.41
Income Taxes	0.06	0.06	0.06	0.06	0.06	0.30
Total Revenue Requirement (B)	8.99	9.03	9.06	9.10	9.14	45.32
Variance (A-B)	0.00	(0.09)	(0.24)	(0.29)	0.36	(0.26)

1 **Scenario 2 - Previously Approved NRLP - RCI = 3.7% * 50% - X - SCAF**

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	8.99	8.94	8.82	8.81	9.49	45.05
Components						
OM&A	1.08	1.10	1.11	1.12	1.14	5.55
Depreciation	1.64	1.66	1.68	1.70	1.72	8.40
Return on Debt	2.16	2.19	2.22	2.24	2.27	11.08
Return on Equity	4.05	4.10	4.15	4.20	4.26	20.76
Income Taxes	0.06	0.06	0.06	0.06	0.06	0.30
Total Revenue Requirement (B)	8.99	9.10	9.22	9.33	9.45	46.09
Variance (A-B)	0.00	(0.16)	(0.40)	(0.53)	0.04	(1.05)

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3 **Scenario 3 - Previously Approved B2M LP - RCI = 2% - X - SCAF**

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	8.99	8.94	8.82	8.81	9.49	45.05
Components						
OM&A	1.08	1.10	1.11	1.13	1.14	5.56
Depreciation	1.64	1.66	1.68	1.71	1.73	8.42
Return on Debt	2.16	2.19	2.22	2.25	2.28	11.10
Return on Equity	4.05	4.11	4.16	4.22	4.28	20.82
Income Taxes	0.06	0.06	0.06	0.06	0.07	0.31
Total Revenue Requirement (B)	8.99	9.12	9.24	9.37	9.51	46.23
Variance (A-B)	0.00	(0.18)	(0.42)	(0.57)	(0.01)	(1.18)

1 **Scenario 4 - Previously Approved B2M LP - RCI = 3.7% - X - SCAF**

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	8.99	8.94	8.82	8.81	9.49	45.05
Components						
OM&A	1.08	1.12	1.15	1.19	1.22	5.76
Depreciation	1.64	1.69	1.74	1.79	1.85	8.71
Return on Debt	2.16	2.23	2.30	2.37	2.44	11.50
Return on Equity	4.05	4.18	4.30	4.44	4.58	21.55
Income Taxes	0.06	0.06	0.07	0.07	0.07	0.33
Total Revenue Requirement (B)	8.99	9.27	9.56	9.85	10.16	47.83
Variance (A-B)	0.00	(0.33)	(0.74)	(1.05)	(0.67)	(2.79)

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3 b)

4 i.

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Proposed Revenue Requirement Model

	2025	2026	2027	2028	2029
Proposed Revenue Requirement	8.99	8.94	8.82	8.81	9.49
Net Income	4.05	3.99	3.93	3.87	3.81
Estimated ESM	0.00	0.00	0.00	0.00	0.00
Achieved ROE	9.21%	9.21%	9.21%	9.21%	9.21%

6

7 **Scenario 1 - Previously Approved NRLP - RCI = 2% * 50% - X - SCAF**

	2025	2026	2027	2028	2029
Total Revenue Requirement	8.99	9.03	9.06	9.10	9.14
Net Income	4.05	4.07	4.14	4.12	3.51
Estimated ESM	0.00	0.00	0.00	0.00	0.00
Achieved ROE	9.21%	9.44%	9.67%	9.70%	8.28%

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9 **Scenario 2 - Previously Approved NRLP - RCI = 3.7% * 50% - X - SCAF**

	2025	2026	2027	2028	2029
Total Revenue Requirement	8.99	9.10	9.22	9.33	9.45
Net Income	4.05	4.13	4.27	4.32	3.77
Estimated ESM	0.00	0.00	0.00	0.00	0.00
Achieved ROE	9.21%	9.55%	9.90%	10.06%	8.77%

1 **Scenario 3 - Previously Approved B2M LP - RCI = 2% - X - SCAF**

	2025	2026	2027	2028	2029
Total Revenue Requirement	8.99	9.12	9.24	9.37	9.51
Net Income	4.05	4.15	4.29	4.36	3.82
Estimated ESM	0.00	0.00	0.00	0.00	0.00
Achieved ROE	9.21%	9.57%	9.94%	10.12%	8.86%

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 3 **Scenario 4 - Previously Approved B2M LP - RCI = 3.7% - X - SCAF**

	2025	2026	2027	2028	2029
Total Revenue Requirement	8.99	9.27	9.56	9.85	10.16
Net Income	4.05	4.27	4.56	4.77	4.38
Estimated ESM	0.00	0.00	0.04	0.14	0.00
Achieved ROE	9.21%	9.80%	10.42%	10.86%	9.88%

- 4
- 5 c) For clarity, NRLP does not consider its proposed revenue requirement framework to
 6 be a Custom IR framework. NRLP did consider utilizing a Revenue Cap framework.
 7 NRLP did not consider proposing a Custom IR framework because it would be
 8 challenging and expensive for NRLP to meet the minimum standards for a Custom IR
 9 framework.¹
- 10
- 11 d) As set out in Exhibit A-04-01, the proposed approach does not disincentivize
 12 productivity. NRLP has few, if any opportunities to unilaterally achieve productivity
 13 improvement regardless of the revenue requirement framework under which it is
 14 operating.
- 15
- 16 e) The following features provide protection for ratepayers:
- 17 • Earnings Sharing Mechanism: Although significant overearning is not expected,
 18 NRLP proposes to share, with customers, 50% of any earnings that exceed the
 19 OEB-allowed regulatory return on equity (ROE) by more than 100 basis points in
 20 any year of the five-year term.
 - 21 • Off-ramps: NRLP proposes to apply the OEB’s existing off-ramp mechanism, a
 22 trigger mechanism with an annual return on equity dead band of plus or minus 300
 23 basis points, at which point a regulatory review of the revenue requirement arising
 24 from NRLP’s five-year Application may be initiated.
 - 25 • Performance metrics: As detailed in Exhibit D-01-01, NRLP is proposing several
 26 performance measures which align with RRF outcomes. These measures protect
 27 customers by providing transparency in respect of the performance of NRLP’s

¹ These standards are summarized in the OEB’s Handbook to Utility Rates Applications pages 25-28.

- 1 assets. They allow for verification that the assets are operated within the expected
2 parameters and continue to serve the electricity consumers of Ontario effectively.
3
4 i. NRLP did consider proposing a Revenue Cap framework but determined that the
5 proposed revenue requirement framework benefits all stakeholders.

1 **OEB STAFF INTERROGATORY - 03**

2
3 **Reference:**

- 4 1. Exhibit A-3-1, Page 13
5 2. Exhibit B-1-3, Attachment 1, Page 15
6 3. Exhibit F-2-1, Page 5
7 4. Exhibit F-3-1, Page 4

8
9 **Preamble:**

10 Starting in 2023, NRLP is also charged transfer pricing by HONI for the use of certain
11 shared assets. The shared asset costs allocated to NRLP include those for major fixed
12 assets and intangible assets, as well as minor fixed assets. NRLP states that the forecast
13 amounts of \$0.1M per year mainly relates to use of HONI's SAP system.

14
15 **Interrogatory:**

- 16 a) Please describe the shared assets that NRLP is charged transfer pricing by HONI and
17 the amounts.
18
19 b) Please provide the annual productivity savings over the 5-year rate term with respect
20 to shared assets costs
21
22 c) Provide a detailed breakdown of the costs incurred by NRLP through this agreement
23 for all shared assets in addition to SAP costs.

24
25 **Response:**

- 26 a) Shared asset costs that HONI charged to NRLP are mainly related to enterprise
27 software, including:
28 • SAP system – software that integrates work management, finance, supply chain
29 and customer service;
30 • Geographic Information System (GIS) Infrastructure – system that stores,
31 analyzes and displays geographical data and mapping of corporate assets; and,
32 • Other enterprise software in HONI's computer infrastructure.

1 Also included in the shared asset cost is a small allocation for the use of common
2 buildings, see the table below for the breakdown of shared asset costs.

3

Shared Asset Allocation Breakdown:	Shared Asset Allocation
SAP	\$ 0.03 M
GIS Infrastructure	\$ 0.02 M
Other Enterprise Software – Computer Infrastructure.	\$ 0.04 M
Buildings (Ontario Grid Control Centre, Training Centre, etc.)	<\$1 K
TOTAL	\$ 0.09 M

4

5 b) There are no productivity savings with respect to shared assets costs as this is an
6 allocation from HONI for the use of in-serviced assets.

7

8 c) Please see response in a). The 'Other Enterprise Software' category was not further
9 broken down as it contains numerous software purchases, upgrades, and
10 enhancements which makes it impractical to breakdown further.

OEB STAFF INTERROGATORY - 04

Reference:

Exhibit A-4-1, Page 3

Preamble:

NRLP claims that its management and work programs are provided by a service level agreement, resulting in minimal overhead as well as qualified and flexible resources when needed, allowing NRLP to remain cost efficient.

