



BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
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Toronto, Ontario
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November 20, 2018
Our File: EB20180218

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2018-0218 – Hydro One SSM 2019 Rates – SEC Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 1, please find SEC’s interrogatories.

Yours very truly,
Shepherd Rubenstein P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and interested parties (by email)

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an application by Hydro One Sault Ste. Marie Inc. on behalf of Hydro One Sault Ste. Marie Limited Partnership for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* for 2019 transmission rates and related matters.

**INTERROGATORIES
ON BEHALF OF THE
SCHOOL ENERGY COALITION**

SEC-1

[A]Please provide a copy of materials provided to the Hydro One Board of Directors and/or the most senior decision-maker, in which approval was given for this application and the underlying Hydro One SSM TSP.

SEC-2

[A-3-1, p.3] Please explain why Hydro One SSM did not file its application until July 26, 2018 and why a January 1st effective date is appropriate.

SEC-3

[B1-1-1, p.2] Based on the capital forecast contained in the TSP, does the Applicant expect to file for an ICM application during the deferred rebasing period? If so, please provide the years and the expected amounts.

SEC-4

[B1-1-1, p.2] Is Hydro One seeking any relief or approvals related to the filing of its TSP? If so, please provide details.

SEC-5

[B1-1-1, p.2] Please provide details regarding what Hydro One means by operational integration. Please explain how Hydro One SSM was operated after the close of the transaction and how it will be operated commencing October 1, 2018. Please provide examples to help illustrate.

SEC-6

[B1-1-1, p.52] Please explain in detail how the Asset Risk Assessment process used for the purposes of this TSP is different from the process that was the basis of Hydro One's EB-2016-0160 application, and why those changes were made.

SEC-7

[B1-1-1, p.52] Please provide copies of any third-party reports or analysis undertaken regarding Hydro One’s transmission planning processes.

SEC-8

[B1] What cost savings has Hydro One SSM achieved and/or forecast to achieve during the term of the TSP due to acquisition by Hydro One?

SEC-9

[B1-1-1] Please provide a copy of all key internal guide/documents that outline and describe the planning process set out in the evidence.

SEC-10

[B1-1-1, p.62-63] For all capital projects listed in the TSP, please provide its respective ‘scoring’ information as well as all applicable ‘flags’.

SEC-11

[B1] Will Hydro One undertake a separate annual planning process and capital plan for Hydro One SSM, or will it be integrated into Hydro One’s overall transmission planning process? If it is integrated, please explain how Hydro One can reasonably forecast the level of spending it will make for Hydro One SSM up until 2026.

SEC-12

[B1-1-1, p.113] The evidence states “Moreover, as the integration between HOSSM and Hydro One continues, HOSSM plans to utilize a range of studies prepared by the Electric Power Research Institute (“EPRI”) on a number of topics concerning asset management best practices. HOSSM will leverage these insights to continually improve the efficiency and cost effectiveness of its operations.” Are these EPRI studies Hydro One currently uses in its asset management practices? If not, please explain why Hydro One SSM until it’s entirely integrated would use different asset management practices then used by Hydro One.

SEC-13

[B1-1-1, p.115] For each investment summary document which included an alternative other than ‘do nothing’, please provide the cost of the alternative.

SEC-14

[C-1-1, p.13] Please revise the proposed scorecard to show annual targets for all metrics from 2019 to 2023.

SEC-15

[C-1-1, p.27] For the purposes of the proposed metric ‘Sustainment Capital as a percentage of Gross Fixed Asset Value’, please explain how Hydro One defines Sustainment Capital and please provide a direct linkage to the proposed capital expenditures by OEB categories (System Renewal, etc.).

SEC-16

[D-1-1, p.1] Please confirm that the proposal of the expert, including the capital factor, will result in Hydro One rates that will NOT “increase at a rate which is less than inflation”.

SEC-17

[D-1-1, p. 1] Please explain, with numerical examples, how the proposal of the expert results in a “sharing of benefits” with customers.

SEC-19

[D-1-1, Attach 1, p.5] Please provide details on how the expert adjusted, if at all, for the impact of major changes in accounting rules over the period 2004 to 2016. If no adjustments were made, please explain why, and provide numerical examples to show why the results would be similar if adjustments had been made.

SEC-20

[D-1-1, Attach 1, p.8] Please provide a table showing, for each year, the breakdown of capital and OM&A costs for both Hydro One Actual and Hydro One Benchmark. If any of the Hydro One Actual are different from the historical costs of Hydro One as reported to the Board, please reconcile the differences.

SEC-21

[D-1-1, Attach 1, p.12] Please explain why, if the past data used for TFP and inflation and benchmarking includes a growth factor, it is not appropriate to continue to use a growth factor in the CIR formula going forward?

