



ONTARIO ENERGY BOARD

FILE NO.: EB-2017-0049 Hydro One Networks Inc.

VOLUME: Presentation Day

DATE: December 7, 2017

BEFORE: Ken Quesnelle Presiding Member
Lynne Anderson Member
Emad Elsayed Member

EB-2017-0049

THE ONTARIO ENERGY BOARD

Hydro One Networks Inc.

Application for electricity distribution rates
beginning January 1, 2018 until December 31, 2022

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Thursday, December 7, 2017,
commencing at 9:30 a.m.

PRESENTATION DAY

BEFORE:

KEN QUESNELLE	Presiding Member
LYNNE ANDERSON	Member
EMAD ELSAYED	Member

A P P E A R A N C E S

JAMES SIDLOFSKY	Board Counsel
HAROLD THIESSEN	Board Staff
JANE SCOTT	
GORDON NETTLETON	Hydro One Networks Inc.
GEORGE VEGH	
LISA DeMARCO	Anwaatin Inc./Energy Storage Canada
SHELLEY GRICE	Association of Power Producers of Ontario (APPrO)
MICHAEL BUONAGURO*	Balsam Lake Coalition (BLC)
NICHOLAS COPEES	
BOB NIXON*	
TOM BRETT*	Building Owners and Managers Association (BOMA)
MARION FRASER*	
SCOTT POLLOCK*	Canadian Manufacturers & Exporters (CME)
JULIE GIRVAN	Consumers' Council of Canada (CCC)
TOM LADANYI	Energy Probe Research Foundation
BRADY YAUCH	
MARK RUBENSTEIN	School Energy Coalition (SEC)
MARK GARNER	Vulnerable Energy Consumers' Coalition (VECC)

ALSO PRESENT:

GORDON KAISER
JODY McEACHRAN
S. LISA LEE

*Appearing by teleconference

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1 Thursday, December 7, 2017

2 --- On commencing at 9:30 a.m.

3 MS. ANDERSON: Please be seated.

4 Good morning, everyone. Welcome to the presentation
5 day for the Hydro One distribution rate application for the
6 years 2018 to 2022, and it's Board file number EB-2017-
7 0049. My name is Lynne Anderson. I am a Board member on
8 the OEB Panel hearing the case. With me today is Emad
9 Elsayed, another member of the Panel. There is a third
10 member of the Panel, our Vice-Chair, Ken Quesnelle, who is
11 unable to attend today.

12 The Ontario Energy Board includes these presentation
13 days in major proceedings to allow the Board members, Staff
14 intervenors, and other interested parties to get an
15 overview of an application before we move into the detailed
16 discovery phase of the proceeding. There was a similar
17 presentation for Hydro One, I believe, last year for their
18 transmission case.

19 As noted in the OEB's procedural order, there are two
20 key components of the presentation that we are expecting
21 today. First, the presentation is expected to provide an
22 overview of key strategic and technical aspects of Hydro
23 One's application; and second, the presentation is expected
24 to include a detailed response to the customer issues that
25 were identified in the ten community meetings that were
26 held across the province this summer and also in the many
27 letters of comment that the OEB has received.

28 The issues from the community meetings were documented

1 in an OEB Staff report that was filed on the record
2 September 7th of this year, and the letters of comment are
3 all posted on the record of the proceeding.

4 The purpose of today is not to provide an opportunity
5 for cross-examination of Hydro One. Rather, it's for Hydro
6 One to present its application to the OEB and to respond to
7 any questions of clarification.

8 After Hydro One's presentation, we will open this up
9 for questions from those attending today. Please keep
10 those questions to the clarification of points and topics
11 that are raised in the presentation.

12 There will be an interrogatory phase -- there is an
13 interrogatory phase that follows, which will allow for more
14 detailed questioning and discovery on the evidence.

15 You will see that today's presentation is transcribed.
16 The transcript will be posted publicly. If you plan to ask
17 any questions you will need to move to a microphone for
18 anyone that's not at one now, for the benefit of the court
19 reporter.

20 I expect we will conclude before the lunch break, but
21 we will look for a good opportunity to take a morning break
22 at an appropriate time.

23 Mr. Sidlofsky, are there any preliminary matters that
24 we need to discuss before we do?

25 MR. SIDLOFSKY: Not for Board Staff, Madam Chair. I
26 have canvassed people in the room. My understanding is
27 that there are no other preliminary matters.

28 MS. ANDERSON: Okay. Hydro One. I am not sure who is

1 going to take the lead, but could you please introduce
2 yourselves and who is presenting.

3 MR. NETTLETON: Thank you, Ms. Anderson. My name is
4 Gordon Nettleton. I appear as counsel for Hydro One. With
5 me is my partner, Mr. Vegh, George Vegh, and we are
6 delighted to be here today, and let me introduce to you the
7 Hydro One panel of witnesses that are going to be
8 presenting.

9 HYDRO ONE NETWORKS INC. - PANEL 1

10 Chris Lopez

11 Greg Kiraly

12 Mayo Schmidt

13 Ferio Pugliese

14 Seated closest to you is Mr. Chris Lopez. Mr. Lopez
15 is the senior vice-president of finance for Hydro One.
16 Seated beside him is Mr. Greg Kiraly. Mr. Kiraly is the
17 chief operating officer of Hydro One. And seated beside
18 Mr. Kiraly is Mr. Mayo Schmidt. Mr. Schmidt is the
19 president and chief executive officer of Hydro One. And
20 seated beside Mr. Schmidt is Mr. Ferio Pugliese, and Mr.
21 Pugliese is the executive vice-president of customer care
22 and corporate affairs for Hydro One.

23 The organization of this presentation is going to be
24 without counsel but with the focus being on the remarks of
25 these four gentlemen, and with that I would ask Mr. Schmidt
26 to start us off, and he can provide some opening remarks
27 and then allow the others to participate.

28 APPEARANCES:

1 MS. ANDERSON: Sure, and Mr. Schmidt, just before you
2 begin I think for the record we will get the names of other
3 people in attendance, so we will just do a little bit of
4 round of introductions.

5 Just check with the court reporter. Have you got the
6 spelling of all the names? They've provided that? Okay.
7 Just want to check.

8 Mr. Sidlofsky, who is the Staff team?

9 MR. SIDLOFSKY: Thank you, my name is James Sidlofsky,
10 counsel to Board Staff this morning. I am here today with
11 Harold Thiessen, who is the case manager for this
12 application, and Jane Scott, who is manager of major
13 applications for the Board.

14 MS. ANDERSON: Okay. And, yes, a lot of registered
15 intervenors, so we will get you to introduce yourselves.

16 MR. GARNER: My name is Mark Garner. I am consultant
17 with the Vulnerable Energy Consumers' Coalition.

18 MR. RUBENSTEIN: Mark Rubenstein, counsel to the
19 School Energy Coalition.

20 MS. GRICE: Shelly Grice, consultant to the
21 Association of Major Power Consumers in Ontario.

22 MS. LEE: Lisa Lee, Hydro One.

23 MR. MCEACHRAN: Jody McEachran, Hydro One.

24 MR. KAISER: Gordon Kaiser, advisor to Hydro One.

25 MS. ANDERSON: And anyone from the back row a
26 registered intervenor?

27 MR. COPEs: Hello, my name is Nicholas Copes from
28 Balsam Lake Coalition.

1 MR. LADANYI: Tom Ladanyi, consultant to Energy Probe.

2 MR. YAUCH: Brady Yauch, consultant to Energy Probe.

3 MS. GIRVAN: Julie Girvan, consultant to the
4 Consumers' Council of Canada.

5 MS. ANDERSON: And if there are -- sorry, any other...

6 MS. DeMARCO: Lisa DeMarco, counsel to Anwaatin and
7 Energy Storage Canada.

8 MS. ANDERSON: And if there are other members of the
9 public who are going to ask questions they can introduce
10 themselves at the time that they ask the question.

11 Is there anyone on the phone that wishes to introduce
12 themselves for the record?

13 MS. FRASER: Yeah --

14 MR. BRETT: Yes --

15 MS. FRASER -- consultant to BOMA Toronto and to the
16 Ontario Sustainable Energy Association.

17 MS. ANDERSON: Could you please --

18 MR. BRETT: Tom Brett.

19 MS. ANDERSON: Sorry, Mr. Brett, before we move on,
20 who was the first person?

21 MS. FRASER: Marion Fraser.

22 MS. ANDERSON: Oh. And then Mr. Brett?

23 MR. BRETT: Yes, Tom Brett, counsel to the Building
24 Owners and Managers Association.

25 MR. POLLOCK: Scott Pollock, counsel for Canadian
26 Manufacturers & Exporters.

27 MS. ANDERSON: Anyone else?

28 MR. BUONAGURO: Yeah, hi. Mike Buonaguro, counsel for

1 the Balsam Lake Coalition.

2 MS. ANDERSON: That was Michael Buonaguro?

3 MR. NIXON: Bob Nixon, Balsam Lake Coalition.

4 MS. ANDERSON: Okay, is that everyone?

5 Good. So with those preliminary matters looked after
6 I guess we will turn it over to Mr. Schmidt for the
7 presentation.

8 **PRESENTATION BY MR. SCHMIDT:**

9 MR. SCHMIDT: Thank you, Madam Chair and members of
10 the Board and all in attendance today. Thank you for
11 having us here. I bring you greetings not only on behalf
12 of the management and teams at Hydro One but also the board
13 of directors. It's a pleasure to be here.

14 And I would note that we really are not only here to
15 present today but we really are here to listen. In this
16 presentation, what I wish to share with you is an overview
17 of the strategic and technical aspects of the application
18 that we are bringing before you, and here to listen to you,
19 and of course we are informed by customer feedback, also
20 the community meetings, of which have been extensive, both
21 on -- in transmission and distribution side of our business
22 now over the last number of years, and then also want to
23 respond to the comments as noted in the Board Staff report
24 here today.

25 I might just mention for a moment a couple minutes
26 about myself and how I came to be the chief executive
27 officer of Hydro One. My background is new to the
28 utilities industry. I come out of a business which was

1 global agriculture and food industry, and as well a
2 business that was regulated both domestically and
3 internationally.

4 And why I think mentioning that in my view is
5 important is I really do come to this with a fresh set of
6 eyes and a new lens for which to take views and respond.
7 And I think if I would characterize my early observations
8 of this -- the industry, I would like to share a few of
9 those with you today, but first I think it's important to
10 mention, and I think this is really as we see Hydro One
11 today moving forward since my arrival in 2015. It really
12 is an organization that has -- and has seen their own
13 operations and the consumer markets that we live in through
14 a new lens and really take a view of, much like I have in
15 my past, what is our purpose.

16 And our purpose really as I look at my past was giving
17 and delivering life through providing food ingredients from
18 areas of surplus to areas of need in the world, the global
19 population, and I think it was really embodied in a belief
20 system which we carry in this leadership team that you see
21 here today, that we really do believe deeply that the right
22 for a commercial business to exist is founded on what we
23 contribute to the lives in the communities in which we both
24 work and operate in, and the communities in which we live.

25 And we also take the view that it's not possible to
26 sustain a business for generations without creating and
27 providing lasting impacts, constructive and positive
28 impacts on the communities in which we live.

1 And if I think about my observations on arrival at
2 Hydro One, I have no doubt -- and just to be clear and
3 communicate openly about it -- it's an organization that
4 certainly after 109 years, we are now at 111 years, was an
5 organization that was rigid, often inflexible, certainly
6 siloed and I think, to a degree, had lost sight of a
7 purpose which we believe in today deeply, which is this is
8 an organization that's run for the purpose and for the
9 people. And that's the spirit in which we come today, and
10 I had the opportunity to present two years ago when I had
11 just arrived.

12 But the lack of transparency and clarity of purpose
13 that may have existed in the past is being dramatically
14 affected in the organization. So we have almost six
15 thousand people that are learning, that are changing, that
16 are adapting, that are dealing with a new reality and a new
17 approach as to how we deal with our customers, and also the
18 communities in which we live. And these are the behaviours
19 that we are changing.

20 So the organization, as you see here the leaders
21 today, will be talking about what is the new purpose of
22 Hydro One, and how we reflect and are received in the
23 communities in which we work and live today.

24 So there's been significant changes to leadership in
25 the organization. In fact, the leadership is, with few
26 exceptions, is entirely new, but not necessarily all new to
27 the industry. I represent someone that comes from a
28 completely different industry, but having run industrial

1 plants and equipment in many different countries on many
2 different continents, do have an experience and expertise
3 related to industrial plant and equipment and power
4 systems.

5 But there have been material changes not only to the
6 leadership team, but also the board of directors. You may
7 and certainly are probably aware that the board of
8 directors, now independent, is entirely commercial and when
9 I say that, and I say it in a way that is not different
10 than our purpose because our board entirely supports and
11 emphasizes the importance of community engagement and the
12 impact in which we have in the communities, and the ability
13 to learn and the ability to listen to the communities in
14 which we are operating.

15 And I think what you will see, and I think we can
16 provide evidence today, that's an organization that is
17 living the values to assist those in need, is learning to
18 listen. There have been those over the last couple of
19 years that have been unable to make the transition to a
20 company that I have described exists today. Many of those
21 employees have gone on to do other things because they
22 simply have not been able to embrace the purpose for which
23 we believe that we operate, which is for the people.

24 We are learning to be responsive. We want to live the
25 values to assist those in needs, and we want to be better
26 communicators.

27 So when I think about the organization and driving
28 results through the changes that have made, I might just

1 mention a couple of things because these things are often
2 front and centre. While we embody a new leadership team
3 whose purpose, I believe, has been redirected working for
4 the people, there of course continues to be lots of media
5 and conversation publicly in both the political and non-
6 political environments. And while we work every day to
7 motivate and inspire people to do the work that's necessary
8 to improve the lives of people around us, we also can't
9 help but have to overcome the noise that's in the market,
10 the criticisms and challenges that that face the
11 organization.

12 And I will also point out a few areas we have not only
13 have taken this journey as an organization, but have
14 invited our peers in the industry -- and I will describe
15 some ways in which we have done that -- to join us along
16 this path that we have chosen.

17 Compensation is often in the industry, it's in the
18 immediate media, it's in the politics, it certainly affects
19 how we approach business. But I would just quickly comment
20 on that to say that the compensation of the organization
21 and leadership in this organization is based on peer
22 compensation. So the board of directors, which is an
23 independent board of directors, does extensive research in
24 using subject matter experts to review compensation in all
25 of the areas in which we compete and would expect to
26 compete in the future. They take those and they look at
27 the average of those, and then they make a determination
28 based on skills and ability to position employees to fit

1 within their peer group compensations.

2 It's then presented to the shareholders who have
3 invested in this company, and the shareholders, at over a
4 98 percent approval rate, have approved the compensation
5 for the leadership teams.

6 And I might just mention that not only are there
7 performance requirements in an example of myself,
8 77 percent, so 77 percent of my compensation is at risk
9 related to -- and it's long-term incentives meant for
10 retention of key employees, over a period of a good portion
11 of it paid over a period of years to both retain and
12 motivate employees to achieve the performance metrics that
13 are approved by the board of directors.

14 So the board of directors sets stretch objectives and
15 those are the requirements in order to earn 77 percent of
16 that compensation. In my case, and in the case of many
17 other employees, it ranges between 50 percent
18 and 77 percent.

19 So we do believe that the reward system not only must
20 align with the ambitions of the organization's to be for
21 the people, but also must motivate, inspire and challenge
22 employees. And, no doubt, to attract and retain key
23 employees, the challenges associated with the market
24 conversations and the publicity around compensation are not
25 helpful and constructive in that way. But nonetheless, we
26 overcome that and have been able to attract some talented
27 individuals here, which I would like to introduce here in a
28 moment.

1 But let me talk a little bit for the a moment about
2 the actions operationally and from a customer, and I will
3 ask my colleagues to actually comment at length. But when
4 we think about the dramatic impact that Hydro One has had
5 in the province over the course of the last 24 months, and
6 particularly the last year itself, our ombudsmen complaints
7 are down by 90 percent year over year. And when a
8 complaint comes in, we endeavour to respond immediately and
9 fully to all of the complaints that come in to rectify and
10 solve those issues.

