

1 **A - LONDON PROPERTY MANAGEMENT ASSOCIATION - 001**

2
3 **Reference:**

4 Exhibit A-3-1, Table 1

5
6 **Interrogatory:**

- 7 a) Please confirm that the dollar figures shown in Table 1 are monthly changes and not annual
8 changes.
- 9
10 b) Please confirm that the figures shown in Table 1 are additive, that is, for example, the R1
11 combined increase of \$2.78 in 2027 is on top of the combined changes shown for 2023
12 through 2026.
- 13
14 c) Please provide a table that shows the same level of detail as Table 1 for the rate classes, but
15 shows the annual cost in 2022 and the forecast annual cost in 2027, along with the dollar
16 increase and percentage increase between 2022 and 2027.
- 17
18 d) Please confirm that the transmission impact on residential and general service customers of
19 other electricity distributors is likely to be similar to the transmission impacts shown for Hydro
20 One Distribution customers. If this cannot be confirmed, please explain.

1 **Response:**

2 a) Confirmed.

3

4 b) Confirmed.

5

6 c) Table below provides the requested information.

Rate Class	Monthly Consumption		2022 Annual Cost	2027 Annual Cost	Total Change in Annual Cost Between 2022 and 2027	
	(kWh)		(\$)	(\$)	(\$)	%
R1 (without DRP)	750	Total Bill	\$1,871.45	\$1,948.57	\$77.13	4.1%
		DX Charges	\$774.06	\$862.80	\$88.74	11.5%
		TX Charges	\$165.60	\$189.13	\$23.54	14.2%
GSe	2,000	Total Bill	\$4,958.65	\$5,133.89	\$175.24	3.5%
		DX Charges	\$2,086.92	\$2,270.52	\$183.60	8.8%
		TX Charges	\$349.84	\$399.75	\$49.91	14.3%

7

8 d) Not confirmed. The impact of changes in transmission charges on residential and general
 9 service customers' total bill depends on each distributor's existing transmission charges,
 10 which are a function of the degree to which the distributor receives transmission service
 11 through a direct connection to the transmission system or through the sub-transmission
 12 system of a host distributor. The impact will also vary depending on what percentage of the
 13 total bill is attributed to transmission charges. These factors will vary from distributor to
 14 distributor.

1 **A - LONDON PROPERTY MANAGEMENT ASSOCIATION - 002**

2
3 **Reference:**

4 Exhibit A-3-1, Page 47

5
6 **Interrogatory:**

- 7 a) What is the impact on the transmission and distribution rate bases of proposing that the PCB
8 program expenses be treated as OM&A funding in the revenue requirement rather than as a
9 depreciation and amortization expense?
- 10
- 11 b) What is the impact on the transmission and distribution revenue requirements of proposing
12 that the PCB program expenses be treated as OM&A funding in the revenue requirement
13 rather than as a depreciation and amortization expense?

14
15 **Response:**

- 16 a) There is no impact to rate base as a result of the proposed treatment.
- 17
- 18 b) The impact to the revenue requirement under the proposed treatment has been quantified
19 as follows:

20

Revenue Requirement Impact (\$ millions)	2023	2024	2025	2026	2027
Transmission	0	0	1	8	8
Distribution	0	0	5	6	6

21

22 There is no difference in the revenue requirement impact between the current and proposed
23 approaches in 2023 and 2024. For 2025 and beyond, the increase in revenue requirement
24 impact is shown above. Please refer to Exhibit D-1-1, pages 14 and 15, for high level
25 explanations on the work that will be executed with this funding under the proposed
26 treatment, with further analysis provided for Transmission and Distribution within Exhibits E-
27 2-2 and E-3-2 respectively.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
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Schedule A-LPMA-002
Page 2 of 2

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Witness: JODOIN Joel

1 **A - LONDON PROPERTY MANAGEMENT ASSOCIATION - 003**

2
3 **Reference:**

4 Exhibit A-4-2

5
6 **Interrogatory:**

7 The Hydro One proposal for transmission has an X factor of 0 for both the custom industry total
8 factor productivity and the custom productivity stretch factor. In EB-2019-0082, the OEB
9 approved an X factor of 0.3 where the industry total factor productivity was set to 0 and the
10 custom productivity stretch factor was set to 0.3.

11
12 Please provide a table that shows the difference in the total revenue requirement for Hydro One
13 Transmission if the X-factor is set to 0.3 instead of 0.0.

14
15 **Response:**

16 Hydro One notes that the above preamble incorrectly states that “OEB approved an X factor of
17 0.3 where the industry total factor productivity was set to 0 and the custom productivity stretch
18 factor was set to 0.3”. In its Decision and Order in EB-2019-0082, on page 32, the OEB set the X
19 factor at 0.3%, which was a “combination of the base productivity and overall stretch factor” and
20 did not disaggregate the factor to the base productivity and stretch factor.

21
22 As detailed on page 2 of Exhibit A-4-2, the stretch factor component of Hydro One’s proposed X
23 factor is based on the results of the total cost benchmarking analysis undertaken by Clearspring
24 which found that Hydro One’s projected total costs were to average 34.5% below the benchmark
25 costs throughout the Custom IR term. The base productivity component of Hydro One’s proposed
26 X factor is based on the results of the total factor productivity analysis undertaken by Clearspring
27 which found that from 2000 to 2019 the industry’s TFP trend is an average annual decline of -
28 1.66%, and from 2010 to 2019 the average annual decline is -2.74%. Clearspring proposed a TFP
29 measure of 0% in light of previous OEB decisions and noted that the adoption of the industry TFP
30 measure of 0% would represent a significant implicit stretch factor for Hydro One. The Clearspring
31 study is provided in Attachment 1 of Exhibit A-4-1.

- 1 Please see below the requested table that shows the difference in total revenue requirement for
2 Hydro One Transmission when the X-factor is set to 0% and 0.3%.
3

	Total Transmission Revenue Requirement (\$M)				
	2023	2024	2025	2026	2027
Productivity X- Factor of 0.0 (A)	1,823.2	1,937.8	2,027.5	2,140.3	2,219.0
Productivity X-Factor of 0.3 (B)	1,823.2	1,932.0	2,015.6	2,122.0	2,194.0
Change in Revenue Requirement (B-A)	0.0	-5.8	-11.9	-18.3	-25.0

1 **A - LONDON PROPERTY MANAGEMENT ASSOCIATION - 004**

2
3 **Reference:**

4 Exhibit A-4-2, Table 1

5
6 **Interrogatory:**

7 a) For each line in Table 1, please indicate if the figures will be fixed based on the OEB decision
8 in this proceeding, or will be adjusted as part of an annual IR filing that is updated for the
9 inflation rate.

10
11 b) Please explain why line 12 appears to include the working capital related revenue
12 requirement when it says this is excluded.

13
14 c) Please confirm that line 17 is calculated as the ratio of line 12 to line 14 multiplied by the I –
15 X factor, in this case 2.0%. If not confirmed, please illustrate how the figures in line 17 are
16 calculated.

17
18 d) Please provide a version of Table 1 that maintains all of the assumptions used (e.g. inflation
19 of 2%), but reflects an X factor of 0.3%.

20
21 **Response:**

22 a) As noted on page 4 of Exhibit A-4-2, the final capital related revenue requirement metrics in
23 lines 1 to 12 and line 15 of Table 1 will be calculated by Hydro One in conjunction with the
24 Draft Rate Order and remain unchanged over the Custom IR term. Lines 13, 14, 16, 17 and 18
25 will updated each year in 2024-2027 to reflect the OEB issued Inflation Factor applicable to
26 those years.

27
28 b) A detailed calculation of the adjustment for working capital in line 11 is provided in response
29 to part e) of A-Staff-7.

30
31 c) Confirmed.

32
33 d) Please see below a version of Table 1 that maintains all of the assumptions used (e.g. inflation
34 of 2%), but reflects an X factor of 0.3%.