SEC-22

[D-1-1, Attach 1, p.14] Please confirm that the expert has not reviewed the capital factor for:

- a. Appropriateness of having a capital factor;
- b. Amounts of capital spending forecast;
- c. Methodology; or
- d. Calculation of forecast capital factors each year.

SEC-23

[D-1-1, Attach 1, p.22] Please explain how the benchmarking analysis adjusts for:

- a. Capital contributions from customers and/or distributors;
- b. Expenditures by distributors on transmission assets owned by them;
- c. Government and other external funding of transmission investments.

SEC-24

[D-1-1, Attach 1, p.22] Please explain what investigations or other activities the expert undertook to reach the conclusion that “pensions and benefit expenses... could slightly inflate U.S. costs relative to Hydro One.”

SEC-25

[D-1-1, Attach 1, p.22] Please explain how the expert ensured that transmission costs are not skewed by allocations between transmission businesses and non-transmission businesses in the U.S. sample group or in Hydro One. In particular, and without limiting the generality of the foregoing, please explain what investigations the expert undertook to ensure that the poor productivity results of Hydro One Distribution and the apparently good productivity results of Hydro One Transmission, which are similar but in

opposite directions, are not the result of the ways costs are allocated between transmission and distribution at Hydro One.

SEC-26

[D-1-1, Attach 1, p.24, 36] Please confirm that maximum peak demand is flat for Hydro One from 2005 to date, and increases annually from 2005 to date for the U.S. sample group, with the result that the sample group uses annual peak demand, while Hydro One uses historical maximum peak demand. Please provide the annual peak demand for Hydro One if the annual figure is used instead of the historical maximum. Please provide a justification for assuming that, even if peak demand declines, costs will not decline over time.

SEC-27

[D-1-1, Attach 1, p.25] Please provide the calculations for percentage of transmission plant in total electric plant for Hydro One. Please advise whether distribution plant is included in that calculation.

SEC-28

[D-1-1, Attach 1, p.25] Please describe in detail the relationship between KM of lines and average voltage of transmission lines, and how they interact within the expert's model. What analysis, if any, did the expert carry out to identify the mathematical relationship (e.g. linear, step, geometric, etc.) between the two factors?

SEC-29

[D-1-1, Attach 1, p.26] Please provide references showing the history of the loading variable (as proposed by this expert) in other benchmarking studies in North America, as well as any relevant academic references.

SEC-30

[D-1-1, Attach 1, p.27] Please provide a complete table showing the forecast revenue requirement increases for Hydro One for the period 2018-2022 using the expert's model.

SEC-31

[D-1-1, Attach 1, p.27] For each of the business condition variables, please provide in a table the value for Hydro One, and the average and median values for the sample group. If Hydro One is in the top or bottom decile of the sample group, please so indicate.

SEC-32

[D-1-1, Attach 1, p.28] Please provide details of any analysis the expert has done of the impact of using a different benchmark year (1989) for the U.S. utilities vs Hydro One (2002). If there is any numerical analysis of the impact, either in the possession of the expert, or in the possession of Hydro One, please provide.

SEC-33

[D-1-1, Attach 1, p.29] Please provide details of any adjustments made by the expert in cost comparability arising out of different reliability expectations between regulators in Ontario and in U.S. jurisdictions.

SEC-34

[D-1-1, Attach 1, p.29] Please explain why Handy-Whitman is considered applicable to Ontario.

SEC-35

[D-1-1, Attach 1, p.34] Please confirm that density differences are intended to be captured in the KM of transmission lines output variable. Please provide any data the expert has on the relationship between that variable and density.

SEC-36

[D-1-1, Attach 1, p.39] Please confirm the expert's opinion that, while Hydro One's costs have increased at greater than the rate of inflation, its productivity has improved on a benchmarking basis because the costs of U.S. utilities have increased by a rate that is even higher relative to inflation.

SEC-37

[D-1-1, Attach 1, p.49] Please provide a table showing the labour percentage of each member of the sample (without identifying the utilities), and place Hydro One on that sample table to show its actual percentage as well.

SEC-38

[D-1-1, Attach 1, p.51] Please explain the extent, if any, to which inclusion of a capital factor constitutes double-counting in light of the fact that inflation and productivity calculations already include capital.

SEC-39

[D-1-1, Attach 1, p.56] Please provide a table showing the overall loading value for each utility in the sample, and place Hydro One on that sample table to show its actual percentage as well.

SEC-40

[E-1-2, p.2] Please provide evidence to demonstrate the reasonableness of incurring \$99,338 to negotiate a mutual release.

Respectfully submitted on behalf of the School Energy Coalition this November 20th, 2018.

Original signed by

Mark Rubenstein
Counsel for the School Energy
Coalition