

**RÉPONSE D'HYDRO-QUÉBEC DISTRIBUTION
À L'ENGAGEMENT NUMÉRO 4**

Engagement n° 4 (demandé par OC)

Does Toronto Hydro have a Y factor for any part of pension costs other than those arising from the transition to USGAAP?

Have you surveyed any of the other utilities in Ontario for pension cost treatment?

Réponse de Concentric à l'engagement n° 4 :

1 **Based on the Ontario Energy Board's ("OEB") decision in docket EB-2014-**
2 **0116 which established Toronto Hydro's Custom IR plan, pension costs**
3 **related to the transition to USGAAP accounting are treated outside of the**
4 **indexing formula. This understanding is based on the discussion that appears**
5 **on pages 55-6 of this decision.**

6 **Concentric understood the Régie's information request No. 5 to be an inquiry**
7 **into how other *jurisdictions* in Canada and the United States have treated Y**
8 **and Z factors. Given this understanding, Concentric examined the OEB's**
9 **reports on its 3rd and 4th generation incentive ratemaking regimes which**
10 **provide the parameters under which electric distributors may apply for**
11 **incentive rate plans.**

12 **The OEB notes that the price cap mechanism will be applied to the base**
13 **distribution rates « net of existing rate adders and rate rebalancing**
14 **adjustments as determined necessary by the Board.»¹ The OEB goes on to list**
15 **the various types of rate adders to which the price cap adjustment will not**
16 **apply, including:**

- 17 • Existing Rate riders;
- 18 • Retail transmission service rates;
- 19 • Wholesale market service rate;
- 20 • Rural rate protection charge;
- 21 • Standard supply service – administrative charge;
- 22 • Specific service charges;
- 23 • Allowances (transformation and primary metering allowances and any
- 24 other allowances the Board may determine);
- 25 • Retail service charges;
- 26 • Loss factors.

27 **To the extent a company has an existing rate rider for pension, this suggests**
28 **it would continue under the incentive rate plan.**

¹ Ontario Energy Board, Report of the Board: 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, July 14, 2008, at I.

1 In order to provide more information about the specific types of costs that
2 HQD is proposing for Y factor treatment, Concentric then examined the
3 decisions and tariffs of two of Ontario's larger distribution utilities: Toronto
4 Hydro and Horizon Utilities. Concentric did not examine the Y and Z factor
5 treatment of the other electric distributors in Ontario.

6 Toronto Hydro's treatment of pension expense is discussed in the December
7 29, 2015 decision in EB-2014-0116 (see above). However, pension expense is
8 not discussed in Horizon Utilities' Settlement Proposal, nor the OEB's order
9 approving settlement, therefore Concentric considers this expense to be
10 within the Company's Custom IR rate plan index and not a Y factor (Docket
11 EB-2014-0002).

12 Concentric also notes that although Ontario's largest distributor, Hydro One,
13 is not currently under an incentive rate plan, it has applied for a new Custom
14 IR plan (Docket EB-2017-0049) in which it is requesting a variance account for
15 pension costs. This application has not yet been approved by the OEB.