Hydro One Networks Inc.
483 Bay Street
7th Floor South Tower
Toronto, Ontario M5G 2P5
HydroOne.com

Kathleen Burke
VP, Regulatory Affairs
T 416-770-0592
Kathleen.Burke@HydroOne.com

BY EMAIL AND RESS

September 27, 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-2024-0216 – Chatham x Lakeshore Limited Partnership (CLLP) – 2025-2029 Transmission Revenue Requirement Application – Interrogatory Responses

In accordance with Procedural Order No.1 issued August 30, 2024, please find attached an electronic copy of interrogatory responses provided by Hydro One Networks Inc. on behalf of CLLP.

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

Exhibit	Tab	Intervenor
I	1	OEB Staff
I	2	AMPCO
I	3	SEC

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:

1. Exhibit B-2-1, Page 3
2. CLLP Letter dated August 29, 2024

Preamble:

CLLP states that the Chatham to Lakeshore line will be in service approximately three months ahead of the original application in-service date of December 2024. CLLP also states that total project costs are trending slightly under CLLP's as-filed application due to risks not materializing and CWIP savings.

Interrogatory:

a) Please provide all updated evidence reflecting the new forecast project costs and revenue requirement. Please ensure that all relevant evidence, including Excel tables, charts, and other supporting documents, is updated to reflect these changes.

b) Please confirm whether the total project costs for the Chatham to Lakeshore line have been finalized. If so, provide updated figures with a detailed breakdown of costs. If not, please explain how CLLP plans to identify and manage any variance in capital expenditures as well as how any capital variances will be addressed in the revenue requirement?

Response:

a) In mid-September, a project commissioning risk materialized preventing the earlier in-service date as communicated in the letter sent to the OEB on August 29th. The project team is currently working to address the issue.

As a result, the original forecast included in the Application as-filed evidence remains the most current forecast of the project expenditures and in-service date. The project is still forecasted to be in-service a year early and approximately $30M below budget when compared to the original leave to construct application. Please see Exhibit B-02-01 page 2.

b) No, the total project costs for the Chatham to Lakeshore line have not been finalized, and the original forecast included in the Application as-filed, evidence, within Exhibit C-01-01 and C-01-01 Attachment 1, remains the most current forecast of the project expenditures. CLLP can record revenue requirement in the CLLPDA up until the OEB-approved effective date of this Application. However, to address the concern raised in the interrogatory, CLLP proposes to record variances to the revenue requirement in

respect of variances in project expenditures (such as the trailing costs) in a new variance account that will be disposed of at CLLP's one-time update application in 2025 or later. A draft accounting order may be found at Attachment 1 of this Interrogatory.

DRAFT ACCOUNTING ORDER
ACCOUNT 1508 - CXL TRANSMISSION LINE REVENUE REQUIREMENT VARIANCE ACCOUNT

Chatham x Lakeshore Limited Partnership ("CLLP") proposes the establishment of a new "CxL Transmission Line Revenue Requirement Variance Account" ("CLLPVA") to record the differences between the revenue requirement associated with actual project expenditures (including trailing costs) and the revenue requirement associated with the OEB-approved project expenditures.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "CxL Transmission Line Revenue Requirement Variance Account" effective January 1, 2025. CLLP shall record interest on the balance in the sub-account using the prescribed interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this account:

USofA #	Account Description
DR/CR: 1508	Other Regulatory Assets – Sub account "CxL Transmission Line Revenue Requirement Variance Account"
CR/DR: 4110	Transmission Services Revenue

To record the differences between the revenue requirement associated with the actual project expenditures related to the in-servicing of CLLP's assets and the revenue requirement associated with the OEB-approved project expenditures.

USofA #	Account Description
DR/CR: 1508	Other Regulatory Assets – Sub account “CxL Transmission Line Revenue Requirement Variance Account”
CR/DR: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “CxL Transmission Line Revenue Requirement Variance Account”.

OEB STAFF INTERROGATORY - 02

Reference:

1. Exhibit F-6-1
2. Exhibit F-6-1 Attachment 1
3. Exhibit A-5-1, Page 4

Preamble:

As CLLP describes in reference 1, CLLP is a limited partnership pursuant to the Limited Partnerships Act (Ontario). A partnership is not a taxpayer under the Income Tax Act. A partnership is required to compute its taxable income, which is then allocated and taxed in the hands of its partners. The expected CLLP partners include: HONI LP, First Nations Partners, Chatham x Lakeshore GP Inc.

The First Nations are exempt from corporate income tax. Therefore, the taxable income in CLLP that is allocated to the First Nations partners will not be subject to income tax. This leads to less total income tax paid, which is a savings to ratepayers.

Regulatory income taxes for CLLP are determined by applying the statutory tax rate to the regulatory taxable income allocated to HONI and CLGP, the taxable corporate partners of CLLP.

In reference 3, CLLP states that though negotiations are ongoing the potential First Nation partner communities are working through their respective protocols to make a final decision on the investment and to secure community approvals to execute final agreements which is expected later in 2024. The decision to invest in the project has been made available to five First Nations in the region, and should one or more decide not to invest, their portion of equity will be offered to the remaining First Nations partners who made a decision to invest. This will ensure the 50% First Nations ownership commitment is maintained.

Interrogatory:

a) Please provide an update on the negotiation and provide the updated ownership % by First Nation communities.

b) How will a change in ownership % of the First Nations partners impact the overall income taxes recovered through the revenue requirement?

c) Please confirm that the forecast income tax expenses are based on the proposed final structure of the partnership as described in reference 3.

d) Please confirm the specific reduction in revenue requirement due to the tax-exempt status of the First Nations partners.

e) How does CLLP's partnership structure compare to other Hydro One partnerships with First Nations, such as B2M LP and NRLP, in terms of cost savings and ratepayers benefits?

