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BY EMAIL AND RESS

September 20, 2024

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

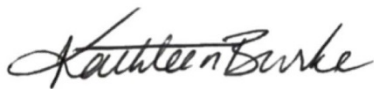
Dear Ms. Marconi,

**EB-2024-0217 – Hydro One Networks Inc. – Application for 2025 Transmission Revenue Requirement
– Interrogatory Responses**

In accordance with the Ontario Energy Board's Procedural Order No. 1, issued August 27, 2024, please find interrogatory responses provided by Hydro One Networks Inc.

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

OEB STAFF INTERROGATORY - 01

Reference:

Exhibit A-4-1, Page 1

Preamble:

Table 1 at Reference 1 above shows the total rates revenue requirement for 2025, as seen below:

Table 1 - Total Rates Revenue Requirement (\$M)

	2025	Section Reference
Total Revenue Requirement	2,174.5	Section 3.0
Deduct: External Revenue	(37.1)	Section 5.3
Deduct: Wholesale Meter Service (WMS) Revenue	(0.0)	Section 5.4
Deduct: Export Transmission Service (ETS) Revenue	(37.3)	Section 5.5
Add: Low Voltage Switchgear (LVSG) Credit	19.6	Section 5.6
Add: Disposition of Deferral and Variance Accounts	15.8	Section 5.2
Rates Revenue Requirement	2,135.6	

Interrogatory:

a) Please provide the exact values of all values shown in Table 1 above.

Response:

a) The exact values shown in Table 1 are provided below:

Total Rates Revenue Requirement (\$)

	2025
Total Revenue Requirement	2,174,526,690
Deduct: External Revenue	(37,124,630)
Deduct: Wholesale Meter Service (WMS) Revenue	-
Deduct: Export Transmission Service (ETS) Revenue	(37,255,967)
Add: Low Voltage Switchgear (LVSG) Credit	19,628,434
Add: Disposition of Deferral and Variance Accounts	15,797,767
Rates Revenue Requirement	2,135,572,294

As a result of the update to the DVA account balance in Interrogatory I-01-02 part a) (as it relates to prescribed interest rates for Q3 and Q4 of 2024), the 2025 rates revenue requirement has been updated to \$2,135,522,759 and is shown below.¹

Revised Table 1 - Total Rates Revenue Requirement (\$)

	2025
Total Revenue Requirement	2,174,526,690
Deduct: External Revenue	(37,124,630)
Deduct: Wholesale Meter Service (WMS) Revenue	-
Deduct: Export Transmission Service (ETS) Revenue	(37,255,967)
Add: Low Voltage Switchgear (LVSG) Credit	19,628,434
Add: Disposition of Deferral and Variance Accounts	15,748,233
Rates Revenue Requirement	2,135,522,759

Further, Hydro One has also updated Exhibit A-04-01, Tables 7, 10 and 11 below to reflect the updated DVA balance included in rates revenue requirement.

¹ Revised Exhibit A-04-01 Table 1 is presented in dollars (previously presented in millions in Exhibit A-04-01) to align with the request in the interrogatory.

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Revised Table 7 - 2025 Rates Revenue Requirement by Rate Pool (\$M)

	Network	Line Connection	Transformation Connection	Total
2023 Total Revenue Requirement ^[1]	1,189.0	202.8	560.7	1,952.5
Percentage Split by Rate Pool	61%	10%	29%	100%
	Network	Line Connection	Transformation Connection	Total
2025 Total Revenue Requirement ^[2]	1,324.2	225.8	624.5	2,174.5
Deferral & Variance Accounts Disposition ^[3]	15.7	-	-	15.7
External Revenue ^[4]	(22.6)	(3.9)	(10.7)	(37.1)
WMS Revenue ^[5]	-	-	-	-
ETS Revenue ^[6]	(37.3)	-	-	(37.3)
LVSG Credit ^[7]	-	-	19.6	19.6
2025 Rates Revenue Requirement	1,280.1	222.0	633.5	2,135.5

^[1] See Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 1.

^[2] As per Table 4.

^[3] As per Interrogatory I-01-02 part a)

^[4] As per Section 5.3.

^[5] As per Section 5.4.

^[6] As per Section 5.5.

^[7] As per Section 5.6.