11 The overdue accounts receivable have been managed.
12 And when you tie ombudsman complaints and then take a view
13 that the accounts receivable are now at the record low, the
14 lowest in the company's history, and when you say how we
15 have been able to approach customers, get our collections
16 down, and yet serve the needs of the people, it's a rather
17 remarkable effort. The customers arrears have dramatically
18 reduced. Our disconnection rate, which I would say we are
19 extraordinarily proud of, are down by 57 percent year over
20 year.

21 These are the kind of efforts that the last over 24
22 months that the company has put work and effort into
23 showing success. And then on our operations front, Greg's
24 teams have been able to, in the year 2016 on our capital
25 program on transmission, which was an approved \$940 million
26 came in at \$941 million of executed capital. So the
27 requirement to do these with precision and, quite frankly,
28 even the performance metrics and their compensation plans

1 reward leaders for coming in with precision. If they come
2 in at a higher spend that's approved or a lower spend
3 that's approved, their personal reward, their compensation
4 is reduced.

5 So the new leadership that's sitting with me here
6 today that's been introduced is Chris, on my far left,
7 Chris Lopez, senior vice president of finance. Chris comes
8 to us after gaining many, many years of experience and
9 expertise in finance and regulatory experience TransAlta,
10 which is a well known publicly-traded power generator.

11 Ferio Pugliese, who is on my right, is our executive
12 vice president of customer care and corporate affairs. He
13 comes to us from WestJet Airlines, and very interestingly
14 is a recognized leader in both safety and customer service.
15 Ferio brings a wealth of experience, which I would like him
16 to talk about today, in building strong corporate cultures
17 that are focussed on serving customers and communities. He
18 is originally from Northern Ontario. He's got years of
19 work experience and he has raised his children for many
20 years in regions across this province.

21 Greg Kiraly, to my left, is our chief operating
22 officer. Greg joined us out of Pacific Gas & Electric, a
23 large player in North America. Greg has a deep expertise
24 in the execution of reliability programs and preventative
25 maintenance. Greg's teams were responsible for the capital
26 program that I have described that came in within
27 \$1 million on a \$940 million capital program, and Greg has
28 a real strong vision for our operational improvements and

1 innovation to achieve improved reliability in a manner that
2 keeps the incremental cost increases associated with
3 reliability in check and years of work experience in many
4 regions across the country. So we are really working to
5 find efficiency and productivity.

6 In the past years we have focused on three challenges.
7 One is investing in critical relationships. That would be
8 our customers that we serve, our peers that we work with,
9 and alongside in the industry other local distribution
10 companies, the regulators, our provincial government as
11 well.

12 The other, improving our operations, as I have
13 described and Greg will describe in more detail, and then
14 thirdly is capitalizing on innovation for purposes of
15 achieving lower cost over the period of years yet to come
16 moving forward.

17 So while we invest in critical relationships in our
18 customers and invest in our employees -- I will give you an
19 example. The customer billing issues and the increased
20 energy prices from 2010 to 2014 that have affected the
21 organization have had very serious and very damaging
22 impacts to our customer relationships.

23 Some of the ways that we have responded to that is
24 that myself personally and this team, each of these
25 individuals have gone to our customer call centre, and we
26 sat for 12 hours one day and took calls from customers all
27 over the province. We advertised, we welcomed customers to
28 call in.

1 And I think what we heard directly from customers was
2 how they view the system today and how they view
3 affordability. There were heartbreaking stories, there
4 were heartwarming stories, there were people that talked
5 about their dreams and the need for power and for hydro to
6 be able to fulfil those needs to start businesses, to
7 operate, to continue to operate in many cases. There were
8 many requests for help, there were humanitarian calls for
9 help. There was a feeling that the system is failing these
10 people, is failing our customers. They have seen the
11 system often as inflexible, unaffordable, intolerable, and
12 uncaring.

13 But I would say hope remains. In every one of those
14 calls that we were on, in the hundreds and hundreds of
15 calls that we took, at the end of every call there was
16 hope, there was -- I refer to it from my past in --
17 learning in school as the storming, norming, and conforming
18 that occurs in a conversation.

19 Every call except a few would start out storming, and
20 then when we had conversations it would begin to normalize,
21 and we could have a conversation and we could actually
22 share our views. And quite frankly, in often cases the
23 need for Hydro One to apologize, because often when your
24 relationship is broken the only way to repair it is to
25 start with a conversation that says, "Look, I understand, I
26 am sorry for the way we have acted in the past, we are
27 prepared to make the necessary changes, and here is what we
28 are prepared to do." And we will describe some of the

1 things that we have done that I think have had an enormous
2 impact on the province in which we live and work.

3 We also have had lots of conversations about the
4 Ontario Energy Board's community outreach program which we
5 participated in, and there were some very good learnings in
6 that process. And again, as you would expect, there were
7 certain strong concerns about affordability that were made,
8 how the system functions, the disconnections, the
9 complexities about the system being unfeeling and unable to
10 react in a time when the needs can be met.

11 The customer issues we take very seriously, and we
12 address each and every concern that comes into our
13 organization, and I would tell you that each of these
14 leaders, including myself, on any concern that comes in
15 directly to us or even, in fact, to the ombudsman that we
16 respond to and we responder personally to, so we have taken
17 immediate action to provide relief for customers struggling
18 with rising energy prices.

19 And let me describe a few ways that we have done that,
20 and first and foremost has been an effort to improve our
21 own cost efficiency, because I have taken the view when I
22 arrived two years ago that there's -- that it is
23 unreasonable and unrealistic for us to ask others to
24 contribute to the system if we are not prepared to
25 contribute back ourselves by reducing our cost and bringing
26 in check both a combination of our behaviours and our
27 ability to work with our customers.

28 There is areas such as our contribution along with our

1 peers on the Fair Hydro Plan, and in the case of Hydro One
2 it's been a 31 percent reduction for our customers, which
3 has brought significant relief. The affordability fund,
4 which we participate in and are the administrator of for
5 purposes of helping people in need that don't fall below
6 the poverty line but are unable to pay their electricity
7 bills.

8 The areas of disconnection which are substantially
9 reduced and, quite frankly, the program that we
10 administered in 2016 where we made the bold decision that
11 it is not reasonable and responsible to leave customers
12 because of affordability without power, and as people in
13 the room may recall, that we turned the power back on for
14 every resident that we had -- every resident that was a
15 customer of Hydro One in the province. We sent letters, we
16 made phone calls, and when we couldn't reach people we sent
17 employees. We went to the doors and knocked on doors to
18 find each and every customer to turn their power back on,
19 and we think about social services, coming to a home with
20 children and then having the challenges of family of having
21 the children removed from the home because the fact the
22 family didn't have electricity in the home is a high risk,
23 and we have just taken the view that that's just not going
24 to stand.

25 And that's why I think, as I mentioned, our
26 disconnections were down over by 50 percent, and we work --
27 we go through eight steps before we ever consider a
28 disconnection, and our purpose is to see that every

1 customer and every person that's at the end of our wire is
2 connected in this province. And we have done so at our own
3 cost. And we are happy to have done that, and Ferio will
4 speak to a that a little bit more.

5 But I would also make mention of, on the affordability
6 fund and the new bill that we rolled out which we did
7 extensive service -- excuse me, extensive research to test
8 the market for what can help people better understand their
9 bills so that they could better plan for their needs as
10 families.

11 And we shared that bill, even though we developed it,
12 we spent significant capital and resources on that. We
13 shared that with our other peers in the industry with no
14 expectation other than it would be helpful for customers
15 across the province.

16 And then I think the operational collaboration with
17 Greg's team, with Ferio's team, working with Ontario Power
18 Generators, with Toronto Hydro, with Alectra and many,
19 many, many others, where we meet and we work on operational
20 opportunities, and we also share opportunities to work on
21 cyber-security together to collectively lower our cost,
22 because we all have, of course, the same goals in mind.

23 So we are continuing to reduce cost, we are looking
24 for new opportunities to do so. This is a journey; it's
25 not an event. It's going to take time, but we have had, we
26 believe, a material impact. Our application targets over
27 \$380 million in productivity savings between 2018 and 2022.
28 I think that's a significant impact, and while we expect to

1 reach that target, and our programs for reward systems for
2 employees are set up to reach that program, we are
3 determined to go further. We will not stop there.

4 Greg will expand on ways we are doing that in his
5 group, whether it's vegetation management. He is making
6 some dramatic strides in that area. Our telematics
7 program, which is a significant reduction in the fleet that
8 we have to operate and the cost associated with that fleet.
9 The innovation programs that we are working on so that we
10 can get people back on power more quickly, and paperless
11 billing, the e-billing programs that we are working on
12 taking significant cost and providing easier access for
13 people and work that is done at the call centre.

14 Call-centre volumes due to these activities are down
15 by over 12 percent year over year, so we are seeing metrics
16 across the business from improved billing accuracy and new
17 customer-centric policies and practices having a dramatic
18 effect.

19 There is much to do. Greg is going to talk about
20 safety for employees, safety for the citizens in the
21 communities in which we work and live. The service levels
22 that we provide, our ability to respond to customer needs,
23 our cost across every part of our business, which started
24 two-and-a-half years ago. We came in with a plan that we
25 called "good to great", and the purpose of that was to
26 communicate to the employees in the organization that
27 they're a good organization. Being a Crown organization, a
28 Crown agency, didn't mean that it was a bad organization,

1 but for a company to be good you had a lot of work to do,
2 you have to aspire, you have to set goals, and in doing
3 that we reset our service levels, we reduced costs across
4 the business. We have been sensitive even with the board
5 of directors in our discussions around rate changes over
6 the course of filing to filing. We debate; we look hard at
7 how can we -- how can we minimize those rate increases and
8 yet be a steward of the asset, so that we don't have
9 failures and we don't set up systems for failure in the
10 longer term, so maintaining a viable system.

11 And then of course flexibility and programming, giving
12 families and our First Nations the opportunity to get on
13 payment programs that they can manage within their own
14 families, and of course being a steward of the system.

15 There's more certainly challenges as we look at the
16 reduced load forecast, which added a 3 percent average rate
17 impact for 2018, which are of course beyond our ability to
18 affect. But in having said that, I would say that the
19 values that drive the board and management exist today.
20 And when I came in front of the panel the one other time,
21 as I indicated we will execute on the capital program that
22 you provide us.

23 We will listen, we will take your direction, we will
24 apply for only what we need. We will not build more into
25 this rate filing than is absolutely necessary. But we will
26 in fact do deep analytics to be certain in what we need,
27 and then we will spend nothing more and nothing less. We
28 will deploy exactly what is improved and we will be

1 responsible stewards of those assets in doing so.

2 So with that, I'd like to now, if I could, ask Chris
3 to take you through an overview of the application and
4 financial highlights. And then following Chris's remarks,
5 I know he will turn it over to Greg and Ferio.

6 Thank you for the opportunity.

7 MR. LOPEZ: Thank you and good morning, everyone. My
8 name is Chris Lopez. My remarks this morning will
9 address the financial aspects of Hydro One's five-year
10 custom IR application.

11 Specifically, I will cover five key items. I will
12 outline the structure of our application, and highlight how
13 we have incorporated the elements of the renewed regulatory
14 framework. I will summarize the proposed changes from the
15 2017 to 2018 revenue requirement, and the associated bill
16 impacts.

17 I will outline the productivity savings included in
18 the application and in doing so, I will explain the
19 performance management framework that we will use to track
20 outcomes and incentivize the achievement of these
21 commitments. I will outline how we propose to integrate
22 the three acquired utilities into the structure.

23 Finally, I will address the themes related to Hydro
24 One's cost control as raised by the customers in the OEB's
25 community meetings.

26 Let's begin with the structure of our rate filing.
27 Hydro One is filing a five-year custom IR application. The
28 revenue requirement for the first year, which is 2018, is

1 determined using a cost of service plus a forward test year
2 approach. The revenue requirement in subsequent years,
3 2019 to 2022, will be determined using Hydro One's custom
4 revenue cap index.

5 To formulate the revenue cap index, we relied on the
6 OEB's utility rate handbook, the OEB's fourth generation
7 IRM reasoning, past approaches that have been approved by
8 the OEB, and expert benchmarking evidence produced by Power
9 Systems Incorporated.

10 As you can see, the index has three elements. The
11 first element is inflation. Hydro One proposes to adopt
12 OEB's inflation factor, which will be updated annually.
13 The second element is the productivity factor which, is the
14 sum of an interest total factor productivity plus a stretch
15 factor. The stretch factor is set at 0.45 percent
16 throughout the term, and is based on the result of a third
17 party study. A separate third party study concluded the
18 total factor productivity for the industry was negative.
19 Therefore, Hydro One is proposing to adopt a zero percent
20 total factor productivity value consistent with the OEB's
21 fourth generation IRM policy.

22 The third and final element is the capital factor,
23 which is designed to provide the revenue requirement
24 attributable to capital placed in service, which would
25 otherwise not be recovered through annual inflationary
26 increases in years 2 through 5 of the application. These
27 amounts have also been reduced by the productivity factor.

28 With this approach, OM&A is set during the first year,

1 2018, on a cost of service basis. In subsequent years,
2 OM&A is limited to the approved level, plus inflation minus
3 productivity. Our custom IR proposal also includes two
4 additional items to protect customers over the five-year
5 term. The first is an earnings sharing mechanism, where
6 Hydro One will share 50 percent of any earnings that exceed
7 the allowed rate of return by more than 100 basis points in
8 any year over the application term.

9 Secondly, Hydro One has included a capital-in-service
10 variance account. This account protects customers from
11 overpaying in an instance where Hydro One does not meet the
12 in-service addition levels forecast for its capital
13 program.

14 Our application is informed by key components of the
15 renewed regulatory framework as described in the utility
16 rate handbook. We have completed six benchmarking studies
17 directed by the OEB, and have commissioned two additional
18 studies. Those additional studies consist of a total cost
19 benchmarking study that assesses our cost performance
20 relative to other utilities across North America, and an IT
21 budget assessment study that analyze the level and
22 distribution of our IT spending relative to our peers.

23 We have committed to improving our cost performance.
24 Productivity savings are built into the five-year business
25 plan forecast, and are estimated at approximately
26 \$380 million. We have included a wide array of performance
27 metrics including a supplemental scorecard, as well as
28 providing targets that Hydro One is striving to achieve.

1 We have undergone a full customer engagement exercise
2 to better understand our customer needs and preferences,
3 and we have prepared a consolidated distribution system
4 plan which documents Hydro One's planning process, the
5 outcomes it would deliver, and how it is aligned with our
6 customers needs and preferences.

7 Turning to the resulting revenue requirement or the
8 ask, the 2018 revenue requirement reflects an increase of
9 1.9 percent over the 2017 OEB-approved amount. This
10 increase is largely driven by the necessary capital
11 additions that would be placed in service by the end of
12 2018. Partially offsetting this is lower OM&A costs, which
13 have been reduced by 0.5 percent in 2018 as compared to
14 2017.

15 The numbers in this presentation reflect the evidence
16 on record to date. Hydro One is intending to file an
17 update to its application following the approval of its
18 business plan. The update will reflect further increased
19 productivity, a reduction in transformation-related
20 compensation costs, a reduction in OPEB expenses resulting
21 in somewhat reduced OM&A and capital, and an update for the
22 published 2018 cost of capital parameters which have been
23 updated from 8.78 percent to 9 percent.

24 Due to the offsetting nature of these changes, Hydro
25 One does not expect a material change to the rate impacts
26 proposed in this application as a result of the upcoming
27 updates.

28 So what does this mean for rates? The rate increases

1 arising from the proposed revenue requirement is
2 4.9 percent in 2018, and 3.5 percent per annum over the
3 term of the application from 2019 to 2022. There has been
4 a decline in load over the past three years, the period of
5 the prior application, which will contribute 3 percent to
6 the average rate increase in 2018. In other words,
7 61 percent of the average increase in 2018, the first year
8 only is the result of a decline in the forecast load over
9 the past three years.

10 The 2018 total bill impact has been provided for both
11 a typical residential and the small business customer. In
12 our medium density R1 residential class, a typical customer
13 using 750 kilowatt hours per month will experience a total
14 bill increase of 2.9 percent, whilst the general service
15 energy billed small business customer using approximately
16 2,000 kilowatt hours per month will see a total bill
17 increase of 1.8 percent. Note that these increases do not
18 take into account the Fair Hydro Plan.