Response:

a) As part of the Hydro One First Nations Equity Partnership Model, five First Nations that have played a critical role in the Project's advancement, have been offered the opportunity to invest in 50% of the Project equity following the line being placed in-service. Currently, HONI is working with each of the respective First Nations to advance final agreements through their individual community protocols in a respectful way to ensure community understanding of the agreements and to secure final decisions on investment from their leadership. Following the project being placed in-service, each of the five First Nations will have 12 months to exercise their investment into the line. Should one or more First Nations elect not to invest in the Project, the remaining First Nations who have invested will be offered first right of refusal to take up the unsubscribed portion of the 50% First Nations equity.

b) Taxable income allocated to the First Nations partner is not subject to income tax, which reduces the overall taxes to be recovered in the revenue requirement. In the unlikely event that the percentage of First Nations ownership is below 50%, it would result in higher taxes to be recovered in the revenue requirement.

c) The forecasted income tax is based on a 50% First Nations ownership structure being implemented on the outset of the partnership.

d) Due to higher tax depreciation in the initial years, CLLP is not expected to have taxable income during the rate application period and is instead subject to Ontario corporate minimum tax (OCMT). The Ontario corporate minimum taxes saved due to the tax-exempt status of the First Nations partner is $500K for this rate application period. The tax savings from the exempt status of the First Nation partners are expected to increase in the later years as the partnership becomes taxable.

e) In terms of cost savings and ratepayers benefits, CLLP's partnership is structured similarly to B2M LP and NRLP, other than the First Nations ownership percentages.

OEB STAFF INTERROGATORY - 03

Reference:

1. Exhibit F-2-1, Page 5
2. Exhibit F-4-1

Preamble:

In reference 1, CLLP states that since 2004, in connection with each major cost of service application, Hydro One Networks Inc. ("HONI") has commissioned a study by Black & Veatch to recommend a best practice methodology to allocate common corporate costs among the business entities using the common services. The adopted methodology represents the industry's best practices, identifying appropriate cost drivers to reflect cost causality and benefits received. In B2M LP and NRLP's recent 2025 to 2029 Transmission Rates Applications (EB-2024-0116 and EB-21 2024-0117, respectively), the same corporate cost allocation prepared by an independent expert, Black & Veatch ("BV Method"), in HONI's 2023 - 2027 Custom IR application (EB-2021-0110) was included.

In reference 2, the forecast allocation of Common Corporate Costs to CLLP for the test years (2025 to 2029) is forecast to be an average of $0.5M annually based on the same methodology.

Interrogatory:

a) Please confirm that the forecast allocation of $0.5M annually of common corporate costs described in reference 2 is the same as those costs broken down in Table 3 total incremental expenses of reference 1.
   i. Please confirm that these are OM&A costs and not capital costs.
   ii. If not confirmed, please explain.

Response:

a) These costs are not the same. The costs broken down in Table 3 of total incremental expenses in reference 1 do not include the forecast allocation of $0.5M annually of common corporate costs described in reference 2.

   The incremental expenses relate to the components listed in Table 3 of reference 1, which excludes common corporate costs.

   i. Confirmed that both costs listed in reference 1 and 2 are OM&A costs.
   ii. n/a

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OEB STAFF INTERROGATORY - 04

Reference:

1. Exhibit C-2-1 Attachment 1, Atrium Report
2. EB-2021-0110, Exhibit E-4-8, Black & Veatch Report
3. Exhibit C-2-1, Page 4

Preamble:

To execute large discrete projects, HONI has implemented the Early Contractor Involvement Engineering Procurement and Construction Delivery Model (referred to herein as "ECI-EPC Model"). The ECI-EPC Model engages the services of an external Owner's Engineer (OE) and the services of Engineering, Procurement, and Construction (EPC) contractors.

Following the development of the ECI-EPC Model, HONI engaged Atrium Economics to determine whether any refinement of the OEB-approved overhead capitalization methodology, which can be found in reference 2, and applicable rates for HONI's transmission business is required for projects utilizing the ECI-EPC Model. Through this review, Atrium Economics determined that the size and delivery model of projects utilizing the ECI-EPC Model warrants a refinement to the HONI OEB-approved overhead capitalization methodology ("B&V Method"), and its applicable rate, as the nature of the shared services provided by HONI are different than those provided under the HONI standard delivery model.

In the findings of their report, Atrium Economics recommended that EPI-EPC projects use a blended overhead rate that would be determined by the weighted average portion of a project's type/source of costs, specifically the two differentiated types of project costs being:

i. ECI-EPC costs, which do not rely as heavily on HONI's corporate support functions
ii. Non-ECI-EPC costs, that should attract the standard Transmission overhead rate as they rely on HONI's corporate support functions.

Section 5.4 in the Atrium Economics Report recommends a blended rate calculated using the overhead capitalization rate ("OCR") for costs associated with external contractor payments weighted at 79.5% and the standard delivery Transmission overhead capitalization rate weighted at 20.5%.

Figure 3 - Blended OCR for ECI-EPC Contracted Projects

EPI-EPC Projects	2023	2024	2025	2026	2027	5 yr avg	Rounded
Blended Overhead Rate	2.6%	2.6%	2.4%	2.5%	2.6%	2.5%	3.0%

Additionally, Atrium Economics recommended that Hydro One annually evaluate the OCR calculation for each year and ascertain if the OCR for the 79.5% of costs associated with external contractor payments used in the blended rate should be updated. CLLP has adopted the Atrium Economics overhead capitalization methodology but, as stated in reference 3, has developed a specific annual overhead rate for projects using the EPI-EPC model.

Table 1 - Overhead Capitalization Rate for EPI-EPC Projects (reference 3)

EPI-EPC Projects	2024	2025	2026	2027	2028	5 yr avg	Rounded
Blended Overhead Rate	2.02%	1.95%	2.10%	2.26%	2.37%	2.14%	2.0%

Interrogatory:

a) Please discuss in detail the adjustments made to the OCR in reference 3 compared to reference 1.
   i. Please confirm which OCR CLLP applied and for which years, e.g. whether it was the rounded rate of 2.0% or other.
   ii. If CLLP applied the rounded rate of 2.0%, please discuss why that is appropriate versus applying the blended OCR for the specific years of construction.

b) Please provide a comparison of $ overhead capitalized to CLLP's project costs using the annual rate (as indicated reference 3) versus what is filed in the application for the historical period. Indicate any assumptions made.

c) Please extend Table 1 in reference 3 to the year 2023.

d) Please explain the relevance of providing the OCR for the forecast period when there are no planned capital expenditures between 2025 and 2029.

e) Please provide a comparison of $ overhead capitalized to CLLP's project costs using the ECI-EPC method and the B&V method for the historical period.

f) Please provide a breakdown of external versus internal costs between 2022 and 2024.
   i. How has Hydro One/CLLP addressed Atrium Economics' recommendation that the overhead capitalization rate be evaluated annually to determine if 79.5% of costs associated with external contractor payments used in the blended rate should be updated?

g) If CLLP needs to make capital expenditures in the forecast periods, how does it intend to apply the methodology from the Atrium Report?

h) Please explain how the updated overhead capitalization policy aligns with the capitalization requirements under USGAAP.