NRLP's service level agreement integrates HONI's productivity improvements into NRLP's maintenance operations.

Interrogatory:

- a) Please provide a quantitative analysis of how NRLP's SLA with HONI integrates HONI's productivity improvements into NRLP's maintenance operations.
- b) Please provide the details of how the SLA affects the management and work programs of NRLP. In your response, provide a list of each management and work program covered by the SLA and include:
 - i. A description of the program
 - ii. The total cost of the for each year of the 5-year term
 - iii. The total cost to HONI for each year of the 5-year term
 - iv. The role of the SLA for each program

Response:

- a) Productivity initiatives undertaken by HONI are embedded within the services that it performs. The productivity savings rebased in HONI's 2023-2027 Custom IR application (EB-2021-0110) are reflected in the overall operations of the larger program. NRLP incrementally benefits from overall synergies through various initiatives, including:
 - NRLP's proximity to an existing HONI corridor, which allows for fewer requirements on crew member mobilization and demobilization, while also allowing for combined inspections and maintenance.
 - NRLP's inclusion in HONI's vegetation management programs, which allows NRLP to benefit from efficiencies and best practices as developed within the programs. The specifics of these program efficiencies were outlined in the HONI's application.
 - NRLP's access and use of HONI systems, which is more cost effective than managing the Company's own and separate systems.

1 b)

- 2 i. NRLP owns the Lines portion of circuits Q26M and Q35M. The diversity of the
3 asset components is low. Therefore, the planned maintenance programs
4 contemplated in the Operations Management Agreement are focused and consist
5 primarily of line patrols and vegetation management. Annually, HONI provides
6 forecasts of the work to be performed within the parameters outlined in Exhibit B-
7 01-03 Attachment 1.

8

9 The Corporate Services SLA includes the administrative services required by
10 NRLP to be commercially successful. The categories are broad because the
11 breadth and quantity of certain services provided often depends on the
12 requirement at that time and will vary over time. However, the structure of the SLA
13 allows NRLP to handle any reasonable fluctuation in services without alterations
14 to rates.

15

16 All maintenance program descriptions are specified in Table 4 of NRLP's
17 Transmission System Plan in Exhibit B-01-03 Attachment 1.

18

- 19 ii. and iii. Assuming the question refers to the total cost of all capital and maintenance
20 programs for NRLP for 2025 - 2029, please see Interrogatory I-03-03. There are
21 no capital expenditures planned for NRLP for 2025 – 2029. HONI is required to
22 charge all expenses on a Fully Allocated Basis. Therefore, the total cost of
23 programs to NRLP is the same as the total cost to HONI.

24

- 25 iv. HONI utilizes internal resources, and equipment to complete most maintenance
26 activities for the programs listed in Table 4 of NRLP's Transmission System Plan
27 in Exhibit B-01-03 Attachment 1. The exception is the brush control program.
28 NRLP uses First Nations contractors to complete this work.

1 **OEB STAFF INTERROGATORY - 05**

2
3 **Reference:**

4 Exhibit F-2-1, Page 1

5
6 **Preamble:**

7 NRLP states that its OM&A spending is low in comparison to other transmitters in Ontario
8 and that this relates primarily to the characteristics of the assets that it owns.

9
10 **Interrogatory:**

11 a) Please provide a table comparing total OM&A costs and line OM&A costs to similar
12 transmitters in Ontario. As part of this table provide a column comparing OM&A as a
13 percentage of total costs for each transmitter and \$/km of line.

14
15 **Response:**

16 a) NRLP has not performed the comparison requested for the purposes of its application
17 or to respond to this interrogatory. Given the time permitted to respond to
18 interrogatories, it is not feasible to do an analysis of which transmitters are similar or
19 the appropriate data that would be the basis of comparison. For example, NRLP
20 should likely not be considered similar to B2M LP for several reasons, including that
21 NRLP's circuits are 230kV whereas B2M LP's circuits are 500kV and as a result, the
22 conductors and insulators used for the two transmitters are different, as are their
23 respective vegetation management standards.

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1 **OEB STAFF INTERROGATORY - 06**

2
3 **Reference:**

- 4 1. Exhibit E-1-1, Table 2, Page 2
5 2. Exhibit F-2-1, Pages 7-9

6
7 **Preamble:**

8 Exhibit E-1-1, Table 2 includes a row showing incremental expenses.

9
10 Exhibit F-2-1, Table 3 shows a breakdown of these incremental expenses.

11
12 NRLP states that the partnership has a Managing Director, who is empowered to oversee
13 and operate the partnership. The duties of this person include:

- 14 • Monitoring and ensuring that the terms and conditions of the partnership
15 agreement are fulfilled;
16 • Working with employees from HONI and other entities to ensure that the Applicant
17 and its assets are properly maintained and administered;
18 • Managing and Chairing Advisory Committee meetings with the partners on a
19 regular basis, as spelled out in the partnership agreement;
20 • Ensuring that the partners are kept well informed and advised of the partnership's
21 operations, and educated on what it means to be a transmission owner and
22 operator in Ontario;
23 • Authorizing the disbursement of funds by the partnership to meets its obligations
24 and expenses;
25 • Instituting communications with communities and the public at large, through
26 meetings, websites and other media;
27 • Representing the partnership with various stakeholders at hearings, industry
28 events and other situations; and
29 • Any and all other duties that may be required to represent the partnership and
30 effectively support its operations.

31
32 To complete these tasks, the Managing Director's Office is provided with an annual budget
33 for things such as office expenses, communication, and other expenses that may be
34 required. As such, the Managing Director's Office expense included in the test years is
35 \$0.2M annually.

36
37 **Interrogatory:**

38 a) Since NRLP has no employees, please describe who employs the Managing Director

1 b) Please describe the number of employees in the Managing Director's office and their
2 roles as well as the salaries received by each employee.

3

4 **Response:**

5 a) The Managing Director is a Hydro One employee who is retained on a part-time basis
6 by NRLP.

7

8 b) NRLP has no "employees" as defined in the *Employment Standards Act*¹. As explained
9 above, NRLP does retain a part-time Managing Director.

¹ [Employment Standards Act, 2000, S.O. 2000, c. 41 \(ontario.ca\)](#)

OEB STAFF INTERROGATORY - 07

Reference:

Exhibit F-1-1, Page 1

Preamble:

The annual average proposed operating costs for the 2025 – 2029 is forecast to be \$2.8M, a \$0.4M increase compared to 2020 – 2024. The Application states that the increase in OM&A expenses is primarily due to higher vegetation management maintenance needs in 2029, as well higher advisory committee costs and shared asset allocation.

Interrogatory:

- a) Please provide detailed explanations for all OM&A SLA annual increases of 10% or higher from 2024 to 2029 of including maintenance expenses, shared asset allocation and administrative and corporate expenses
- b) Please provide detailed explanations for all OM&A total incremental expenses annual increases of 10% or higher from 2024 to 2029 of including insurance, regulatory, administrative and managing director’s office
- c) Please provide a detailed description of what are included in advisory committee costs.

Response:

- a) Of the OM&A SLA Costs, only maintenance expenses increase by over 10% annually. This is mainly due to vegetation management program.
 - i. The annual maintenance increases are predominantly attributed to cyclic vegetation management activities planned for 2025 to 2029. As observed in the table below, the vegetation management program is a 6-year cycle program with a mid-cycle condition patrol and an annual patrol required by NERC. The 6-year maintenance and the mid-cycle patrol are conducted on varying years on different assets, per predetermined projects. This is the cause of increases of more than 10% in 2026, and 2029.

Vegetation Mgmt Activity	2025	2026	2027	2028	2029
Line Clearing					x
Brush Control					x
Condition Patrol		x			
Property Owner Notifications				x	
Annual Vegetation Patrol	x		x	x	

1 As mentioned in Exhibit F-02-01, for 2020 – 2024, maintenance costs were lower
2 than plan due to fewer defects identified to mitigate during patrol programs.
3 Planned work was brought forward to optimize resourcing and contracting of brush
4 control work which resulted in fewer defects for planned programs. Since the
5 system was in-serviced in August 2019, there were only four growing seasons
6 between maintenance cycles instead of six. As a result, vegetation density to
7 mitigate was lower for this first maintenance cycle.

8
9 The planned Line Clearing and Brush Control scope in 2029 is anticipated to be
10 higher than 2020 – 2024 and more in line in scope for NRLP vegetation
11 management on an ongoing basis. Please also see Exhibit I-03-02.

12
13 b) Of the OM&A total incremental expenses, insurance and regulatory have annual
14 increases of 10% or higher from 2024 to 2029.

15
16 i. Insurance costs are expected to increase by about 22% in 2025 due, according
17 to the insurer, to reinsurance pricing pressures and an expected increase in loss
18 ratios. Thereafter, insurance is expected to increase at inflationary levels.

19
20 ii. Regulatory costs related to this Application as described in Exhibit F-02-01, page
21 8 will be paid in 2025 causing the increase in 2025.