Witness: VETSIS Stephen

Line		2023	2024	2025	2026	2027
1	Rate Base	14,592.7	15,450.3	16,448.9	17,394.1	18,256.2
2	Return on Debt	339.5	359.5	382.7	404.7	424.8
3	Return on Equity	486.8	515.4	548.7	580.3	609.0
4	Depreciation	528.2	557.6	593.8	625.1	647.3
5	Income Taxes	40.5	70.9	61.4	83.1	84.3
6	Total Capital Related Revenue Requirement	1,395.1	1,503.4	1,586.7	1,693.2	1,765.4
7	Less Working Capital Related Revenue Requirement	2.2	2.3	2.3	2.4	2.4
8	Total Capital Related Revenue Requirement (excluding working capital)	1,392.9	1,501.1	1,584.4	1,690.7	1,763.0
9	Less Productivity Factor on Capital (0.30%+0.15%)		(6.755)	(7.130)	(7.608)	(7.934)
10	Less Prior Year Productivity Factor on Capital			(6.755)	(13.885)	(21.493)
11	Less Removing Working Capital from Capital Factor		(0.1)	(0.0)	(0.1)	(0.0)
12	Total Capital Related Revenue Requirement (excluding working capital and productivity)	1,395.1	1,496.6	1,572.8	1,671.6	1,736.0
13	OM&A	428.1	435.4	442.8	450.3	458.0
14	Total Revenue Requirement	1,823.2	1,932.0	2,015.6	2,122.0	2,194.0
15	Increase in Capital Related Revenue Requirement		101.6	76.2	98.8	64.4
16	Increase in Capital Related Revenue Requirement as percentage of Previous Year Total Revenue Requirement		5.57%	3.94%	4.90%	3.03%
17	Less Capital Related Revenue Requirement in I-X		1.30%	1.32%	1.33%	1.34%
18	Capital Factor		4.27%	2.63%	3.57%	1.70%

1 **A - LONDON PROPERTY MANAGEMENT ASSOCIATION - 005**

2
3 **Reference:**

4 Exhibit A-4-2, Page 6

5
6 **Interrogatory:**

7 The evidence states that Hydro One has modified the application of its productivity factors so that
8 they are applied on a cumulative basis and that this results in a significant revenue requirement
9 reduction for customers that grows each year beginning in 2024.

10
11 a) Please explain how these cumulative savings begin in 2024, given that Table 1 does not show
12 any cumulative savings in line 10.

13
14 b) Please confirm that based on the figures in Table 1, this approach results in cumulative
15 additional revenue requirement reductions of about \$14 million by the end of 2027. If this
16 cannot be confirmed, please provide the cumulative savings.

17
18 **Response:**

19 a) The productivity factors are applied to the revenue requirement beginning in 2024. The
20 cumulative savings in line 10 of Table 1 in Exhibit A, Tab 4, Schedule 2 are calculated by adding
21 the savings from the prior years, specifically the values in line 9 from the previous years. In
22 2024, there are in-year savings as shown in line 9 and no cumulative savings in line 10 because
23 2023 is the rebasing year.

24
25 b) Confirmed.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule A-LPMA-005
Page 2 of 2

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Witness: VETSIS Stephen

B2 - LONDON PROPERTY MANAGEMENT ASSOCIATION - 006

Reference:

Exhibit B-2-1, TSP Section 2.1, Page 3

Interrogatory:

For each of the fleets noted at lines 5 through 8, please provide the expected life or range of lives of the assets used in the most recent depreciation study.

Response:

	Depreciation Study – Recommended Life (Asset)	Depreciation Study – Recommended Life (Group)
Transformer	50	48
Breaker	45	48
Protection	20	48
Conductor	70	70
Wood Pole	50	75
Steel Tower	90	75
Insulator	60	70

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EB-2021-0110
Exhibit I
Tab 14
Schedule B2-LPMA-006
Page 2 of 2

1

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B4 - LONDON PROPERTY MANAGEMENT ASSOCIATION - 007

Reference:

Exhibit B-4-1, GSP Section 4.2, Table 2

Interrogatory:

Please explain the methodology used to determine the average age for the off-road and miscellaneous lines in Table 2 that show an increase in the average age of 2.4 and 2.2 years, respectively despite the change taking place over a 2-year period between January of 2021 and January of 2023.

Response:

The average age of the off-road and miscellaneous lines for 2023 was calculated using the projected age of the equipment in 2023 based on the planned replacements. The title of the Projected columns is incorrect, it should be "Projected for December 2023".

Table 1 - Average Age and Mileage as of January 2021

Equipment Type	Actual based on January 2021					Projected for December 2023		
	Quantity	Percent of TWE Fleet	Average Age (Years)	Average Mileage (km)	Average Engine Hours	Average Age (Years)	Average Mileage (km)	Average Engine Hours
Light	2,728	33%	4.9	129,000	N/A	6.1	161,000	N/A
Heavy	1,441	18%	7.5	135,000	7,500	9.5	171,000	9,500
Off-Road	453	6%	10.4	N/A	N/A	12.8	N/A	N/A
Miscellaneous	2,459	30%	10.2	N/A	N/A	12.4	N/A	N/A
Small Off-Road	1,138	14%	7.4	N/A	N/A	9.4	N/A	N/A

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EB-2021-0110
Exhibit I
Tab 14
Schedule B4-LPMA-007
Page 2 of 2

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Witness: BERARDI Rob

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1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 009**

2
3 **Reference:**

4 Exhibit C-2-1, Table 1

5
6 **Interrogatory:**

7 Please explain why the 2022 forecast progressive productivity is significantly less than the Board
8 approved level for 2022 and the forecasts for 2023 through 2027.

9
10 **Response:**

11 The Progressive Productivity as presented in Table 1 of Exhibit C-02-01 is only reflected under
12 OEB-Approved In-Service Additions and Forecasted In-Service Additions since they are
13 progressive productivity placeholders in respect of commitments made in the prior Transmission
14 Application (EB-2019-0082). Once initiatives are identified and validated they are allocated
15 down to specific capital projects and work programs.

16
17 In respect of capital productivity, as identified in SPF Section 1.4, Attachment 1, page 11, in 2022
18 Hydro One anticipates achieving \$114.4M of total Transmission Capital productivity compared
19 to an as-filed level of \$112.2M. Furthermore, when including common productivity, total capital
20 productivity increases to \$130.2M against an as-filed level of \$122.8M. Embedded in the 2022
21 forecast is \$48M of progressive productivity, compared to an as-filed level of \$61M in EB-2019-
22 0082. While the progressive productivity achievement is slightly below plan, Hydro One still
23 maintained consolidated Transmission commitments, as outlined above.

24
25 Furthermore, over the current application term, Hydro One is remaining committed to the 2022
26 filed progressive productivity values by including the \$61.0M reduction beyond 2022. As
27 described in the Hydro One response to Interrogatory A-CCC-007, and further outlined within
28 SPF Section 1.4, Hydro One remains committed to these ongoing and sustained savings through
29 the rate period. Accordingly, Hydro One has embedded \$61.0M annually from 2023 to 2027,
30 which represents the 2022 capital commitment in the last Transmission application. Once Hydro
31 One is able to identify \$61.0M worth of productivity savings, it expects that these savings will
32 continue in the 2023-2027 period, consistent with the goal of finding sustained productivity
33 improvements.

34
35 For incremental savings over and above prior application commitments, as described in SPF
36 Section 1.4, page 8, Hydro One has updated and enhanced its approach to progressive
37 productivity by aligning to the productivity factors and supplemental stretch factors in the

Witness: SPENCER Andrew; JODOIN Joel

1 Custom IR framework – incremental progressive productivity commitments will be used to
2 achieve the productivity and supplementary stretch factors. These factors will be applied
3 cumulatively as direct revenue requirement reductions. As a result, customers will get the
4 benefit of progressive productivity, on a sustained basis, via these factors. No additional
5 bottom-line capital reductions are applicable or required in this regard due to this updated
6 approach to progressive productivity in this application. This updated approach explains why
7 bottom-line progressive capital reductions remain at \$61.0M from 2023-2027, instead of the
8 growth shown in EB-2019-0082 under the prior approach.

1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 010**

2

3 **Reference:**

4 Exhibit C-2-1, Table 1

5

6 **Interrogatory:**

7 Please update Table 1 to reflect the most recent actual information available for 2021. Please
8 also explain any changes that result from the 2021 update in 2022 and/or subsequent years.

9

10 **Response:**

11 Please refer to Interrogatory A-SEC-002.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule C-LPMA-010
Page 2 of 2

1

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Witness: SPENCER Andrew

1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 011**

2

3 **Reference:**

4 Exhibit C-2-2, Table 1

5

6 **Interrogatory:**

7 Please update Table 1 to reflect the most recent actual information available for 2021. Please
8 also explain any changes that result from the 2021 update in 2022 and/or subsequent years.

9

10 **Response:**

11 Hydro One continues to track toward the 2021 forecast as filed. Any variance at year-end will be
12 accommodated through an adjustment in 2022 to maintain consistency with the OEB-approved
13 plan total.

