



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

February 26, 2019

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

**Re: EB-2018-0218 – Hydro One Sault Ste. Marie (HOSSM) 2019 Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

Please find attached the interrogatories of VECC in the above-noted proceeding. These interrogatories are addressed to expert evidence of the Pacific Economic Group sponsored by Board Staff.

Yours truly,

A handwritten signature in black ink, appearing to read 'M Garner', is written in a cursive style.

Mark Garner
Consultants for VECC/PIAC

Fiona O'Connell, Project Advisor, Ontario Energy Board,
Fiona.OConnell@oeb.ca

Ms. Linda Gibbons, Senior Regulatory Coordinator – Regulatory Affairs Hydro One Networks Inc.
regulatory@HydroOne.com

For interrogatory clarifications please contact Mark Garner at 647-408-4501 or markgarner@rogers.com

REQUESTOR NAME	VECC
TO:	Board Staff - Pacific Economics Group (PEG)
DATE:	February 26, 2019
CASE NO:	EB-2018-0218
APPLICATION NAME	2019 COS Application

VECC-1

Reference: Exhibit M1, page 10

- a) At Exhibit D, Tab 1, Schedule 1, page 6 Hydro One Sault Ste Marie (HOSSM) proposes the following revenue cap formula:

(i) Inflation Factor = (currently) 1.2%

(x) Productivity Factor + Stretch Factor = 0% + 0%

$$\text{Revenue Adjustment} = i - X$$

Please confirm (or correct) that, while it disagrees with aspects of the methodology/data employed by Power System Engineering (PSE), PEG's overall conclusion is in concurrence with HOSSM in that the Utility's revenue requirement should be adjusted in future years by only inflation. That is, that an X-factor – which includes the consideration of both the MFP and the stretch factor – is appropriately set at 0%.

VECC-2

- a) Hydro One proposes to apply the results of the PSE Study to the setting of revenue requirements in its larger transmission company (see EB-2018-0130). Are PEG's conclusions/critique of the PSE study broadly applicable to the related (and much larger) transmission business of Hydro One?
- b) Does PEG have any caveats with respect to applying the same revenue requirement adjustment parameters in this proceeding to Hydro One Transmission in EB-2018-0130?

VECC-3

- a) A significant cause of the differences as between the PSE and PEG studies are in the period of the data sets, with PEG advocating for a longer study period. What sensitivity analysis was undertaken by PEG to understand the impact on its model of varying data periods?

- b) Does PEG agree that there is no consensus in the economic literature as to the root cause(s) of changes in productivity? If technological change is a factor in productivity then why would it not be the case that older data (such as that used by PEG in its modelling) is less meaningful (or predictive) than more recent, if somewhat smaller data sets as used by PSE?

END OF DOCUMENT