22
23 c) The Advisory Committee costs are included in the Managing Director’s office budget
24 and include items required for the successful operation of the partnership meetings.
25 These include cost of member attendance, venue costs if applicable, refreshment
26 costs, per diems to recognize time spent for First Nations members¹, technology costs
27 where applicable and other incidentals.

¹ HONI members of the Advisory Committee are not paid a per diem

1 **OEB STAFF INTERROGATORY - 08**

2
3 **Reference:**

4 Exhibit F-2-1, Pages 4-5

5
6 **Preamble:**

7 Line Clearing for all three projects was completed in 2023, Brush Control for all three
8 projects is being completed in 2024. The total Line Clearing and Brush Control cost is
9 forecasted to be \$500k. For 2025 – 2029, the O&M cost forecasted for the overall period
10 is \$1.1M. The next Line Clearing and Brush Control for all three projects is scheduled for
11 2029 and is forecasted to cost roughly \$900k. These are reflected in the forecasted O&M
12 values in Table 2.

13
14 **Interrogatory:**

- 15 a) Please provide details on who will be performing the vegetation management. If this
16 will not be performed by HONI, please provide details on the procurement process
17 being used.
- 18
19 b) When is the next Line Clearing and Brush Control scheduled after 2029?

20
21 **Response:**

- 22 a) The majority of the Brush Control work is anticipated to be contracted to First Nations
23 Communities and/or their affiliates. All other vegetation management work will be
24 performed utilizing HONI staff as per the SLA.
- 25
26 b) The next Line Clearing and Brush Control is scheduled for 2035.

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1 **OEB STAFF INTERROGATORY - 09**

2
3 **Reference:**

- 4 1. Exhibit B-1-3, Table 4, Page 12
5 2. Exhibit F-2-1, Pages 3-5
6

7 **Preamble:**

8 The Maintenance expenses relate to maintenance services performed by HONI, on behalf
9 of NRLP under the SLA. Examples of the services received are listed below:

- 10 • Overhead Transmission Lines maintenance including thermovision, helicopter and
11 ground patrols; and
12 • Transmission ROW maintenance, including mandatory annual NERC vegetation
13 patrols, line clearing, brush control, condition patrol and property owner
14 notifications.
15

16 **Interrogatory:**

- 17 a) Please provide a detailed breakdown of the expected costs associated with each of
18 the activities listed in Exhibit B-1-3 Table 4, on a per year basis.
19

20 **Response:**

- 21 a) Please refer to Interrogatory I-03-02.

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1 **OEB STAFF INTERROGATORY - 10**

2
3 **Reference:**

4 Exhibit F-3-1, Page 4

5
6 **Preamble:**

7 NRLP states that if the parties have a dispute under the agreement that cannot be resolved
8 by a conference of their respective senior officers, a written notice outlining the specifics
9 of the dispute will be passed to the parties' respective Leaders. Five business days after
10 receipt of written notice, if the dispute remains unresolved, the matter is referred to
11 arbitration for final resolution.

12
13 **Interrogatory:**

- 14 a) Given that NRLP has no employees:
- 15 i. Please identify who the senior officers representing NRLP at the conference would
 - 16 be.
 - 17 ii. Please identify which Leaders the aforementioned senior officers would pass on
 - 18 responsibility to if a resolution is not found.

19
20 **Response:**

- 21 a) There has never been a formal dispute resolution process initiated as the partners
- 22 have maintained an open and communicative relationship. Where disputes arise, they
- 23 are discussed and resolved before formal escalation. In the event that a future dispute
- 24 could not be resolved, the following would apply:
- 25
 - 26 i. At a conference of their respective senior officers, NRLP would be represented by
 - 27 the Managing Director and that person would enlist support from the partners.
 - 28
 - 29 ii. If a dispute cannot be resolved, the Managing Director would pass authority to the
 - 30 Sole Director of NRLP. The partners would be empowered to determine their
 - 31 escalation points at that time.

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OEB STAFF INTERROGATORY - 11

Reference:

1. Amended Application Cover Letter
2. Exhibit A-3-1, Page 5

Preamble:

On July 31, 2024, Hydro One, on behalf of NRLP, submitted an amendment to the OEB to reflect a correction to the depreciation expense and subsequent changes to the components of the revenue requirement requested for approval in the Application.

NRLP is also using this opportunity to file an updated DVA Continuity Schedule to align the adjustments affecting the ESM balance to the year it relates. This has updated the ESM balance requested for disposition and has been incorporated in the revised UTRs to be collected from customers.

NRLP states that as a result of its proposed approach, annual updates to set the revenue requirements for 2026-2029 will not be required. Only one update is proposed to the cost of long-term debt in 2025 as detailed in Exhibit G-01-01 of this Application. Once the 2025 update for cost of long-term debt is complete (impacting 2026-2029 revenue requirements), NRLP's 2026, 2027, 2028 and 2029 revenue requirements will be final. As a result, the OEB can use these final revenue requirements approved to set 2026, 2027, 2028 and 2029 UTRs.

Interrogatory:

- a) Please explain why the OEB was not notified to expect this update.
- b) Please explain what triggered the need for the updated study.
- c) Are there currently other studies ongoing which the OEB has not been notified about?
- d) NRLP has stated that an advantage of utilizing the proposed approach to determine annual revenue is that annual updates would not be required. However, this update provided has altered the revenue requirement during the proceeding.
 - i. Are there further updates to depreciation expected during the 5-year term?
 - ii. What assurance is NRLP providing that this type of unexpected update will not occur again during the 5-year term?

1 e) Please provide the updated UTR calculation showing the differences between the
2 original evidence and the amended evidence. As part of this request, please use the
3 updated 2024 UTRs issued by the OEB on June 27, 2024.

4
5 **Response:**

6 a) NRLP filed the amended as-filed evidence accompanied by a cover letter providing an
7 explanation for the amendments. Inadvertently, NRLP did not notify the OEB in
8 advance of filing the amended as-filed evidence. However, subsequently upon filing
9 the amended as-filed evidence, NRLP wrote to the OEB Case Manager offering to
10 discuss the reason for the amendment. NRLP will ensure to notify the OEB in advance
11 of further amendments, if any.

12
13 b) NRLP sought to confirm with Alliance Consultant Group (Alliance) that the depreciation
14 rates used in this application, as originally filed, were appropriate. Alliance advised
15 that the rates should be modified. This triggered the need for NRLP to amend the
16 application to utilize the modified rates recommended by Alliance.

17
18 c) No.

19
20 d)

21 i. NRLP's revenue requirement framework proposal is for a one-time update in 2025
22 to the cost of long-term debt to reflect the actual market rate achieved on the long-
23 term debt it will issue in 2025 and then set the 2026 - 2029 revenue requirement.
24 NRLP has not proposed to update depreciation during the rate period.

25
26 ii. Please see e) i) above.

1 e) The updated UTRs calculation using the updated 2024 UTRs issued by the OEB on
 2 June 27, 2024 (EB-2024-0183), is summarized in the table below:

	Calculation	Original NRLP Evidence			Amended NRLP Evidence		
		Network	Line Connection	Transformation Connection	Network	Line Connection	Transformation Connection
NRLP Proposed 2025 UTR Revenue Requirement (\$)	A	8,241,184	-	-	8,404,946	-	-
All Other Transmitters approved 2024 UTR Revenue Requirement (\$)	B	1,447,369,018	218,001,720	621,916,870	1,447,369,018	218,001,720	621,916,870
Total UTR Revenue Requirement (\$)	C=A+B	1,455,610,202	218,001,720	621,916,870	1,455,773,964	218,001,720	621,916,870
Total Annual Charge Determinants (MW)	D	237,801.119	230,076.195	193,968.592	237,801.119	230,076.195	193,968.592
Proposed 2025 Uniform Transmission Rates (\$/kW-Month)	E=C/D	6.12	0.95	3.21	6.12	0.95	3.21

Note 1: NRLP's proposed 2025 UTR revenue requirement in Original Evidence as per Exhibit E-01-01 filed on May 23, 2024.

Note 2: NRLP's proposed 2025 UTR revenue requirement in Amended Evidence as per Exhibit E-01-01 filed on July 31, 2024.

Note 3: All other transmitters' approved 2024 UTR revenue requirements and charge determinants as per OEB Decision and Order on 2024 Uniform Transmission Rates Update dated June 27, 2024 (EB-2023-0222).

Note 4: NRLP does not affect the UTRs for Line Connection and Transformation Connection.

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OEB STAFF INTERROGATORY - 12

Reference:

1. Exhibit G-1-1, Page 1
2. Exhibit A-3-1, Pages 15-16

Preamble:

In the above first reference, NRLP proposes, for the 2026 revenue requirement year, that a one-time update will be made to the cost of long-term debt to reflect the actual market rate achieved on the long-term debt it will issue in 2025.

In the above second reference, NRLP states its proposal will allow actual debt issuances made to refinance maturing debt in 2025 to be reflected in the 2026 revenue requirement and through to the end of the rate term.