1

Table 1 – In-Service Capital Additions 2018-2027 (\$M) (Exhibit C-2-2, p.2)

OEB Category	2018		2019		2020		2021			2022		2023	2024	2025	2026	2027
	OEB Approved	Actuals	OEB Approved	Actuals	OEB Approved	Actuals	OEB Approved	2021 YTD (Q3)	Forecast	OEB Approved	Bridge	Forecasting Period				
1. System Access	196.9	196.9	147.7	189.9	144.7	197.5	160.8	162.1	182.7	143.1	181.2	239.6	241.8	227.5	212.5	204.1
2. System Renewal	229.6	229.6	223.3	201.9	225.3	217.8	241.9	176.2	248.7	251.2	225.5	355.2	425.6	504.4	476.3	507.3
3. System Service	113.9	113.9	81.6	89.2	170.9	97.3	138.8	83.7	70.8	112.4	137.7	226.3	148.8	251.2	200.9	195.1
Subtotal Categories 1, 2, and 3	540.4	540.4	452.6	481.1	540.9	512.6	541.4	422.0	502.2	506.7	544.4	821.0	816.2	983.1	889.7	906.5
4. General Plant Allocated to Distribution	87.4	87.4	103.9	104.1	135.9	155.5	164.1	127.3	197.9	103.4	112.0	149.9	211.1	220.4	171.5	201.2
Grand Total	627.8	627.8	556.5	585.1	676.8	668.1	705.5	549.3	700.1	610.1	656.4	970.9	1,027.3	1,203.4	1,061.2	1,107.8

1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 012**

2
3 **Reference:**

4 Exhibit C-4-2

5 Exhibit C-4-3

6
7 **Interrogatory:**

8 a) Hydro One has had sales of both transmission and distribution assets in each of 2018, 2019
9 & 2020. However, all the forecasts for 2021 through 2027 are zero. Please explain why no
10 assets are forecast to be sold.

11
12 b) Has Hydro One sold any transmission or distribution assets to date in 2021? If yes, please
13 quantify.

14
15 c) Please update both schedules 2 & 3 to reflect the most recent actual information available
16 for 2021.

17
18 **Response:**

19 a) Hydro One has not historically recognized significant gains or losses as the company does
20 not focus substantial efforts on selling assets as part of its normal course of business. In
21 addition to this, it is difficult to estimate when an asset may be sold and for how much. Due
22 to the immaterial nature of gains typically realized, and given Hydro One does not typically
23 sell its assets as part of the normal course of business, Hydro One has not forecasted for any
24 gains/losses on asset sales for 2021 to 2027.

25
26 b) Yes. See below for sales revenue to date:

27

	<u>Sales - YTD Q3 - 2021</u>	
Transmission	\$	15,970,303
Distribution	\$	18,825
Common	\$	1,262,955
TOTAL	\$	17,252,083

28
29 c) Please see Attachments 1 and 2 for Q3, 2021 (Year to Date) updated schedules for 2021.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule C-LPMA-012
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**HYDRO ONE NETWORKS INC.
TRANSMISSION**

Continuity of Property, Plant and Equipment

Historical (2018, 2019, 2020, 2021-Forecast), Bridge (2022) & Test (2023-2027) Years

Year Ending December 31

Total - Gross Balances

(\$M)

Line No.	Year	Opening Balance (a)	Additions (b)	Retirements (c)	Sales (d)	Transfers In/Out (e)	Closing Balance (f)	Average (g)
<u>Historical</u>								
1	2018	17,076.7	1135.6	(10.9)	(15.9)	(0.5)	18,185.0	17,630.8
2	2019	18,185.0	959.5	(59.7)	(6.9)	15.8	19,093.7	18,639.3
3	2020	19,093.7	944.3	(59.9)	(15.5)	6.8	19,969.4	19,531.5
4.a	2021 Q3 Actuals	19,969.4	479.4	(28.2)	(8.9)	5.6	20,417.2	20,193.3
4	2021-Forecast	19,969.4	1006.0	(51.1)		9.0	20,933.2	20,451.3
<u>Bridge</u>								
5	2022	20,933.2	1381.6	(53.8)		1.0	22,262.1	21,597.7
<u>Test</u>								
6	2023	22,262.1	1368.1	(68.1)		1.0	23,563.1	22,912.6
7	2024	23,563.1	1332.4	(66.4)		1.0	24,830.2	24,196.7
8	2025	24,830.2	1710.3	(72.0)		1.1	26,469.6	25,649.9
9	2026	26,469.6	1280.3	(63.9)		1.1	27,687.1	27,078.4
10	2027	27,687.1	1599.8	(56.8)		1.1	29,231.2	28,459.2

HYDRO ONE NETWORKS INC.
DISTRIBUTION

Continuity of Property, Plant and Equipment
Historical (2018, 2019, 2020, 2021-Forecast), Bridge (2022) & Test (2023-2027) Years
Year Ending December 31
Total - Gross Balances
(\$M)

Line No.	Year	Opening Balance	Additions	Retirements	Sales	Transfers In/Out	Closing Balance	Average
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Historical</u>								
1	2018	11,624.1	627.8	(181.8)	(36.1)	(5.1)	12,028.9	11,826.5
2	2019	12,028.9	585.1	(60.2)	(13.6)	9.2	12,549.5	12,289.2
3	2020	12,549.5	668.1	(56.8)	(16.7)	6.9	13,150.9	12,850.2
4.a	2021 Q3 Actuals	13,150.9	461.7	(43.1)	(5.8)	(3.1)	13,560.6	13,355.7
4	2021-Forecast	13,150.9	700.1	(116.2)	0.0	6.8	13,741.6	13,446.3
<u>Bridge</u>								
5	2022	13,741.6	656.4	(108.3)	-	0.8	14,290.5	14,016.1
<u>Test</u>								
6	2023	14,490.3	970.9	(173.7)	-	0.9	15,288.4	14,889.3
7	2024	15,288.4	1,027.3	(180.6)	-	0.9	16,136.0	15,712.2
8	2025	16,136.0	1,203.4	(201.8)	-	0.9	17,138.5	16,637.2
9	2026	17,138.5	1,061.2	(187.9)	-	0.9	18,012.7	17,575.6
10	2027	18,012.7	1,107.8	(178.1)	-	0.9	18,943.3	18,478.0

2018-2022 figures refer only to Hydro One Distribution excluding Acquired Utilities (Norfolk, Haldimand and Woodstock).
2023-2027 figures are presented on a combined basis including Acquired Utilities.

2023 Opening Balance reflects the integration of Acquired Utilities.

HYDRO ONE NETWORKS INC.
TRANSMISSION

Continuity of Property, Plant and Equipment - Accumulated Depreciation
Historical (2018, 2019, 2020, 2021-Forecast), Bridge (2022) & Test (2023-2027) Years
Year Ending December 31
Total - Gross Balances
(\$M)

Line No.	Year	Opening Balance	Additions	Retirements	Sales	Transfers In/Out and Other	Closing Balance	Average
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Historical</u>								
1	2018	6,301.7	387.3	(10.9)	(14.6)	(1.4)	6,662.1	6,481.9
2	2019	6,662.1	406.6	(59.7)	(6.2)	0.5	7,003.2	6,832.7
3	2020	7,003.2	410.9	(59.9)	(7.4)	1.7	7,348.6	7,175.9
4.a	2021 Q3 Actuals	7,348.6	(306.7)	36.3	2.4	0.0	7,080.5	7,214.5
4	2021-Forecast	7,348.6	440.2	(51.1)			7,737.6	7,543.1
<u>Bridge</u>								
5	2022	7,737.6	461.2	(53.8)			8,145.1	7,941.3
<u>Test</u>								
6	2023	8,145.1	481.8	(68.1)			8,558.7	8,351.9
7	2024	8,558.7	509.3	(66.4)			9,001.6	8,780.2
8	2025	9,001.6	538.2	(72.0)			9,467.9	9,234.8
9	2026	9,467.9	566.6	(63.9)			9,970.5	9,719.2
10	2027	9,970.5	592.2	(56.8)			10,506.0	10,238.3

HYDRO ONE NETWORKS INC.
DISTRIBUTION

Continuity of Property, Plant and Equipment - Accumulated Depreciation
Historical (2018, 2019, 2020, 2021-Forecast), Bridge (2022) & Test (2023-2027) Years
Year Ending December 31
Total - Gross Balances
(\$M)

