

**Ontario Energy Board**

**IN THE MATTER OF *the Ontario Energy Board Act, 1998* (“Act”);**  
**AND IN THE MATTER OF an Application by Hydro One Networks**  
**Inc. for an order or orders made pursuant to section 78 of the Act**  
**approving rates for the transmission of electricity.**

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**Energy Probe Research Foundation**

**Interrogatories to Hydro One Transmission**

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**February 7, 2019**

**Revenue Cap Index**

**EP-1**

**Reference:** Exhibit A, Tab 3, Schedule 1, Page 5

**Preamble:** Hydro One Sault Ste. Marie application EB-2018-0218 was filed on July 26, 2018 and Hydro One Transmission application EB-2018-0130 was filed on October 26, 2018. Since docket numbers are issued consecutively it seems that Hydro one requested the docket number for the Hydro One Transmission application prior to requesting the docket number for the Hydro One SSM application. Considering that the PSE report, a key piece of evidence that supports the Hydro One Transmission EB-2018-0130 application was filed instead in the Hydro One SSM EB-2018-0218 application, there are concerns that the issues raised by the report may not be adequately addressed.

- a) When did Hydro One request a docket number for the Hydro One Transmission application and when did the OEB assign the EB-2018-0130 docket number to it?
- b) When did Hydro One request a docket number for the Hydro One SSM application?
- c) When did Hydro One decide to file the PSE report as supporting evidence in the EB-2018-0218 application and not in the EB-2018-0130 application and why was that decision made?
- d) Did Hydro One consult with OEB Staff regarding its filing plans for the EB-2018-0130 and EB-2018-0218 applications? If the answer is yes, please provide the dates of the consultations, the subjects discussed and file any documents that Hydro One may have provided to OEB Staff.
- e) Please file copies of any presentations or other documents that were given to Hydro One senior management by the Hydro One Regulatory Affairs department in support of the recommendation to file the PSE report in the EB-2018-0218 application instead of the EB-2018-0130 application.

**EP-2**

**Reference:** Exhibit A, Tab 4, Schedule 1

**Preamble:** Hydro One’s application is based on a Revenue Cap Incentive Rate-Setting (“IR”) approach in which the revenue requirement for 2019 is equal to the revenue requirement in year 2018, adjusted for the impacts of Bill 2 as outlined in Exhibit A, Tab 5, Schedule 1, inflated by the Revenue Cap Index (“RCI”)

- a) Please confirm that this application and the concurrent EB-2018-0218 applications are Hydro One Transmission’s first IRM applications.

- b) Did Hydro Transmission consult with Experts or Board Staff on the form of its IR Plan? If so, please list those consulted and the timing of this.
- c) Please explain why Hydro One Transmission chose a revenue cap and why Hydro One rejected the other options available in the RRFE. Please list reasons for rejecting each of the other options.
- d) Given Hydro Ones declared concerns about Capital Infrastructure Investment why did Hydro One not proceed with a Custom IRM?

### **EP-3**

**References:** Exhibit A, Tab 4, Schedule 1

**Preamble:** Hydro One proposes it be bound in the current Application by the OEB’s determination on inflation and productivity in the EB-2018-0218 proceeding While Hydro One proposes that this Application be approved with the inflation and productivity factors as filed, Hydro One acknowledges that the same third party benchmarking evidence underpinning the proposed RCI in this Application is currently before the OEB in the Hydro One Sault St. Marie proceeding (EB-2018-0218) and will be tested and considered by the OEB in that proceeding.

- a) Please confirm the Board has accepted Hydro One’s proposal that the 2019 Inflation factor I and Productivity Offset X will not be examined in this proceeding.
- b) Please list the Parties listed in each of the EB-2018-0218 and EB-2018-0130 proceedings.
- c) If a party in this proceeding is not an intervenor in the EB-2018-0218 SSM proceeding, please explain how that party will have access to and pose questions related to the I and X factors and benchmarking.
- d) Will Hydro One adopt/incorporate all the relevant evidence on the RCI from the EB-2018-0218 proceeding into this case? Please discuss with reference to parties rights.

### **EP-4**

**References:** Exhibit A, Tab 4, Schedule 1

**Preamble:** In order to inform its RCI, Hydro One engaged Power System Engineering (“PSE”) to conduct various benchmarking analyses. The PSE report was filed as Attachment 1 to Exhibit D, Tab 1, Schedule 1 in the Hydro One Sault St. Marie proceeding (EB-2018-0218) and will be tested as part of that proceeding.

Please confirm specifically, with references, which components of the PSE evidence are/are not excluded from this proceeding. Also, please list and reference all material changes in this proceeding related to Hydro One SSM evidence.