19 So how are we doing on cost control, and what are the
20 commitments we have made in this application? Hydro One is
21 committed to improving its productivity. This commitment
22 is reflected in our application in two significant ways.
23 First, forecast levels of capital and OM&A expenditures
24 have been reduced by \$384 million. OM&A productivity
25 savings are included in the 2018 OM&A expenditures, while
26 the capital-related productivity savings are reflected in
27 the forecast capital spending for each of the five years.

28 Secondly, customers will see a further benefit from

1 the productivity factor, which is included in the revenue
2 cap index for 2019 to 2022. The productivity factor is
3 applied to both OM&A and the capital factor, providing
4 Hydro One with further incentive to find cost efficiencies
5 over the coming five years, producing an additional
6 .45 percent productivity over and above these amounts.

7 Hydro One is committed to continuous improvement and
8 achieving outcomes valued by our customers. Whilst Hydro
9 One remains above market median, our third-party total cost
10 benchmarking and total factor productivity studies show a
11 trend of improving productivity and cost performance in
12 recent years.

13 How will we ensure delivery of this plan and all
14 performance commitments? Measuring performance, ensuring
15 accountability, and a laser focus on continuous improvement
16 is the key to Hydro One achieving this outcome. This
17 application contains three scorecards which will be used to
18 measure and drive improvement in performance: The
19 electricity distributor scorecard, the proposed OEB
20 scorecard, and the team scorecard.

21 As shown on this slide, the scorecard metrics align
22 with the OEB's renewed regulatory framework objectives and
23 provide transparency to Hydro One's board, management, and
24 the OEB.

25 Historically, Hydro One has met or exceeded most
26 targets in the OEB's mandated electricity distributor
27 scorecard. Whilst our service quality indicators and
28 reliability measures are showing improving trends, one area

1 for improvement is our safety performance, in which Hydro
2 One did not meet its serious electrical incidence safety
3 target in 2015.

4 Safety has and will continue to be a core value at
5 Hydro One and we will continue to strive for best in class
6 safety performance.

7 As an organization, we have been focusing on improving
8 our relationship with our customers and the efficiency of
9 our operations. For this reason we have included a
10 proposed OEB scorecard with additional metrics and targets
11 focusing on these areas. The proposed OEB scorecard will
12 be used to further measure drivers of performance.

13 Finally, we have included our team scorecard, which
14 includes metrics and associated targets that are linked to
15 at-risk compensation for management. Metrics in this
16 scorecard are aligned with renewed regulatory framework
17 outcomes and will be used to incent achievements of the
18 targets and objectives as committed in this filing.

19 Turning now to the integration of the acquired LDCs.
20 So how will the three acquired utilities impact this rate
21 filing? Since Hydro One's last major distribution rate
22 application we have acquired three utilities. They are
23 Haldimand County Hydro Inc., Norfolk Power Distribution
24 Inc., and Woodstock Hydro Services Inc. The customers of
25 these utilities are currently subject to a five-year rate
26 freeze. The distribution rates were adjusted down by
27 1 percent and maintained at this level for a five-year
28 period.

1 While the utilities have now been integrated
2 operationally, they continue to be separate for rate-making
3 purposes. The rate freeze will end during the term of this
4 application. Prior to the proposed integration date of
5 January 1, 2021, the incremental rate base and OM&A
6 expenses associated with the acquired utilities will remain
7 separate and distinct from Hydro One distribution rates.

8 On January 1, 2021, the rate base and incremental OM&A
9 expenses of the acquired utilities will be added to Hydro
10 One distribution. To be clear, any premiums paid by Hydro
11 One's shareholders for these utilities will not be
12 recovered in rates.

13 Following the rate-freeze period, this application
14 proposes the creation of six new rate classes comprised of
15 three urban density rate classes for former customers of
16 Woodstock Hydro and three mixed-density rate classes for
17 former customers of Haldimand County and Norfolk Power.

18 The creation of these classes will allow for
19 appropriate rates that reflect the cost of serving these
20 customers. Hydro One proposes to update its cost
21 allocation model in 2021, including an update to its load
22 forecast and cost-of-capital parameters.

23 Finally, I will address some of the issues raised and
24 reported in the OEB Staff community meeting report. The
25 first issue and a common theme was that the OEB should not
26 approve Hydro One's request to increase rates. The reasons
27 cited for this included: Hydro One has been wasteful and
28 should find internal efficiencies as a source of funds

1 rather than increasing rates paid by customers. The
2 replacement of assets has already been paid for with past
3 replacement reserves and new funds should not be required.
4 And finally, electricity rates are already the highest in
5 the country.

6 These concerns cited in the OEB Staff community report
7 mirror what we heard during our extensive customer
8 engagement process. The impact of rate increases was the
9 number-one concern raised by the 20,000 customers engaged
10 in Hydro One's customer process.

11 So how has Hydro One's application been designed to
12 take this concern into account? As noted, we expect to
13 achieve productivity savings of over 380 million over the
14 next five years. The risk of those savings being realized
15 are Hydro One's and not the ratepayers, because Hydro One
16 has deducted the majority of these savings from its revenue
17 requirement. On this basis, we are finding efficiencies.

18 The investment planning process considered the impact
19 of customer rates and ensured that customer rate increases
20 were mitigated where possible. Greg will address this
21 further in his remarks.

22 It appears there is misinformation regarding the idea
23 of replacement reserves. Hydro One does not have a reserve
24 of funds that it may use to finance assets that need to be
25 replaced. It does not have a reserve and it has not had an
26 approved reserve in the past.

27 Finally, Ferio will address other ways that Hydro One
28 has and will positively impact cost and affordability for

1 customers both within Hydro One's process and externally.
2 For these reasons Hydro One does not agree that the OEB
3 should reject its requested rate increase. Instead, Hydro
4 One expects that the OEB will set rates based on Hydro
5 One's reasonably incurred costs.

6 The plan before the OEB in this application reflects
7 an appropriate balance between ensuring that the needs of
8 the distribution system are met while minimizing the impact
9 to customer bills.

10 The second issue I would like to address are concerns
11 of Hydro One's compensation levels, including executive
12 compensation. Hydro One's application refers to the same
13 compensation studies that were considered in our recent
14 2017/'18 transmission rate filing that was the subject of a
15 public hearing this past year.

16 The compensation evidence was fully tested in that
17 proceeding and Hydro One is not intending to relitigate
18 those issues in this proceeding. Hydro One has reviewed
19 the concerns raised by the OEB in its decision and will be
20 revising its proposal for the allocation of these costs.

21 Under the new proposal the transformation-related
22 costs allocated to ratepayers will be changed to the pre-
23 IPO amounts adjusted for inflation. The remainder of the
24 transformation-related costs will be allocated to the
25 shareholder. These costs include the CEO, the chief
26 financial officer, the chief legal officer, and board
27 costs. The net result of this change will be a 3.3 million
28 reduction to the 2018 revenue requirement.

1 The final issue was that the OEB approved a higher
2 increase than was requested in the last rate case. In
3 Hydro One's last custom IR application the OEB actually
4 reduced the proposed 2015 revenue requirement by
5 approximately 40 million. However, the bill impact seen by
6 customers was higher than what had been proposed by Hydro
7 One in its initial filing. This was due to the following
8 three factors: Hydro One applied for a smoothing rider
9 that was denied. The rider was originally proposed to be a
10 credit in 2015. Secondly, the requested disposition period
11 for the deferral and variance account balance was reduced
12 from five to three years. And finally, a foregone revenue
13 rider was required due to the timing of the decision.

14 Though Hydro One's revenue requirement was ultimately
15 reduced by the OEB, it may have appeared to customers as if
16 a higher increase was approved on a total bill basis when
17 rates were finally implemented.

18 That concludes my remarks, and I would like to thank
19 the Panel for the opportunity to further explain the
20 financial aspects of this application, and with that I will
21 introduce Mr. Ferio Pugliese, who will discuss our renewed
22 commitment to our customers.

23 **PRESENTATION BY MR. PUGLIESE:**

24 MR. PUGLIESE: Thank you, Chris. Thank you, Madam
25 Chairman and members of the Panel.

26 I put some remarks today together to highlight Hydro
27 One's philosophy on customer service and to underscore some
28 of the things that Mayo had touched on in his opening

1 remarks.

2 I am going to caveat that with the fact that when we
3 look at this customer service approach, that it is a
4 journey. And with the transition of Hydro One from a Crown
5 corporation to an investor-held utility, it's given us a
6 lot of licence to do more with the customer. And I am not
7 going to purport here that our work is finished; in fact,
8 our work has just begun.

9 Let me start a little bit with telling you about
10 myself. The other piece I won't purport to be is an energy
11 expert, so I don't come from the energy industry. My
12 background has largely been in people and customer service.
13 I grew up in a family business. I have spent the bulk of
14 my career working in commercial enterprises where we have
15 had to fight for customers and work on building customer
16 loyalty.

17 I'd say my most recent experience, where I'd say that
18 I probably gained the greatest level of experience and
19 appreciation for that, is in my with my past employer,
20 which is WestJet Airlines, where I operated as the
21 president of one of their divisions. And I use that and
22 cite that as an example because it shed light for me on how
23 a service that can connect communities, build communities
24 and allow people to grow businesses can help expand and
25 connect the nation. And in fact, it's built on the whole
26 reference of providing an essential service in an
27 affordable fashion. And so we learned there it was the
28 ability to drive costs down and stimulate growth in an

1 environment where people could at one time not access or
2 afford that service. Today, as a result of working on cost
3 control, increased service and reliability, more people are
4 connecting throughout this province, throughout this
5 country, and actually throughout the globe as a result of
6 that.

7 And so those sorts of principles are principles that I
8 tend to operate on as a leader, and tend to believe in.

9 And I can honestly say here that the team that I work with
10 back at Hydro One on the customer organization are very,
11 very committed to customers as well and, in particular,
12 looking at ways in which we can continue to improve our
13 service offerings in this space and elevate our approach to
14 customer service as an organization.

15 My early observations, not coming from the energy
16 business and into utilities, is that there is a lot of room
17 for change in how we deal with customers and how we address
18 customer service in this environment. And in particular,
19 if I just shift to, you know, what our focus is on
20 improving customer service and our vision around that, it's
21 really to deliver customers a level of service in a timely
22 fashion and establish trust and regain trust back with our
23 customers.

24 Early observations for me as I've come to this
25 business, and in particular Hydro One -- and I will talk
26 about this in a moment around our outreach to communities
27 -- is that the perception of the company has not been good.
28 The relationship has been damaged over the years, and it is

1 not uncommon for us to have heard from customers when we
2 are out facing them in public community meetings that Hydro
3 One is not prepared to listen, Hydro One is not prepared to
4 act and, in fact, at times Hydro One has come across as
5 arrogant.

6 I am here to tell you that it's new day at the
7 company. It's a new day in our focus on customer service
8 and our philosophy, and those are exactly the perceptions
9 that, through the work that we are attempting to do and the
10 work that you are seeing actually embedded in the rate case
11 and the application in front of you, is to shift that
12 perception, and it's to shift that perception with
13 meaningful action.

14 One of the premises that we lead our team in the team
15 and organization around, and in fact are shifting and
16 working at driving the cultural change in the organization,
17 is to think of it this way. If the customers today had a
18 choice in this space, would they choose Hydro One? And we
19 operate with that premise, and we design our systems and
20 are looking at everything that we do in the organization in
21 terms of the way we treat our customer with that in mind,
22 because the ultimate goal for us at the end is that we want
23 them to choose us every time. And we want them to choose
24 us for the right reasons; because we are fair, because we
25 are reliable, we are responsible, and we are affordable.

26 And so what you are hearing in the application is a
27 fair bit of activity and energy that's being put towards
28 productivity improvements, to return savings back to

1 customers so we can deliver a good service value at the
2 right price and at an affordable level.

3 Let me just share with you the three-pronged approach
4 around we are going about that and the three pillars that
5 are before you here on the screen is this area of education
6 advocacy and responsiveness. When we first came to this
7 and started to really shift our philosophy and our focus on
8 customer, there were three avenues we felt we needed to go
9 down.

10 Let me highlight education for a moment, and that
11 means nothing more than going out and communicating to
12 customers exactly who we are. Oftentimes when we are out
13 speaking to customers in the community, many still think
14 that Hydro One is in the generation business, that we are
15 still part of the entire and represent the entire system.

16 You know, we believe it's important that customers
17 understand what aspect of the service that we provide to
18 them we are actually responsible for and have immediate
19 control over, and that is obviously the distribution and
20 transmission of electricity. And we do explain to our
21 customers the portion of the bill that we make up, which
22 today is roughly \$0.37 of every dollar spent on electricity
23 on average for a consumer that's consuming 750 kilowatts of
24 power a month.

25 But we believe it doesn't stop there. The commitment
26 that we have made to customers is that we own the bill and
27 we own the relationship, and part of the feedback that we
28 receive back from customers when we go out and educate on

1 who we are is to also obtain feedback that we can bring
2 back to our industry counterparts, to our own counterparts
3 in the organization, and how we can restructure policy, and
4 back to even policy makers to help make change.

5 Mayo highlighted an example of how we actually go
6 about the education process and the awareness process, and
7 the awareness goes both ways. When I say education, it's
8 not to customers, it's with customers, because the
9 education goes both ways. It's us educating consumers on
10 how the system in Ontario works, but it's also the customer
11 educating us on what they are feeling and experiencing from
12 a point of view of being the actual consumer of the
13 product.

14 And so is Mayo highlighted in his remarks an event
15 that took place earlier this year, which is a capstone
16 event for us, but actually started a lot of work in this
17 area of garnering and gathering customer information. But
18 it was going into the call centre with thirty leaders to
19 listen to customers and hear their concerns.

20 And I won't repeat what Mayo said, but just to give
21 you a sense of the magnitude of the calls we received,
22 there was 800 calls received over a 12-hour window. And as
23 Mayo said, there were some that were heart-wrenching and
24 heart-warming. There were numerous comments and concerns
25 that we gathered from those discussions, which helped
26 inform a lot of policy changes that were made in the
27 company, but also helped us inform information that we had
28 shared later on with policy makers.

1 If I shift to the point of advocacy, the question here
2 around advocacy would be what in particular are we
3 advocating for. First and foremost, advocating for our
4 customers. We believe that as we have transitioned now
5 from a Crown corporation to an investor-held utility, we do
6 have greater flexibility and latitude to be the voice of
7 the customer. And we want to be the voice of the customer
8 with our industry counterparts and again, as we come back
9 in our company, it's helping shape and change the way we do
10 business. And you have probably heard us speak about that
11 publicly is that we are a new company and we are changing
12 the way we do business, and I will speak to this in a
13 moment about the things we have done to overhaul customer
14 policies, to overhaul how we actually do business and how
15 we operate, and Greg will even speak to some of those as
16 well.

17 But advocating to policy makers in particular, we were
18 asked and given the privilege to opine on ways in which we
19 can introduce a greater level of affordability back in the
20 province. And when speaking to the Minister's office on
21 this topic, we were not alone; there were other industry
22 counterparts that were invited to do that. We brought the
23 voice of the customer that we heard from our Hydro One Day,
24 that we heard from our community meetings, that we heard
25 from the letters that we had received from customers, and
26 from the open forums that we had held over the course of
27 the last year. And, in fact, we are able to provide some
28 advice and guidance on what would have an impact or could

1 have an impact on affordability and improve that
2 relationship back with customers and build on accessibility
3 of power.

4 And in fact, what has resulted is now a 31 percent
5 decrease on average for Hydro One customers, but
6 provincially that's equated to about a 25 percent reduction
7 in electricity costs in the residential segment across the
8 entire province, which is a significant change for the
9 average consumer.

10 When I think of that and I think of the impact to our
11 business, Mayo mentioned the decrease in complaints and
12 concerns coming through our call centre. Let me just
13 dimensionalize that a little bit for you.

14 In 2016 we had 2.6 million calls to the contact
15 centre. Okay? Of those, 500,000 were related to billing
16 inquiries and 335,000 of those inquiries were related to
17 affordability. These are people calling in and asking
18 about the bill to be explained but then actually having
19 conversations with our agents about difficulty supporting
20 and paying for electricity.