Line No.	Year	Opening Balance	Additions	Retirements	Sales	Transfers In/Out and Other	Closing Balance	Average
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Historical</u>								
1	2018	4,352.5	346.1	(181.8)	(30.9)	(0.0)	4,486.0	4,419.3
2	2019	4,486.0	351.7	(60.2)	(12.3)	(0.4)	4,764.8	4,625.4
3	2020	4,764.8	355.4	(56.8)	(14.6)	0.0	5,048.8	4,906.8
4.a	2021 Q3 Actuals	5,048.8	275.8	(43.6)	(5.2)	0.0	5,275.8	5,162.3
4	2021-Forecast	5,048.8	370.2	(116.2)	0.0	0.0	5,302.8	5,175.8
<u>Bridge</u>								
5	2022	5,302.8	384.9	(108.3)	0.0	0.0	5,579.3	5,441.0
<u>Test</u>								
6	2023	5,609.8	402.9	(173.7)	0.0	0.0	5,838.9	5,724.3
7	2024	5,838.9	425.0	(180.6)	0.0	0.0	6,083.4	5,961.2
8	2025	6,083.4	460.6	(201.8)	0.0	0.0	6,342.2	6,212.8
9	2026	6,342.2	496.6	(187.9)	0.0	0.0	6,650.9	6,496.6
10	2027	6,650.9	528.7	(178.1)	0.0	0.0	7,001.5	6,826.2

2018-2022 figures refer only to Hydro One Distribution excluding Acquired Utilities (Norfolk, Haldimand and Woodstock). 2023-2027 figures are presented on a combined basis including Acquired Utilities.

2023 Opening Balance reflects the integration of Acquired Utilities.

1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 013**

2
3 **Reference:**

4 Exhibit C-5-1, Attachment 1

5
6 **Interrogatory:**

- 7 a) Please provide the data used to determine an interest on debt expense lead of 11.27 days.
- 8
- 9 b) Please provide the data used to determine an income tax expense lead of 13.92 days.
- 10
- 11 c) Please provide the data/calculations used to determine the HST lead time of (46.58) shown in
12 Table 10 for IESO revenues.
- 13
- 14 d) Does the IESO Revenue line in Table 10 include the Other Revenue shown in Table 3? If not,
15 where is this Other Revenue taken into account in the calculation of the HST working capital
16 amounts?

17
18 **Response:**

- 19 a) See Excel Attachment 'C-LPMA -013-01'.
- 20
- 21 b) See Excel Attachment 'C-LPMA -013-02'.
- 22
- 23 c) See Excel Attachment 'C-LPMA -013-03'.
- 24
- 25 d) No, the IESO Revenue line in Table 10 does not include Other Revenue from Table 3. This is
26 because the Other Revenue from Table 3 does not impact the HST working capital amounts
27 in Table 10. The IESO Revenue line item for working capital is based upon the revenue
28 requirement that Hydro One would collect from the IESO.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule C-LPMA-013
Page 2 of 2

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Witness: JODOIN Joel

1 **C - LONDON PROPERTY MANAGEMENT ASSOCIATION - 014**

2
3 **Reference:**

4 Exhibit C-5-1, Attachment 1, Pages 5-17 and 1-18

5
6 **Interrogatory:**

- 7 a) Is Hydro One aware of any reasons why the payment lag from the IESO has increased by more
8 than one full day (from 33.60 to 34.70 days) from the previous study?
9
10 b) Based on the most recent 12 months of payment dates from the IESO, has the payment lag
11 increased or decreased from 34.70 for 2019? What is the weighted IESO payment lag based
12 on the last 12 months of actual payment dates?
13
14 c) Please confirm that there was no top-up income tax payment made in 2019. If this cannot be
15 confirmed, please explain why this top-up payment was not taken into account in the current
16 study.
17
18 d) Does Hydro One usually make a top-up income tax payment?
19

20 **Response:**

21 a) IESO Revenue Lag has two components: a service lag, and a payment lag. Service lag is
22 calculated as the mid-point of the service period. For a monthly service, service lag is
23 calculated as the mid-point of the month. Service lag only varies if the duration of the service
24 changes (e.g., monthly to quarterly, or for a monthly service, if the days in the month vary
25 (e.g., a leap year for February). Payment lag is the difference between the payment date, and
26 the end of the service period.

27
28 No changes to methodology have occurred, and as a result, Hydro One understands that
29 increases to the payment lag, as compared to the previous study, are the result of longer
30 actual payment dates from the IESO.

31
32 b) Based on the most recent 12 months of available payment data, the payment lag has
33 increased to 35.18 days (from 34.70 days in 2019). Below are the updates it would impose on
34 test year, assuming everything else holds constant.

1 Before (current):

2

RESULTS (Tx) TEST YEAR (2019)						
Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses	Working Capital Requirement
A	B	C	D	E	F	G
OM&A Expenses	34.52	28.73	5.79	1.6%	\$508,385,789.09	\$8,069,027.97
Income Tax	34.52	13.92	20.61	5.6%	\$33,000,000.00	\$1,863,051.18
Interest Expense	34.52	11.27	23.25	6.4%	\$279,842,103.70	\$17,827,339.32
Environmental Remediation	34.52	31.54	2.98	0.8%	\$7,609,918.96	\$62,177.46
Removals	34.52	29.77	4.75	1.3%	\$61,223,802.48	\$796,596.35
Total					\$890,061,414.22	\$28,618,192.3
HST						-\$13,635,196.2
Total - Including HST						\$14,982,996.1
Working Capital as a Percent of OM&A						2.96%

3

4

5 After (payment lag update):

6

RESULTS (Tx) TEST YEAR (2019)						
Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses	Working Capital Requirement
A	B	C	D	E	F	G
OM&A Expenses	34.96	28.73	6.24	1.7%	\$508,385,789.09	\$8,684,447.19
Income Tax	34.96	13.92	21.05	5.8%	\$33,000,000.00	\$1,902,998.86
Interest Expense	34.96	11.27	23.69	6.5%	\$279,842,103.70	\$18,166,098.22
Environmental Remediation	34.96	31.54	3.42	0.9%	\$7,609,918.96	\$71,389.54
Removals	34.96	29.77	5.19	1.4%	\$61,223,802.48	\$870,709.72
Total					\$890,061,414.22	\$29,695,643.5
HST						-\$18,780,213.0
Total - Including HST						\$12,915,430.5
Working Capital as a Percent of OM&A						2.54%

7

8

9 c) Hydro One confirms that there was no top-up income tax payment made in 2019.

10

11 d) No, Hydro One does not usually make top-up income tax payments.

D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 015

Reference:

Exhibit D-3-1

Interrogatory:

The evidence indicates that the transmission and load forecasts were prepared in February, 2021 based on information that was available at that time.

Please update the information provided in Appendix A and Attachment 1 to reflect the most recent information available.

Response:

Please find attached the updated Excel Attachment 1 'I-14-C-LPMA-015-01'. The updated Appendix A follows.

Survey of Ontario GDP Forecast (annual growth rate in %)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Global Insight (Jun 2021)	2.1	-5.8	6.5	4.6	2.1	2.2	2.4	1.9	1.7
Conference Board (Sep 2021)	2.1	-5.1	6.7	4.1	1.1	1.5	1.7		
U of T (Aug 2021)	2.1	-5.1	5.9	4.8	3.2	2.6	2.3	2.2	2.2
C4SE (Jul 2021)	2.1	-5.1	5.1	4.9	2.3	1.8	1.4	1.8	2.0
CIBC (Oct 2021)	2.1	-5.0	5.6	4.4					
BMO (Oct 2020)	1.9	-5.6	6.0						
RBC (Sep 2021)	2.1	-5.0	6.3	4.3					
Scotia (Sep 2021)	2.1	-5.1	4.2	4.0	3.1				
TD (Sep 2021)	1.6	-6.2	4.4	5.0	2.8				
Desjardins (Sep 2021)	2.1	-5.1	4.5	4.2	2.5	2.0	1.7		
Central 1 (Jan 2021)	1.9	-5.9	4.0	4.8	3.4				
National Bank (Oct 2021)	2.1	-5.0	4.4	4.2	2.3				
Laurentian Bank (Jul 2021)	2.1	-5.0	6.0	4.4	2.5				
Average	2.0	-5.3	5.3	4.5	2.5	2.0	1.9	2.0	2.0