## **EP-5**

**References:** Exhibit A, Tab 4, Schedule 1

**Preamble:** The study includes some elements which are no longer relevant. These elements are the discussion regarding a Capital Factor and a forward-looking analysis which assessed Hydro One's forecast cost performance over a four-year test period under a potential transmission system plan that is currently being re-evaluated by Hydro One.

- a) Based on the above, please discuss if/why Hydro One Transmission is now essentially applying for an inflationary increase to 2018 Rates similar to the RRFE Option available to Distributors (i.e. no X Factor).
- b) Clarify why the Cost Benchmarking Data is relevant to such an application.
- c) Also, please discuss if the SSM Reliability Benchmarking Evidence is/is not relevant to the current application and, in particular, the Hydro One Transmission Scorecard.
- d) Does Hydro One expect that Reliability Benchmarking will not be an issue in this proceeding? Please explain the reason for your answer.

## **EP-6**

**References:** Exhibit A, Tab 4, Schedule 1 and Table 1

**Preamble:** The proposed weighting of 14% labour and 86% non-labour is supported by the Recommendation provided by PSE in the study provided in EB-2018-0218. Hydro One (also) believes that it is appropriate to apply the same input price indices that are used to set the Inflation Factor for electricity distributors in Ontario to its transmission business.

- a) Please provide a table that shows details of the proposed Inflation Index and a comparison to that approved for Ontario Distributors.
- b) Discuss the basis of the differences as related to the weightings.

## **EP-7**

**References:** Exhibit A, Tab 4, Schedule 1, and Table 1;  
Regie Decision- R-3897-2014A-0167 Dec-Dec-2018; D-2017-0143 Section 3.4.1

**Preamble:** Hydro Quebec has recently filed evidence related to Incentive Regulation including an RCI for Hydro Quebec Transmission.

- a) Please provide a comparison Table of the Inflation Index factors accepted by the Regie for Hydro Quebec Transmission to that for Hydro One Transmission.
- b) Please discuss the relevant weightings for Hydro Quebec Transmission and Hydro One Transmission.

## **Bill 2 and Compensation**

### **EP-8**

**References:** Exhibit A, Tab 5, Schedule 1, Page 4

**Preamble:** The Decision (EB-2017-0160) primarily expressed concerns with two aspects of Hydro One's compensation costs. First, the Decision expressed concern that Hydro One's total compensation costs were trending further away from the market median reflected in a 3<sup>rd</sup> party study undertaken by Mercer. The Mercer study indicated that Hydro One's compensation for its non-represented (i.e. management) employees was 2% above market median.

- a) Please provide a copy of the most recent Compensation benchmarking studies (Executive and Management) commissioned by Hydro One. If filed in EB-2018-0049 please provide the references.
- b) For Executive and Management Compensation please provide a Copy of Form 2K for 2015-2019F.
- c) Please provide an analysis of the TC changes since 2015.

### **EP-9**

**References:** Exhibit A, Tab 5, Schedule 1, Pages 3, 7, Tables 1 and 2

**Preamble:** Hydro One's ELT is comprised of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, EVP and Chief Corporate Development

Officer, EVP and Chief Legal Counsel, EVP Customer Care and Corporate Affairs and SVP People and Culture, Health and Safety.

- a) Please Provide a Table Showing OEB-approved Compensation for the ELT broken out into CEO/CFO and Other Executive and by Salary STIP, Benefits and Total Compensation:
  - i. 2015 (pre- privatization)
  - ii. EB-2017-0160
  - iii. Post Bill 2 (proposed EB-2018-0049 and EB-2018-0130)
- b) Please provide the reductions for each group and indicate if this relates to TC and/or Salary, STIP. Reconcile to Tables 1 and 2.
- c) Please provide the evidence/calculation supporting the B&V split of TC between Distribution and Transmission. Reconcile to the evidence in EB-2018-0049 and this case.

## **Deferral and Variance Accounts**

### **EP-10**

**References:** Exhibit A, Tab 5, Schedule 1, Pages 3, 7 and 25, and Tables 1 and 2

**Preamble:** As discussed in Exhibit A, Tab 3, Schedule 1, Hydro One is asking for approval for an Accounting Order to establish a variance account to track the revenue requirement impact of changes to Hydro One's proposed Inflation Factor and Productivity Factor in the current Application and the Inflation Factor and Productivity Factor established by the OEB in EB-2018-0218 to the extent there is a difference.

- a) What is the expected timing of the EB-2018-0218 SSM Decision?
- b) If the difference in the 2019 Revenue Requirement, resulting from the Decision is Material, please discuss Hydro One's options/plans how it will accommodate this in Rates.