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Revised Table 10 - Average Bill Impacts on Transmission-Connected Customers

	2024	2025
Hydro One Transmission's Rates Revenue Requirement	\$2,024,306,762	\$2,135,522,759
% Change in Rates Revenue Requirement over prior year		5.5%
% Impact of load forecast change		1.3%
Net Impact on Average Transmission Rates^[3]		6.2%
Transmission as a % of Tx-connected customer's Total Bill		12.2%
Estimated Average Transmission Customer Bill Impact		0.8%

^[1] 2024 rates revenue requirement per Decision and Rate Order, EB-2023-0127 dated September 19, 2023.

^[2] 2025 Rates Revenue Requirement per Revised Table 1.

^[3] The calculation of net impact on transmission rates accounts for Hydro One Transmission's 2024 rates revenue requirement as 91.5% of the total rates revenue requirement across all transmitters $[91.5\% \times (5.5\% + 1.3\%)] = 6.2\%$, as per Decision and Rate Order, EB-2023-0022, 2024 Uniform Transmission Rates, January 18, 2024.

1 **Revised Table 11 - 2025 Total Bill Impacts for Distribution-Connected Customers**

	Calculation	2024	2025
Hydro One Transmission's Rates Revenue Requirement ^[1]	A	\$2,024,306,762	\$2,135,522,759
Hydro One Transmission's 2024 Revenue Requirement as % of Total UTR Revenue Requirement ^[2]	B		91.5%
Hydro One Transmission's Net Impact on 2025 RTSRs ^[3,4]	$C=(A_{2025}/A_{2024}-1)*B$		5.02%
		Typical Hydro One Distribution R1 Residential Customer Consuming 750 kWh per Month	Typical Hydro One Distribution GS<50kW Customer Consuming 2,000 kWh per Month
Total bill as of January 1, 2024 ^[5]	D	\$141.10	\$441.58
2024 RTSR Network Charge ^[6]	E	\$9.523	\$20.386
2024 RTSR Connection Charge ^[7]	F	\$7.021	\$16.221
2024 Total RTSR Charge	G=E+F	\$16.544	\$36.606
2025 Estimated Change in RTSR Charge	H=G*C	\$0.831	\$1.839
2025 Estimated Total RTSR Charge	I=G+H	\$17.375	\$38.446
2025 Increase as a % of Total bill	J=H/D	0.589%	0.417%

^[1] Hydro One Transmission's 2024 rates revenue requirement as per the Decision and Rate Order, EB-2023-0127 dated September 19, 2023 and the 2025 rates revenue requirement as per Revised Table 1.

^[2] Represents Hydro One Transmissions' currently approved revenue disbursement allocator based on total UTR Revenue Requirement of \$2,213,426,797 as per OEB Decision and Rate Order, EB-2023-0222, 2024 Uniform Transmission Rates-Schedule A, January 18, 2024.

^[3] Hydro One Distribution's currently approved RTSRs are based on the Preliminary 2024 UTRs, EB-2023-0222, September 28, 2023. Hydro One Transmission's net impact on 2025 RTSRs represents the change in Hydro One Transmission's rates revenue requirement relative to its approved 2024 rates revenue requirement included in the Preliminary UTRs.

^[4] Hydro One Transmission's charge determinants as per the Decision and Rate Order, EB-2023-0127 dated September 19, 2023.

^[5] 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, with 19.3% Ontario Energy Rebate (effective November 1, 2023), \$0.42 Smart Meter Entity Charge (effective January 1, 2023) and Distribution Rate Protection cap of \$39.49 (effective July 1, 2023 for Hydro One Distribution R1).

^[6] Represents the approved 2024 RTSR Network (\$/kWh) effective January 1, 2024 per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the monthly consumption (i.e. 750kWh/month Hydro One Distribution R1 or 2,000 kWh/month Hydro One Distribution GS<50kW), multiplied by the corresponding approved loss factor.

^[7] Represents the approved 2024 RTSR Connection (\$/kWh) effective January 1, 2024 approved per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the monthly consumption (i.e. 750kWh/month Hydro One Distribution R1 or 2,000 kWh/month Hydro One Distribution GS<50kW), multiplied by the corresponding approved loss factor.

OEB STAFF INTERROGATORY - 02

Reference:

1. Exhibit A-4-1, Attachment 1, Pages 1-7
2. EB-2019-0082, Decision and Order, Page 179

Preamble:

At Reference 1 above, the continuity schedule of the Excess Export Service Revenue Account is provided.