Interrogatory:

- a) Please confirm the approximate timing when NRLP will provide the cost of long-term debt update to the OEB.
- b) Please confirm, for the NRLP's proposal, the actual 2025 long-term debt re-financing cost rate(s) will only impact base revenue requirements in 2026-2029, by NRLP doing a one-time update. And please confirm if the 2025 base revenue requirement will be updated to reflect the 2025 re-financing rate.
- c) Under NRLP's proposal of a one-time update to reflect the 2025 new cost of debt, how would any variance between the embedded cost of debt and the new cost of debt be addressed? For example, if the new actual cost of debt is much lower than forecast, but NRLP does not adjust downwards the 2025 base revenue requirement, how will this variance be tracked?

Response:

- a) At the time of the Draft Rate Order (DRO) in this proceeding, NRLP intends to update the 2025 to 2029 revenue requirements based on the OEB's release of its 2025 cost of capital parameters.

Regarding the one-time update to the cost of long-term debt to reflect the actual market rate achieved on the long-term debt it will issue in 2025 (as described in Exhibit G-01-01), NRLP issues debt to Hydro One Inc. to reflect debt issued by Hydro One Inc. to third-party public debt investors. The exact timing of debt issued by Hydro One Inc. to third-party investors is uncertain and is dependent on market conditions and investor

- 1 receptivity. Therefore, the timing of the 2026 – 2029 revenue requirement update
2 application in 2025, to reflect the one-time update to the cost of long-term debt, is not
3 known at this time.
- 4
- 5 b) The actual 2025 long-term debt refinancing cost rate(s) will only impact base revenue
6 requirements in 2026-2029. The 2025 base revenue requirement will not be updated
7 to reflect the 2025 re-financing rate.
- 8
- 9 c) NRLP's proposal for a one-time update to reflect the 2025 new cost of debt and no
10 variance account request is consistent with EB-2020-0225.

OEB STAFF INTERROGATORY - 13

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Reference:

Exhibit G-1-1, Page 2

Preamble:

NRLP's deemed capital structure for rate-making purposes is 60% debt and 40% common equity of utility rate base, as affirmed by the OEB's Decision in NRLP's 2020 to 2024 transmission rate application (EB-2018-0275). The 60% debt component is comprised of 4% deemed short-term debt and 56% long-term debt.

Interrogatory:

a) Please provide a quantitative analysis of the annual return on equity for each year of the 5-year term using the proposed approach and the current OEB-approved NRLP model and include the differences between the two.

Response:

a) Please see the response at Interrogatory I-01-02. The difference between NRLP's proposed approach and the current OEB-approved NRLP framework (Interrogatory I-01-02 part a) and b), Scenario 2) is:

Difference between the Approaches	2025	2026	2027	2028	2029
OM&A	0.00	(0.04)	(0.08)	(0.02)	0.75
Depreciation	0.00	(0.02)	(0.04)	(0.06)	(0.08)
Return on Debt	0.00	0.01	(0.05)	(0.11)	(0.17)
Return on Equity	0.00	(0.11)	(0.22)	(0.33)	(0.45)
Income Tax	0.00	(0.00)	(0.00)	(0.01)	(0.01)
Revenue Requirement	0.00	(0.16)	(0.40)	(0.53)	0.04
Net Income	0.00	(0.14)	(0.34)	(0.45)	0.04
Achieved ROE	0.00%	(0.34)%	(0.69)%	(0.85)%	0.44%

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OEB STAFF INTERROGATORY - 14

Reference:

1. EB-2024-0063, Notice, March 6, 2024
2. EB-2024-0063, OEB Letter, April 22, 2024

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, amongst other issues:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?
19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Interrogatory:

- a) Please confirm that the applicant proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

Response:

- a) NRLP will determine its approach to implementing the OEB's Decision in the generic cost of capital proceeding (EB-2024-0063) when that decision is issued.

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1 **OEB STAFF INTERROGATORY - 15**

2
3 **Reference:**

4 EB-2024-0063, OEB Letter, July 26, 2024

5
6 **Preamble:**

7 On July 26, 2024, the OEB issued [a Letter and Accounting Order](#) regarding prescribed
8 interest rates and the deemed short-term debt rate (DSTDR).

9
10 **Interrogatory:**

- 11 a) Please confirm that the applicant will use the 2025 DSTDR to be set in October 2024
12 on an interim basis.
- 13
14 b) Please confirm that the applicant will follow all other direction included in the OEB's
15 Letter and Accounting Order issued on July 26, 2024, including the establishment of a
16 new variance account for the DSTDR.

17
18 **Response:**

- 19 a) Confirmed.
- 20
21 b) Confirmed, HONI will establish a new variance account for the DSTDR.

Filed: 2024-09-09
EB-2024-0117
Exhibit I
Tab 1
Schedule 15
Page 2 of 2

1

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OEB STAFF INTERROGATORY - 16

Reference:

1. EB-2018-0275, OEB Staff 23 Interrogatory Response
2. EB-2018-0275, Exhibit F-6-1, Page 4
3. C-01-01-03_2020-2025 Fixed Asset Excel

Preamble:

In its 2018 interim revenue requirement application (EB-2018-0275), NRLP stated the following:

CCA is calculated on a declining balance and, as a result, the amount of CCA available to reduce taxable income decreases. Under the Accelerated Investments Incentive program included in the Bill C-97, the Budget Implementation Act, 2019, No. 1, it provides for a first-year increase of CCA deductions for eligible capital assets acquired after November 20, 2018, and placed into service prior to January 1, 2028 (Accelerated CCA). Although the NRLP assets were placed into service in 2019, a large percentage of the assets were completed prior to the November 20, 2018 date. As such, only a small portion of the costs incurred during the period from November 21, 2018, to the in-service date would be eligible for the Accelerated CCA. This has been reflected in the computation of the taxable income for the applicable years.

Interrogatory:

- a) Please confirm the CCA amounts embedded in the revenue requirement for 2018 through 2024 and what completed assets (Note 1) were subject to accelerated CCA. OEB staff provides the following suggested format:

Year	\$ Completed Assets	\$ Accelerated CCA Embedded in Rates	\$ Accelerated CCA per Tax Filing

Note 1: OEB staff notes that the term “completed asset” is used in the NRLP applications to distinguish between the capitalization of those assets to rate base (e.g. 2019) vs. the time when the assets were ready for use. The Niagara Reinforcement transmission line was subject to a lengthy third-party land dispute when construction was halted in 2006-2007.

1 b) NRLP forecasted \$0 capital additions from 2025 to 2029 and therefore, there will be
 2 no accelerated CCA to apply to new additions. What is NRLP's opinion regarding the
 3 tax benefit that NRLP receives from the application of the reduced accelerated CCA if
 4 there are capital additions in the next five years?
 5

6 **Response:**

7 a) Provided below is the Accelerated CCA amounts embedded in the revenue
 8 requirement and tax returns for 2018-2024. Of the total project cost of \$119.42
 9 million, \$98.53 million was acquired prior to November 2018, and therefore they
 10 do not qualify for accelerated CCA.
 11

Year	\$ Completed Assets (in \$ millions)	\$ Accelerated CCA Embedded in Rates (in \$ millions)	\$ Accelerated CCA per Tax Filing (in \$ millions)
Pre-November 2018	98.53	n/a - no revenue requirement	-
2019	20.89	1.67	1.67
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	n/a - tax return not filed

12
 13
 14 b) If there were capital additions in the 2025-2029 period, the materiality of the tax benefit
 15 that NRLP receives from the application of the accelerated CCA would be dependant
 16 on the amount of capital additions. However, the incremental costs associated with
 17 these capital additions including return on equity, return on debt, and depreciation
 18 expense are not included in the forecast and would more than offset any potential
 19 accelerated CCA benefit.

OEB STAFF INTERROGATORY - 17

Reference:

1. Exhibit H-1-1, Pages 1-2
2. Exhibit H-1-1, Pages 5-6

Preamble:

In reference 1, NRLP proposes to dispose its ESM deferral account balance. In calculating the projected interest up to December 31, 2024 as part of the ESM balance to be disposed, NRLP states the projected interest for 2024 is calculated by applying interest on the December 31, 2023 principal balance, using the OEB's quarterly prescribed interest rates for deferral and variance accounts.

In reference 2, NRLP states that its calculation of the ROE uses actual rate base as determined by the sum of the Average regulated fixed assets and working capital allowance, as set out in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's RRR reporting. The ROE calculation is normalized for revenue impacting items such as entries recorded in the year which relate to prior years to normalize the in-year net income. The ratepayers' share of the excess earnings are grossed up for the associated tax impact to the extent that there are no losses in the year.

NRLP further stated the 2022 and 2023 ESM amounts do not require a tax gross up because it was in a taxable loss position.

The above noted third reference states the ratepayers' share of the excess earnings are grossed up for the associated tax impact. The tax grossed-up principal amount is determined in a formula as: $P / (0.735 - P) \times 0.55 + P$, where P is before tax grossed-up principal sharing with ratepayers.