Response:

a) The OCR in reference 3 has been revised based on updated common corporate overheads and capital expenditures as part of the annual integrated business planning process.
   i. The blended rounded rate is applied to the project as of Q3 2023, as mentioned on page 3 in Exhibit B-02-01.
   ii. HONI is applying the blended rounded rate as discussed in the Atrium report (reference 1, section 1.3, section 5.4 and section 5.5).

b) As discussed in Exhibit B-02-01 page 3, enhancing the overhead methodology in Q3 2023 to the Early Contractor Involvement Engineering Procurement and Construction Delivery Model projects lowered the project cost by $4.6M.

   This calculation assumes that the standard overhead rate, as approved in HONI's 2023-2027 Custom IR proceeding (EB-2021-0110) was utilized until August 2023. From August 2023 until present, the ECI-EPC rate was utilized.

c) The blended OCR for ECI-EPC Contracted Projects for 2023 is 2.6%. This is shown at Exhibit C-02-01 Attachment 1, Page 11.

d) The OCR is principle based and developed upon the portfolio of, and applied to, all qualifying ECI-EPC contracted projects. HONI would follow the ECI-EPC capitalization methodology, as referenced in part g) below, if capital expenditures were to occur.

e) Please refer to response in part b) above.

f) Excluding real estate land rights payments to landowners, over 80% of direct costs were external to HONI in 2022 to 2024. Annually, as part of the business planning

process, HONI reassess the forecasted split between internal and external costs based upon actual costs on all relevant projects and requirements of future projects. This percentage split is then utilized as per the Atrium recommended methodology to determine any adjustments to the rate.

g) The methodology will be applied consistently based upon its principles as discussed in reference 1.

h) The ECI-EPC capitalization methodology (reference 1) is consistent with the capitalization principles in HONI's OEB approved Black & Veatch Corporate Cost Allocation methodology (as filed in EB-2021-0110, Exhibit E-04-08, Attachment 1), which has been built upon adopted USGAAP principles.

Under US GAAP, the cost to construct an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. Overhead costs, which include HONI's corporate supporting cost, are necessary to bring the asset into the condition and location of its intended use, as a result, it is included as part of the cost of the project. The refined overhead rate used for this project takes into consideration the project specific execution model, ECI-EPC, and its specific level of reliance on HONI's corporate supporting functions in developing its rates.

OEB STAFF INTERROGATORY - 05

Reference:

Exhibit C-2-1, Attachment, Pages 1-6

Preamble:

CLLP proposes the use of a refined overhead capitalization rate (OCR) for Early Contractor Involvement (ECI)-EPC projects, asserting that this approach provides cost benefits to both ratepayers and overall project management. The OCR includes a blended rate, with 79.5% allocated to external contractor costs and 20.5% allocated to internal Hydro One costs. CLLP suggests that this approach offers cost certainty and avoids over-allocation of common corporate costs.

Interrogatory:

a) Please provide a detailed reconciliation of the final costs for the project, including the actual overhead capitalization rate applied.

b) Given that 79.5% of the overhead costs were allocated to external contractor services, can CLLP confirm that contractor costs were effectively monitored and controlled during the project? What processes were used to ensure that contractor costs did not exceed the original projections, and how were any potential cost overruns managed?

c) Please explain in detail how the overhead capitalization rate is calculated for each year from 2024 to 2028. Specifically, what cost factors and assumptions drive the gradual increase in the rate from 2.02% to 2.37% in Reference 2?

Response:

a) Please refer to Interrogatory response at Exhibit I-01-01 for an explanation on the forecasted expenditures and the application and evidence on breakout of costs. Please refer to Interrogatory responses at Exhibits I-01-04 and I-01-05, part f) below for further information on the application of ECI-EPC overhead to the project.

b) Confirmed, contractor costs were effectively monitored and controlled during the project. HONI is utilizing and leveraging existing tools, process and procedures under the Project Delivery Model with additional enhancements due to the materiality and complexity of the projects. These enhancements extend across the Project and process.

While a single Project Manager is ultimately responsible for the cost, scope and schedule of the project, the duties of the Project Manager are divided between multiple

internal and external experts such as a Quantity Surveyor, Scheduler, Document Controller etc., Collectively, this group of individuals is called the Project Management Office (PMO). Within the PMO, the day-to-day oversight and management of the EPC contractor may be delegated to a specialized expert by the Project Manager dependent upon the needs of the project and the complexity to be managed. This is due to the scale, time and complexity of the project vs a project executed under the Standard Delivery Model. It should be noted that these resources are directly charging their costs to the project and do not constitute a part of the overhead rate.

Furthermore, the projects are subject to specialized oversight by an internal Steering Committee made up of leaders from various HONI lines of business as well as regular specialized reporting to track scope, schedule and costs to senior management and HONI's Board of Directors.

While the Project did not experience cost overruns, the PMO maintains tight oversight of the contract with HONI Supply Chain to ensure that the contract scope, terms and conditions and cost are met and controlled.

c) Please see the response to Interrogatory I-01-04, part a). The ECI-EPC overhead capitalization rate is based on updated forward looking common corporate overheads and capital expenditures as part of the annual integrated business planning process. Section 5 of Exhibit C-02-01, Attachment 1 (the Atrium report) discusses how the overhead capitalization rate is calculated. These principles are consistently applied year to year and are also consistent with the Black & Veatch Report as filed in EB-2021-0110. The specific increase from 2.02% to 2.37% in Reference 2 is driven primarily by lower capital expenditure in 2028. Please note, that each of the 2.02% and 2.37% blended rates round to 2.0% which is applied to ECI-EPC projects in accordance with the recommendation from the Atrium report.

OEB STAFF INTERROGATORY - 06

Reference:

1. EB-2023-0198, Waasigan Project, Decision and Order, Page 19
2. Exhibit C-2-1, Attachment 1, Atrium Report

Preamble:

In reference 1, the OEB included the following directive: "At the appropriate future proceeding, Hydro One should demonstrate how adopting the ECI-EPC model benefited ratepayers and how functions were reassessed to avoid cost duplication".