21 So this, to me, shows that there is a need for
22 education, understanding the bill, which has been taking
23 place, and that there is a need for rate relief, which,
24 what we realized is through the work that we are doing to
25 continue to drive costs and efficiencies in our business,
26 more was required to help drive some of that. And hence I
27 highlight again the Fair Hydro Plan.

28 What I will say has happened here, now, one year after

1 some of this work has started, is that the changes have
2 resulted in a reduction of 100,000 calls related to billing
3 and 73,000 fewer calls related to affordability, and we
4 actually see that trend continuing to drop in terms of our
5 responses back to the call centre.

6 That does two things. It certainly reduces costs in
7 terms of operating, but it also helps to restore the
8 relationship and it gives us greater ability to start to
9 have a better conversation to work on value-add solutions
10 with our customers.

11 I am going to shift to the next piece, which is
12 responsiveness. So talking and listening is critical. It
13 starts with the premise of understanding first. But I
14 think you'll agree and everyone will agree that nothing is
15 more powerful than meaningful action.

16 And so what we had heard from customers and are still
17 hearing from customers is that meaningful action in terms
18 of driving value back to our customers is important and
19 that they want to see that in a timely fashion. And so,
20 what we embarked on as a strategy, again building on that
21 whole overarching vision of creating trust and being the
22 provider that customers will want to choose and rely on, we
23 broke this down into three areas, and activities will fall
24 under this, and I will highlight and underscore a few of
25 these.

26 But the first one is being easy to do business with,
27 the second is always there for our customers, and the third
28 is always being connected. So let me just explain and

1 exemplify on these.

2 Easy to do business with is really nothing more than
3 what the statement is suggesting. You know, coming from
4 the service space most of my career, I always use the term
5 that customers -- there's the saying in the customer
6 service business of, what have you done for me lately?
7 Customers want immediate response, quick response, and
8 action to comments, concerns, or questions, and they
9 typically want that in what we call a first-call resolution
10 fashion.

11 And so we are driving hard. We have metrics in place
12 to do this, and have issues and concerns resolved at the
13 time that we are in contact with customers.

14 So let me just highlight a few proof points that we
15 have driven on these, and these are proof points based on
16 things customers have asked for.

17 So opening our call centre on Saturdays. We are the
18 first and only utility in Ontario to do this. Since we
19 have opened -- and this started in the spring of this year
20 -- we have received over 40,000 calls on a Saturday to
21 assist with service inquiries on a wide array of matters.

22 We are the first utility to offer service guarantees.
23 So if we make a commitment to do a reconnect, to do a move-
24 in and move-out, if we fail to meet that within a set time
25 frame, there is a service guarantee that we will give to
26 the customer and a credit, and that is \$75. We are the
27 first utility to institute such a program, again, at the
28 request -- many of these at the request of customers.

1 Improved bill accuracy. The OEB has a standard on-
2 bill accuracy which is 98 percent. I can tell you that as
3 I look at the trend -- and I am new to the organization,
4 but as I look at the trend over the course of the last five
5 years, this is a trend that has improved substantially.
6 And I am happy to report at this stage that we have been
7 trending well above 99 percent. In fact, our year-to-date
8 measured today is 99.3 percent billing accuracy, and we
9 continue to drive that hard.

10 Essentially, we would like to be pushing a billing
11 accuracy that can get as close to 100 percent as we
12 possibly can. We believe billing accuracy is critical, and
13 as I just highlighted to you, the volume of questions that
14 come through the call centre, we certainly want to be
15 talking to customers about bills that represent exactly
16 what they have consumed.

17 A few other touch points for you on easy to do
18 business with is the elimination of residential and
19 business security deposits. In the last year we looked at
20 our customer base and found that many customers had a large
21 sum of money sitting in their accounts relative to -- these
22 were security deposits that were put on hand at the time
23 that they opened their accounts. And we returned
24 \$12 million in security deposit value back to customers.

25 The bulk of that went to small businesses, and I can
26 tell you the average for a small business was about \$1,700.
27 Having grown up in a small business, that can be
28 considerable amount of money for any business to receive.

1 We found that they were -- these were customers that were
2 in good standing, paying their bills, and there was no
3 rationale for us to continue to hang on to those funds. We
4 have relinquished them back to the customer.

5 One of the biggest areas that we have seen
6 improvements and we have learned a lot on this is what Mayo
7 highlighted, is with respect to our collections process.
8 Collections at Hydro One at one point was a four-stage
9 process to which the policy was rather rigid, and I will
10 give you maybe some colour on what that rigidity is. It
11 really spoke to customers having to pay their accounts, and
12 if they were in arrears at a certain day, certain set time
13 with a very pre-determined, defined amount. It was very
14 formulaic.

15 What we found is as we did an undertaking of reviewing
16 those policies we overhauled them and found that in many
17 cases we could meet with customers and we could actually
18 identify manners in which they could pay those bills,
19 arrears, current bills owing, in a fashion that was fitting
20 of due dates that fit their lifestyles and payment plans
21 that fit their income levels.

22 And I am happy to report -- and Mayo highlighted this
23 -- that we are seeing total disconnections down
24 substantially by 57 percent year over year. And our
25 accounts receivable are at record lows in the company
26 today. There is a 30 percent reduction on those.

27 And just to give you again a dimensionalize on that,
28 in 2014 our accounts receivable were 194 million, and in

1 2016, as per our last release of results this past quarter,
2 we have reduced that to 86 million. And I will tell you
3 that that trend continues.

4 Our people in the customer environment are being held
5 accountable on this, and there are scorecards for two
6 things: To bring accounts receivables down, but not at the
7 expense of disconnections. It's to do both.
8 Disconnections need to track at the same time, and that's
9 exactly what we have learned with this winter relief
10 program and this collection overhaul, was that through
11 working directly with customers we're able to get to that
12 sort of outcome. And that was also extending late-stage
13 collections from four stages to eight stages.

14 This does tie in with the winter relief program, which
15 was reconnecting all customers through the winter months.
16 We started that last year. We went to 1,400 dwellings, of
17 which we found 400 were inhabited, and we reconnected the
18 power for these individuals, and many of them went on these
19 exact collections programs, and I am happy to say that 60-
20 plus percent of those dwellings today are still in
21 connection.

22 And I also want to commend the OEB for approving and
23 making the winter relief program now a legislated program
24 that all LDCs need to follow in the province, and Mayo
25 spoke about the affordability fund. This is where these
26 programs can now come together because the reconnection of
27 the winter relief allows us now to work across LDCs in the
28 province through the affordability fund and appoints people

1 now to qualify for assistance programs that they otherwise
2 didn't know about, and secondly, now the new affordability
3 fund, which has 100 million, and hopefully the next
4 installment of 100 million to allow them actually to be
5 assisted on with collections and arrears and to the keep
6 them connected without any disconnection or disruption to
7 service.

8 The final thing I will highlight is just the new bill
9 design, and that's something we launched publicly last
10 week. It is in mailboxes as we speak. It hit mailboxes on
11 the first of this month, and this is another piece that's
12 important because this was one of the key factors that
13 customers told us that they found very confusing.
14 Forty percent of our customers found the old bill confusing
15 and it was leading to high calls within the call centre, of
16 which 35 percent, as I mentioned, of the calls going
17 through the call centre in previous years were strictly
18 related to the bill.

19 We will watch this and we will learn, and we will see
20 if this actually drops off and we will adjustments
21 accordingly based on customer feedback.

22 Let me shift to always there for customers. I already
23 highlighted the winter relief program. I thought that maybe
24 on this one, maybe one of the best ways to highlight some
25 of the things that we are doing is always being there for
26 customers is maybe just sharing a quick story, if you will
27 indulge me here today, in the picture that you see there.

28 The winter relief program allowed our people to go out

1 to the homes that were disconnected from power. Many
2 customers were not responding to us. We had outreached, we
3 had phoned them. Some did not have phone service, so we
4 went to the extent of actually visiting the homes and
5 putting notices on the door, knocking on doors and meeting
6 with customers.

7 The case that you are seeing before us here -- and we
8 have permission from this customer to share this the story,
9 although I will keep the name anonymous and we will refer
10 to this customer maybe as Mr. Smith -- is a gentleman,
11 elderly gentleman with a terminal illness living in a home
12 that was disconnected from power going into the winter.
13 And as you can see there, when we arrived, and we were
14 contacted by a family member that his service was
15 disconnected and that he should participate in the winter
16 relief program, when we arrived at his house, we found that
17 he was unable to go and get wood to keep his house warm, so
18 he was heating his home with propane heaters. And you can
19 see the propane tanks with the heaters in the home, and I
20 think you will all understand that that is a very, very
21 dangerous circumstance.

22 We have reconnected this gentleman's power. We have
23 worked with social aid service agency the get him on our
24 low-income energy program, and he remains connected. And
25 this is just one of the stories that I'd like to shed light
26 on, because it's the type of work that has gone on with
27 this that, you know, we believe that through this, we hope
28 that we have prolonged this gentleman's life. There is

1 more work to be done like this, but it is the type of
2 policy reform that we are undertaking in the company around
3 focusing on customers to do more of this, and this is one
4 example of many others that we encountered as we went and
5 did this work.

6 With other issues with respect to always being there
7 for our customers, Get Local is a program that we launched
8 this year, which allowed us the opportunity to get out and
9 visit communities. With Get Local, we reached out and
10 conducted visits to 16 communities and assisted over 1,300
11 customers face to face with our customer service agents
12 again explaining bills, putting them on payment plans, even
13 setting up new accounts or even adjusting move-in and move-
14 out dates. It was anything that they were looking for, and
15 we did that through our mobile electricity discovery
16 centre, which attended 27 events across the province.

17 We also opened up local distribution or local offices
18 for customer service in Sudbury, London and Markham, and
19 you might ask the question why did we do that, another item
20 that was at the request of customers. There was a time
21 where customers were able to go to their local hydro office
22 and obtain information, questions getting answered with
23 respect to their bill or any sort of concerns. Those field
24 business offices today exist around the province and what
25 we are doing now is we are just exploring where we have
26 high traffic areas, and where we can service certain
27 regions of the province and offer opportunities to assist
28 customers directly in a face to face fashion.

1 And as you can appreciate, with many of our customers
2 being in remote locations, roughly 750,000 of them are in
3 remote rural areas, that demographic is not always
4 conducive to using the web, or using the digital channel,
5 or using the call centre. And in some cases, especially
6 the elderly, they want to see people face to face. We are
7 making that available and we are going to learn from this
8 as well, and monitor and measure it and see if there is
9 opportunities in a cost effective way to open that up
10 elsewhere.

11 I close in the area with one other very critical point
12 and it's First Nations outreach. We service a number of
13 First Nations communities in the province, the majority of
14 them, a hundred and twenty-one. We have 21,000 First
15 Nations customers that are directly impacted by our service
16 that we serve, and we have visited 134 First Nations
17 communities in 2017. We have met with over 1,500 First
18 Nations customers in their communities, and we have helped
19 decrease customer arrears in those communities 24 percent
20 year over year. It is an area and has been an area where
21 customer arrears affordability issues have been
22 significant. The recent changes in the Fair Hydro Plan of
23 offering the First Nations delivery credit have certainly
24 offset and helped this, and we are working with those
25 communities and all those individuals as well around now
26 working at the same collections programs to get the arrears
27 down.

28 The demand in this area has been high, and so the next

1 generation of work that's going on with respect to this
2 file is we are now attending community meetings, and we are
3 training administrators in the community who have the
4 better relationship with the customer directly because they
5 know them and they are in the community to do this work.
6 And that has commenced in a few of the larger First Nations
7 communities.

8 I am going to go to the next slide, which is always
9 connected. Always connected is, simply put, just doing
10 business in the form that the customer wants to do business
11 in. So when we look at this and we think about how we
12 conduct our business today, we are in the digital age. Not
13 all of our customers use this channel; however, we know
14 that we need to provide it. I won't go through each of
15 these in details; I think they are fairly self-explanatory.
16 But I will say this, that we have invested in our new
17 website which has -- and that came on in August, which has
18 allowed customers now to use new self-service options where
19 they can set up new accounts, they can get high bill
20 alerts, which you're seeing here, and they can move to
21 things like paperless billing.

22 These are all efficiencies that improve customer
23 satisfaction but at the same time, help us drive costs down
24 through the business because this is not a transaction now
25 that's going to likely flow through the call centre and
26 it's also a transaction -- if I look at paperless billing
27 as an example -- it allows us to not have to mail the paper
28 bill and we save the postage on that. And we have embedded

1 \$16.5 million in savings over the life of this, the
2 application on this front.

3 Today, we have over 100,000 customers that are
4 enrolled in this program, and we have very aggressive
5 targeting going between now and the upcoming years to push
6 more of our customers who want this service on to the
7 digital channel. Again, nothing forced on them, this is
8 all going to be by choice.

9 And then other self service options that will exist
10 that I don't have here on the slide are things like new
11 accounts. Budget billing is another good example. Many
12 customers like that feature, and want to get on a budget
13 fixed billing cycle. And then another piece that will be
14 launched in the new year is customer-selected due dates,
15 which is actually allowing the customer to select the due
16 date to which they actually want to pay the bill in the
17 given month.

18 I want to close on this area and provide some context
19 on an item that has received some public attention in the
20 last two weeks, and it's the issue related to prepaid
21 meters. And I will caveat this by saying the context to
22 which that has been portrayed in our application is not
23 necessarily correct, and I would like to provide some
24 context around that.

25 Our intention with looking at the prepaid meter option
26 is strictly to add it to the plethora of options we want to
27 give to customers. I want to just underscore that in no
28 way, shape, or form would we ever be forcing a prepaid

1 meter option onto any customer. It never be used to
2 circumvent or collection policies, our winter moratorium or
3 our winter relief programs; that is not the intention of
4 that service. What we are trying to do is offer as many
5 menu items for our customers so that they can choose which
6 they feel is best in their level of service. And in fact,
7 some customers have asked for prepaid meters.

8 It's very similar to in cases where we have had cases
9 with people reconnected who are on load limiters. And in
10 this past year, one of our policies we said remove all the
11 load limiters. There are customers that when we arrived
12 said no, please leave the load limiter on because it's a
13 conservation device that allows me to control my costs.

14 So we are going to continue to respond to customers in
15 a fashion that they desire. But I wanted, for the sake of
16 the committee and the Panel, to just clarify our position
17 on that one because it's received some public attention and
18 I wanted you to hear firsthand from us what our intentions
19 were with that.

20 I am going to -- just drawing to a close here,
21 engaging with our customers, just as we look at the
22 application that's in front of you, we have talked to over
23 20,000 customers. As has been suggested, those have been
24 through a wide array of avenues, and this has been managed
25 by a third party, surveys, focus groups, and workshops.

26 What we heard in particular from customers was
27 customers value cost control and maintaining reliable
28 service. So keep your costs down, but keep the service

1 reliable. Greg's going to talk some more about what we are
2 doing specifically in that area.

3 But customers expect greater fiscal management and
4 operational efficiency from Hydro One. Certainly watching
5 that and holding us to account on it.

6 And customer improvements, while they are desired, are
7 not something which customers are willing to pay more for.
8 So the perception there or at least what we have heard from
9 customers is you should be able to deliver these service
10 improvements to us without dramatic increases to higher
11 rates and not willing to pay extremely higher rates for
12 that.

13 The programs that I just described for you, as I said,
14 it's a journey, and we have started on it. All of these
15 programs will continue to be built upon and expanded in the
16 scope of the application that's in front of you, and Greg
17 is going to describe and identify some needs and
18 preferences related to our planning on this in his
19 presentation.

20 The community OEB meetings -- and one of the pieces I
21 will mention on this is that we did partner with the OEB.
22 They invited us to the community outreach sessions. This
23 was also a first of its kind, and we commend the OEB for
24 doing this. This was a chance to get out and look in the
25 whites of the eyes of the customers in the communities and
26 hear from them. The OEB initiated these sessions.