Interrogatory:

- NRLP states in reference 3 that it did not gross up the ESM balances for 2022 and 2023 because it was in a tax loss position. Please extend Exhibit F, Schedule 6, Tab 1 in Excel for the historical period of 2019-2023.
- Please update the deferral and variance account carrying charges with the Q3 prescribed interest rates.
- Please provide a list of items where the revenues of the year have been normalized between 2020-2023. Please list the items by the nature, the dollar amount, the % impact of this item on the achieved ROE for the year and rationale

1 of why this item needs to be adjusted. Please provide these items by year.

2

3 d) Please comment on whether NRLP expects excess earnings in 2024 that will
4 result in additional balance to be recorded in the ESM deferral account. If so, when
5 does NRLP expect to dispose of the balance?

6

7 **Response:**

8 a) Please see Attachment 1.

9

10 b) The Q4 2024 prescribed interest rate has not yet been released by the OEB. NRLP
11 will use the assumption that the prescribed interest rate will be the same as Q3 2024
12 (5.2%). Please see Attachment 2 to this response for the updated continuity schedule.

13

14 c) The revenues for year 2020 have no normalization adjustments in the calculation of
15 the achieved ROE. For the years 2021-2023, revenues have been normalized for the
16 ESM amounts recorded in those years. When amounts are recorded in the ESM
17 regulatory account, there is an equal amount deducted from revenue. The
18 normalization adjustment adds this amount back into revenue to be included in the
19 ROE calculation. The amounts for 2021, 2022 and 2023 are \$128,475, \$223,350 and
20 \$218,174, respectively.

21

22 d) NRLP's 2024 full year earnings are not available. If NRLP's earnings exceed the ESM
23 threshold, NRLP will record the amount to be shared with ratepayers in the ESM
24 deferral account and seek disposition at the next cost based application.

NRLP

Calculation of Utility Income Taxes
2018 - 2023 Historical Years
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE					
	2019	2020	2021	2022	2023
Hydro One Networks Inc.	0.0	0.1	0.1	0.1	0.1
Hydro One Indigenous Partnerships GP Inc	0.0	0.0	0.0	0.0	0.0
11100726 Canada Limited (Six Nations)	0.0	0.0	0.0	0.0	0.0
Mississaugas of the New Credit First Nation Toronto Purchase Trust	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.1	0.1	0.1

NRLP

Line No.	Particulars	2019 (b)	2020 (c)	2021 (d)	2022 (e)	2023 (f)
	<u>Determination of Taxable Income/(Loss)</u>					
1	Regulatory Net Income/(Loss) (before tax)	1.3	4.7	4.6	4.7	4.6
2	<u>Recurring items included in Revenue Requirement (RR):</u>					
3	Depreciation	0.8	1.6	1.6	1.6	1.6
4	Capital Cost Allowance	-6.5	-9.1	-8.4	-7.7	-7.1
5	Other	0.9	0.0	0.0	0.0	0.0
6	Total Adjustments	-4.7	-7.5	-6.8	-6.1	-5.5
	<u>Recurring items included not part of RR:</u>					
7	Regulatory asset and liability	(4.5)	0.3	4.3	0.2	0.2
8	Regulatory Taxable Income/(Loss) before Loss Carry Forward	\$ (7.9)	\$ (2.5)	\$ 2.1	\$ (1.2)	\$ (0.7)
	<u>Allocation of Taxable Income/(Loss)</u>					
9	Hydro One Networks Inc.	(5.9)	(1.4)	1.2	(0.7)	(0.3)
10	Hydro One Indigenous Partnerships GP Inc	(0.0)	(0.0)	0.0	(0.0)	(0.0)
11	11100726 Canada Limited (Six Nations)	(2.0)	(0.4)	0.5	(0.3)	(0.2)
12	Mississaugas of the New Credit First Nation Toronto Purchase Trust	(0.0)	(0.6)	0.4	(0.2)	(0.1)
13	Total	\$ (7.9)	\$ (2.5)	\$ 2.1	\$ (1.2)	\$ (0.6)
	<u>Breadown of Taxable Income/(Loss) by source</u>					
14	Taxable income/(Loss) from recurring items in RR	(3.4)	(2.8)	(2.2)	(1.4)	(0.9)
15	Taxable income/(Loss) from recurring items not part of RR	(4.5)	0.3	4.3	0.2	0.2
16	Total Taxable Income/(Loss) of the partnership	\$ (7.9)	\$ (2.5)	\$ 2.1	\$ (1.2)	\$ (0.7)
	<u>Tax Rates</u>					
17	Federal Tax	% 15.00 %	% 15.00 %	% 15.00 %	% 15.00 %	% 15.00 %
18	Provincial Tax	% 11.50 %	% 11.50 %	% 11.50 %	% 11.50 %	% 11.50 %
19	Total Tax Rate	% 26.50 %	% 26.50 %	% 26.50 %	% 26.50 %	% 26.50 %

NRLP

Calculation of Utility Income Taxes
2018 - 2023 Historical Years
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE					
	2019	2020	2021	2022	2023
Hydro One Networks Inc.	0.0	0.1	0.1	0.1	0.1
Hydro One Indigenous Partnerships GP Inc	0.0	0.0	0.0	0.0	0.0
11100726 Canada Limited (Six Nations)	0.0	0.0	0.0	0.0	0.0
Mississaugas of the New Credit First Nation Toronto Purchase Trust	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.1	0.1	0.1

Hydro One Networks Inc.

Line No.	Particulars	2019 (a)	2020 (b)	2021 (c)	2022 (d)	2023 (e)
1	Allocation of Taxable Income in RR	(5.9)	(1.4)	1.2	(0.7)	(0.3)
2	Loss Carryforward - included in RR	5.9	1.4	(1.2)	0.7	0.3
3	Taxable Income after loss carryforward	0.0	0.0	0.0	0.0	0.0
4	Tax Rate	% 26.50	% 26.50	% 26.50	% 26.50	% 26.50
5	Income Tax Expense	0.0	0.0	0.0	0.0	0.0
	<u>Loss Continuity Schedule included in RR</u>					
8	Opening Losses Carryforward	0.0	(2.6)	(4.2)	(5.4)	(6.2)
9	Losses (Incurred)/Utilized during the year	(5.9)	(1.4)	1.2	(0.7)	(0.3)
10	Closing Losses Carryforward	(5.9)	(4.0)	(3.0)	(6.1)	(6.5)
	Less: Losses not included in rates	(3.4)	0.2	2.4	0.1	0.1
	Closing Losses included in rates	(2.6)	(4.2)	(5.4)	(6.2)	(6.7)
	<u>Determination of Corporate Minimum Tax</u>					
12	Allocation of Accounting Income from NR LP	1.0	2.7	2.5	2.6	2.5
13	Corporate Minimum Tax Rate	% 2.70	% 2.70	% 2.70	% 2.70	% 2.70
14	Corporate Minimum Tax Potentially Applicable	0.0	0.1	0.1	0.1	0.1
15	Ontario Income Tax	0.0	0.0	0.0	0.0	0.0
16	Corporate Minimum Tax Payable (Utilized)	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
17	Opening CMT Credit Carryforward	0.0	0.0	0.1	0.2	0.2
18	CMT Credit Incurred/(utilized)	0.0	0.1	0.1	0.1	0.1
19	Closing CMT Credit Carryforward	0.0	0.1	0.2	0.2	0.3
20	Total Taxes Expense for Hydro One Networks Inc.	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

NRLP

Calculation of Utility Income Taxes
2018 - 2023 Historical Years
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE					
	2019	2020	2021	2022	2023
Hydro One Networks Inc.	0.0	0.1	0.1	0.1	0.1
Hydro One Indigenous Partnerships GP Inc	0.0	0.0	0.0	0.0	0.0
11100726 Canada Limited (Six Nations)	0.0	0.0	0.0	0.0	0.0
Mississaugas of the New Credit First Nation Toronto Purchase Trust	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.1	0.1	0.1

Hydro One Indigenous Partnerships GP Inc

Line No.	Particulars	2019 (a)	2020 (b)	2021 (c)	2022 (d)	2023 (e)
<u>Determination of Income Taxes</u>						
1	Allocation of Taxable Income/(Loss) from NRLP	0.0	0.0	0.0	0.0	0.0
2	Loss Carryforward	0.0	0.0	0.0	0.0	0.0
3	Taxable Income/(Loss) after loss carryforward	0.0	0.0	0.0	0.0	0.0
4	Tax Rate	% 26.50	% 26.50	% 26.50	% 26.50	% 26.50
5	Income Tax Expense	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<u>Loss Continuity Schedule</u>						
6	Opening Losses Carryforward	0.0	0.0	0.0	0.0	0.0
7	Losses (Incurred)/Utilized during the year	0.0	0.0	0.0	0.0	0.0
8	Closing Losses Carryforward	0.0	0.0	0.0	0.0	0.0
<u>Determination of Corporate Minimum Tax</u>						
9	Allocation of Accounting Income/(Loss) from NRLP	0.0	0.0	0.0	0.0	0.0
10	Corporate Minimum Tax Rate	% 2.70	% 2.70	% 2.70	% 2.70	% 2.70
11	Corporate Minimum Tax Potentially Applicable	0.0	0.0	0.0	0.0	0.0
12	Ontario Income Tax	0.0	0.0	0.0	0.0	0.0
13	Corporate Minimum Tax Payable (Utilized)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
14	Opening CMT Credit Carryforward	0.0	0.0	0.0	0.0	0.0
15	CMT Credit Incurred/(utilized)	0.0	0.0	0.0	0.0	0.0
16	Closing CMT Credit Carryforward	0.0	0.0	0.0	0.0	0.0
17	Total Taxes Expense for Hydro One Indigenous Partnerships GP Inc	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