Survey of Ontario Housing Starts Forecast (in 000's)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Global Insight (Jun 2021)	68.9	81.2	93.0	79.0	73.3	66.9	60.1	57.6	57.4
Conference Board (Sep 2021)	69.0	80.8	99.1	91.8	89.4	89.1	88.9		
U of T (Aug 2021)	69.0	81.3	93.3	71.3	71.8	72.5	73.2	73.8	74.4
C4SE (Jul 2021)	69.0	81.3	92.4	80.1	81.4	81.3	79.8	79.7	80.1
CIBC (Apr 2020)	69.0	43.0	68.0						
BMO (Oct 2020)	69.0	81.0	76.0						
RBC (Sep 2021)	69.0	80.8	99.3	76.3					
Scotia (Sep 2021)	69.0	81.0	96.0	85.0	80.0				
TD (Sep 2021)	70.1	81.1	99.6	83.3	83.2				
Desjardins (Sep 2021)	69.0	81.0	100.0	84.0	82.0	80.0	78.0		
Central 1 (Sep 2021)	69.0	80.6	73.1	74.8	77.3				
National Bank (Oct 2021)	69.0	81.3	98.0	81.7	80.0				
Laurentian Bank (Jul 2021)	69.0	80.8	93.0	79.0	76.0				
Average	69.1	78.1	90.8	80.6	79.4	78.0	76.0	70.4	70.6

Forecast updated on Oct 29, 2021

Witness: ALAGHEBAND Bijan

1 The forecast shown is marginally higher since it was made at a time when there was growing
2 optimism that the opening of economy was well underway and trending towards full recovery.
3 However, more recently, starting in late October/early November 2021, the economic outlook
4 has deteriorated rapidly in view of supply chain constraints and persistently high rate of inflation
5 (originally thought of as being temporary). These concerns are not reflected in the consensus
6 inputs provided above as they were dated earlier.

7
8 Supply chain constraints are expected to reduce GDP growth as specialized labour, raw material,
9 and intermediate goods used in production of final goods is expected to grow less rapidly
10 compared to demand. This higher demand, in turn, accelerates inflation.

11
12 Consequently, it is expected that central banks will increase the interest rate sooner than earlier
13 expected to reduce demand and, thereby, inflation. For example, in November, Bank of Canada
14 announced that the interest rate hikes would start in 2022 instead of 2023 and, also stopped
15 quantitative easing. This would slowdown economic growth and, thereby, load growth.

16
17 As noted earlier, the deterioration in economic outlook is not reflected in the consensus forecast
18 shown in this response. For example, most recent forecast from the University of Toronto
19 released on November 8, 2021, shaves more than 1.2% from Ontario GDP growth rates over the
20 2021-2027 period compared to the forecast presented in this response. Forecast received from
21 Global Insight on November 19 also shaved about 1% from Ontario GDP over the forecast period
22 compared to earlier update in August. Given that the provincial forecast is not updated frequently
23 by major banks and forecasting houses, it would take at least a few months until such concerns
24 would be reflected in the consensus forecast.

1 **D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 016**

2
3 **Reference:**

4 Exhibit D-3-1

5
6 **Interrogatory:**

7 The evidence states that the forecast assumes typical weather conditions based on the average
8 of the last 31 years. The 2020 through 2027 forecast for cooling degree days is 363 and for heating
9 degree days is 3696 as shown in Attachment 1. What 31-year period is this forecast based on?

10
11 **Response:**

12 The 31-year period used is 1990-2020.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule D-LPMA-016
Page 2 of 2

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Witness: ALAGHEBAND Bijan

1 **D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 017**

2
3 **Reference:**

4 Exhibit D-4-1

5
6 **Interrogatory:**

7 Please update Table 1 to reflect the forecast based on the most recent information available as
8 requested above in D-LPMA-15 and D-LPMA-16.

9
10 **Response:**

11 Please see below the forecast update for Ontario peak and its comparison with forecasts used in
12 the Application that is also presented in Table 1 noted above. Charge determinants change in
13 proportion to Ontario peak so that, with no loss in generality, Ontario peak is used for the
14 comparison below.

15

Year	Using Forecasting Models, Oct 2021	Using Forecasting Models, Feb. 2021	Forecast Used in the Application
2023	18985	18900	19451
2024	18931	18845	19527
2025	18847	18767	19547
2026	18771	18676	19584
2027	18672	18577	19607

16
17
18 The results reflect a marginal change in the forecast based on econometric models. However, the
19 recent update is still much lower than the forecast used in this Application. The forecast used in
20 the Application was set higher than the forecast implied by forecasting models as of February
21 2021 to reflect optimism at that time that economic recovery was well under way and to account
22 for the factors noted in part c) of Hydro One's response to D-VECC-43. However, as detailed in
23 response to D-LPMA-15, such optimism has faded in view of supply constraints and high rate of
24 inflation. The issues noted in D-LPMA-15 are not yet reflected in the consensus forecasts and are
25 therefore not reflected in updated results noted above. Consequently, the situation would likely
26 call for a downward revision in the forecast used in this Application. Hydro One will continue to
27 monitor economic indicators to determine whether any update to the proposed forecast is
28 necessary.

Witness: ALAGHEBAND Bijan

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
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Witness: ALAGHEBAND Bijan

1 **D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 018**

2
3 **Reference:**

4 Exhibit D-5-1

5
6 **Interrogatory:**

7 Please update Table 3 and all other relevant tables (such as those in Appendix E) to reflect the
8 forecast based on the most recent information available as requested above in D-LPMA-15 and
9 D-LPMA-16.

10
11 **Response:**

12 In relation to Table 3 cited above, please see forecast update for gross energy based on latest
13 information available in October.

14

Year	Using Forecasting Models, Oct 2021	Using Forecasting Models, Feb. 2021	Forecast Used in the Application
2020	38,128	38,128	38,128
2021	38,136	37,962	38,466
2022	38,249	38,092	38,828
2023*	39,547	39,444	40,196
2024*	39,710	39,638	40,405
2025*	39,769	39,732	40,562
2026*	39,938	39,937	40,688
2027*	40,237	40,268	41,093

* Includes the impact of integrating Acquired Utilities into Hydro One Distribution.

15

1 The updated forecast for gross energy is only marginally different than the forecast implied by the
2 forecasting models based on February 2021 information. Both forecasts are much lower
3 compared to the forecast used in this Application. The difference between the February forecast
4 and the forecast used in this Application reflect an upward adjustment to the forecast to hedge
5 against potential upward risk to the forecast based on optimism that prevailed at the time of the
6 forecast. As detailed in response to D-LPMA-15, that optimism has faded after October forecast
7 update in view of supply constraint and high inflation rate.

8
9 For the number of customer forecast, please see the following table.

Year	Oct 2021 Forecast	Forecast Used in the Application
2023*	1,414,753	1,413,905
2024*	1,425,107	1,424,106
2025*	1,435,218	1,434,135
2026*	1,444,669	1,443,532
2027*	1,454,064	1,452,813

10
11 * Includes the impact of integrating Acquired Utilities into Hydro One Distribution.

12
13 The forecast update for the number of customers is only marginally different than the forecast
14 used in this Application, with the difference ranging between 0.06% and 0.09%, basically due to a
15 marginally higher demand for housing. But the latest information about high inflation rate - that
16 was not reflected in the October update - implies that the interest rates and, thereby, mortgage
17 rates, would be on the rise sooner than expected as detailed in response D-LPMA-15, reducing
18 demand for housing and, thereby, growth in the number of customers. The issues noted in D-
19 LPMA-15 are not yet reflected in the consensus forecasts and are therefore not reflected in
20 updated results noted above. In view of the latest developments regarding supply chain
21 constraints and high inflation rate, a lower Distribution forecast for load and number of customers
22 could be warranted. Hydro One will continue to monitor economic indicators to determine
23 whether any update to the proposed forecast is necessary.

1 **D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 019**

2

3 **Reference:**

4 Exhibit D-2-1

5

6 **Interrogatory:**

7 Please update the forecast for 2021 in Table 1 to reflect information for as many months of actuals
8 as are available for 2021.

9

10 **Response:**

11 The forecast for 2021 has not materially changed from what was provided in Table 1 of Exhibit D-
12 2-1.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule D-LPMA-019
Page 2 of 2

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Witness: SPENCER Andrew

1 **D - LONDON PROPERTY MANAGEMENT ASSOCIATION - 020**

2
3
4
5
6
7
8
9
10
11
12

Reference:

Exhibit D-2-1

Interrogatory:

Please update the forecast for 2021 in Table 2 to reflect information for as many months of actuals as are available for 2021.

Response:

The forecast for 2021 has not materially changed from what was provided in Table 2 of Exhibit D-2-1.