27 We recently debriefed with the OEB communications team
28 here on November the 3rd to talk about what we learned from

1 those sessions. I know they are also taking place with
2 other LDCs. We ran ten sessions between June 15th and July
3 13th, and overall the community sessions identified the
4 same issues that we garnered from our 20,000 customer focus
5 groups and surveys, and other issues that were raised that
6 we took back to further improve this process the next time
7 is longer notice periods to facilitate better attendance,
8 and that information's been taken back, and we are working
9 to work at ways in which we can make that even more
10 accessible for the customers that came. We are also
11 working with local MPP offices and local medias to assist
12 with that.

13 Concerns for Hydro One that were brought about in
14 these meetings was density-based rate classes. And so the
15 process for identifying our customer density classes has
16 changed, was updated and approved in 2014, just because of
17 our geographic information system.

18 And one of the things that I'd like to just highlight
19 with this is that it hasn't adjusted the delivery rates for
20 anyone. Their classification may have moved in terms of
21 what delivery rate classification they fall in, but with
22 the Fair Hydro Plan, as you know, it has levelled the
23 delivery charge across the province to each of the
24 classifications. But their classification may have
25 changed. That's been approved by the OEB.

26 I just want to stress as always if customers have
27 questions with respect to this we have equipped all of our
28 call-centre agents to answer questions on this that come up

1 should they see the change in their bill and they can
2 contact us directly.

3 The third item on the OEB community meetings report
4 also had concerns about the cost of electricity, and again,
5 in line with what we heard from the 20,000 contacts that we
6 had with the customers.

7 But in particular, there were questions and issues
8 raised from businesses, and this is another area to which
9 we will be spending a lot of time with our large customer
10 organization to address.

11 But for example, in Leamington the greenhouse
12 agricultural producers wanted to underscore the issue that
13 it's not only residential customers that are being impacted
14 by affordability, but that there are issues with respect to
15 lower energy costs that impact businesses.

16 The work that we have been doing largely in this area
17 is twofold. One is we are addressing conservation programs
18 with large customers and large distribution accounts, and a
19 lot of that work is taking place today to help get their
20 costs and utilization down.

21 And the second piece that we are working on is
22 actually looking at our service standards and looking at
23 ways in which there might be latent load that customers
24 want to invest further capital that we can go in, look at
25 the basket of capital we have access to, and facilitate
26 energizing more service for them.

27 Chris already highlighted the productivity initiatives
28 reflected in the application, and those are included in our

1 customer OM&A expenditures as contained.

2 Just in closing, I know I have provided you a lot of
3 information here today. I have used the term "journey" for
4 a reason. You know, on this front I am not sure it's a
5 journey we ever arrive on. The demands of customers are
6 ever changing. In our space today what we are noticing is
7 technology is changing. The manner in which we serve
8 customers the services that they want to consume change.

9 And so our commitment is to constantly be in a state
10 of flexibility for our customers to respond and provide
11 options and choices of service in the manner in which we
12 service and deliver reliability to them and to their
13 communities in a fashion that they are going to depreciate
14 in value and obviously in a cost-effective fashion.

15 So we are taking this matter very seriously. As I
16 said, it's new day for us and a new approach to customer
17 service, and we have only just begun, and we will continue
18 to move down this path.

19 So once again, thanks for your attention, and I will
20 hand the floor over to Mr. Greg Kiraly.

21 **PRESENTATION BY MR. KIRALY:**

22 MR. KIRALY: Thanks, Ferio.

23 Good morning, everyone. I'm Greg Kiraly, chief
24 operating officer at Hydro One. Let me start by thanking
25 you, Madam Chairman and members of the Board, for the
26 opportunity to speak today about Hydro One's investment
27 plan that underpins our five-year application.

28 As chief operating officer I can tell you that my

1 vision for the operating group is operational excellence.
2 It's something I have lived by for the 30-plus years that I
3 have been in the electric utility industry, and our
4 obligation is safe, reliable, and affordable power for our
5 customers.

6 A little bit of background about my experience prior
7 to coming to Hydro One. Prior to joining Hydro One as
8 chief operating officer, I spent 30 years in varying roles
9 in the U.S. utility industry at three of the largest gas
10 and electric utilities across the U.S.

11 I started at Public Service Electric & Gas Company as
12 an engineer in 1986 and spent 15 years there. I then
13 worked for Commonwealth Edison, running their electric
14 operations, for eight years. They are based in Chicago.
15 And then I spent the last eight years at Pacific Gas &
16 Electric Company, and my last position there was senior
17 vice-president of transmission and distribution in the
18 electric operating group, and I spent eight years with
19 PG&E.

20 So while at PG&E, since it's my most relevant
21 experience, we were able to achieve the lowest employee
22 injury rates ever in the company's history, seven straight
23 years of record reliability, and achieve hundreds of
24 millions of dollars in savings.

25 And why do I share that? Only to express a genuine
26 desire to bring the same kind of help and assistance and
27 direction to Hydro One here in my role as chief operating
28 officer.

1 Early observations, I can tell you that we have a
2 solid safety program. Mayo alluded to that earlier. I
3 think we have good solid engineering construction and
4 operating capabilities. Our reliability is mixed, however.
5 Our transmission reliability is solid, it's good, but
6 perhaps my biggest surprise and biggest disappointment is
7 distribution reliability. It is nowhere where it needs to
8 be and it has to improve.

9 This is especially challenging, of course, given Hydro
10 One's asset age and deteriorating condition. So a large
11 portion of Hydro One's distribution system was built pre-
12 1960, and many assets need to be replaced or refurbished in
13 order to maintain reliability and safety. We are working
14 to do this while at the same time delivering productivity
15 and efficiency savings to minimize the impact to customers.

16 A robust planning process was used to develop Hydro
17 One's investment plan. I say this based on my experience
18 with other utilities, which also utilized risk-based
19 planning processes similar to Hydro One.

20 The planning process is intended to produce an overall
21 plan of appropriately paced investments that achieves an
22 optimal balance between cost-effectiveness, satisfying
23 customer needs, and meeting asset requirements and business
24 needs.

25 The starting point to this process is what I will
26 refer to as the strategic context. This context is based
27 on Hydro One's core values and business objectives and the
28 outcomes of the renewed regulatory framework of customer

1 focus, operational effectiveness, public-policy
2 responsiveness, and financial performance.

3 To the context, we have planning assumptions. This
4 includes load forecasting and customer growth, as well as
5 economic assumptions, such as inflation and exchange rates.

6 The next step is our needs assessment. This
7 assessment compiles our customer needs and preferences,
8 asset conditions and needs, system requirements and other
9 needs. Once the needs are compiled, investment development
10 commences and this step considers alternative solutions and
11 potential investments that can address the identified
12 needs.

13 As part of the investment optimization, the
14 investments identified in the investment development phase
15 are prioritized based on risk, resulting in an optimized
16 investment plan. This plan then undergoes a senior
17 management review process; the overarching consideration in
18 this step ties back to the original strategic context.
19 Senior management ensures that the proposed plan meets the
20 needs and preferences of customers as well as system
21 requirements, while minimizing rate impacts. When the plan
22 is improved, implementation and reporting then follow.

23 I would like to go back for a minute to discuss the
24 approval process undertaken in developing the five-year
25 investment plan that forms the basis of this rate
26 application.

27 Hydro One ultimately developed four alternative
28 investment plans that you see here on the chart for

1 consideration by its senior leadership team and board of
2 directors. Plan A emphasized on reducing the number of
3 deteriorated assets over the course of the five-year plan,
4 and improving reliability, as well as the overall condition
5 of the system. This plan would have resulted in a rate
6 increase of 7.1 percent in the first year, and an average
7 increase of 3.8 percent over the five-year application
8 period.

9 A second plan, plan B, with reduced investment levels
10 compared to plan A, was then developed. This plan also
11 provided for marginal improvements in reliability and
12 overall system condition, along with slightly lower rate
13 impacts, yet it would have resulted in a rate impact of
14 6.2 percent in the first year and a five-year average
15 annual rate increase of 3 and a half percent.

16 Hydro One senior management, in discussion with its
17 board of directors, determined that plan B would still
18 result in rate impacts that were too high for customers.
19 Hydro One's staff was subsequently challenged to develop an
20 investment plan that resulted in lower impact to rates,
21 without causing material disruption to operations. This is
22 what is referred to in our application as plan C.

23 This iteration was not fully developed because it
24 became clear that while providing a reduced rate impact of
25 5.1 percent in the first year, an average increase of 2.9
26 over five years, this plan would put the distribution
27 system at increased levels of risk as a result of deferring
28 a high level of investment to future periods and thereby

1 increasing the number of assets in poor condition.

2 So in order to strike an appropriate balance, Hydro
3 One developed what is referred to in our application as
4 Plan B modified. This plan changed the pace of investments
5 in order to reduce the forecasted rate impact at the time
6 the of the business plan in the first year to 5.8 percent,
7 and the average rate impact over the five-year period to
8 3.3 percent.

9 At the same time, overall system reliability would be
10 maintained at current levels, while offering discrete power
11 quality and reliability improvements in certain areas of
12 the system.

13 It should be noted that subsequent to the approval of
14 plan B modified, the rate impact has been reduced to
15 4.9 percent in the first year, and the five-year average
16 was reduced to 3.5 percent.

17 So in conclusion, the process take on the develop the
18 investment plan was robust and iterative in nature in order
19 to find the right balance of meeting customer needs and
20 preferences, maintaining system reliability, and minimizing
21 rate impacts.

22 So what does the capital plan look like? As we've
23 discussed, we have paced investments such that a lower rate
24 of spending occurs in 2018 to help minimize the rate impact
25 resulting from rebasing and the impact of the reduced load
26 forecast.

27 However, in future years spending and system renewal
28 will increase to address the growing number of assets in

1 poor condition in order to maintain reliability. For
2 example, we have 1.6 million wood poles in our distribution
3 system, and we will replace over 72,000 of those poles
4 within the next five years at a cost of \$579 million. This
5 is a pole replacement rate of less than 1 percent per year.

6 Also in our lines renewal program, we have over 100
7 products planned to rebuild or refurbish deteriorated
8 circuits, or feeders as we call them, or feeder sections at
9 a cost of \$268 million.

10 Other key system renewal work includes our station
11 refurbishment program, replacement of line equipment
12 containing PCB contaminated oil, and the replacement of
13 approximately 210,000 smart meters reaching their end of
14 expected service life beginning in 2022.

15 While system renewal is the largest component of our
16 spending, we also have many projects under system service,
17 system access, and general plant. For example, we will
18 complete approximately 98,000 new customer connections and
19 service upgrades during the application term. We have
20 \$582 million budgeted for this purpose over the five years.

21 We also have programs such as our worst performing
22 feeder program, as well as targeted investments to improve
23 reliability in specific areas where customer concerns have
24 been raised and where practical system opportunities exist
25 to meaningfully improve system capability and performance.

26 Now, let me briefly discuss Hydro One's OM&A program.
27 As you can see, our OM&A envelope has remained relatively
28 stable since our last application. The 2018 OM&A program

1 allows sufficient funding for Hydro One to provide for the
2 needs of its customers.

3 The total program includes all of our expenses, such
4 as administrative and customer service. However, the
5 largest components are the operating and maintenance
6 expenses necessary to keep the distribution system safe and
7 reliable. These expenses include vegetation management,
8 trouble response, cable locates, station inspection and
9 maintenance, and PCB oil testing.

10 In 2018, Hydro One plans for total OM&A expenditure of
11 \$585 million. This is an increase of \$12 million or
12 2.1 percent compared to the 2017 forecast expenditures.

13 As Chris has indicated, Hydro One is committed to
14 limiting the annual OM&A increases to inflation minus
15 productivity for the years 2019 through 2022. While we
16 have already included productivity improvements in our
17 plan, we are committed to seeking additional efficiencies
18 to ensure we are able to operate within this envelope.

19 Let me next discuss performance management, and how we
20 are implementing an accountable and performance-driven
21 culture through productivity, benchmarking and scorecards.
22 Our commitment to seek additional efficiencies is essential
23 to the planning and execution of work programs across the
24 company. As mentioned earlier, the application reflects
25 productivity improvements of \$384 million in capital and
26 operating expenses over the five-year period.

27 I would like to share with you a few of the
28 initiatives that have led to these savings. The first

1 example is our new mobile technology, or what we have
2 called move to mobile. This program provides efficiency
3 through updated work management tools with mobile
4 technology, which allows for improved scheduling and
5 responsiveness from our field staff. This leads to better
6 work execution and process management, as well as the
7 elimination of some paper-based processes. We expect move
8 to mobile to result in total savings of \$67 million over
9 the five-year application term.

10 We also continue to find operational efficiencies in
11 our underground cable locates program through the use of
12 external service providers. Total savings of \$40 million
13 over the next five years are included in the application.

14 Hydro One has also made several changes to its
15 procurement processes, including volume discounts,
16 standardization of specifications, streamlined evaluation
17 processes, and multi-round negotiations pricing.
18 Procurement changes are expected to achieve savings
19 totalling over \$100 million during the term of the
20 application.

21 Now, when it comes to performance management,
22 benchmarking plays an important role in helping us evaluate
23 our performance and identify areas for improvement. Let me
24 describe the impact three benchmarking studies have had on
25 this application.

26 In vegetation management, we are in the process of
27 making changes with a focus on reducing tree-related
28 outages. We have modified our program based on industry

1 best practices, and have transitioned to a defect-based
2 approach that will address trees that can grow into our
3 lines, along with dead, dying and diseased trees that can
4 fall into our lines.

5 Benchmark study findings also recommended bringing our
6 distribution system to a shorter tree-trimming cycle.
7 Working with leading industry experts, we have developed a
8 program that will allow for a more surgical approach to
9 vegetation management resulting in an increasing number of
10 circuit kilometers maintained each year. This program
11 will reduce our current cycle of ten years to a three-year
12 cycle. This will help us address our backlog of circuits
13 which haven't been cleared in many years, reduce safety
14 risks, improve reliability, improve unit costs in the near
15 term, and reduce overall program costs in the long term.

16 In stations, the study agreed with our station centric
17 refurbishment approach, and we will continue with this
18 methodology. And again, we are always looking for
19 opportunities to improve, and are implementing key
20 performance indicators to measure our progress.

21 The pole benchmarking study highlighted that Hydro One
22 does not employ a formal pole refurbishment program.
23 However, 13 of the 17 peer companies in the study have
24 adopted this type of program, so in response we are now in
25 the process of planning a pole refurbishment program to
26 extend the life of poles. This includes the evaluation of
27 testing and treating poles, as well as bracing and
28 reinforcing poles.

1 Finally, in order to measure improvement in our
2 performance, we have included several metrics on our
3 supplemental scorecard. These include cost per unit
4 metrics for vegetation management, station refurbishment,
5 and pole replacement, as well as OM&A dollars per customer
6 and per kilometre of line.

7 We will also report on the number of interruptions
8 related to these programs, as well as metrics to provide
9 greater clarity on Hydro One's system reliability and
10 customer satisfaction.

11 In addition to creating accountability within our own
12 organization and encouraging performance, reporting of
13 these metrics will demonstrate the delivery of outcomes
14 that customers value.

15 I'd like to review how our plan reflects our customer
16 needs and preferences. Customers have told us that
17 affordability and reliability are top of mind. Customers
18 indicated that we should look internally first for greater
19 efficiencies before considering rate increases.

20 As we have discussed, our application reflects
21 \$384 million in productivity savings, and we are committed
22 to continuous productivity improvement and finding
23 additional efficiencies.

24 The iterative investment planning process that I have
25 described which resulted in the Plan B modified investment
26 plan allows us to maintain system reliability while at the
27 same time offering discrete improvement in areas where
28 needed.

1 We have paced our investments to help achieve this.
2 Excluding the reduction in load, the 2018 rate increase is
3 similar to inflation at 1.9 percent.

4 I'd also like to discuss three customer issues related
5 to reliability and capacity which were identified in the
6 OEB Staff summary of community meetings. Our investment
7 plan is aimed at maintaining reliability. However, we are
8 also targeting specific areas of poor reliability.

9 Our business plan includes programs that will invest
10 \$83 million during the application term that target these
11 areas of concern in various ways, such as upgrading
12 equipment where required, installation of lightning
13 arresters, and automation of switching equipment.