Interrogatory:

- a) Please provide a detailed calculation showing how the "Projected Interest from Jan 1, 2024 to December 31, 2024 on Dec 31-23 balance adjusted for disposition during 2024" amount of \$788,248.22 was calculated.
- b) Provide additional details on how the following amounts were calculated:
 - a. Transactions Debit / (Credit) during 2021 - \$3,888,586.63
 - b. Transactions Debit / (Credit) during 2022 - \$3,263,973.56
 - c. Transactions Debit / (Credit) during 2023 - \$7,205,330.93
- c) What were the forecast versus actual export service revenues from 2021 to 2023?
- d) Please confirm the methodology used to derive the forecast revenue volumes. If it is not a 3-year rolling average, as used in previous applications including EB-2019-0082, please describe the methodology and why it is being used.
- e) Please categorize, describe and associate a \$ value with the major drivers that contributed to the variances.
- f) Does Hydro One anticipate any significant fluctuations in transmission export revenues beyond 2025? Please explain.

Response:

- a) The projected interest was calculated by taking the 2023/2024 average closing balance multiplied by 5.49%: $(\$14,357,891 + \$14,357,891) / 2 \times 5.49\% = \$788,248$

In light of the OEB's release of the Q3 and Q4 2024 prescribed interest rates, Hydro One has updated the projected interest amounts for the Excess Export Service Revenue Variance Account balance in the DVA Continuity Schedule. Please see Attachment 1 of this interrogatory.

b) The 2021 to 2023 transactions reflect the difference between Hydro One's actual ETS revenues from the IESO and the OEB approved forecast ETS revenues. Further details are provided in the table below.

		2021	2022	2023
OEB Approved Forecast ETS Revenue	A	\$35,931,217	\$36,332,553	\$37,358,400
Actual ETS Revenue	B	\$32,042,630	\$33,068,579	\$30,153,069
Transactions	A-B	\$3,888,587	\$3,263,974	\$7,205,331

Note 1. OEB approved forecast 2021 and 2022 ETS revenues as per EB-2019-0082, Decision and Order, Section 3.8.2 Other Revenue, dated April 23, 2020.

Note 2. OEB approved forecast 2023 ETS revenue as per EB-2021-0110, Decision and Order, Schedule A, Attachment 1, Schedule 1.7, dated November 29, 2022.

c) Please see the response to part b) above.

d) Hydro One's forecast for ETS volumes that were used to establish the OEB approved forecast ETS revenues are calculated using the three-year historical rolling average of electricity exported from Ontario.¹ This methodology was approved by the OEB in prior applications including most recently in its Decision in EB-2021-0110 as part of the approval of the ETS revenues.

e) A change in the ETS rate and any differences between the forecast volumes and actual volumes are the primary drivers that contribute to the variances recorded in the Excess Export Service Revenue Account.

In 2021 and 2022, there was no change in the ETS rate; thus the variance was due to the difference between the actual and forecast ETS volumes.

In 2023, the ETS rate changed from \$1.85/MWh to \$1.78/MWh which resulted in a variance of \$1,185,795, with the remaining variance of \$6,019,536 due to the difference between the actual and forecast ETS volumes.

f) Changes to the ETS rate and the difference between the forecast and actual ETS volumes will continue to result in fluctuations in transmission export revenues beyond 2025.

¹ EB-2021-0110, Application and Evidence, Exhibit H-09-01, Section 3.0 Export Transmission Revenue, dated August 5, 2021.

1 The ETS rate will be adjusted annually using the RCI factor for Hydro One
2 Transmission until the effective date of its next rebasing application. At that time, new
3 2028-2032 ETS revenues will be approved.