NRLP
Calculation of Utility Income Taxes
2018 - 2023 Historical Years
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE	2019	2020	2021	2022	2023
Hydro One Networks Inc.	0.0	0.1	0.1	0.1	0.1
Hydro One Indigenous Partnerships GP Inc	0.0	0.0	0.0	0.0	0.0
11100726 Canada Limited (Six Nations)	0.0	0.0	0.0	0.0	0.0
Mississaugas of the New Credit First Nation Toronto Purchase Trust	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.1	0.1	0.1

Six Nations

Line No.	Particulars	2019 (a)	2020 (b)	2021 (c)	2022 (d)	2023 (e)
	<u>Determination of Income Taxes</u>					
1	Allocation of Taxable Income/(Loss) from NRLP	(2.0)	(0.6)	0.5	(0.3)	(0.2)
2	Tax Rate	% 0.00	% 0.00	% 0.00	% 0.00	% 0.00
3	Income Tax Expense	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
	<u>Determination of Corporate Minimum Tax</u>					
4	Allocation of Accounting Income/(Loss) from NRLP	0.3	1.2	1.1	1.2	1.2
5	Corporate Minimum Tax Rate	% 0.00	% 0.00	% 0.00	% 0.00	% 0.00
6	Corporate Minimum Tax Payable	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
7	Total Tax Expense for Six Nations	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

NRLP

Calculation of Utility Income Taxes
2018 - 2023 Historical Years
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE					
	2019	2020	2021	2022	2023
Hydro One Networks Inc.	0.0	0.1	0.1	0.1	0.1
Hydro One Indigenous Partnerships GP Inc	0.0	0.0	0.0	0.0	0.0
11100726 Canada Limited (Six Nations)	0.0	0.0	0.0	0.0	0.0
Mississaugas of the New Credit First Nation Toronto Purchase Trust	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.1	0.1	0.1

Mississaugas of the New Credit First Nation Toronto Purchase Trust

Line No.	Particulars	2019 (a)	2020 (b)	2021 (c)	2022 (d)	2023 (e)
<u>Determination of Income Taxes</u>						
1	Allocation of Taxable Income from NRLP	(0.0)	(0.4)	0.4	(0.2)	(0.1)
2	Tax Rate	% 0.00	% 0.00	% 0.00	% 0.00	% 0.00
3	Income Tax Expense	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<u>Determination of Corporate Minimum Tax</u>						
4	Allocation of Accounting Income from NRLP	0.0	0.9	0.9	9.3	9.2
5	Corporate Minimum Tax Rate	% 0.00	% 0.00	% 0.00	% 0.00	% 0.00
6	Corporate Minimum Tax Payable	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
7	Total Tax Expense for Mississaugas of the New Credit	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

		2020									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-20	Transactions Debit / (Credit) during 2020	Board-Approved Disposition during 2020	Principal Adjustments during 2021	Closing Principal Balances as of Dec 31-20	Opening Interest Amounts as of Jan-1-20	Interest Jan-1 to Dec-31-20	Interest Disposition during 2020- instructed by Board	Interest Adjustments during 2021	Closing Interest Balance as at Dec 31 -20 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508				4,148,691	4,148,691				66,635	66,635
Tax Rate and Rule Changes Variance Account	1592										-
Earnings Sharing Mechanism (ESM) Deferral Account	2435										-
Total Regulatory Accounts Seeking Disposition – Group 2					4,148,691		-		-	66,635	66,635
Total Regulatory Accounts Not Seeking Disposition – Group 2							-		-	66,635	66,635

Note: The adjustment in 2023 relates to a pencil adjustment in 2022. The minimum tax of \$70K was incorporated into the ROE calculation but not the ESM calculation.

		2021									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-21	Transactions Debit/(Credit) during 2021	Board-Approved Disposition during 2021	Principal Adjustments during 2022	Closing Principal Balances as of Dec 31-21	Opening Interest Amounts as of Jan-1-21	Interest Jan-1 to Dec-31-21	Interest Disposition during 2021-instructed by Board	Interest Adjustments during 2022	Closing Interest Balance as at Dec 31 -21 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	4,148,691		4,148,691		(0)	66,635	12,550	79,217		(33)
Tax Rate and Rule Changes Variance Account	1592					-					-
Earnings Sharing Mechanism (ESM) Deferral Account	2435	-	(128,475)			(128,475)	-				-
Total Regulatory Accounts Seeking Disposition – Group 2		4,148,691	-	4,148,691		(0)	66,635		79,217	12,550	(33)
Total Regulatory Accounts Not Seeking Disposition – Group 2		4,148,691	-	4,148,691		(0)	66,635		79,217	12,550	(33)

		2022									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-22	Transactions Debit/(Credit) during 2022	Board-Approved Disposition during 2022	Principal Adjustments during 2023	Closing Principal Balances as of Dec 31-22	Opening Interest Amounts as of Jan-1-22	Interest Jan-1 to Dec-31-22	Interest Disposition during 2022-instructed by Board	Interest Adjustments during 2023	Closing Interest Balance as at Dec 31 -22 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	(0)				(0)	(33)	33			-
Tax Rate and Rule Changes Variance Account	1592	-				-					-
Earnings Sharing Mechanism (ESM) Deferral Account	2435	(128,475)	(278,736)		55,386	(351,826)	0	(2,473)			(2,473)
Total Regulatory Accounts Seeking Disposition – Group 2		(128,475)	(278,736)	-		(351,826)	(33)	(2,440)	-	-	(2,473)
Total Regulatory Accounts Not Seeking Disposition – Group 2		(128,475)	(278,736)	-		(351,826)	(33)	(2,440)	-	-	(2,473)

		2023									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-23	Transactions Debit/(Credit) during 2023	Board-Approved Disposition during 2023	Principal Adjustments during 2024	Closing Principal Balances as of Dec 31-23	Opening Interest Amounts as of Jan-1-23	Interest Jan-1 to Dec-31-23	Interest Disposition during 2023-instructed by Board	Interest Adjustments during 2024	Interest Balance as at Dec 31 -23 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	(0)				(0)	-	(0)			(0)
Tax Rate and Rule Changes Variance Account	1592					-					-
Earnings Sharing Mechanism (ESM) Deferral Account	2435	(351,826)	(218,174)		34,239	(535,761)	(2,473)	(18,402)			(20,875)
Total Regulatory Accounts Seeking Disposition – Group 2		(351,826)	(218,174)	-	34,239	(535,761)	(2,473)	(18,402)	-	-	(20,875)
Total Regulatory Accounts Not Seeking Disposition – Group 2		(351,826)	(218,174)	-	34,239	(535,761)	(2,473)	(18,402)	-	-	(20,875)

		2024						2.1.7 RRR			
Account Descriptions	Account Number	Principal Disposition during 2024 - instructed by OEB	Interest Disposition during 2024 - instructed by OEB	Closing Principal Balances as of Dec 31-23 Adjusted for Dispositions during 2024	Closing Interest Balances as of Dec 31-23 Adjusted for Dispositions during 2024	Projected Interest from Jan 1, 2024 to December 31, 2024 on Dec 31-23 balance adjusted for disposition during 2024	Total Interest	Total Claim	Accounts To Dispose Yes/No	As of Dec 31-23	Variance RRR vs. 2023 Balance (Principal + Interest)
Group 2 Accounts											
Foregone Revenue Deferral Account	1508			(0)	(0)	(0)	(0)	(0)	No		
Tax Rate and Rule Changes Variance Account	1592					-	-	-	No		
Earnings Sharing Mechanism (ESM) Deferral Account	2435			(535,761)	(20,875)	(28,636)	(49,512)	(585,272)	Yes	(556,635.72)	0.00
Total Regulatory Accounts Seeking Disposition – Group 2				(535,761)	(20,875)	(28,636)	(49,512)				
Total Regulatory Accounts Not Seeking Disposition – Group 2				(535,761)	(20,875)	(28,636)	(49,512)	(585,272)			

1 **OEB STAFF INTERROGATORY - 18**
2

3 **Reference:**

4 Exhibit H-1-1, Pages 1-5
5

6 **Preamble:**

7 NRLP proposes the continuance of the three regulatory accounts it currently has:

- 8 • Account 1508 – sub account Foregone Revenue Deferral Account
 - 9 • Account 1592 – sub account Tax Rate and Rule Changes Variance Account
 - 10 • Account 2435 – Earnings Sharing Mechanism (ESM) Deferral Account
- 11

12 **Interrogatory:**

13 a) In the event that NRLP wants to establish a new deferral or variance account, how
14 does it propose to do so during its rebasing term?