14 For capacity concerns we have a program to increase
15 distribution system capacity where needed. This program
16 calls for \$190 million of investment during the planning
17 period. It provides for investments, such as station
18 upgrades, new feeders and modifications, and conversion of
19 line equipment to higher voltages.

20 Now, specifically in Rockland in eastern Ontario there
21 were concerns over the need for additional capacity in
22 order to promote business expansion. Hydro One will be
23 investing \$2.3 million to install a second transformer and
24 associated feeders at the Rockland distribution station in
25 2019. This investment will provide load relief to the
26 existing single transformer and meet forecasted demand.

27 Customers in Bracebridge expressed concerns about
28 reliability, indicating that many have purchased a backup

1 generator due to the frequency and duration of outages. To
2 improve reliability in this area, Hydro One will be
3 investing in line renewal projects, totalling \$12.6 million
4 over the application period in the Bracebridge Muskoka
5 area.

6 These projects will improve reliability by moving
7 sections of off-road line with poor accessibility and dense
8 vegetation to easy-access roadside locations with less
9 vegetation exposure.

10 In addition to the pricing concerns that Ferio
11 indicated about Leamington, customers in Leamington also
12 expressed concerns regarding capacity available to expand
13 and connect new greenhouse businesses.

14 To address this issue Hydro One is investing
15 \$2.2 million to provide an additional 180 megawatts of
16 feeder capacity from the new Leamington transmission
17 station.

18 So let me conclude by saying how excited I am to be
19 the chief operating officer at Hydro One and to be part of
20 this transformational effort. We have got lots of
21 challenges ahead. Finding solutions that meet our
22 customers' needs, our system needs, in a productive and
23 efficient manner that limits rate increase is both
24 challenging and exciting to me, and I know Hydro One is up
25 to the task. Thank you.

26 MS. ANDERSON: Thank you. I do want to take a break
27 before we move into questions, but I guess I'm going to
28 indulge myself in one quick question before we do.

1 You had mentioned an update to your evidence, but I
2 don't think I heard the timing on that. Can you -- can
3 someone provide some details?

4 MR. KIRALY: The plan is to update the evidence prior
5 to the Christmas holiday.

6 MS. ANDERSON: So sometime prior to Christmas.

7 MR. KIRALY: Yes.

8 MS. ANDERSON: Okay. Thank you.

9 So I think we will take a break. We will come back at
10 25 to, so it will be a fairly quick break if that's okay.

11 --- Recess taken at 11:18 a.m.

12 --- On resuming at 11:37 a.m.

13 MS. ANDERSON: Please be seated. Okay, we are
14 resuming with questions, and we are going to start with the
15 questions from the Panel. So I will first turn to Dr.
16 Elsayed, to see if he has any questions.

17 **QUESTIONS BY THE BOARD:**

18 DR. ELSAYED: I have a few questions. Maybe I will
19 start with the coast efficiency measures that you've
20 described a number of times, so maybe I will take you to
21 your slide 7.

22 So my first question is a total of \$383 million; what
23 is the baseline? This is compared to what?

24 MR. LOPEZ: Okay, these are savings that are being --
25 that have been captured, or will be captured going forward,
26 as a result of initiatives that are either in place today
27 or progressing. So if they weren't there, the total spend
28 would be -- let's take 2018 for example, would be

1 \$63 million higher for the same output or outcome. And
2 examples were the examples that Greg had given in his
3 example where in vegetation management, we are achieving
4 the same outcome but for a lower cost going forward.

5 DR. ELSAYED: So you have had a set of cost elements,
6 and then you went through them and identified efficiency
7 measures and came up with lower numbers adding up to this?

8 MR. LOPEZ: Correct. So again, move to mobile, it's
9 not cost elements as such; it's more activities. So we
10 still have to do the activity, but we have taken a
11 different approach to achieving the outcome for that
12 activity.

13 So move to mobile is a good example. Where previously
14 we would do a lot of things on paper and a lot more
15 administration cost, now that's been taken away through
16 move to mobile. So we can take people out of that process,
17 and those costs get reduced.

18 DR. ELSAYED: So how would you be tracking and
19 reporting on those to make sure that they do happen?

20 MR. LOPEZ: So I talked about scorecards earlier.
21 Productivity is a scorecard measure and we track that
22 monthly. We have a very detailed process internally that
23 validates the cost savings, so we have a business case that
24 we put forward and then we track those savings specifically
25 for each business case.

26 DR. ELSAYED: So you will be able to tell whether
27 those components that add up to 383 million have been
28 achieved?

1 MR. LOPEZ: Correct.

2 DR. ELSAYED: And what do the -- again going back to
3 slide 7, the 152 million in capital in 2014 and OM&A and so
4 on, what do they represent roughly percentage-wise of the
5 total --

6 MR. LOPEZ: Of total spend?

7 DR. ELSAYED: Yes.

8 MR. LOPEZ: So over the period, we spend
9 approximately -- so 2018, the spend is 1.5 billion. So if
10 you work it out as an average there, it works out to be
11 about 5 percent, somewhere between 5 and 6 percent.

12 DR. ELSAYED: Okay. My next question is about
13 reliability. It was mentioned that distribution
14 reliability is an issue. Mr. Kiraly, I think that was one
15 of your concerns.

16 MR. KIRALY: Yes, sir.

17 DR. ELSAYED: Can you remind me again what are your
18 thoughts in terms of why that is?

19 MR. KIRALY: I come from a utility where reliability
20 was measured in minutes, and not hours. And here our
21 numbers over the last few years have been anywhere on
22 distribution SAIDI -- which is to me the best metric when
23 it comes to electric reliability, which stands for system
24 average interruption duration index -- is anywhere between
25 6.7 to 8 hours.

26 Now, in all fairness, most of the customers that are
27 out, 80 percent of the customers, we restore in probably
28 four hours or less. But it's those last 20 percent of our

1 customers that unfortunately live in remote areas, where we
2 only have radial feeders and they take several hours to get
3 back in power. So that's the nature of our system design
4 and that certainly doesn't lend itself to high system
5 reliability. But we have benchmarked ourselves versus
6 Canadian and US utilities and we are fourth quartile. It's
7 largely due to trees. We have not addressed our vegetation
8 management needs over the years. So that's why I mentioned
9 earlier that we have put a new vegetation management
10 program in place with a shorter cycle.

11 This year in 2017, we are forecasting almost
12 44 percent of our SAIDI minutes. So 44 percent of all of
13 our outage minutes for distribution are going to be due to
14 trees. That is unacceptable, and that is going to improve
15 over the next several years.

16 DR. ELSAYED: Thank you. So based on that then, when
17 you talked about your different options for the investment
18 plan landing on what you call plan B modified, and can you
19 clarify for me?

20 You mentioned that this plan would maintain the
21 current level of reliability. So how does that reconcile
22 with what you just said about improving --

23 MR. KIRALY: Yeah, that's a good question. So what's
24 certainly in the application is not our upgraded vegetation
25 management program. So as we have designed it, we believe
26 that if we implement this vegetation management program for
27 the same cost that's in the application, we will achieve
28 better reliability.

1 So within our upgrade and our update prior to the
2 holidays, we will include an update on our vegetation
3 management program. So there will be specific targeted
4 areas.

5 Now we do have 3200 electrical distribution circuits
6 on our system. We can't get through all of them in one
7 year, so the reliability benefits will come over several
8 years.

9 The plan is to trim and remove dead, dying and
10 diseased trees on just over 1,000 circuits each year for
11 the next three years. So the reliability benefit will be
12 slow, of course, as we get through the backlog of circuits
13 that we haven't trimmed in many years.

14 So reliability benefit wills come in future years, and
15 we can certainly update you on what we expect those
16 benefits to be.

17 DR. ELSAYED: Okay, one last question. It was
18 mentioned at the beginning about the -- I think it was Mr.
19 Schmidt that mentioned that there is an incentive in terms
20 of executive pay related to the execution of the capital
21 program, and that it can go over or under.

22 I just want to understand how that works. First of
23 all, is that at the program level, at the high level of the
24 total capital has to be spent as planned? How does that
25 work?

26 MR. SCHMIDT: So I will give you the fundamentals.
27 There is a large percentage of compensation for the team is
28 all based on a team scorecard, and a team scorecard would

1 have the transmission and distribution specifically called
2 out.

3 So in the case of 2016, the capital approved for
4 transmission was \$940 million. So if the team came in at
5 \$980 million, they would be penalized in their compensation
6 for that. In fact, any deviation from the 940 causes a
7 reduction in compensation up above or below. So we are
8 measuring it for accuracy purposes. So it was the only way
9 we could incentivize our teams to hit the measures that we
10 applied for as opposed to over achieving and in fact
11 spending more capital than had been approved.

12 So that would be one of many scorecard items. There
13 would be safety in there. And as well, in addition to our
14 operational performance metrics, would include net income
15 and other measures. We also have personal objectives, so
16 each of the leaders, including myself, would have a
17 personal series of anywhere from five to six personal
18 objectives that we would be responsible for, and it would
19 have a threshold level which anything below the threshold
20 measurement goes to zero on compensation. At the budget
21 level you get paid 100 percent of whatever your percentage
22 is based on your base salary. And then we have a maximum
23 level, so if you achieve the maximum level by the highest
24 level of performance, which would always be required to be
25 a stretch objective, so significantly higher than what
26 would be the stretch budget objective, and the board of
27 directors adjudicates and sits over that with the
28 compensation committee and measures all those.

1 And to Chris' earlier point, those are tested and
2 measured with a great degree of accuracy, because we are
3 accountable to shareholders who approve the compensatory
4 programs for the employees that we actually achieve those
5 objectives and that they are measurable.

6 So none of these targets that we have in there, other
7 than one which is on the personal side, which is the
8 board's ability to send a message to a leader as to how
9 they are performing outside of simply measuring outcomes.
10 So it's very much a program that measures results and
11 measures outcome based on what we commit to do with the
12 OEB.

13 DR. ELSAYED: So what if you have a scenario where the
14 amount of capital that has been approved, that has been
15 spent, is exactly what has been approved, but the work that
16 has been done is only 90 percent of the work that should
17 have been done, like, at the project level. I am just
18 trying to understand, how do you make sure in addition to
19 the amount of money being spent, being what has been
20 approved, that the amount of work that has been done with
21 that money is the right amount of work?

22 MR. SCHMIDT: So as in Greg's case, which is the
23 investment Plan ABC, Plan B modified, and Plan C, we went
24 through in great detail with our board of directors, in
25 fact had three half-day meetings with the board, so to give
26 you an idea of how much sensitivity goes into this, the
27 engineers came in, they provided their analytics, so
28 there's a testing that goes throughout this process to be

1 able to arrive at these.

2 And frankly, if there is a failure associated with
3 some of the planning, that gets reported to the board, and
4 the board retains complete flexibility not only within the
5 personal percentage, where they can simply make a judgment
6 on the performance, is they retain the ability to go back
7 and claw back compensation if it's paid for anything other
8 than what should be peak performance. So they maintain a
9 clawback provision in the compensation.

10 DR. ELSAYED: And what has been the trend in the past,
11 as far as for the distribution component in terms of actual
12 expenditures versus planned? I am just trying to
13 understand what may have been contributing to the
14 reliability issue that you described.

15 MR. SCHMIDT: Yeah, certainly I can't speak to prior
16 years in being here. I have looked at some data. In
17 addition to what Mayo said, we will track all the work that
18 was planned to be completed for the monies, for the
19 investment plan level. And certainly then we have some
20 discretion. We have to report the work was completed. We
21 also have external factors.

22 Storms are typically an external factor. If we have a
23 higher than normal or abnormal storm year and we are
24 impacted by that, then our trouble response and our trouble
25 dollars that we spend to restore customers is going to be
26 higher, and those dollars have to come from somewhere else,
27 so we have got to kind of reallocate based on the varying
28 programs that we have based on potential external factors.

1 There could be a technology upgrade, as there has been
2 by some of the Bell companies, where we then had to change
3 out some of our network infrastructure that supports our
4 smart meter network. Well, that was not foreseen, and all
5 of a sudden it costs us tens of millions of dollars. Some
6 of those monies might have to shift to that category as
7 well, so those are just a couple of examples.

8 DR. ELSAYED: Thank you, these are all my questions.

9 MS. ANDERSON: Thanks. I am going to cover a little
10 bit of the same territory.

11 Just on vegetation management, you have talked about
12 reliability, and you have talked about perhaps cost
13 efficiency. So how does that all intermingle with customer
14 satisfaction? There have been, as you have point out, in
15 other areas there has been some things in the media about
16 changes in vegetation management, and so how do you blend
17 all of those in your plans?

18 MR. KIRALY: Well, certainly in my experience in the
19 utility industry, beyond price, the bill, service is
20 usually the biggest driver for customer satisfaction, in
21 this case reliability. So customers on average experience
22 almost three outages a year across our system, and then
23 when you take the response component in it, the actual
24 duration of the outage, then it moves up to the seven-and-
25 a-half hours.

26 There is no doubt in my mind as we improve reliability
27 over the long-term here with a new vegetation management
28 program, automating our distribution grid, some of the

1 monies are in that five-year application to do that. There
2 is no doubt in my mind that customer satisfaction will
3 improve. It's been shown over decades that reliability
4 improvements will result in improved customer satisfaction.

5 MS. ANDERSON: Yeah, I was actually thinking about the
6 customer satisfaction of the people that have trees.

7 MR. KIRALY: So certainly that's a concern. We have
8 worked with a number of communities where they did have
9 concerns. We -- certainly in our past we may have had some
10 issues. We have recalibrated the team, developed certainly
11 a more customer-centric philosophy, and where we have had
12 issues with customers concerned about, you are not going to
13 cut all my trees down, are you, for aesthetic reasons, we
14 work with those customers to explain what it is, where our
15 either transmission or distribution corridor is, what
16 impact those trees can have on our system. If we can more
17 delicately trim trees and not remove trees or not remove
18 low-lying brush that would never grow into a tree then we
19 preserve that, and I will tell you it has been
20 unfortunately a standard in the past, we essentially
21 applied the transmission standard, which is different.

22 Transmission standard is clear ground to sky, keep
23 everything away from your transmission facilities. Well,
24 in distribution we were applying the same standard, and yet
25 we were removing low-lying brush and vegetation that would
26 never have an impact on reliability, and sometimes that's a
27 customer's hedge in the backyard, so why remove that.

28 So we have worked with customers to say, we can

1 preserve certain vegetation, and if we do have to remove
2 vegetation we will help you with planting trees in other
3 parts of your backyard or the corridor or putting less
4 invasive species of vegetation, planting that, so that the
5 corridor -- the look of the corridor improves, so we have
6 got a number of examples of where we have done that
7 recently, and that's going to be on our ongoing program.

8 MR. PUGLIESE: I can add some -- just some colour to
9 that. We have also with respect to vegetation management
10 and working with communities is we have re-established our
11 external relations team that's working directly with the
12 vegetation management group in Greg's area, where we have
13 actually gone out to communities, and you have heard me
14 talk about re-engineering policies. We are actually
15 undertaking a re-look engineer of these policies as well,
16 and in often cases some of those adjustments to the
17 management of trees in residential areas will vary from
18 community to community to community.

19 So there is a fair -- what we have done is elevated
20 the level of consultation now that's happening with
21 communities between an external relations group along with
22 veg management team to go out and actually undertake what
23 are the concerns of the communities, the community
24 associations, and then undertake what changes need to be
25 made and the manner in which we are going to address any
26 sort of trimming, removal of trees, and all that in the
27 spirit of keeping the customer concerns in a satisfied
28 state and at the same time maintaining safety and

1 reliability.

2 MS. ANDERSON: Thank you.

3 Turning back to slide 7 on productivity. I am trying
4 to understand, you have said that you are going to apply a
5 .45 percent stretch factor, is your proposal for the years
6 2019 to 2022, and that slide 7 seems to indicate that
7 that's on top of these productivity improvements here.

8 I am trying to understand how the .5 percent and the
9 OM&A, you have got somewhere from 34- to 50 million in
10 productivity improvements and how all of that interrelates.

11 MR. LOPEZ: I can take that one. So these are plans
12 that Hydro One has already put in place, and they are
13 ongoing, and they will incrementally improve over time with
14 new initiatives. On top of that, under the structure of
15 the custom IR, we take inflation minus a productivity
16 factor.