Filed: 2021-11-29
EB-2021-0110
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Tab 14
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Witness: SPENCER Andrew

1 **E - LONDON PROPERTY MANAGEMENT ASSOCIATION - 021**

2
3 **Reference:**

4 Exhibit E-2-1

5
6 **Interrogatory:**

7 Please update Table 2 to reflect an updated forecast for 2021 that includes as many months of
8 actual data for 2021 as are now available. Please indicate how many months of actual data are
9 included in the updated 2021 forecast.

10
11 **Response:**

12 Please see Interrogatory Response **E-CCC-025**.

13
14 Q3 2021 Actuals are included in **A-SEC-002**. Re-forecast year-end values for 2021 and 2022 are
15 not currently available, as Hydro One is in the midst of a business planning cycle for 2022 which
16 is not complete and has not yet been approved by Hydro One's Board of Directors.

Filed: 2021-11-29
EB-2021-0110
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Witness: JODOIN Joel

E - LONDON PROPERTY MANAGEMENT ASSOCIATION - 022

Reference:

Exhibit E-3-1

Interrogatory:

Please update Table 2 to reflect an updated forecast for 2021 that includes as many months of actual data for 2021 as are now available. Please indicate how many months of actual data are included in the updated 2021 forecast.

Response:

Please see updated table below for 2021 Q3 year to date actuals by the following Distribution O&MA cost categories. As noted in Interrogatory Response **A-SEC-002**, Hydro One provided Q3 2021 actuals as an update to this application, but does not have further updates to the originally filed 2021 forecasts in the application that are Hydro One board-approved at this time.

Table 2 - Summary of Recoverable OM&A Expenses (\$M) from Exhibit E-03-01

Distribution	Historical						Bridge	Test
	2018	2018	2019	2020	2021	2021	2022	2023
	OEB- Approved	Actual	Actual	Actual	Q3 YTD Actual	Forecast	Forecast	Forecast
Sustainment	-	312.3	347.1	324.9	260.4	299.6	303.6	311.4
Development	-	7.5	7.1	6.0	6.0	10.0	10.2	11.0
Operations	-	37.3	36.6	33.0	28.2	39.7	41.3	40.8
Customer Care	-	111.7	97.8	111.2	80.2	108.6	107.9	118.3
Common and Other	-	84.9	66.3	79.7	59.3	68.0	67.0	110.0
Property Taxes and Rights Payments	-	5.1	4.6	5.4	4.0	5.6	5.8	6.0
Total	544.4	558.8	559.6	560.2	438.0	531.4	535.8	597.5

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule E-LPMA-022
Page 2 of 2

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Witness: JODOIN Joel

1 **E - LONDON PROPERTY MANAGEMENT ASSOCIATION - 023**

2
3 **Reference:**

4 Exhibit E-4-2, Page 2

5
6 **Interrogatory:**

7 Please explain how a reduction in the vacancies contributed to the historical cost reductions
8 shown for 2019 and 2020.

9
10 **Response:**

11 A reduction in vacancies contributes to cost savings by not back-filling positions which were
12 historically occupied, and as a result, not back-filling positions has contributed to the savings
13 shown for 2019 and 2020.

Filed: 2021-11-29
EB-2021-0110
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Witness: JODOIN Joel

1 **E - LONDON PROPERTY MANAGEMENT ASSOCIATION - 024**

2
3 **Reference:**

4 Exhibit E-8-1

5
6 **Interrogatory:**

- 7 a) For each of Tables 1 & 2, please explain the large variances in under spending relative to OEB
8 approved figures for the historical years related to asset removal costs.
- 9
- 10 b) What changes has HONI made to its forecasting methodology with respect to asset removal
11 costs to reduce this historical variance?

12
13 **Response:**

14 a) At a high level, over the five-year historical period (2018-2022), Hydro One has seen a shift
15 from planned system renewal work to development investments in the form of System
16 Service and System Access requests. In recent years, the shift from renewal to growth has
17 resulted in lower levels of removal costs, as System Access and System Service work typically
18 involves less removals. The maturity of the capital plan, from as-filed, to approved, to actuals,
19 has evolved, as detailed in Transmission and Distribution System Plans included in TSP Section
20 2.8 and DSP Section 3.8, respectively, resulting in variances to the incurred asset removal
21 expenses relative to the approved amounts. Furthermore, as the timing and nature of capital
22 expenditures evolve, project specific removals will follow the timing of the capital investment.

23

24 More specifically, as discussed in Section 7.5 of Exhibit G-01-02, Hydro One has determined
25 that a contributor to the historical variations has been the need to reprioritize and redirect
26 capital work, due to various internal and external drivers, away from System Renewal work
27 and towards System Access and System Service work. A consequence of this is that there are
28 less asset removals associated with System Access and System Service than there are for
29 System Renewal due to inherent differences in the nature of the work.

30

31 Furthermore, as described in Sections 2.11 and 7.5 of Exhibit G-01-02, Hydro One is requesting
32 continuance of its Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative
33 Variance Account for Transmission and approval to establish an equivalent account for
34 Distribution. These accounts will be used to record differences between the revenue
35 requirement associated with asset removal cost forecasts included in proposed depreciation
36 expenses and actual asset removal costs incurred. Moreover, the accounts are asymmetrical
37 to the benefit of customers. As discussed in Section 7.5 of Exhibit G-01-02, Hydro One has

1 previously acknowledged the historical variances in its Transmission business and in the
2 current application acknowledges that they are occurring in its Distribution business. Hydro
3 One has been working to address this issue by updating its planning assumptions (as further
4 discussed in part b) below), as well as by continuing to monitor, assess and refine its approach
5 to asset removal cost.

6

7 b) In 2018, in preparation for the 2020-22 Transmission rate application, Hydro One reviewed
8 removal rates for transmission system renewal investments, and revised the rates, consistent
9 with observed work practices reflecting the latest approach to work staging. No material
10 changes have occurred to distribution removal rates.

1 **F - LONDON PROPERTY MANAGEMENT ASSOCIATION - 025**

2
3 **Reference:**

4 Exhibit F-1-1, Page 1

5
6 **Interrogatory:**

7 Would any potential midterm update for cost of capital parameters for 2026 and 2027 be limited
8 to the actual and forecasted cost of long-term debt or would it include the return on equity and/or
9 the rate for short-term debt?

10
11 **Response:**

12 Any potential midterm update for the cost of capital parameters for 2026 and 2027 would include
13 an update to all cost of capital parameters including the return on equity, long-term debt and
14 short-term debt.

Filed: 2021-11-29
EB-2021-0110
Exhibit I
Tab 14
Schedule F-LPMA-025
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Witness: PAOLUCCI William

1 **F - LONDON PROPERTY MANAGEMENT ASSOCIATION - 026**

2
3 **Reference:**

4 Exhibit F-1-4

5
6 **Interrogatory:**

7 Please provide updated long-term debt schedules for 2023 transmission and 2023 distribution
8 that incorporate actual issuances to-date for 2021 and updated forecasted issuances for the
9 remainder of 2021 and 2022 and 2023 based on Consensus Forecasts from September and
10 October 2021.

11
12 **Response:**

13 Please see the updated debt schedule (F-01-04) pages 6 and 12 included within F-LPMA-26
14 Attachment 1 for the 2023 Cost of Long-Term Debt Capital for both Transmission and Distribution
15 businesses. Lines 39 to 40 on page 6 show the actual debt issued in 2021 allocated to Distribution.
16 Lines 39 to 40 on page 12 show the actual debt issued in 2021 allocated to Transmission. There is
17 no forecasted debt for the remainder of 2021. Lines 41 to 46 on page 6 show the updated
18 forecasted debt issuances in 2022 and 2023 allocated to Distribution. Lines 41 to 46 on page 12
19 show the updated forecasted debt issuances in 2022 and 2023 allocated to Transmission. The
20 updated forecasted issuances for 2022 and 2023 are based on the 2021 September Consensus
21 Forecast and 2021 October Long-term Consensus Forecast.