15
16 b) In the event that any of the regulatory accounts has a balance for disposal, please
17 confirm when the account balance disposition will be requested to the OEB?
18

19 **Response:**

20 a) NRLP does not expect to have the need to establish a new deferral or variance
21 account during the rebasing term. In the event that a new deferral or variance account
22 is was needed, NRLP would propose to file a standalone application to request the
23 account. As noted, this is not expected to be required.
24

25 b) NRLP expects to bring forward regulatory account balances for disposal at its next
26 rebasing.

Filed: 2024-09-09
EB-2024-0117
Exhibit I
Tab 1
Schedule 18
Page 2 of 2

1

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1 **SCHOOL ENERGY COALITION INTERROGATORY - 01**

2
3
4
5
6
7
8
9
10
11
12

Reference:

Exhibit A-4-1, Page 3

Interrogatory:

Please confirm that the current Hydro One Networks Inc. transmission approved stretch factor is 0.15%.

Response:

Confirmed. Pursuant to the EB-2021-0110 approved settlement proposal, the current HONI Transmission X-factor is 0.15%.

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SCHOOL ENERGY COALITION INTERROGATORY - 02

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16

Reference:

Exhibit F-2-1, Page 2

Interrogatory:

Please provide a breakdown of the NRLP's OM&A expenses in each year between 2020 and 2029, into the following categories:

- a) Labour provided by Hydro One Networks Inc.
- b) Other Labour
- c) Non-Labour provided by Hydro One Networks Inc.
- d) Other Non-Labour

Response:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Act	Act	Act	Act	Bridge ¹	Fcst	Fcst	Fcst	Fcst	Fcst
Labour – HONI	0.44	0.35	0.38	0.67	0.43	0.40	0.45	0.43	0.51	0.59
Labour - Other	-	-	-	-	-	-	-	-	-	-
Non-Labour HONI	0.10	0.05	0.07	0.20	0.30	0.23	0.25	0.24	0.22	0.45
Non-Labour Other	0.12	0.11	0.17	0.19	0.54	0.45	0.36	0.36	0.37	0.85
Total OM&A	0.67	0.51	0.62	1.06	1.27	1.08	1.05	1.03	1.10	1.89

¹ Forecast

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1 **SCHOOL ENERGY COALITION INTERROGATORY - 03**

2
3 **Reference:**

4 Exhibit F-2-1, Pages 3-5

5
6 **Interrogatory:**

7 Please provide a more detailed explanation, including specific basis and underlying
8 assumptions, for the forecast 2024 to 2029 maintenance expenses.

9
10 **Response:**

11 The forecasted maintenance costs are in accordance with HONI's established strategy for
12 types and frequency of maintenance, as described in Table 4 of Exhibit B-01-03
13 Attachment 1. They include preventive cyclical activities, as well as demand driven work
14 that could result from defects found during patrols or caused by external factors (i.e.
15 extreme weather, vehicle collisions, etc.). Given that this is a relatively newly constructed
16 steel tower line, demand costs are not expected to be significant during this rate
17 application.

18
19 The vegetation management program is a 6-year cycle program with a mid-cycle condition
20 patrol and an annual patrol required by NERC. The forecast is based on historical project
21 costs at NRLP and are built on HONI's established practices and standards to carry out
22 each program.

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1 **SCHOOL ENERGY COALITION INTERROGATORY - 04**

2
3 **Reference:**

4 Exhibit F-2-1

5
6 **Interrogatory:**

7 Has Hydro One Networks Inc. undertaken or participated in any compensation
8 benchmarking studies since those filed in EB-2021-0110? If so, please provide copies.

9
10 **Response:**

11 NRLP does not possess any compensation benchmarking studies performed by HONI.
12 Further, it is inappropriate that any HONI-related study be obtained in the context of
13 NRLP's revenue requirement application.

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SCHOOL ENERGY COALITION INTERROGATORY - 05

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Reference:

Exhibit F-3-1, Attachment 1

Interrogatory:

Please provide the amounts paid or forecast to be paid to Hydro One Network pursuant to the SLA for each year between 2020 and 2029, broken down by, i) Operational Fees, ii) Management Fees, and iii) any other payments.

Response:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Act	Act	Act	Act	Bridge	Fcst	Fcst	Fcst	Fcst	Fcst
Operational Fees	0.19	-	0.03	0.18	0.38	0.05	0.10	0.06	0.15	0.91
Management Fees	0.19	0.28	0.30	0.47	0.34	0.37	0.38	0.39	0.38	0.38
Other Payments	-	-	-	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total SLA	0.38	0.28	0.33	0.74	0.81	0.51	0.57	0.54	0.61	1.39

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SCHOOL ENERGY COALITION INTERROGATORY - 06

Reference:

1. Exhibit F-6-1, Attachment 2
2. Exhibit A-5-1

Interrogatory:

The evidence is that Hydro One Networks Inc. has a 54.9% ownership interest (as a LP) in NRLP. Yet, NRLP appears to allocate Hydro One Networks Inc. differing amount of taxable income each year between 2024 and 2029 (ranging from a low of 44% in 2025 to a high of 60% in 2027) for the purposes of the income tax expense (See Ln 8/Ln 12). Please explain why.

Response:

The percentage allocation of taxable income differs from the partnership ownership percentage due to the tax-exempt status of the First Nations partners. Any taxes recovered in the revenue requirement are first allocated to HONI and HOIP Inc. as the taxable partners to cover their tax expense. The remaining net income (i.e. after allocating the revenue relating to taxes to Hydro One taxable partners) is then allocated to all partners based on ownership percentage.

Please see below for the calculation of the taxable income based on the principles noted above (using test year 2027 as an example as the % is the highest as noted in the interrogatory above):

		Mississaugas of the New Credit First Nation 11100726 Canada Limited Toronto Purchase Trust			
Allocation of taxable income		HONI	HOIP Inc.	(Six Nations)	
Taxable income of partnership	A	0.4	0.4	0.4	0.4
Less: Revenue Requirement for taxes		(0.1)	(0.1)	(0.1)	(0.1)
Taxable income to be allocated (prorata)		0.4	0.4	0.4	0.4
Ownership percentage		54.9%	0.1%	25.0%	20.0%
Pre-tax taxable income allocated to partners		0.2	0.0	0.1	0.1
Add: Revenue Requirement for taxes		0.1	(0.0)	-	-
Allocation of taxable income	B	0.3	0.0	0.1	0.1
% Allocation of taxable income	B/A	61.1%	0.1%	21.6%	17.2%

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1 **SCHOOL ENERGY COALITION INTERROGATORY - 07**

2
3 **Reference:**

4 Exhibit G-1-1

5
6 **Interrogatory:**

7 With respect to the long-term debt:

- 8
- 9 a) [p.4] The evidence is that NRLP issues debt to Hydro One Inc. to reflect Hydro One's
10 debt issued to third-party investors. Does Hydro One Inc. issue debt specifically for
11 NRLP or is NRLP allocated a portion of a larger debt issuance?
12
- 13 b) [p.5] Please update the forecast February 2025 debt issuance based on the most
14 recent available information (i.e. Consensus Forecast, new issues spreads, etc.).
15
- 16 c) [p.5] Please explain why NRLP is replacing a 5-year debt issuance with a 10-year debt
17 issuance and why that is reasonable.
18
- 19 d) Please provide Hydro One Networks Inc.'s current actual average long-term debt rate.
20

21 **Response:**

- 22 a) NRLP is allocated a portion of a larger Hydro One Inc. debt issuance.
23
- 24 b) The interest rate forecast for the February 2025 debt issuance based on the most
25 recent available information, which is the July 2024 Consensus Forecasts and the
26 average of indicative new issue spreads for July 2024, is 4.364% (compared to the
27 January forecast of 4.348%).
28
- 29 c) NRLP is replacing a 5-year debt issuance with a 10-year debt issuance that matures
30 in 2035 because it currently has a 2030 maturity, which was a 10-year debt issuance
31 five years ago. A 10-year debt issuance in 2025 will reduce refinancing risk by creating
32 debt maturities in 2030, 2035 and 2050.
33
- 34 d) Hydro One Inc. issues debt on behalf of Hydro One Networks Inc. Hydro One Inc's,
35 average long-term debt rate as at June 30, 2024 is 4.3%, and is reflective of \$15.1
36 billion of long-term debt issued between 2000 and 2024 and is comprised of debt
37 maturing between 2025 and 2064.

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1 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
2 **INTERROGATORY - 01**

3
4 **Reference:**

5 Exhibit A-3-1, Page 2

6
7 **Interrogatory:**

8 Please provide the bill impacts for a typical industrial customer and provide all
9 assumptions.

10
11 **Response:**

12 Consistent with Exhibit A-03-01, Page 2 (referenced section of the evidence in the
13 interrogatory) which provides bill impacts for typical Hydro One distribution-connected
14 customers, the following table provides the impact for an average Hydro One distribution-
15 connected General Service greater than 50 kW customer based on Hydro One Distribution
16 consumption levels.