17 So on the revenue requirement we stretched that a
18 further .45 of 1 percent. So Hydro One is going to need to
19 find an additional .45 percent productivity over and above
20 these numbers in order to meet its allowed return on
21 equity.

22 MS. ANDERSON: So these numbers on slide 7 are already
23 reflected in the rates that you have proposed?

24 MR. LOPEZ: They are, so let's take capital. Those
25 capital numbers are reflected in every capital project that
26 we have put forward. In the case of OM&A, that first year
27 is the test year, and after that is going to get indexed at
28 inflation minus productivity. So that number will continue

1 forward, increasing a little bit, but those numbers at the
2 end of the five-year period on OM&A, for example, will end
3 up going back to the ratepayer in the next rate case.

4 MS. ANDERSON: Okay. One last question is, could
5 someone summarize the adjustments that you're proposing for
6 years 2019 to 2022? So you said there is a cost of service
7 for 2018. Then I heard you just mentioned about, there was
8 an inflation adjustment, I heard, cost-of-capital
9 adjustments, and then mention of cost allocation changes in
10 2021.

11 Could you summarize all the things that you are
12 looking to update in your rates during those sort of four
13 update years?

14 MR. LOPEZ: Yes, I will take that. So the first year
15 gets set, and we are going to lay out the capital plan that
16 we spent, and Greg did that, how capital changes from year
17 to year.

18 So the formula, what it's doing is it's allowing for
19 recovery of that additional capital spend from 2018 to
20 2019. So in 2018, we are spending 634 million, and I think
21 in 2019 it was a higher number. So if we set it on the
22 base year, it doesn't allow for that.

23 So there is an adjustment for that additional capital
24 spend the following year. So we will adjust every year for
25 that. And the formula is an adjustment for that times
26 inflation minus a productivity factor of .45 of 1 percent.
27 They are the only adjustments that are going to happen in
28 2019, 2020.

1 When we get to 2021, we are talking about bringing in
2 the acquired LDCs. And in that case, we will need to
3 create new rate classes, and in order to do that the
4 allocation of cost amongst the rate classes will change.

5 So what we are proposing to do in that period is hold
6 the cost and the capital the same, just bring them
7 together, but we have proposed to update for load because
8 it will change, and number two for capital, return on
9 equity because we will not know -- we won't be able to
10 allocate the cost equally or fairly if we don't update for
11 those two parameters.

12 MS. ANDERSON: And then there would be an earnings
13 sharing, I think you also proposed.

14 MR. LOPEZ: Yes, the earnings share is there in every
15 year, on every individual year, if we outperform our
16 allowed return on equity by more than 100-basis points. So
17 the allowed return on equity is 9 percent in 2018, so let's
18 take an example.

19 If we ended up at 10.1, then everything above 10 would
20 be shared 50 percent with the rate payer.

21 MS. ANDERSON: Okay. Those are my questions. Mr.
22 Sidlofsky, are there any questions from Staff?

23 **QUESTIONS BY MR. SIDLOFSKY:**

24 MR. SIDLOFSKY: Madam Chair, I just have a couple. My
25 first one is for Mr. Schmidt.

26 Sir, you had said in your part of the presentation
27 that, at least according to my notes, that executive
28 compensation is reduced if spending is over or under

1 forecast because there's now an emphasis in the new
2 organization on precision. Did I get that right?

3 MR. SCHMIDT: Yes, that is correct. The driver behind
4 that is management, in conjunction with the board of
5 directors, had a discussion that said how do we reward or
6 motivate and, quite frankly, penalize leaders for
7 performance, meaning that if in fact they under-performed,
8 they shouldn't get rewarded for that in terms of reward
9 being simply their compensation.

10 So other than base, any short term incentive and long-
11 term incentive is based on these performance metrics. So
12 in the particular case of the capital program, it's the
13 board and management's agreement that we want to be
14 transparent. We want to be very clear, we want to use good
15 analytics, and we want to apply the for only what we need
16 and exactly what we need; no more, no cushions, no
17 additional capital expecting, that possibly there may be
18 some reduction in a capital program for whatever particular
19 reason is that what we get approved is what we spend,
20 nothing more and nothing less.

21 So that is the driver behind it because I think the
22 appreciation from the board of directors was it's a new
23 board of directors, a new management team, we need to get
24 -- you know, it's important that we represent our values,
25 and what we are applying for is exactly what you should
26 expect us to be executing. And if we get authority to do
27 that, that is exactly what we intend to do.

28 MR. SIDLOFSKY: Does that create any concern on your

1 part that if someone in senior management is able to come
2 in under budget on a project, there's potentially a
3 disincentive for that executive to do that?

4 MR. SCHMIDT: Well there shouldn't be, simply because
5 the capital that can be spent in the course -- keeping in
6 mind that over a course of years, the intent is to stop the
7 deterioration of the system. And the fact that we are
8 fourth quartile would demonstrate that there will be places
9 that capital can be spent within that envelope.

10 But there is no intent that if we come in under -- and
11 Frankly, we did on the Clarington facility. So on
12 Clarington, we were able to, within the envelope, come in
13 at below the expected cost and that cost, that savings can
14 then be used, for example, on a particular transformer that
15 has been repaired 57 times and is beyond its useful life,
16 but has not been considered because the capital plan did
17 not allow for it, so that we can in fact go and do a
18 permanent repair or replacement.

19 So that is taken, for example, because there are
20 projects that will be put out as we plan for 2019 through
21 2022 that based on the need, could be accelerated because
22 as you see that our engineering group would have come back
23 and said plan A is what we need to actually begin to
24 improve the system and the plan modified is substantially
25 below the plan A.

26 So there is a need for that capital. It's just a
27 question of being sensitive to the spend so that we are
28 just and simply managing that over a period of time.

1 MR. SIDLOFSKY: So you are still looking at this more
2 on an envelope basis then. If a project does come in under
3 budget, if a team is able to bring a project in under
4 budget, then the organization will simply select other
5 projects from the list, is that it, to make up that
6 envelope?

7 MR. SCHMIDT: Not simply select. We go through the
8 analytics to say what would be within the spend and in
9 fact, if we can reduce, in fact we will reduce because at
10 the end of the day, the management team nor the board of
11 directors, who reserves the right to claw back, would not
12 be in supportive of, nor would the leadership team ever
13 consider spending capital that wasn't required.

14 So we would simply have a reduction in compensation
15 and not spend that capital.

16 MR. SIDLOFSKY: Thank you, sir. The second area is --
17 and it's just a couple of questions on Mr. Ferio's comments
18 on prepaid meters.

19 You'd mentioned that you were looking at that -- and
20 you will appreciate that prepaid meters seem to have
21 received a fair bit of attention in recent weeks. I just
22 want to make sure I am clear on a couple of things here.

23 You had said that you are look at adding this to
24 options for customers, and I believe you said that you
25 wouldn't ever be forcing this on a customer or using it as
26 a way around prohibitions on disconnection.

27 To put that differently then, will this -- if you do
28 intend to implement a prepaid meter program, are you

1 confirming then that this is completely voluntary for
2 customers and will strictly be at the customer's option?

3 MR. PUGLIESE: That is correct.

4 MR. SIDLOFSKY: Thank you, those are my questions,
5 Madam Chair.

6 MS. ANDERSON: Okay, we will open it up internally
7 here, starting maybe with the left and if anyone has any;
8 you don't have to ask questions.

9 **QUESTIONS BY MR. GARNER:**

10 MR. GARNER: I will still take that as an opportunity
11 to ask the questions, an invitation. My name is Mark
12 Garner. I am with the Vulnerable Energy Consumers'
13 Coalition; I am a consultant with them.

14 Why I don't I just start up with the prepaid meters,
15 because it's clearly for my client a concern.

16 You were asked a question if it would be voluntary.
17 My question is this: Did you take this program out to your
18 customer meetings? Did you tell your customers about this
19 program and how you would implement it?

20 MR. PUGLIESE: It wasn't a specific option asked in
21 the customer surveys that I am aware of, and I can have an
22 undertaking to take that back and get through the question.

23 The questions that were asked of customers were what
24 are some of the options that would be viable alternatives
25 for customers, that they would like to see by way of
26 choice. And so as we put our offering of customer choices
27 together,, we look at a variety of customer options that
28 exist in other jurisdictions that customers have used and

1 have asked for, and we have explored the viabilities of
2 these.

3 MR. GARNER: I am certainly not asking for
4 undertakings at this point in time. We have an
5 interrogatory phase and we'll use that.

6 I also want to understand when you indicate that the
7 prepaid meter wouldn't be a way to get around the
8 disconnect rules for the winter. I am still, though,
9 confused. If you had a prepaid meter and didn't pay it,
10 what happens to you?

11 MR. PUGLIESE: What we would do with that is we would
12 factor it in the same way we use our system today. We
13 could disconnect somebody remotely today, just like a
14 prepaid meter; we don't do that. We have an eight-stage
15 collection process that leads to notices that we would give
16 the customer.

17 So if we were to implement such a program as this we
18 would do a few things first. We would field test the
19 technology to see how it works and responds with our system
20 first. But what we want to ensure is to ensure that
21 system, when somebody is encroaching on running out of
22 credits on their prepaid meter, we would be calling them,
23 and we would be giving them notices based on the channels
24 that they have chosen to do business with us.

25 So we would be either through the call centre, through
26 the digital channel, whatever that manner is, and inform
27 them that they are running low. If they run into a
28 collections issue, we'd probably move them through a

1 collections process where we'd enter them into the same
2 system that we have customers in today and find other means
3 to keep their services in check in a fashion of which they
4 can afford and service.

5 MR. GARNER: Thank you. One of the things -- you
6 know, when you looked at this, as you may appreciate, it's
7 been my experience that many customers have a feeling that
8 if they are not using their hydro, they shouldn't be paying
9 for their hydro. Have you done any study of how many -- of
10 the customers who have indicated to you that this might be
11 an option were under the belief that if they had a prepaid
12 meter and weren't paying for it, they would be avoiding
13 hydro costs? Have you done any study like that at all?

14 MR. PUGLIESE: Not to my knowledge have we done a
15 study like that.

16 MR. GARNER: Thank you. I am going to move on, then,
17 to the another question, and this is about your financials.
18 We are now almost the end of 2017 and interrogatories are
19 due, I think, the 25th of January.

20 For your 2017 financials, when would you, Mr. Schmidt,
21 get a report on your financials for 2017? Not your audited
22 obviously, but the report you'd get for year end. About
23 when would that occur?

24 MR. SCHMIDT: I am going to ask our senior vice
25 president of finance for that date. I imagine he has that.

26 MR. LOPEZ: Thank you. It would be on or around -- we
27 would get interim information, summary information, but the
28 detailed information would come around the first week of

1 February.

2 MR. GARNER: And the summary information would come to
3 you when?

4 MR. LOPEZ: Around the second or third week of
5 January.

6 MR. GARNER: Thank you. Now, you said you were going
7 to do an update, and I am sorry, I mean, there was a couple
8 of things added seemingly as we went along. One was
9 vegetation management, the other seemed to be OPEB, the
10 other one was cost of capital, and then a distribution
11 system plan -- or a new business plan, sorry.

12 Was there anything else in that list that I have
13 missed, just so I can look at it on the record as what's
14 coming in the end of December?

15 MR. LOPEZ: Just give me one second and I will answer
16 that accurately. So the items that I had indicated that we
17 would update for was increased productivity from the
18 current business plan. That business plan is going to our
19 board this week, so shortly thereafter it will be approved.
20 A reduction in transformation-related compensation costs. A
21 reduction of OPEB expenses resulting in reduced OM&A and
22 capital, OPEB pension and employment benefits, post-
23 employment benefits. And we will also need to update for
24 the 2018 cost-of-capital parameter, which increased from
25 8.78 to 9 percent. That recently occurred here in mid-
26 November.

27 MR. GARNER: Right. I also thought I heard you
28 discuss the vegetation management program and that was

1 going to be updated. Is there anything else that -- is
2 that right? And I guess is there anything else?

3 MR. KIRALY: Yeah, that is right. The program itself
4 and the changes to the program will be part of the update
5 that we provide.

6 MR. GARNER: Okay, thank you. My next question is on
7 this adjustment. The Chair asked you about what the
8 adjustments --

9 MS. LEE: Hi, Mark. If it's helpful I have more --
10 there are a few other items I can add to that list, and we
11 will also be updating for the recently released OEB
12 inflation factor. Additionally we will be updating
13 depreciation costs. I do believe there is a reduction in
14 the capital forecast that will be considered, and a very
15 minor reallocation of certain costs to acquire utility rate
16 classes.

17 MR. GARNER: Okay, thank you, that's a very specific
18 -- do you have a specific date in mind for this filing?

19 MR. NETTLETON: I think you have heard that date, and
20 that's before the end of December.

21 MR. GARNER: Well, that's not a date, but I have heard
22 that part. I was wondering if there was an actual date.
23 Thank you, though, for that.

24 My next question, moving on, is with respect to the
25 adjustments, and you were asked by the Chair about a number
26 of the adjustments that happened in the program, and the
27 one I am little confused with is the load forecasting
28 adjustment that goes with the acquired utilities.

1 What I was wondering was, was that adjustment only to
2 bring in the load of the acquired utilities, or are you
3 saying that there be an overall load adjustment forecast
4 for the overall utility? Which is that?

5 MR. LOPEZ: We were suggesting both. We were
6 suggesting that we would open it up to say what is the
7 total load now and the cost is now being split between the
8 new rate classes that have been created, the six new rate
9 classes, and the rate classes that exist now. If we held
10 them flat, then we would absolutely be adjusting one of
11 them, because the information available for the LDCs, the
12 last specific load forecast was done back in 2014.

13 MR. GARNER: Thank you.

14 Now, moving on to another one, one of your slides --
15 and I am sorry, I don't have the slides in front of me to
16 look at the reference, but you had a discussion in one of
17 your slides about the elimination of some security deposits
18 and the refund. And I was curious about that only in this
19 way, is that the Board has very specific rules about
20 returning of security deposits, and when I saw that lump
21 sum I asked myself the question of, were you doing
22 something above and beyond what the Board's rules were or
23 were you finding that there was an issue with security
24 deposits with respect to the Board's rules about returning
25 security deposits?

26 MR. PUGLIESE: Securities deposits were all returned
27 within the scope of regulations. The motivation behind the
28 return of the security deposits was, again, feedback from

1 customers, and asking why we are holding on to some of
2 these security deposits when in fact they are customers in
3 good standing and could actually use that money and have it
4 returned to them as credit. And we decided that that was
5 within the realm of our abilities and our policies and we
6 made the change.

7 MR. GARNER: Okay. Thank you, and thank you, Madam
8 Chair, those are my questions.

9 **QUESTIONS BY MR. RUBENSTEIN:**

10 MR. RUBENSTEIN: I just have one question. My
11 clarification questions have been answered, and it's
12 actually on this slide, and when I saw the service
13 guarantees and the Hydro One offering customers \$75, is
14 that a cost you then -- you are seeking to recover from
15 ratepayers in this application, so you have -- you have
16 budgeted amount of service guarantee costs?

17 MR. PUGLIESE: We have budgeted for that. But what I
18 didn't mention in the presentation is there's also a
19 scorecard and metric that we work with our field staff that
20 we track how successful we are with this, and so the
21 intention is that we work very diligently to ensure that we
22 are meeting those service requirements, and that's one of
23 the reasons we put it in, is it actually provides an
24 incentive for us to work hard at ensuring we are delivering
25 on those promises. But, yes, it is a budgeted item.

26 MR. RUBENSTEIN: Thank you very much.

27 MS. ANDERSON: Thank you, Mr. Rubenstein. So I guess
28 we are down to the back row. Does anyone have questions in

1 the back? Mr. Copes?

2 **QUESTIONS BY MR. COPEs:**

3 MR. COPEs: Yes, my name is Nicholas Copes, and from
4 Balsam Lake Coalition. I believe Mr. Lopez mentioned that
5 they don't want to -- Hydro One does not want to relitigate
6 the previous compensation study. And in my view, you have
7 a new management team in place that wants to be more user-
8 friendly, and it may be appropriate to have a new
9 compensation study.