Interrogatory:

The Atrium report emphasizes cost savings and risk allocation benefits associated with the ECI-EPC model.

a) Please address the OEB's directive in Reference 1.

b) Please quantify the specific cost savings that CLLP expects to achieve using this model compared to the overhead capitalization methodology approved in the HONI Joint Rate Application (EB-2021-0110).

Response:

a) CLLP has demonstrated that HONI's adoption of the ECI-EPC model benefitted ratepayers by outlining benefits such as: i) increased cost certainty, ii) appropriate allocation of risk and iii) appropriate allocation of common corporate costs to the Project. For further discussion on ratepayer benefits resulting from the adoption of the EPI-EPC model, please see Exhibit C-02-01.

Regarding the OEB's directive that HONI should demonstrate how functions were reassessed to avoid cost duplication, CLLP filed the Atrium Report at Exhibit C-02-01, Attachment 1. The report discusses the underlying theoretical, conceptual, and methodological procedures utilized by HONI in their current OH Cap methodology as approved by the Ontario Energy Board in HONI's Joint Transmission and Distribution Rate Application for 2023-2027 and presents a recommended method of recovering OH Cap costs relating to ECI-EPC Contracted Projects, and discusses the implications of this approach. Importantly, Atrium, in their findings did not raise any risk of cost duplication.

b) Please refer to the interrogatory responses at Exhibits I-01-04, part b) and I-01-15, part b).

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OEB STAFF INTERROGATORY - 07

Reference:

Exhibit F-6-1, Attachment 1

Preamble:

Bill C-97 introduced the Accelerated Investment Incentive Program (AIIP), which provides for a first-year increase in CCA deductions on eligible capital assets acquired after November 20, 2018. The AIIP is expected to be phased out starting in 2024 and fully phased out in 2028. In its July 25, 2019 letter entitled Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, the OEB provided accounting direction on the treatment of the impacts from accelerated CCA resulting from the AIIP.[1] The OEB established a separate sub-account, Account 1592 – PILs and Tax Variances, Sub-account CCA Changes to track the impact of any differences that result from the CCA change to the tax rate or rules that were used to determine the tax amount that underpins rates.

Interrogatory:

a) Please confirm whether CLLP considered applying the accelerated CCA provisions available for any of the capital expenditures included in this application. If not, please explain why accelerated CCA was not considered/applied.

b) Please provide an analysis of the impact on the revenue requirement for 2025-2029 with and without the application of accelerated CCA. How would this impact ratepayers in terms of cost reductions?

c) In the scenario where CLLP has capital expenditures during the forecast period, would it consider the application of accelerated CCA? Why or why not?

Response:

a) Accelerated CCA is applied to in-serviced additions and not capital expenditures. Accelerated CCA has been considered in this rate application to the extent it is applicable.

b) Below is a comparison of the CCA deductions with and without accelerated CCA.

[1] OEB letter, Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019

	CCA		
	CCA without Accel CCA	CCA with Accel CCA	Difference
2024	7.0	13.9	7.0
2025	13.4	13.2	(0.3)
2026	12.7	12.2	(0.6)
2027	11.8	11.3	(0.5)
2028	10.9	10.5	(0.4)
2029	10.1	9.7	(0.4)
Cumulative CCA	65.9	70.7	4.9
50% allocable to Taxable Partner	32.9	35.4	2.4

Despite the differences in CCA, CLLP is not expected to be taxable during the 2025-2029 period and is only subject to Ontario Corporate Minimum Tax (OCMT). As such, there is no impact to the overall revenue requirement with or without the application of accelerated CCA in this rate application. The application of accelerated CCA will increase the loss carryforward balance to be applied in future rate applications where CLLP becomes taxable to reduce revenue requirements in those years.

c) Accelerated CCA will be considered for in-service additions in the 2024 to 2027 period. In-service additions in 2028 and later years will not be subjected to accelerated deprecation as the AIIP program is phased out.

OEB STAFF INTERROGATORY - 08

Reference:

Exhibit F-6-1, Attachment 1

Preamble:

CLLP proposes to establish three regulatory accounts:

- Account 1508 – sub account Foregone Revenue Deferral Account
- Account 1592 – sub account Tax Rate and Rule Changes Variance Account
- Account 2435 – ESM Deferral Account

Interrogatory:

a) Given that CLLP proposes no annual update between 2026 and 2029, in the event that CLLP wants to establish a new deferral or variance account, how does it propose to do so during its rebasing term?

b) In the event that any of the regulatory accounts has a balance for disposal, please confirm when the account balance disposition will be requested of the OEB.

Response:

a) CLLP does not expect to have the need to establish a new deferral or variance account during the rebasing term. In the event that a new deferral or variance account is needed, CLLP would propose to file a standalone application to request the account.

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

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OEB STAFF INTERROGATORY - 09

Reference:

Exhibit A-3-1, Page 14

Preamble:

The Chatham to Lakeshore Limited Partnership Deferral Account (CLLPDA) was established to record the revenue requirement once the Chatham to Lakeshore project was placed in service. By letter dated August 29, 2024, CLLP advised of the updated in-service date, three months ahead of schedule.

Interrogatory:

a) Please confirm the in-service date of the Chatham to Lakeshore line.

b) Please provide the current balance recorded in the CLLPDA deferral account, including a detailed breakdown of the amounts recorded since the project was placed in service. Provide any supporting evidence or documents, such as Excel tables or charts, that detail the transactions recorded in this deferral account.

Response:

a) The current forecast remains unchanged. Please refer to the response at Exhibit I-01-01 for further information.

b) No amounts have been recorded in the CLLPDA as the Project is not in-service.

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OEB STAFF INTERROGATORY - 10

Reference:

Exhibit B-1-3, Pages 5

Preamble:

CLLP states that it will retain Hydro One under a Service Level Agreement (SLA) to plan, organize, and execute the operation and maintenance of the Chatham to Lakeshore transmission line and provide certain corporate and administrative support. Further, CLLP states that a significant portion of the OM&A expenses required to satisfy the obligation and objectives of CLLP arise as result of the SLA.

Interrogatory:

a) Please provide a copy of the SLA.

b) How were the costs for the services provided by Hydro One under the SLA determined?

c) What performance metrics or key performance indicators are included in the SLA and how will CLLP monitor and evaluate Hydro One's performance under the agreement?

d) Given that Hydro One is both a service provider and a stakeholder in CLLP, how does CLLP ensure that the terms of the SLA represent fair value for ratepayers?

e) How does the scope and cost structure of the SLA compare to similar agreements between Hydro One and other single-asset transmitters such as B2M LP or NRLP?

