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

Elise Andrey
Director, Applications Delivery
C 416.770.6305
Elise.Andrey@HydroOne.com

BY EMAIL AND RESS

October 29, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Mr. Murray,

EB-2026-0078 – Waasigan Transmission Limited Partnership, by its general partner, Waasigan Transmission GP Inc. for 2027 Transmission Revenue Requirement – Responses to Pre-Settlement Clarification Questions

In accordance with Procedural Order No. 2 in the above-referenced proceeding, Hydro One Networks Inc. (Hydro One), on behalf of Waasigan Transmission Limited Partnership (WTLP), participated in a settlement conference with OEB staff and Gwayakocchigewin Limited Partnership (GLP) on October 8, 2026. Prior to the first day of the settlement conference, intervenors asked clarification questions which Hydro One, on behalf of WTLP, responded to.

Earlier today, Hydro One, on behalf of WTLP, filed a Settlement Proposal on behalf of the parties to the settlement. Attached here under separate cover please find Hydro One's responses to intervenors' clarification questions.

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

Sincerely,

Elise Andrey

Clarification Question-1
Ref: WTLP's Response to OEB Staff-9

Question(s)
WTLP showed that the Managing Director's Office costs were higher than the Managing Director's Office costs of B2M LP, NRLP, and CLLP. Please explain why the proposed Managing Director's costs of WTLP are expected to be higher than other comparable transmission line partnerships.

Hydro One's Response:
As shown in IR-Staff-09, the forecast cost of the Managing Director's Office in 2027 is $0.38M. This is approximately $0.12M to $0.14M more than the forecast costs for each of the three comparable partnerships. More specifically, the Managing Director fee for WTLP is forecast at $0.18M whereas the fee for the three other partnerships is about $0.12M. The other forecast expenses[1] associated with performing the management duties are forecast at $0.20M compared to about $0.13M for the other partnerships.

The difference is attributable primarily to the following factors:

- Partnership Complexity – Waasigan will ultimately comprise a 2-phase, 360 km transmission line including nine First Nations partners organized into three separate First Nations purchasing entities. Governance participation and community presence are key priorities for First Nations partners in the Waasigan partnership. Accordingly, the governance structure will include a formal Board of Directors with up to 12 directors, including First Nations representation, as well as additional governance requirements to reflect the spirit of the partnerships. Relative to the three existing partnerships, the larger number of First Nations partner governments involved will require greater support from the Managing Director's team to facilitate governance activities, maintain ongoing community engagement, and administer partnership obligations. This increases both the complexity of management and the expected time commitment by the Managing Director's staff. While this structure is expected to provide significant benefits to the Project, WTLP, and its partners, it also increases management complexity and administrative requirements.

- Location - The Project is located in a remote part of Ontario northwest of Thunder Bay, approximately 1,000 km from the Managing Director's customary office. By comparison, the three existing partnerships are located in southwestern Ontario, approximately 100 km from that office. This geographic difference results in additional travel, accommodation and meeting-logistics costs associated with administering the partnership. The per diems paid to Board members representing the First Nations, which include expenses, will be higher given the larger number of partners and increased governance participation. As the partnership transitions to operations, WTLP will continue to identify opportunities to improve efficiency with respect to meeting locations, office space, and other administrative arrangements.

[1] See Section 2.2.4 of EB-2026-0078 for a complete listing of duties performed by the Managing Director office.

- Community Outreach - The nine First Nations partner governments involved in the Project have added significant value to the Project during the development and construction phases through robust and ongoing participation and community engagement As WTLP transitions the partnership into operations and continues work toward completion of Phase 2, the partners anticipate ongoing community outreach requirements. During the partnership's initial operations and through the completion of Phase 2, Managing Director staff will support community discussions and prepare materials for circulation to community members, including for possible presentation at council meetings. This additional engagement is expected to support effective communication with the First Nations partners and the success of the Project but will require additional time and costs.

Clarification Question-2

Ref: WTLP's Response to OEB Staff-13

Question(s)

a) WTLP stated that, "After removing non-recurring costs like vegetation management and extraordinary repairs, the total costs in 2027 for all 4 partnerships are forecast between $1M-$2M. The variance among them relate primarily to cost allocation factors driven in part by total asset value and management logistics (location)." Please provide the adjusted OM&A forecasts for each of the partnerships after removing non-recurring costs and extraordinary repairs. Please also reproduce the Table in part a to show the comparison of total OM&A costs and per km OM&A costs.

b) Please provide a comparison of annual SLA costs and per km SLA costs between WTLP, B2M LP, NRLP, and CLLP, and provide an explanation for any differences in costs.