10 The reason I say that is because the previous
11 compensation study that I have experienced places a lot of
12 weight on comparing compensation to large banks and large
13 commercial enterprises, whereas that is not the kind of
14 company that Hydro One is. It's, Hydro One is a monopoly
15 that has a captive ratepayer customer base, and it can't --
16 basically, it can't go out of business, so it may be
17 comparing apples with oranges, and it might be more
18 appropriate if a new compensation study placed more weight
19 on comparing compensation with other utilities, possibly
20 even the civil service, so my question is, why not have a
21 new compensation study?

22 MR. NETTLETON: Madam Chair, maybe I can help. The
23 transmission rate case that Hydro One applied for included
24 third-party benchmarking studies, and that evidence did
25 take into account, actually, the types of organizations
26 that my friend just articulated.

27 I think the issue here is -- and as outlined in the
28 Board's recent decision on the process -- really relates to

1 the need of and the expectation that Hydro One has of
2 having the Board use its resources and its time and the
3 time of all the parties here to relitigate the very same
4 evidence that was considered in that transmission rate
5 case.

6 Now, as my friend knows, there is a review and
7 variance motion that's before the Board on that case, and
8 Hydro One decided not to include as one of its grounds for
9 review and variance the compensation matters. And so the
10 real question for the Board is whether there was any value
11 of going through the process of looking at those studies
12 again and really having the Board reconsider the
13 determinations that were made in the transmission case
14 about those studies and about the Board's acceptance of
15 those studies for the positions that were taken in that
16 case.

17 And as this Panel has indicated, Hydro One has made a
18 decision not to proceed in that light, but rather to accept
19 the decision that was made in the transmission case and
20 proceed forward on that basis as it relates to these
21 matters of compensation.

22 My friend raises a good point of, in the future should
23 Hydro One be considering additional studies that it brings
24 those studies to the table and lets intervenors have an
25 opportunity to review and state their views on it, and if
26 there's issues around peer groups or the content, that's
27 for another day.

28 But I think for the purposes of this hearing that's

1 the explanation that -- perhaps a more detailed explanation
2 that gives rise to the rationale that Mr. Schmidt
3 articulated this morning.

4 MS. ANDERSON: Yes.

5 MR. COPEL: Those are all the questions I have got.

6 **QUESTIONS BY MR. LADANYI:**

7 MR. LADANYI: My name is Tom Ladanyi. I am a
8 consultant with Energy Probe, and I have a few questions.
9 The first question I have is I had expected to talk a
10 little bit about why you selected revenue cap instead of
11 price cap, and I would be interested in hearing -- I am
12 sure we will explore this in the case as it moves on, is
13 why, from a senior management point of view, you decided to
14 use a different model than the rest of the distributors in
15 Ontario use.

16 MR. LOPEZ: I think the basis for it was we felt that
17 the flexibility of the revenue cap IR would allow for the
18 Integration -- better allow for the integration of the
19 acquired LDCs in the future. And we spoke about that
20 earlier, that we would need to look at load at that time.

21 So under the revenue cap IR, we thought that that was
22 a better fit. But as you have indicated, I think we will
23 explore that a lot further in the interrogatory process.

24 MR. LADANYI: Okay, very good. My next question is
25 about the regulatory process each year. As I understand
26 it, you would have a filing each year for your earnings
27 sharing. Would that be like in the spring after you know
28 what your actual earnings are each year, and we would have

1 some kind of proceeding whereby that would deal with
2 earnings sharing; is that right?

3 MR. LOPEZ: I don't know the specific mechanism. Our
4 accounts or the values would be available; the audited
5 financial statements would be available around mid-
6 February. So sometime after that is when the accounts
7 would be available to explore that kind of --

8 MR. LADANYI: Would you actually file it and then
9 there would be a process whereby we would test these
10 numbers, or you done see that happening?

11 MR. LOPEZ: What I will do is I will defer to one of
12 regulatory specialists that can share the exact process.

13 MR. McEACHRAN: We had anticipated recording that
14 amount in a variance account, and then it would be
15 considered in the next rate application at the end of the
16 five-year term.

17 MR. LADANYI: So it will not be each year?

18 MR. McEACHRAN: Not each year. It will be examined
19 each year, but not until the end of the five-year term.

20 MR. LADANYI: When you say examined, what do you have
21 in mind?

22 MR. McEACHRAN: For each year that it applied, an
23 entry would be made in a variance account. That amount
24 would be saved until the end of the five-year term, and
25 then it would go through the hearing process, and then it
26 would be dispositioned.

27 MR. LADANYI: Now, would you also have a filing each,
28 let's say, late summer or fall for your load forecast in

1 your capital expenditures for the coming year or not?

2 MR. McEACHRAN: No, we would have a -- each year there
3 would be an inflationary adjustment based on the Board's
4 inflation rate; that would be adjusted each year. The load
5 forecast is only for 2021, when the acquisitions would be
6 introduced into the same regulatory framework.

7 MR. LADANYI: So the load forecast would remain fixed
8 for five years? That sounds kind of risky to me.

9 MR. McEACHRAN: No, for '21. So for three years, and
10 then we have requested a new load forecast to apply in 2021
11 for '21 and '22.

12 MR. LADANYI: Okay. And the capital forecast, what
13 happens with that? Is that like a five-year forecast, or
14 that's going to change, too?

15 MR. McEACHRAN: That is a five-year forecast, with an
16 in-service variance account each year that would be
17 applicable.

18 MR. LADANYI: Okay, thank you. Now I have another
19 question for Mr. Pugliese.

20 Now, customer care; when you talked about customer
21 care, you mentioned particularly that -- you used the word
22 "we." Your customer care is actually outsourced, isn't it,
23 to another party, to a service provider?

24 MR. PUGLIESE: Yes, good question. We are actually in
25 the process of in-sourcing that back into Hydro One for two
26 reasons.

27 We have found that we have been able to work directly
28 with our two unions, the PWU and the Society, and we have

1 renegotiated a contract with them to in-source that work
2 back on two fronts, certainly in a more cost-effective
3 fashion, and the second piece is to improve and increase
4 the quality of the service being provided through that
5 service. And you know that's not said with any disrespect
6 to our service provider, third-party service provider. But
7 as I said to you, it's an a new day for customer service at
8 Hydro One and we certainly believe that having custody of
9 the call centre and the contact centre with our customers
10 and our employees, our own employees, is another way in
11 which we can improve that service proposition.

12 MR. LADANYI: Sure. Now, are all aspects of customer
13 care being in-sourced, like for example billing, credit,
14 collection, call centre, or just some aspects of it?

15 MR. PUGLIESE: All is in-sourced. So right now, the
16 only thing that is outsourced is collections and our actual
17 contact centre billing is all contained within Hydro One
18 today.

19 MR. LADANYI: Okay, very good. And I have a question
20 for Mr. Kiraly.

21 Do you use earned value metrics in measuring
22 performance of programs where you are replacing many
23 similar units of work, such as pole replacement or meter
24 replacement?

25 MR. KIRALY: Earned value is a metric we are beginning
26 to understand and use in our transmission business for
27 transmission, large transmission capital projects. It's
28 typically not a metric we use in our distribution

1 department. There's been a lot of experience with that
2 with large transmission capital projects, so I think that's
3 the first opportunity for us to look at the earned value
4 metric.

5 MR. LADANYI: I believe, but perhaps I am wrong, that
6 the earned value would give you a measure of whether you
7 are actually achieving what you intended to achieve for the
8 dollar you intended to spend. It measures both metrics at
9 the same time and compares them.

10 MR. KIRALY: That's certainly the intent of the
11 metric; I couldn't agree more. And certainly it is
12 something we can take a look at and see where it applies in
13 our distribution business as well.

14 MR. LADANYI: Thank you.

15 MR. KIRALY: Thank you.

16 MS. ANDERSON: Thank you, Mr. Ladanyi. Mr. Yauch?

17 **QUESTIONS BY MR. YAUCH:**

18 MR. YAUCH: I am with Energy Probe, and I just have
19 one quick question.

20 This application has been delayed slightly. Did that
21 delay have any impact on your capital sending program? Did
22 you have to defer work because of the delay, or are you
23 maintaining exactly what you intended to initially?

24 MR. KIRALY: I am not aware that we had a delay
25 because of the delay that we've deferred investment. We
26 have to make certain assumptions about an ongoing
27 operation, and that's the kind of investment plan we will
28 put in place. And once the application is ruled on, if

1 there are adjustments to be made, then we would look at
2 making adjustments after that.

3 MR. YAUCH: Thank you.

4 MS. ANDERSON: Ms. Girvan?

5 **QUESTIONS BY MS. GIRVAN:**

6 MS. GIRVAN: Just a quick clarification question about
7 the executive compensation, what you are saying we don't
8 want to relitigate.

9 Are you seeking to relitigate the non-executive
10 compensation reductions in the transmission case?

11 MR. NETTLETON: Julie, just to be clear, again the
12 point of the re-litigation is really specific to the
13 executive compensation decision, in particular the
14 transformation costs that were ruled upon.

15 And so because of the mirror image of that, there
16 is -- the decision taken has been to effectively forego
17 those forecast costs.

18 With respect to the non-executive compensation, that
19 matter has not been included in the bucket, the
20 \$3.3 million bucket, if you will. And so the answer at
21 this stage is that it's still within the application.

22 MS. GIRVAN: Okay, thank you. Just a question about
23 your communication with your customers, and I know you have
24 made a lot of efforts to try to get your face out there and
25 your reputation.

26 So you have a 5 percent rate increase in this
27 application with, I think it's 3.3 percent over the
28 following years. But customers won't see that, right,

1 Because of the Fair Hydro Plan.

2 So customers are going to be happy, I think, with the
3 bills that they are getting relative to the bills in the
4 past. But it's really not because of Hydro One; it's
5 because of the Fair Hydro Plan.

6 So I am just wondering how, going forward, you are
7 going to communicate that to customers.

8 MR. PUGLIESE: Yes, well, good question. That is
9 certainly what they will see on their bills, is they will
10 see the offset of the Fair Hydro Plan will clearly outweigh
11 the increases proposed here.

12 You know, our perspective on that, Julie, has been
13 that we have used the customer information to help inform
14 some of the suggestions that came about in the Fair Hydro
15 Plan and, in particular, the work that was done and much of
16 the questions on affordability that were asked by customers
17 was the levelling of the delivery charge.

18 But in terms of continuing the work that we just
19 discussed, if I understand your question correctly, our
20 communication and ongoing communication with customers is
21 not going to stop. We are going to continue to explain and
22 discuss the things that we are doing at Hydro One and
23 reinforce the options that customers are looking for and
24 introduce those through the life of this application.

25 And, again, it gets back to continue to drive value
26 back to customers and where we can find cost savings that
27 will certainly be delivered back as part of the
28 productivity savings that have been discussed earlier

1 today.

2 MS. GIRVAN: Okay, thank you for that.

3 And just a quick clarification question. You said
4 that you're in-sourcing certain aspects of customer care.
5 Is that included in the application?

6 MR. PUGLIESE: No, because the cost is going to be
7 flat to down, in terms of -- so it's factored in. The cost
8 of operating the call centres today and our outsource
9 agreement is included, yes, in the application, and as we
10 look through the course of the coming years, what we
11 anticipate is the cost, operating costs, will be flat, and
12 we will continue to look at operating improvements in there
13 to bring those cost savings down.

14 MS. GIRVAN: So what's the benefit then of in-sourcing
15 the customer care?

16 MR. PUGLIESE: Two things. In terms of our
17 negotiation with our unions, we were able to reclassify
18 roles and obtain greater flexibility in terms of the work
19 that customer-service agents will be able to do while on
20 the phone, and in resolving questions and reducing the
21 number of escalations and the speed to which we deal with
22 escalations.

23 So the two facets are to give us more control of
24 operating the call centre more efficiently, and the second
25 piece, which we want to underscore in terms of the
26 rationale for doing it, is improving the quality of service
27 we are delivering back to customers.

28 MS. GIRVAN: Okay, thank you very much, those are my

1 questions.

2 MS. ANDERSON: Thank you.

3 Ms. DeMarco, are you...

4 MS. DeMARCO: I have just one question of
5 clarification. Mr. Pugliese, you spoke extensively on the
6 aspects of First Nations outreach, and Mr. Kiraly, I
7 appreciate your great candour around the reliability
8 performance, particularly in the fourth quartile. I am
9 sure that in your First Nations outreach you heard, Mr.
10 Pugliese, some concerns about reliability, specifically in
11 First Nations communities.

12 I am wondering if that update that we are going to see
13 will have something quite specifically on reliability in
14 First Nations communities?

15 MR. KIRALY: Yeah, I'm not sure that we intended as
16 part of the update to indicate reliability or communicate
17 reliability for all of our customers in that regard,
18 specifically First Nations communities and others. The
19 reality is we know what our reliability is on every single
20 one of our 3,200 electrical distribution circuits. We know
21 how many outages they have, we know how long that outage
22 is, and we know what that overall SAIDI metric is, so we
23 have done that for the First Nation community specifically,
24 and there are certainly some electrical circuits feeding
25 those First Nation communities that are not performing
26 well, but it's not exclusively for First Nations.

27 We are aware of it, and we are addressing it through
28 what I referred to in my comments as our worst performing

1 feeder program, so we look at and rank all of our 3,200
2 circuits. Those with the worst SAIDI performance are what
3 we call our worst feeders.

4 We are going to spend tens of millions of dollars each
5 year in improving the reliability on those circuits. It
6 will take a while to get through that program, all of our
7 circuits, but we think that will have a positive impact on
8 those customers who are really experiencing the worst of
9 our reliability.

10 MS. DeMARCO: Just to clarify, do you want to comment
11 on that, Mr. Pugliese, regarding the First Nations outreach
12 expectations that you heard about?

13 MR. PUGLIESE: Yeah, I will clarify that, yes, just to
14 validate that, yes, reliability concerns were raised in the
15 outreach in our discussions with First Nations communities.
16 I wouldn't say that is consistent with every single
17 community, it varies, but we would have heard that from
18 many of our remote and far north communities, and so this
19 certainly has been feedback that's been brought back, and
20 it's been addressed by our operations team.

21 MS. ANDERSON: Are there any other questions from the
22 floor? And before we move to the phones, I think Mr.
23 Elsayed has another follow-up question.

24 DR. ELSAYED: Just one quick one on the issue of
25 scorecards. On your slide 8 you explained that you have
26 three scorecards, and one is the OEB-mandated scorecard,
27 and the last one you called team scorecard is tied to
28 compensation. I guess I am curious as to what extent --

1 are these completely different scorecards, or is there an
2 overlap, and why are there three scorecards?

3 MR. LOPEZ: So there are three scorecards. There is
4 commonality amongst them. So if I just take you through,
5 the electricity distributor scorecard is OEB-mandated for
6 all distribution companies through the OEB. The proposed
7 OEB scorecard is us looking at specific items that will
8 enhance or drive performance at Hydro One. So that
9 complements the mandated one and really is focused on
10 improving results in the distribution business and
11 supporting the OEB results, ultimately.

12 DR. ELSAYED: And that one is not tied to
13 compensation?

14 MR. LOPEZ: Parts of it is, but you are not rewarded
15 specifically on compensation. There will be commonality
16 between the proposed OEB scorecard and the team scorecard.
17 The team scorecard is a corporate Hydro One scorecard that
18 is looking at both transmission and distribution as one.
19 So that's the reason why we need the three scorecards.

20 DR. ELSAYED: And that applies at all levels of the
21 company?

22 MR. LOPEZ: Management. It does not apply to
23 unionized staff, yes.

24 DR. ELSAYED: Okay, thank you.

25 MS. ANDERSON: Okay, are there any questions from the
26 phones? Not hearing anything, Mr. Sidlofsky, is there
27 anything we need -- any concluding matters?

28 MR. SIDLOFSKY: I don't believe so, Madam Chair, thank

1 you.

2 MS. ANDERSON: Okay. With that, I believe we are
3 concluded. Thank you, Hydro One, for your presentation and
4 for the participation of everyone here.

5 --- Whereupon the presentation concluded at 12:34 p.m.

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