Response:

a) A copy is unavailable as CLLP and HONI are still finalizing the terms of the SLA. CLLP expects that the final version of the SLA will be substantially similar to those executed by B2M LP and NRLP.

b) The costs for the services provided under the SLA by HONI will be determined in accordance with the OEB's Affiliate Relationship Code.

c) Please see Exhibit D-01-01.

d) Under the OEB's Affiliate Relationship Code, HONI is obligated to provide the services at the lower of either market rate or a predefined cost of service.

e) The scope and cost structure are expected to follow the B2M LP and NRLP agreements.

OEB STAFF INTERROGATORY - 11

Reference:

Exhibit A-3-1, Page 3

Preamble:

CLLP proposes to set its revenue requirements for a five-year period using a forecast of operating, maintenance and administrative expenses (OM&A) and capital (including tax) costs for each of the five years. This proposed approach will not require an annual update except for a one-time update in 2025 to the cost of long-term debt to reflect the actual market rate achieved on the debt that CLLP will issue in 2025. CLLP states that its proposal has a number of benefits for single-asset utilities with a declining rate base, which include providing transparency to ratepayers and lower potential for overearning than a revenue cap index framework, especially in the later years of a rate period.

Interrogatory:

a) Please comment on whether CLLP considered calibrating the formula components of the revenue cap index framework. If so, please provide details on the considered revenue cap index framework (productivity factor, stretch factor and any additional adjustment factors).

Response:

a) Yes, the revenue cap index framework was considered. However, it was concluded that the methodology being proposed was the most appropriate.

The primary conclusion was that the characteristics which make the Revenue Cap framework an appropriate option for integrated utilities are not present for single asset utilities such as CLLP. These characteristics include:

- Declining rate base with no capital in-service additions;
- Maintenance work requirements are variable and do not follow a steady profile year-over-year;
- There are few, if any, opportunities to unilaterally achieve productivity improvements from internal operations; and
- Income taxes have a very different payment lifecycle.

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OEB STAFF INTERROGATORY - 12

Reference:

EB-2024-0147 Application, Page 5

Preamble:

In the licensing application for the transfer of assets from Hydro One to CLLP, $32 million of the total project cost of the Chatham to Lakeshore line related to the station facility assets were not included in the sale and remain within Hydro One's transmission rate base.

Interrogatory:

a) Please confirm that the $32 million related to the transmission station facility assets retained by Hydro One is not included in CLLP's revenue requirement for the 2025-2029 period.

Response:

a) Confirmed.

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OEB STAFF INTERROGATORY - 13

Reference:

Exhibit G-1-1, Page 2

Preamble:

CLLP's proposed deemed capital structure for rate-making purposes is 60% debt and 40% common equity of utility rate base. 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. Include a comparison with current models approved for other single-asset transmitters such as B2M.

Response:

a) **Proposed CLLP Model**

	2025	2026	2027	2028	2029	Total
Total Revenue Requirement	**16.8**	**16.8**	**16.7**	**16.5**	**16.4**	**83.2**
Achieved ROE	**9.21%**	**9.21%**	**9.21%**	**9.21%**	**9.21%**	

Previously Approved B2M LP: RCI = 3.7% - X - SCAF

	2025	2026	2027	2028	2029	Total
Total Revenue Requirement	**16.8**	**17.3**	**17.9**	**18.4**	**19.0**	**89.4**
vs. Proposed CLLP Model	0.0	(0.5)	(1.2)	(1.9)	(2.6)	(6.2)
Achieved ROE	**9.21%**	**9.49%**	**9.90%**	**10.40%**	**10.89%**	
vs. Proposed CLLP Model	0.00%	(0.28%)	(0.69%)	(1.19%)	(1.68%)	

Previous Approved NRLP: RCI = 3.7% * 50% - X - SCAF

	2025	2026	2027	2028	2029	Total
Total Revenue Requirement	**16.8**	**17.0**	**17.2**	**17.5**	**17.7**	**86.2**
vs. Proposed CLLP Model	0.0	(0.2)	(0.5)	(0.9)	(1.3)	(3.0)
Achieved ROE	**9.21%**	**9.28%**	**9.47%**	**9.72%**	**9.96%**	
vs. Proposed CLLP Model	0.00%	(0.07%)	(0.26%)	(0.51%)	(0.75%)	

Approved Next Bridge: RCI = 3.7% - Stretch

	2025	2026	2027	2028	2029	Total
Total Revenue Requirement	**16.8**	**17.4**	**18.0**	**18.6**	**19.2**	**90.0**
vs. Proposed CLLP Model	0.0	(0.6)	(1.3)	(2.1)	(2.8)	(6.8)
Achieved ROE	**9.21%**	**9.53%**	**9.97%**	**10.51%**	**11.04%**	
vs. Proposed CLLP Model	0.00%	(0.32%)	(0.76%)	(1.30%)	(1.83%)	

OEB STAFF INTERROGATORY - 14

Reference:

Exhibit G-1-1, Page 2

Preamble:

CLLP has assumed generally 2% inflation rate in its OM&A budgets for the 2025-2029 period.

Interrogatory:

a) Please describe the specific strategies CLLP has implemented or plans to implement to manage OM&A costs and mitigate inflationary pressures.

b) Are there any specific initiatives aimed at improving productivity or operational efficiency over the five-year period? Please describe.

c) How does CLLP plan to address unexpected cost increases in its OM&A budget that might go beyond the assumed 2% per year? Does CLLP have contingency plans in place to control or offset such increases?

Response:

a) CLLP is planning to execute an SLA with HONI to provide services which will be managed according to the terms of the SLA. OM&A costs will be managed on an envelope basis and inflationary pressures will be accordingly considered in this effort.

b) 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. CLLP incrementally benefits from synergies through various initiatives, including:

- CLLP's proximity to existing HONI assets, which allows for fewer requirements on crew member mobilization and demobilization, while also allowing for combined inspections and maintenance.
- CLLP's inclusion in HONI's vegetation management programs, which allows CLLP to benefit from efficiencies and best practices as developed within the programs (specifics of these program efficiencies were outlined in the HONI's application).
- CLLP's access and use of HONI systems, which is more cost effective than managing separate systems.

c) See part a). An increase in patrol costs due to unexpected events represent the main risk for maintenance costs for 2025 to 2029. CLLP has allocated a small amount of funding for unplanned maintenance as part of its maintenance costs to account for unexpected patrol costs or defects. Since all CLLP assets are new, few defects are anticipated for 2025 to 2029. If significant defects are identified during patrols, during storms or other events, CLLP will utilize its proposed z-factor mechanism where applicable as outlined in Section 1.2.2. of Exhibit A-04-01.