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		Projected Interest on Dec-31-23 Balances			2.1.7 RRR		
Account Descriptions	Account Number	Projected Interest from Jan 1, 2024 to December 31, 2024 on Dec 31-23 balance adjusted for disposition during 2024	Total Interest	Total Claim (inclusive of carrying charges)	Accounts To Dispose Yes/No	As of Dec 31-23	Variance RRR vs. 2023 Balance (Principal + Interest)
Group 2 Accounts							
Excess Export Service Revenue Variance Account	2405	738,713	1,390,342	15,748,233	Yes	\$15,009,519	-
Total Transmission Regulatory Accounts for Disposition		738,713	1,390,342	15,748,233			

OEB STAFF INTERROGATORY - 03

Reference:

1. Exhibit A-4-1, Page 5
2. Exhibit A-4-1, Attachment 1, Pages 1-7

Preamble:

Hydro One states that, with respect to the Excess Export Service Revenue Variance Account, the account was last disposed of December 31, 2020 on a final basis in the 2023 to 2027 Custom IR proceeding (EB-2023-0110). However, in the continuity schedule provided at Reference 2 above, "Board-Approved Disposition" amounts are listed for 2021, 2022, and 2023.

Interrogatory:

- a) Please explain why amounts were approved for disposal as stated at Reference 2 but according to Reference 1, were not disposed of.

Response:

- b) Consistent with the presentation of amounts approved for disposal in the DVA Continuity Schedule that was filed and approved in EB-2021-0110¹, there are amounts related to 2021 and 2022 disposals (from EB-2019-0082) and 2023 disposals (from EB-2021-0110) listed under the "Board-Approved Disposition" columns for 2021, 2022, and 2023.

¹ See Exhibit O-01-05, Attachment 1 filed as part of the March 31, 2022 Evidence Update in EB-2021-0110

Filed: 2024-09-20
EB-2024-0217
Exhibit I
Tab 1
Schedule 3
Page 2 of 2

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OEB STAFF INTERROGATORY - 04

Reference:

Exhibit A-4-1, Page 4, Table 3

Preamble:

Table 3 below sets out the calculation of the updated C-Factor within the RCI calculation, where “E” represents the increase in Capital Related Revenue Requirement.

Table 3 - 2025 Capital Factor ⁴ (\$M)

	Calculation	2024	2025
Total Capital Related Revenue Requirement (including working capital adjustment and productivity adjustment)	A	1,623.2	1,701.8
OM&A	B	456.5	472.7 ^[1]
Total Revenue Requirement	$D = A + B$	2,079.8	2,174.5 ^[2]
Increase in Capital Related Revenue Requirement	$E = A_{2025} - A_{2024}$	104.5	78.6
Increase in Capital Related Revenue Requirement relative to Previous Year's Total Revenue Requirement	$F = E / D_{2024}$	5.35%	3.78%
Less Capital Related Revenue Requirement in I-X	$G = \frac{A_{2024}}{D_{2024}} \times (I - X)$	4.08%	2.77% ^[3]
Capital Factor (C)	$C = F - G$	1.27%	1.01%

Interrogatory:

a) Provide additional details on the calculation of “E”. Please provide any excel spreadsheets behind this calculation.

Response:

a) The calculation of “E” (i.e. the increase in capital related revenue requirement) is the difference between \$1,701.8M (2025 capital related revenue requirement) and \$1,632.2M (2024 capital related revenue requirement). Please see additional details on the calculation of “E” in the table below.

Line		Calculation	2024 Approved	2025 Update
1	Rate Base		15,342.4	16,271.0
2	Return on Debt		399.1	423.2
3	Return on Equity		574.4	609.2
4	Depreciation		558.7	591.5
5	Income Taxes		96.8	89.5
6	Total Capital Related Revenue Requirement		1,629.0	1,713.4
7	Less Working Capital Related Revenue Requirement		2.5	2.5
8	Total Capital Related Revenue Requirement (excluding working capital)		1,626.4	1,710.9
9	Less Productivity Factor on Capital (0.15%+0.20% ^[1])		(5.7)	(6.0)
10	Less Prior Year Productivity Factor on Capital			(5.7)
11	Less Removing Working Capital from Capital Factor		(0.0)	0.1
12	Total Capital Related Revenue Requirement (including working capital and Productivity adjustment)	<i>A</i>	1,623.2	1,701.8
13	OM&A	<i>B</i>	456.5	472.7 ^[2]
14	Total Revenue Requirement	$D = A + B$	2,079.8	2,174.5 ^[3]
15	Increase in Capital Related Revenue Requirement	$E = A_{2025} - A_{2024}$		78.6

[1] Includes an approved supplemental stretch on capital of 0.20% as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A

[2] 2025 OM&A = 2024 OM&A * [1+(I-X)]

[3] 2025 Total Revenue Requirement as per Exhibit A-04-01, Table 4 (EB-2024-0217)