Hydro One's Response:

a)

OM&A Costs ($M)	WTLP	B2M LP	NRLP	CLLP
Total OM&A Costs for 2027	1.7	3.9	1.0	1.2
Non-recurring extraordinary costs	0.1	2.4	0.0	0.05
Net recurring OM&A costs	**1.6**	**1.5**	**1.0**	**1.15**
Circuit km	190	176	76	49
Net OM&A per km	**$8.4k**	**$8.6k**	**$13.2k**	**$23.5k**

b)

SLA Costs ($M)	WTLP	B2M LP	NRLP	CLLP
Total SLA Costs for 2027	0.87	3.3	0.5	0.66
Non-recurring extraordinary costs	0.10	2.4	0.0	0.05
Net SLA costs	**0.8**	**0.9**	**0.5**	**0.6**
Circuit km	190	176	76	49
Net OM&A per km	**$4.1k**	**$5.1k**	**$6.6k**	**$12.2k**

As explained in IR-Staff-13, the cost differences for the regular recurring administration costs are not highly correlated to length of the line.

Clarification Question-3
Ref: WTLP's Response to OEB Staff-14

Question(s)
a) Please update the long-term debt rate using the September 2026 Consensus Forecast and the latest information from Hydro One Inc. Medium Term Note dealer group.

b) Page 74 of the OEB Decision and Order on Cost of Capital and Other Matters (EB-2024-0063), stated that "For affiliated debt held by the holding company, other affiliated company or related party of a rate regulated utility, the utility must explain how the debt rate is no higher than it would have been if funds were borrowed directly by the utility through the external markets. For example, the utility must identify reasons why the holding company has no additional risks that could increase the cost of borrowing, or alternatively, by identifying efficiencies that are obtained with centralized treasury operations at the holding company level for all of the utility's subsidiaries." Please explain how the forecast long-term debt rate is no higher than it would have been if funds were borrower directly by WTLP through the external markets.

Hydro One's Response:
a) The long-term debt rate forecast using the September 2026 Consensus Forecast and the average indicative new issue credit spreads from Hydro One Inc.'s Medium Term Note dealer group for the month of September is 4.95%, as shown in the attached updated excerpt from G-01-02 (see final page of this document). This rate comprises forecast rates of 4.50% for 10-year term debt and 5.12% for 30-year term debt.

b) As discussed in G-01-01, WTLP plans to issue debt to Hydro One Inc. to reflect debt issued by Hydro One Inc. to third-party public debt investors. Hydro One Inc. plans to issue debt to third-party public debt investors in 2027.

The forecast long-term debt rate is no higher than it would have been if funds were borrowed directly by WTLP through the external markets for several reasons, such as:

- Hydro One Inc. is a regulated transmission and distribution company with all its operations in Ontario, resulting in a very similar operational risk profile as WTLP, a regulated transmission company in Ontario.

- WTLP will rely on Hydro One Inc. to provide treasury services. Treasury OM&A costs would be higher if WTLP were required to maintain its own independent treasury department.

- Other financing-related fees would be higher because WTLP would be required to attain their own credit ratings. As an issuing entity, Hydro One Inc. obtains credit ratings from credit rating agencies as a requirement to issue medium-term notes in the Canadian public debt markets.

Clarification Question-4
Ref. 1: WTLP's Response to OEB Staff-17
Ref. 2: Federal Government's Announcement of the new Productivity Mega Deduction (PMD)

Question(s)
a) WTLP confirmed that the requested Account 1592 – PILs and Tax Variances – CCA changes will record variances specific to the impact of changes in CCA rules. Given the recent announcement of the new PMD incentive, please provide WTLP's thought on creating a new sub-account under Account 1592 to track the potential impact from the PMD. Please explain the rationale if the new sub-account is not applicable to WTLP, in WTLP's view.

Hydro One's Response:
a) The Productivity Mega Deduction (PMD) has been announced but has not yet been enacted. Based on the current draft legislation, the PMD applies only to eligible assets acquired after September 15, 2026. As most WTLP assets were acquired before this date, only a limited subset of additions is expected to qualify for the deduction.

Other than the PMD, there are currently no tax-related variances within Account 1592 requiring separate tracking. Accordingly, we have not requested an additional sub-account. Should future tax legislative changes result in new tracking requirements, establishment of a new sub-account may be helpful.

WTLP
Cost of Long-Term Debt Capital
2027
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered ($Millions)	Premium Discount and Expenses ($Millions)	Net Capital Employed Total Amount ($Millions)	Net Capital Employed Per $100 Principal Amount (Dollars)	Effective Cost Rate	Total Amount Outstanding at 12/31/2026 ($Millions)	Total Amount Outstanding at 12/31/2027 ($Millions)	1/1/2027 Avg. Monthly Averages ($Millions)	Carrying Cost ($Millions)	Projected Average Embedded Cost Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	15-Nov-26	4.50%	1-Dec-36	144.4	0.6	143.8	99.60	4.55%	144.4	144.4	144.4	6.6	
2	15-Nov-26	5.12%	1-Dec-56	144.4	0.7	143.7	99.50	5.15%	144.4	144.4	144.4	7.4	
3		**Subtotal**							288.8	288.8	288.8	14.0	4.85%
4		Treasury OM&A costs										0.07	
5		Other financing-related fees										0.22	
6		**Total**							288.8	288.8	288.8	14.3	4.95%

Note 1 - All debt is 3rd party issued debt with fixed rates