OEB STAFF INTERROGATORY - 15

Reference:

Exhibit C-1-1, Table 1

Preamble:

Table 1 shows CLLP's forecasted transmission rate base from 2024 to 2029. It is OEB staff's assumption that this forecast incorporates CLLP's proposed blended overhead capitalization rate of 2 percent.

Interrogatory:

a) Please reproduce Table 1 using overhead capitalization rates under Hydro One's standard EPC delivery model

Response:

a) As mentioned in Interrogatory I-01-04, part a) the blended rounded rate is applied to the project as of Q3 2023 (consistent with the timing of the Atrium report, found at Exhibit C-02-01, Attachment 1) and is updated annually as part of the business planning process as recommended by Atrium.

   If the ECI-EPC rate was not implemented and the standard overhead rate was utilized, the project costs would be $4.7M greater and increase AFUDC by approximately $0.1M. Rate base would be on average approximately $4.5M greater and annual depreciation expense would increase by approximately $0.1M over the 2025-2029 period.

	2024	**2025**	**2026**	**2027**	**2028**	**2029**
Rate base – as filed	**200.0**	**201.2**	**201.1**	**198.6**	**196.0**	**193.5**
Increase to Gross Fixed Asset from standard rate	4.4	4.7	4.7	4.7	4.7	4.7
Less: Increase to Accumulated Depreciation Expense	0.0	0.1	0.1	0.2	0.2	0.3
Increase to Net Fixed Asset	4.4	4.6	4.6	4.5	4.5	4.4
Rate base – updated	**204.4**	**205.8**	**205.7**	**203.1**	**200.5**	**197.9**

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OEB STAFF INTERROGATORY - 16

Reference:

1. Exhibit C-1-1, Attachment 3
2. Exhibit C-1-1, Continuity of Property, Plant and Equipment

Preamble:

Appendix 2-BA, Fixed Asset Continuity Schedule shows that land rights form a significant portion of CLLP's asset base, with a net book value of $77.3 million in 2025, and accumulated depreciation of $0.8 million.

In addition, the Continuity of Fixed Assets spreadsheet shows that trailing costs amounting to $4.89 million have been included in the in-service additions for 2025. These trailing costs reflect post-project expenses for the Chatham x Lakeshore project.

Interrogatory:

a) Please provide details on the nature of the land rights included in the schedule and explain the accumulated depreciation.

b) Please provide a detailed breakdown of the trailing costs included in the $4.89 million in-service additions for 2025. What specific activities or expenses contributed to these trailing costs?

Response:

a) Please see Exhibit B-02-01, Page 3 - 4, Section 3.0. HONI was able to primarily acquire easement rights voluntarily from impacted landowners to access, build and maintain the transmission transferred value of these easements rights to the partnership. The accumulated depreciation is the first year's depreciation expense based on the estimated life of the asset class. HONI has sublicensed the rights for nominal consideration.

b) Large capital projects incur capital costs after the asset has gone into service that are necessary for successful completion of the project, typically due to regulatory, permitting and/or contractual requirements. These costs can vary as the scale of requirements will not be known until other work is completed. Examples of these costs are environmental work on disturbed lands and cleanup costs arising from the project such as construction road removal and remediation.

The breakout for 2025 capital trailing costs is as follows

Remediation and Claims	$2.70M
Biodiversity to meet EA requirements	$1.10M
Road Removal	$1.00M
Overhead (2% ECI Rate)	$0.09M
Total as per Exhibit C-01-01 Attachment 1	$4.89M

OEB STAFF INTERROGATORY - 17

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) CLLP 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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OEB STAFF INTERROGATORY - 18

Reference:

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

Preamble:

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

Interrogatory:

a) Please confirm that the applicant will use the 2025 DSTDR to be set in October 2024 on an interim basis.

b) Please confirm that the applicant will follow all other direction included in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.

Response:

a) Confirmed.

b) Confirmed, CLLP will establish a new variance account for the DSTDR.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 01

Reference:

Exhibit A-3-1, Page 2

Interrogatory:

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

Response:

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

1

	Calculation[1]	2024	2025	2026	2027	2028	2029
CLLP's Rates Revenue Requirement ($M)[2]	A	-	18.618	16.801	16.692	16.523	16.379
CLLP's 2025 Rates Revenue Requirement as % of UTR Network Revenue Requirement[3]	B	1.355%					
Estimated Net Impact on RTSR-Network[4]	$C=(A/A_{PY}-1)*B_{2024}$		1.355%	-0.132%	-0.009%	-0.014%	-0.012%
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 ($) [5],[6]	D=DPY*(1+ C)	331.661	336.157	335.712	335.682	335.636	335.597
RTSR Connection Charge ($) [5],[7],[8]	E	259.754	259.754	259.754	259.754	259.754	259.754
Total RTSR Charge ($)	F=D+E	591.415	595.911	595.466	595.436	595.390	595.351
Estimated Change in RTSR Network Charge ($) [8]	G=C*DPY		4.496	(0.445)	(0.030)	(0.046)	(0.040)
Total Bill ($) [9]	H=HPY+G	7,787.026	7,791.521	7,791.077	7,791.047	7,791.001	7,790.961
Increase as a % of Total bill	I=G/HPY		0.058%	-0.006%	0.000%	-0.001%	-0.001%

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

[2] CLLP's 2025-2029 rates revenue requirement as per Exhibit E-01-01.

[3] Represents CLLP's 2025 Rates Revenue Requirement as a share of 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 HONI-Dx's RTSR Network is CLLP's change in rates revenue requirement relative to the total 2024 UTR Network revenue requirement.

[5] HONI-Dx'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 GSd 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 GSd approved loss factor, multiplied by the monthly demand charge determinant (i.e. 110 kW).

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

[9] Total 2024 bill including HST, based on the average 2023 commodity price 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.

ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 02

Reference:

Exhibit A-5-1, Page 1

Interrogatory:

HONI offered equity partnership to five potential First Nation community partners, named below:

- Aamjiwnaang First Nation (AFN)
- Caldwell First Nation (CFN)
- Chippewas of the Thames First Nation (COTTFN)
- Chippewas of Kettle and Stony Point First Nation (CKSPFN)
- Walpole Island First Nation (WIFN)

a) Please provide details of the offering and the current status of the equity partnership.

Response:

a) Please refer to interrogatory I-01-02 part a).

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 03

Reference:

Exhibit A-3-1, Page 11

Interrogatory:

a) Please provide the targets for each performance measure.

b) Please define the NERF Vegetation compliance measure.

Response:

a) Please see Table 1 in Exhibit D-01-01.

b) Please see Appendix A, Description of Performance Measures, in Exhibit D-01-01.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 04

Reference:

1. Exhibit B-2-1
2. HONI_Ltr_CxL_2025-2029 Tx Rates_20240829

Interrogatory:

HONI included approximately $21M in contingency for the line work. The total line estimate in HONI's leave to construct application was $235.2M based on an AACE Class 3 estimate (+30% / -20%). The current total forecast cost of the line is $205.1M, resulting in total estimated savings of $30.1M.

a) Please provide a breakdown and explanation of the actual contingency used.

Response:

a) The original contingency forecast of $20.9M, as shown in EB-2022-0140, utilized a risk management model. As described in Exhibit B-02-01 of the Application, the project successfully avoided most major risks from materializing, such as no expropriations, no stage 3 archaeological assessment being required, and minimal unfavorable soil conditions.

   The current $8.8M contingency is either deployed or forecasted to be deployed for risks that may materialize from project completion activities, such as claims from landowners and municipalities as the project completes land restoration and reclamation works as well as the close out of the EPC contract.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 05

Reference:

Exhibit B-1-3 Attachment 1, Page 11

Interrogatory:

HONI will perform routine operation and maintenance of CLLP's transmission assets.

a) Please provide the operating services and maintenance services expenses for each of the years 2025 to 2029.

Response:

a) Please see Table 2 in Exhibit F-02-01. This Table specifies all operating and maintenance services expenses CLLP anticipates being incurred through the SLA with HONI for 2025 to 2029. Additional details for planned maintenance activities are provided in Interrogatory I-02-06.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO - 06

Reference:

Exhibit B-1-3 Attachment 1, Page 13

Interrogatory:

For each of the planned maintenance activities in Table 4, please provide the cost forecast for each of the years 2025 to 2029.

Response:

The table below outlines the forecast planned maintenance activity costs for 2025 to 2029.

			2025	2026	2027	2028	2029
Asset	**Maintenance**	**Frequency**	**Plan**	**Plan**	**Plan**	**Plan**	**Plan**
Overhead Transmission Lines	Helicopter Patrol	3 years	$0.00			$0.00	
	Ground Patrol	12 years					
	Thermovision	2 years	$0.00		$0.00		$0.00
Total Planned Lines[1]			**$0.01M**	**$0.00M**	**$0.00M**	**$0.00M**	**$0.00M**
Transmission Rights of Way	Line Clearing	6 years					
	Brush Control	6 years					
	Condition Patrol	6 years			$0.03		
	Property Owner Notifications	6 years					
	Annual Vegetation Patrol[2]	1 year	$0.01	$0.01		$0.01	$0.01
Total Planned Vegetation			**$0.01M**	**$0.01M**	**$0.03M**	**$0.01M**	**$0.01M**
Total Planned Maintenance			**$0.02M**	**$0.01M**	**$0.03M**	**$0.01M**	**$0.01M**

[1] The total only includes planned maintenance activities outlined in Table 4 of Exhibit B-01-03 Attachment 1. An additional $15k each year has been allocated for unplanned maintenance activities arising from defects discovered during patrols or other events that must be addressed promptly.

[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.

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SCHOOL ENERGY COALITION - 01

Reference:
Exhibit A-4-1, Page 6

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 - 02

Reference:

Exhibit C-1-1, Page 3

Interrogatory:

Considering the forecast in-service date, please explain exactly how the accumulated depreciation was calculated for 2024.

Response:

The accumulated depreciation for 2024 is calculated by multiplying the project cost upon the date of in-servicing with the annual depreciation rate, and then taking one month's worth of depreciation expense, as the forecasted in-servicing date is in December 2024. This calculation is completed for each asset class and the sum is the accumulated depreciation for 2024.

The detailed accumulated depreciation calculation for 2024 is as follows:

		A	B	C	D = A x B x C/12
USofA	Asset Class	Project Cost upon In-servicing date ($M)	Depreciation Rate	Number of months	Accumulated Depreciation
1609	Intangible (Capital Contribution for system enhancement)	$ 0.50	10%	1	$ 0.004
1706	Land Rights	$ 78.16	1%	1	$ 0.065
1720	Towers and Fixtures	$ 94.61	1.33%	1	$ 0.105
1730	Overhead Conductors and Devices	$ 26.95	1.43%	1	$ 0.032
	Total	$ 200.21			$ 0.206

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SCHOOL ENERGY COALITION - 03

Reference:

Exhibit C-2-1, Page 6

Interrogatory:

The Applicant states: “Although CLLP was not included in the study, the incremental costs related to CLLP that are put forth in this Application were also not considered as they were unknown”.

a) Please detail the type of costs that are being put forth in this Application, and in the budgets included as part of the Hydro One Networks Inc. EB-2021-0110 application.

b) Please demonstrate that the incremental costs related to the CLLP that are put forth in this Application were also not considered as part of the budgets included in the Hydro One Networks Inc. EB-2021-0110 application.