	Calculation ^[1]	2024	2025	2026	2027	2028	2029
NRLP's Rates Revenue Requirement (\$M) ^[2]	A	8.565	8.405	8.942	8.822	8.806	9.492
NRLP's 2024 Rates Revenue Requirement as % of UTR Network Revenue Requirement ^[3]	B	0.624%					
Estimated Net Impact on RTSR-Network ^[4]	$C=(A/A_{PY-1}) * B_{2024}$		-0.012%	0.040%	-0.008%	-0.001%	0.049%
Average Hydro One Distribution GS>50kW Customer Consuming 34,334 kWh and 110 Peak kW per Month							
		2024	2025	2026	2027	2028	2029
RTSR Network Charge (\$) ^{[5],[6]}	$D=DPY*(1+ C)$	331.661	331.622	331.754	331.727	331.723	331.884
RTSR Connection Charge (\$) ^{[5],[7],[8]}	E	259.754	259.754	259.754	259.754	259.754	259.754
Total RTSR Charge (\$)	$F=D+E$	591.415	591.376	591.508	591.481	591.477	591.638
Estimated Change in RTSR Network Charge (\$) ^[8]	$G=C*DPY$		(0.039)	0.132	(0.028)	(0.004)	0.161
Total Bill (\$) ^[9]	$H=HPY+D$	7,787.026	7,786.987	7,787.119	7,787.091	7,787.087	7,787.249
<i>Increase as a % of Total bill</i>	$I=G/HPY$		0.000%	0.002%	0.000%	0.000%	0.002%

^[1] Inputs are current year (CY) unless otherwise denoted (e.g. PY refers to the value from the previous year). Calculations are for test period, from 2025-2029.

^[2] NRLP's 2024 rates revenue requirement per Decision and Rate Order, EB-2023-0128, Decision and Order, September 7, 2023, and the 2025-2029 rates revenue requirement as per Exhibit E-01-01.

^[3] Represents NRLP's currently approved revenue disbursement allocator based on the approved Total 2024 UTR Network Revenue Requirement of \$1,373,508,207 as per OEB Decision and Rate Order, EB-2023-0222, 2024 Uniform Transmission Rates Update-Schedule A, January 18, 2024.

^[4] The calculation of net impact on Hydro One Distribution's RTSR Network is NRLP's change in rates revenue requirement relative to its share of the total 2024 UTR Network revenue requirement.

^[5] Hydro One Distribution's currently approved RTSRs are based on the Preliminary 2024 UTRs, EB-2023-0222, September 28, 2023.

^[6] Represents the approved 2024 RTSR Network (\$/kW) effective January 1, 2024 per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the GS>50 kW approved loss factor, multiplied by the monthly demand charge determinant (i.e. 110 kW).

^[7] Represents the approved 2024 RTSR Connection (\$/kW) effective January 1, 2024 approved per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the GS>50kW approved loss factor, multiplied by the monthly demand charge determinant (i.e. 110 kW).

^[8] NRLP's rates revenue requirement is wholly allocated to the Network rate pool. As a result, NRLP's rates revenue requirement impacts RTSR-N, and not RTSR-C.

^[9] Total 2024 bill including HST, based on time-of-use commodity price effective November 1, 2023 and distribution rates effective January 1, 2024 approved per Distribution Rate Order EB-2023-0030, dated December 14, 2023, 2025-2029 total bills reflect the year over year estimated change in RTSR-N, and does not account for corresponding adjustments for HST.

1 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
2 **INTERROGATORY - 02**

3
4 **Reference:**

5 Exhibit B-1-3, Attachment 1, Page 12

6
7 **Interrogatory:**

8 With respect to each of the maintenance activities in Table 4:

- 9
- 10 a) Please provide the historical actuals for each of the years 2020 to 2024.
- 11
- 12 b) Please provide the forecast budget for each of the years 2025 to 2029.
- 13
- 14 c) Please provide actual unit costs where applicable for each of the years 2020 to 2024
15 and show the calculation.
- 16
- 17 d) Please provide forecast unit costs where applicable for each of the years 2025 to 2029
18 and show the calculation.

- 1 **Response:**
- 2 a) and b):
- 3 The table below outlines the historical and forecast spend by maintenance activity for 2020 to 2029.

			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asset	Maintenance	Frequency	Actual	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan	Plan
Overhead Transmission Lines	Helicopter Patrol	3 years			Deferred ¹			\$0.01M			\$0.01M	
	Ground Patrol	12 years										
	Thermovision	2 years		Deferred ¹		Deferred ¹		\$0.01M		\$0.01M		\$0.01M
Total Lines			\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.02M	\$0.00M	\$0.01M	\$0.01M	\$0.01M
Transmission Rights of Way	Line Clearing	6 years				\$0.10M	\$0.02M					\$0.13M
	Brush Control	6 years					\$0.31M					\$0.74M
	Condition Patrol	6 years							\$0.05M			
	Property Owner Notifications	6 years			\$0.00M	\$0.08M					\$0.08M	
	Annual Vegetation Patrol ²	1 year	\$0.01M ³	\$0.01M ²	\$0.01M ²		\$0.01M	\$0.01M		\$0.01M	\$0.01M	
Total Vegetation			\$0.01M	\$0.01M	\$0.01M	\$0.18M	\$0.34M	\$0.01M	\$0.05M	\$0.01M	\$0.09M	\$0.87M
Total Maintenance			\$0.01M⁴	\$0.01M	\$0.01M	\$0.18M	\$0.34M	\$0.03M	\$0.05M	\$0.02M	\$0.10M	\$0.88M

¹ Patrols were deferred as these were brand new lines. However, these will resume beginning 2025.

² In years where Line Clearing or Condition Patrol is scheduled, Annual Vegetation Patrol is not required as patrol is completed through Line Clearing and Condition Patrol programs.

³ Total of \$0.02M was charged in 2022 for all Annual Vegetation Patrols completed between 2020 and 2022. Breakdown by year is not available. Therefore, costs were averaged for 2020 to 2022.

⁴ For 2020, Exhibit F-02-01 Table 2 should show \$0.01M instead of \$0.1M.

- 1 c) and d):
- 2 Below are the accomplishments for maintenance activities that meet the materiality threshold for NRLP.

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Maintenance	Frequency	Actual	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan	Plan
Line Clearing (RoW Kms)	6 years	0	0	0	0	76 ⁵	0	0	0	0	76
Brush Control (Hectares)	6 years	0	0	0	0	346	0	0	0	0	346
Condition Patrol (RoW Kms)	6 years	0	0	0	0	0	0	76	0	0	0
Notification (Row Kms)	6 years	0	0	0	76	0	0	0	0	76	0

⁵ Line Clearing was initiated in 2023 but completed in 2024. Units represent all Line Clearing completed in 2023 and 2024.

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1 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
2 **INTERROGATORY - 03**

3
4 **Reference:**

5 Exhibit F-2-1, Page 3

6
7 **Interrogatory:**

8 a) Please provide Overhead Transmission Lines maintenance costs for each of the years
9 2020 to 2029.

10
11 b) Please provide Transmission ROW maintenance costs for each of the years 2020 to
12 2029.

13
14 **Response:**

15 a) Please see Interrogatory I-03-02.

16

17 b) Please see Interrogatory I-03-02.

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1 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
2 **INTERROGATORY - 04**

3
4 **Reference:**

5 Exhibit F-2-1, Page 7

6
7 **Interrogatory:**

- 8 a) For each of the years 2020 to 2023, the plan amounts for the Managing Director's
9 Office are \$0.2 million and the actuals are \$0.1 million. Please explain the variance in
10 each year.
- 11
- 12 b) Please explain the 2024 Managing Director's Office forecast of \$0.2 million compared
13 to 2023 actuals.
- 14
- 15 c) Please explain the 2025 to 2029 Managing Director's Office forecast of \$0.2 million
16 compared to 2023 actuals.

17
18 **Response:**

- 19 a) Exhibit F-02-01 provides a listing of the tasks and events that are covered by the
20 Managing Directors Office. Primarily, it is associated with conducting meetings and
21 community outreach. The costs for 2020-2024 were submitted for consideration as
22 part of the 2019 application. For the 2020-2022 period, meeting arrangements were
23 changed due to the COVID-19 epidemic, which was unforeseen when the 2019
24 application was submitted. Meetings were not held in person and in-person community
25 outreach was halted. As a result, many of those forecasted costs did not arise. For
26 2023, community meetings remained constrained and infrequent.
- 27
- 28 b) In 2024, community outreach is returning, and the Managing Director has presented,
29 in-person, to the community on two different occasions thus far in 2024 as well as
30 multiple visits to meet with Council and other officials. Furthermore, there will be
31 additional costs in making certain individuals, including community members where
32 possible, available for meetings and other matters.
- 33
- 34 c) Over the rate period, NRLP plans to increase community outreach and Advisory
35 Committee meetings are returning to an in-person format. The current website was
36 built in 2021, and an initiative to review and reset the website is contemplated in the
37 next 12-24 months.

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