## **Accounts for Disposition**

### **EP-11**

**References:** Exhibit A, Tab 6, Schedule 1, Table 2 and Page 4 and 23

**Preamble:** The OEB asked that Hydro One Transmission continue to capture any differences between forecast export service revenue approved by the OEB as part of 2017 and 2018 Transmission Rates and the actual export service revenue. As part of its decision, the OEB approved an Export Transmission Services (ETS) rate of \$1.85/MWh and approved

the Hydro One Transmission forecast at \$39.2 million and \$40.1 million in revenue for both 2017 and 2018 respectively.

- a) Please provide a summary of ETS rates and forecast and actual revenues for 2015-2019F.
- b) Please indicate the liabilities/ credits from the differences.

### **Accounts not for Disposition**

#### **EP-12**

**References:** Exhibit A, Tab 6, Schedule 1, Table 3 and Page 14

**Preamble:** Hydro One is tracking costs relating to the SECTR project in this deferral account and at December 31, 2017 the account has a balance of \$52.0 million. As this is a tracking account, Hydro One is not requesting disposition of the balance and carrying charges are not applied in this account.

Please provide a status report on the SECTR Project and costs including when HO will bring forward the costs for review and disposition.

### **Rate Design and Bill Impacts**

#### **EP-13**

**Reference:** Exhibit A, Tab 7, Schedule 1, Page 1

**Preamble:** Hydro One is proposing to use for 2019 the charge determinants that were approved by the OEB in EB-2016-0160. There are concerns that these charge determinants may be outdated.

Please compare the charge determinants approved in EB-2016-0160 to the charge determinants that would be derived based on the 2019 forecast.

#### **EP-14**

**References:** Exhibit A Tab 7, Schedule 1, Tables 1, 2 and 3; EB-2017-0359 Appendix A

**Preamble:** As shown in Table 2, Hydro One proposes to use the OEB-approved 2018 split of the rates revenue requirement by rate pool to allocate the 2019 rates revenue requirement among the three transmission rate pools.

- a) When was the Transmission Cost Allocation model last run?

- b) Please provide the result at a Pool level.
- c) Has Hydro One run the Cost allocation Model for 2019? If not, confirm there have been no changes to Costs affecting the CA and the allocation to Pools.

#### **EP-15**

**References:** Exhibit A Tab 7, Schedule 1, Tables 5 and 6

- a) Please explain how a 1.2% increase in the Transmission 2019 Revenue Requirement translates to an average Transmission rate increase of 2.6%.
- b) Please provide the Inflation Forecast facing typical Ontario electricity customers in 2019?

### **HO TX Scorecard**

#### **EP-16**

**References:** EB-2016-0160, Exhibit B2, Tab1, Sched 1 page 5;  
EB-2018-0218, Exhibit C, Tab 1 Sched 1 p 13

- a) Please confirm that in the Board's Decision in EB-2016-0160, the Board did not approve the Hydro One Transmission's Proposed Scorecard, but suggested that Hydro One Transmission continue to further develop the Scorecard.
- b) What has Hydro One Transmission done in regard to the Scorecard in response to the Board's suggestion?
- c) Please provide copies of Hydro One Transmission Scorecards for 2018 and proposed for 2019. Indicate if these have been filed with OEB.
- d) Please delineate by a comparison table the Scorecards for Hydro One Transmission and Hydro One SSM (as filed in EB-2018-0218) for 2019.
- e) Please indicate the specific historic and forecast Test Year achievements and targets related to Hydro One Transmission Reliability, specifically SAIDI and SAIFI Transmission and Delivery Points.

### **Reliability Benchmarking**

#### **EP-17**



**References:** EB-2018-0218, Exhibit C, Tab 3 Schedule 1 Page 2

**Preamble:** It is expected that the next application submitted to the OEB will be after Hydro One SSM's integration with Hydro One. At that time, Hydro One SSM will be included as part of Hydro One for any benchmarking studies. Hydro One SSM will also participate in any benchmarking studies undertaken by Hydro One in which it is requested to do so.

- a) Has Hydro One Transmission done Reliability Benchmarking in support of its EB-2018-0130 2019 Rates Application? If the answer is yes, please provide the data and discuss in detail with reference to the requirements of the RRFE and Transmission Filing Requirements. If the answer is no, please explain why not.
- b) If Hydro One Transmission has no Reliability Benchmarking Study please explain why Hydro One Transmission did not retain PSE or another consultant to undertake Reliability Benchmarking similar to that provided by Toronto Hydro in EB-2018-0165.
- c) Please clarify why, although the current Application is for approval of the Revenue Requirement for 2019 only, why Hydro One has not provided either a Scorecard or Reliability Benchmarking evidence in support of its Application.