Filed: 2021-11-29
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1

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Witness: PAOLUCCI William

HYDRO ONE NETWORKS INC.
DISTRIBUTION
Cost of Long-Term Debt Capital
Test Year (2023)
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)	Per \$100 Principal Amount (Dollars)	Effective Cost Rate	1/1/2022 Total Amount Outstanding at		1/1/2023 Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
									12/31/22 (\$Millions)	12/31/23 (\$Millions)			
1	3-Jun-00	7.350%	3-Jun-30	121.6	2.0	119.6	98.37	7.49%	121.6	121.6	121.600	9.1	
2	22-Jun-01	6.930%	1-Jun-32	47.7	0.6	47.1	98.78	7.03%	47.7	47.7	47.728	3.4	
3	17-Sep-02	6.930%	1-Jun-32	142.0	(5.1)	147.1	103.57	6.65%	142.0	142.0	142.000	9.4	
4	31-Jan-03	6.350%	31-Jan-34	74.0	0.6	73.4	99.21	6.41%	74.0	74.0	74.000	4.7	
5	22-Apr-03	6.590%	22-Apr-43	105.0	0.8	104.2	99.26	6.64%	105.0	105.0	105.000	7.0	
6	25-Jun-04	6.350%	31-Jan-34	48.0	(0.1)	48.1	100.22	6.33%	48.0	48.0	48.000	3.0	
7	20-Aug-04	6.590%	22-Apr-43	26.0	(2.1)	28.1	107.89	6.06%	26.0	26.0	26.000	1.6	
8	24-Aug-04	6.350%	31-Jan-34	26.0	(0.9)	26.9	103.48	6.09%	26.0	26.0	26.000	1.6	
9	19-May-05	5.360%	20-May-36	98.1	3.7	94.4	96.19	5.62%	98.1	98.1	98.100	5.5	
10	24-Apr-06	5.360%	20-May-36	62.5	0.8	61.7	98.68	5.45%	62.5	62.5	62.500	3.4	
11	19-Oct-06	5.000%	19-Oct-46	45.0	0.3	44.7	99.29	5.04%	45.0	45.0	45.000	2.3	
12	13-Mar-07	4.890%	13-Mar-37	160.0	0.9	159.1	99.45	4.93%	160.0	160.0	160.000	7.9	
13	3-Mar-09	6.030%	3-Mar-39	105.0	0.6	104.4	99.41	6.07%	105.0	105.0	105.000	6.4	
14	16-Jul-09	5.490%	16-Jul-40	90.0	0.6	89.4	99.36	5.53%	90.0	90.0	90.000	5.0	
15	15-Mar-10	5.490%	24-Jul-40	80.0	(0.5)	80.5	100.58	5.45%	80.0	80.0	80.000	4.4	
16	13-Sep-10	5.000%	19-Oct-46	100.0	(0.2)	100.2	100.25	4.98%	100.0	100.0	100.000	5.0	
17	26-Sep-11	4.390%	26-Sep-41	75.0	0.5	74.5	99.35	4.43%	75.0	75.0	75.000	3.3	
18	22-Dec-11	4.000%	22-Dec-51	30.0	0.2	29.8	99.47	4.03%	30.0	30.0	30.000	1.2	
19	22-May-12	4.000%	22-Dec-51	56.3	0.3	56.0	99.51	4.02%	56.3	56.3	56.300	2.3	
20	31-Jul-12	3.790%	31-Jul-62	22.5	0.1	22.4	99.47	3.81%	22.5	22.5	22.500	0.9	
21	16-Aug-12	3.790%	31-Jul-62	94.0	0.8	93.2	99.20	3.83%	94.0	94.0	94.000	3.6	
22	9-Oct-13	4.590%	9-Oct-43	195.8	1.1	194.6	99.42	4.63%	195.8	195.8	195.800	9.1	
23	29-Jan-14	4.310%	29-Jan-64	20.0	0.1	19.9	99.44	4.34%	20.0	20.0	20.000	0.9	
24	3-Jun-14	4.170%	3-Jun-44	132.0	0.8	131.2	99.40	4.21%	132.0	132.0	132.000	5.6	
25	24-Feb-16	3.910%	24-Feb-46	175.0	1.1	173.9	99.36	3.95%	175.0	175.0	175.000	6.9	
26	24-Feb-16	2.770%	24-Feb-26	245.0	1.1	243.9	99.56	2.82%	245.0	245.0	245.000	6.9	
27	18-Nov-16	3.720%	18-Nov-47	180.0	0.9	179.1	99.50	3.75%	180.0	180.0	180.000	6.7	
28	26-Jun-18	3.630%	25-Jun-49	281.8	1.5	280.3	99.48	3.66%	281.8	281.8	281.800	10.3	
29	26-Jun-18	2.970%	26-Jun-25	131.5	0.5	131.0	99.60	3.03%	131.5	131.5	131.500	4.0	
30	5-Apr-19	3.640%	5-Apr-49	102.5	0.6	101.9	99.43	3.67%	102.5	102.5	102.500	3.8	
31	5-Apr-19	3.020%	5-Apr-29	225.5	1.0	224.5	99.57	3.07%	225.5	225.5	225.500	6.9	
32	5-Apr-19	2.540%	5-Apr-24	287.0	1.1	285.9	99.62	2.62%	287.0	287.0	287.000	7.5	
33	28-Feb-20	2.710%	28-Feb-50	57.5	0.3	57.2	99.50	2.73%	57.5	57.5	57.500	1.6	
34	28-Feb-20	2.160%	28-Feb-30	76.7	0.3	76.4	99.58	2.21%	76.7	76.7	76.700	1.7	
35	28-Feb-20	1.760%	28-Feb-25	76.7	0.3	76.4	99.63	1.84%	76.7	76.7	76.700	1.4	
36	9-Oct-20	2.710%	28-Feb-50	76.0	0.2	75.8	99.68	2.73%	76.0	76.0	76.000	2.1	
37	9-Oct-20	1.690%	16-Jan-31	152.0	0.7	151.3	99.54	1.74%	152.0	152.0	152.000	2.6	
38	9-Oct-20	0.710%	16-Jan-23	76.0	0.6	75.4	99.27	1.04%	76.0	0.0	5.8	0.1	Note 2
	15-Mar-21	2.860%	15-Mar-51	42.5	0.2	42.2	99.50	2.88%	0.0	0.0	0.0	0.0	
	15-Jun-21	1.859%	15-Jun-31	42.5	0.2	42.2	99.50	1.91%	0.0	0.0	0.0	0.0	
	15-Sep-21	1.327%	15-Sep-26	42.5	0.2	42.2	99.50	1.43%	0.0	0.0	0.0	0.0	
39	14-Sep-21	3.100%	15-Sep-51	225.0	1.3	223.7	99.42	3.13%	225.0	225.0	225.000	7.0	
40	14-Sep-21	2.230%	17-Sep-31	225.0	1.1	223.9	99.53	2.28%	225.0	225.0	225.000	5.1	
41	15-Mar-22	3.487%	15-Mar-52	29.1	0.1	29.0	99.50	3.51%	29.1	29.1	29.100	1.0	
42	15-Jun-22	2.571%	15-Jun-32	29.1	0.1	29.0	99.50	2.63%	29.1	29.1	29.100	0.8	
43	15-Sep-22	1.841%	15-Sep-27	29.1	0.1	29.0	99.50	1.95%	29.1	29.1	29.100	0.6	
44	15-Mar-23	4.187%	15-Mar-53	194.3	1.0	193.3	99.50	4.22%	0.0	194.3	149.5	6.3	
45	15-Jun-23	3.271%	15-Jun-33	194.3	1.0	193.3	99.50	3.33%	0.0	194.3	104.6	3.5	
46	15-Sep-23	2.541%	15-Sep-28	194.3	1.0	193.3	99.50	2.65%	0.0	194.3	59.8	1.6	
47		Subtotal							<u>4636.9</u>	<u>5143.9</u>	<u>4880.7</u>	<u>194.7</u>	
48		Treasury OM&A costs										1.2	
49		Other financing-related fees										3.4	
50		Total							<u>4636.9</u>	<u>5143.9</u>	<u>4880.7</u>	<u>199.4</u>	<u>4.08%</u>

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

Note 2 - \$152 million of the Oct 9th 2020 \$228 million 2.25 year 0.71% bond allocated to Dx is being used to finance the deemed short term debt amount equal to 4% of rate base.