Response:

a) As discussed in Exhibit C-02-01, Page 2, the Line portion of CLLP is being put forth in this application. These costs were not included in the investment plan approved in EB-2021-0110:

> Directed transmission line projects, such as CLLP, are expected to be tracked under the Affiliate Transmission Projects Regulatory Account established in EB-2021-0169 (ATP Account). The line component of the CLLP is incremental to the investment plan approved in HONI’s rebasing application and was delivered under the ECI-EPC Delivery Model.

b) Please see the response to part a) above. The Line portion of CLLP, included in the ATP account, was not included in HONI’s EB-2021-0110 application as mentioned in the Atrium report, in section 1.2: “Directed Transmission Line Projects that are expected to fall under the Affiliate Transmission Projects Regulatory Account established in EB-2021-0169 (the “ATP Account”), were not included in the JRAP”

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SCHOOL ENERGY COALITION - 04

Reference:
Exhibit C-2-1, Page 5

Interrogatory:
With respect to the ECI-EPC Model:

a) Please explain how the ECI-EPC contractors are selected and on what basis

b) Please explain the contract structure between Hydro One and the ECI-EPC contractor (e.g. fixed price, actual costs plus markup, etc.) and how risk is allocated.

c) Please provide a response to part (a) and (b) specific to the ECI-EPC contractor selected for the Chatham x Lakeshore project.

Response:
a) The ECI-EPC contractors are selected through a competitive bidding process. Initially, HONI conducts an open Request for Proposal inviting interested contractors to submit proposals based upon a statement of work. The potential ECI-EPC contractors are assessed utilizing a multi-factor score based on ability to deliver, risk, experience of team, quality of solution and price. Two contractors (the ECI-EPC contractors) are then selected to continue to perform many of the development activities that are typically performed by HONI, conduct investigations and engineer more detailed solutions. Meanwhile, HONI continues to collaborate with the IESO, First Nations, communities and the ECI-EPC contractors to continue refine the statement of work, progress the engineering and has the Owner's Engineer contractor assess solutions brought forward by the ECI-EPC contractors.

As the project continues to mature, HONI then conducts a bidding competition between the two ECI-EPC contractors based on their proposed solutions, again utilizing a multi-factor score on quality of solution, risk and price. At this stage, one contractor is selected to be the EPC contractor to complete the project based upon their proposed solution.

b) During the development phase, when services are being performed by the two contractors, the services are paid at an agreed rate on a time and material basis. During the construction phase, when the services are being performed by the one selected contractor, the contract structure is a fixed priced contract whereby it is billed

upon successful performance of milestones based upon an agreed scope and statement of work.

c) HONI selected the ECI-EPC contractor for the Chatham x Lakeshore project using the process described in part a) and b) above.

SCHOOL ENERGY COALITION - 05

Reference:
Exhibit C-2-1, Page 6

Interrogatory:
The Applicant states: "As a result of the growing capital portfolio, related to projects that will form future partnerships and are captured in the ATP account, HONI's common corporate costs and shared services have increased, which were not contemplated within HONI's 2023-2027 Custom IR proceeding." Please provide information to demonstrate that HONI's common corporate costs and shared services have increased, which were not contemplated within HONI's 2023-2027 Custom IR proceeding.

Response:
As the organization executes more Affiliate Transmission Line projects utilizing the ECI-EPC delivery model, which are in excess of what was forecast at the time of HONI's 2023-2027 Custom IR application approvals, HONI still needs to support these projects for those functions performed internally through the Company's shared service model. This results in a modest increase in costs that would be allocated across the various work efforts beyond those approved in HONI's 2023-2027 Custom IR application. HONI's shared service model remains an effective and efficient methodology as it allows for a single resource to support various initiatives with their time being allocated in a cost-effective manner consistent with section 6 of the Atrium report (Exhibit C-02-01, Attachment 1). Further discussion on allocated costs in relation to CLLP may be found in section 2 of Exhibit F-02-01.

Furthermore, this growth would have been greater if the ECI-EPC approach was not utilized. As described in response to Interrogatory I-01-06, under the ECI-EPC approach this growth in corporate costs and shared services is constrained by employing contractors at an earlier stage. These contractors perform many of the development functions that would otherwise be performed internally, as discussed in the Atrium report (Exhibit C-02-01, attachment 1).

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SCHOOL ENERGY COALITION - 06

Reference:
Exhibit C-2-1, Page 6

Interrogatory:
How much of the total Chatham x Lakeshore project costs consist of capitalized overhead?

Response:
Please see Page 3 at Exhibit B-02-01. The capitalized overhead amount for the Project is currently forecasted to be $9.4M.

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SCHOOL ENERGY COALITION - 07

Reference:
Exhibit F-2-1, Page 2

Interrogatory:
Please provide a breakdown of the CLLP OM&A expenses in each year between 2024 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:

	2024	2025	2026	2027	2028	2029
	Bridge [1]	Fcst	Fcst	Fcst	Fcst	Fcst
Labour – HONI	0.01	0.44	0.45	0.48	0.48	0.49
Labour - Other	-	-	-	-	-	-
Non-Labour HONI	-	0.29	0.29	0.30	0.28	0.28
Non-Labour Other	0.03	0.37	0.38	0.39	0.41	0.43
Total OM&A	**0.04**	**1.09**	**1.12**	**1.18**	**1.17**	**1.20**

[1] Forecast

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SCHOOL ENERGY COALITION - 08

Reference:
Exhibit F-2-1

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

Response:
CLLP does not possess any compensation benchmarking studies performed by HONI and thus cannot comment on the content of any such study.

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SCHOOL ENERGY COALITION - 09

Reference:

Exhibit G-1-1, Page 4
Exhibit G-1-2, Page 1

Interrogatory:

a) Exhibit G-1-1, Page 4 - The evidence is that CLLP issues debt to Hydro One Inc. to reflect Hydro One's debt issued to third-party investors. Does Hydro One Inc. issue debt specifically for CLLP, or is CLLP allocated a portion of a larger debt issuance?

b) Exhibit G-1-2, Page 1 - Please update the two forecast July 2025 debt issuance information based on the most recent available information (i.e. Consensus Forecast, new issues spreads, etc.).

c) Please provide Hydro One Networks Inc.'s current actual average long-term debt rate.

Response:

a) CLLP is allocated a portion of a larger Hydro One Inc. debt issuance.

b) The interest rate forecast for the two July 2025 debt issuances based on the most recent available information, which is the September 2024 Consensus Forecasts and the average indicative new issue spreads from September 1st to 16th, 2024, is 4.21% for the 10-year issuance and 4.69% for the 30-year issuance (compared to the April forecast of 4.30% and 4.50%).

c) Hydro One Inc. issues debt on behalf of Hydro One Networks Inc. Hydro One Inc's, average long-term debt rate as at June 30, 2024 is 4.3%, and is reflective of $15.1 billion of long-term debt issued between 2000 and 2024 and is comprised of debt maturing between 2025 and 2064.

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