HYDRO ONE NETWORKS INC.
TRANSMISSION
Cost of Long-Term Debt Capital
Test Year (2023)
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 (\$Millions)	Per \$100 Principal (\$Millions)	Effective Cost Rate	Total Amount Outstanding		1/1/2023 Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
									1/1/2022 at 12/31/22 (\$Millions)	1/1/2023 at 12/31/23 (\$Millions)			
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.400	20.8	
2	22-Jun-01	6.930%	1-Jun-32	109.3	1.3	107.9	98.78	7.03%	109.3	109.3	109.272	7.7	
3	17-Sep-02	6.930%	1-Jun-32	58.0	(2.1)	60.1	103.57	6.65%	58.0	58.0	58.000	3.9	
4	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.000	8.1	
5	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.000	9.6	
6	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.000	4.6	
7	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.000	2.4	
8	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.000	2.4	
9	19-May-05	5.360%	20-May-36	228.9	8.7	220.2	96.19	5.62%	228.9	228.9	228.900	12.9	
10	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.500	10.2	
11	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.000	1.5	
12	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.000	11.8	
13	3-Mar-09	6.030%	3-Mar-39	195.0	1.2	193.8	99.41	6.07%	195.0	195.0	195.000	11.8	
14	16-Jul-09	5.490%	16-Jul-40	210.0	1.4	208.6	99.36	5.53%	210.0	210.0	210.000	11.6	
15	15-Mar-10	5.490%	24-Jul-40	120.0	(0.7)	120.7	100.58	5.45%	120.0	120.0	120.000	6.5	
16	13-Sep-10	5.000%	19-Oct-46	150.0	(0.4)	150.4	100.25	4.98%	150.0	150.0	150.000	7.5	
17	26-Sep-11	4.390%	26-Sep-41	205.0	1.3	203.7	99.35	4.43%	205.0	205.0	205.000	9.1	
18	22-Dec-11	4.000%	22-Dec-51	70.0	0.4	69.6	99.47	4.03%	70.0	70.0	70.000	2.8	
19	22-May-12	4.000%	22-Dec-51	68.8	0.3	68.4	99.51	4.02%	68.8	68.8	68.800	2.8	
20	31-Jul-12	3.790%	31-Jul-62	52.5	0.3	52.2	99.47	3.81%	52.5	52.5	52.500	2.0	
21	16-Aug-12	3.790%	31-Jul-62	141.0	1.1	139.9	99.20	3.83%	141.0	141.0	141.000	5.4	
22	9-Oct-13	4.590%	9-Oct-43	239.3	1.4	237.9	99.42	4.63%	239.3	239.3	239.300	11.1	
23	29-Jan-14	4.310%	29-Jan-64	30.0	0.2	29.8	99.44	4.34%	30.0	30.0	30.000	1.3	
24	3-Jun-14	4.190%	3-Jun-44	198.0	1.2	196.8	99.40	4.23%	198.0	198.0	198.000	8.4	
25	24-Feb-16	3.910%	24-Feb-46	175.0	1.1	173.9	99.36	3.95%	175.0	175.0	175.000	6.9	
26	24-Feb-16	2.770%	24-Feb-26	245.0	1.1	243.9	99.56	2.82%	245.0	245.0	245.000	6.9	
27	18-Nov-16	3.720%	18-Nov-47	270.0	1.4	268.7	99.50	3.75%	270.0	270.0	270.000	10.1	
28	26-Jun-18	3.630%	25-Jun-49	468.0	2.4	465.6	99.48	3.66%	468.0	468.0	468.000	17.1	
29	26-Jun-18	2.970%	26-Jun-25	218.4	0.9	217.5	99.60	3.03%	218.4	218.4	218.400	6.6	
30	5-Apr-19	3.640%	5-Apr-49	147.5	0.8	146.7	99.43	3.67%	147.5	147.5	147.500	5.4	
31	5-Apr-19	3.020%	5-Apr-29	324.5	1.4	323.1	99.57	3.07%	324.5	324.5	324.500	10.0	
32	5-Apr-19	2.540%	5-Apr-24	413.0	1.6	411.4	99.62	2.62%	413.0	413.0	413.000	10.8	
33	28-Feb-20	2.710%	28-Feb-50	147.9	0.9	147.0	99.42	2.74%	147.9	147.9	147.900	4.0	
34	28-Feb-20	2.160%	28-Feb-30	197.2	0.8	196.4	99.58	2.21%	197.2	197.2	197.200	4.4	
35	28-Feb-20	1.760%	28-Feb-25	197.2	0.7	196.5	99.63	1.84%	197.2	197.2	197.200	3.6	
36	9-Oct-20	2.710%	28-Feb-50	124.0	0.4	123.6	99.68	2.73%	124.0	124.0	124.000	3.4	
37	9-Oct-20	1.690%	16-Jan-31	248.0	1.2	246.8	99.54	1.74%	248.0	248.0	248.000	4.3	
38	9-Oct-20	0.710%	16-Jan-23	124.0	0.9	123.1	99.27	1.04%	124.0	0.0	9.5	0.1	Note 2
	15-Mar-21	2.860%	15-Mar-51	128.3	0.6	127.7	99.50	2.88%	0.0	0.0	0.0	0.0	
	15-Jun-21	1.859%	15-Jun-31	128.3	0.6	127.7	99.50	1.91%	0.0	0.0	0.0	0.0	
	15-Sep-21	1.327%	15-Sep-26	128.3	0.6	127.7	99.50	1.43%	0.0	0.0	0.0	0.0	
39	14-Sep-21	3.100%	15-Sep-51	225.0	1.3	223.7	99.42	3.13%	225.0	225.0	225.000	7.0	
40	14-Sep-21	2.230%	17-Sep-31	225.0	1.1	223.9	99.53	2.28%	225.0	225.0	225.000	5.1	
41	15-Mar-22	3.487%	15-Mar-52	217.9	1.1	216.8	99.50	3.51%	217.9	217.9	217.900	7.7	
42	15-Jun-22	2.571%	15-Jun-32	217.9	1.1	216.8	99.50	2.63%	217.9	217.9	217.900	5.7	
43	15-Sep-22	1.841%	15-Sep-27	217.9	1.1	216.8	99.50	1.95%	217.9	217.9	217.900	4.2	
44	15-Mar-23	4.187%	15-Mar-53	218.1	1.1	217.0	99.50	4.22%	0.0	218.1	167.8	7.1	
45	15-Jun-23	3.271%	15-Jun-33	218.1	1.1	217.0	99.50	3.33%	0.0	218.1	117.4	3.9	
46	15-Sep-23	2.541%	15-Sep-28	218.1	1.1	217.0	99.50	2.65%	0.0	218.1	67.1	1.8	
47		Subtotal							<u>7635.9</u>	<u>8166.2</u>	<u>7873.7</u>	<u>312.4</u>	
48		Treasury OM&A costs										2.1	
49		Other financing-related fees										5.8	
50		Total							<u>7635.9</u>	<u>8166.2</u>	<u>7873.7</u>	<u>320.3</u>	<u>4.07%</u>

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

Note 2 - \$248 million of the Oct 9th 2020 \$372 million 2.25 year 0.71% bond allocated to Tx is being used to finance the deemed short term debt amount equal to 4% of rate base.

1 **G - LONDON PROPERTY MANAGEMENT ASSOCIATION - 027**

2
3 **Reference:**

4 Exhibit G-1-2, Attachment 10

5
6 **Interrogatory:**

7 a) Please explain the different results shown for transmission (page 1) of a \$0 balance in the
8 account at the end of the IR term and for distribution (page 2) of (\$5.3) balance in the
9 account.

10
11 b) What would the balance be in the transmission account if the wording of the account is not
12 changed as proposed by Hydro One?

13
14 **Response:**

15 Please refer to the response to G-Staff-305, part (c).

Filed: 2021-11-29
EB-2021-0110
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Witness: CHELAVDA Samir

1 **G - LONDON PROPERTY MANAGEMENT ASSOCIATION - 028**

2
3 **Reference:**

4 Exhibit G-1-5, Attachment 1

5
6 **Interrogatory:**

7 The line item for the LDC CDM and Demand Response Variance Account shows a 2020 year-end
8 principal balance of \$40,285,880 and a year-end interest balance of \$2,043,333. There is a Board
9 approved disposition of \$7,951,814 shown for 2021, all of which is a reduction to the principal
10 balance. There is a Board approved disposition of \$7,951,814 shown for 2022, but it is a
11 reduction in the principal balance of \$6,770,561 and a reduction in the interest balance of
12 \$1,181,252.

- 13
14 a) Please explain the different methods of allocating the Board approved disposition between
15 2021 and 2022.
16
17 b) How did Hydro One determine the split of the \$7,951,814 between principal and interest for
18 2022?
19
20 c) Does the approach in 2022 of assigning part of the disposition to the interest balance
21 instead of the principal balance result in higher interest charges for 2022 and beyond? If
22 not, please explain why not.
23

24 **Response:**

- 25 a) Since interest is calculated on the net principal balance remaining in the account, it is
26 appropriate to allocate the OEB approved dispositions in a way such that the principal
27 account is drawn down first and the interest balance is drawn down last. This avoids any
28 double-counting of interest improvement.
29
30 b) Once the original OEB approved principal amount is fully drawn down, the interest amount
31 gets drawn down.
32
33 c) No. Please see response (a) above.

Filed: 2021-11-29
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Witness: CHELAVDA Samir