



June 17, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: Hydro One Networks Inc. 2015-2019 Distribution Rate Application
AMPCO Interrogatories
Board File No. EB-2013-0416

Dear Ms. Walli:

Attached please find AMPCO's interrogatories. Due to work scheduling difficulties, AMPCO is filing its interrogatories after the deadline of June 13, 2014. AMPCO respectfully requests that the Board please accept its interrogatories.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Adam White", with a long horizontal flourish extending to the right.

Adam White
President
Association of Major Power Consumers in Ontario

Copy to: Hydro One Networks Inc.
Intervenors

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

1.0 CUSTOM APPLICATION

1.1 To what extent does the application reflect the objectives and approaches described in the RRFE Report?

1.1-AMPCO-1

Ref 1: A-4-1 Page 5

The evidence states “The Renewed Regulatory Framework emphasized the need for utilities to demonstrate results that align with customer preferences, enhance productivity, promote innovation and provide value for money for its customers. Hydro One is proposing a set of outcome measures with targets that will track the company’s performance in meeting its five year plan as described in the application.”

1.1-AMPCO-2

Ref 2: Exhibit A, Tab 4, Schedule 4

Hydro One proposes eight Outcome Metrics.

- a) Please explain how each proposed outcome metric will demonstrate results that:
1. Align with customer preferences
 2. Enhance productivity
 3. Promote innovation
 4. Provide value for money for its customers

2.0 OUTCOMES AND INCENTIVES

2.1 Does Hydro One Distribution’s Custom Application adequately consider customer feedback and preferences? Have customer feedback and preferences been adequately reflected in the OM&A and capital spending plans?

2.1-AMPCO-3

Ref: A-5-1

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Page 7 – Customer Focus Groups are facilitated from time to time as a means of understanding customer preferences. How many focus groups have been held in each of the past 4 years?
- b) Hydro One has not referenced social media channels such as Twitter as a means to receive and manage customer feedback and preferences. Please explain.
- c) Page 9: When was the Executive Customer Experience Governance Council (CE Council) established? Who sits on the CE Council? How does the CE Council follow-up on initiatives assigned to internal business units? How are improvements in the customer experience from this work measured?
- d) Page 12 – Hydro One indicates it is implementing proactive communication efforts. What are Hydro One's plans i.e. how is this going to be done?
- e) Page 13 – Please confirm how Hydro One determined that average reliability levels are accepted by the vast majority of customers.
- f) Page 5 & Attachment 2, Page 1 – Results of Residential and Small business surveys and Large Distribution and Commercial Customer Surveys indicate that Rates/Price/Cost is the main issue these customers would like Hydro One to address. Please discuss how Hydro One's proposed outcome metrics respond to this issue.

2.2 Does Hydro One Distribution's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, bill impacts)?

2.2-AMPCO-4

Ref: A-6-1 Page 20

Preamble: Figure 6 provides the factors that contribute to SAIDI. Figure 6 shows defective equipment contributes 14% to SAIDI.

Please provide a further breakdown of the causes and percentages that contribute to defective equipment.

2.2-AMPCO-5

Ref: A-6-1 Pages 21

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

Preamble: Figure 7 provides the factors that contribute to SAIFI. Figure 7 shows defective equipment contributes 16% to SAIFI.

- a) Please provide a further breakdown of the causes and percentages that contribute to defective equipment.

2.2-AMPCO-6

Ref: A-6-1 Pages 20-21

- a) Please provide a further explanation of factors that contribute to “Other” in Figures 6 & 7.

2.2-AMPCO-7

Ref: A-4-1 Page 2

Preamble: Hydro One indicates it recognizes that there are still risks associated with forecasting over a longer period. Changes in the industry may alter the investment needs or require changes to rate setting that could result in a significant impact on Hydro One’s capability to execute its plan.

- a) In Hydro One’s view, what are the potential risks to ratepayers associated with its 5 year custom application and forecasting over a longer period of time?

2.2-AMPCO-8

Ref: A-4-4 Page 3

Preamble: Hydro One indicates stakeholders were sensitive to the costs of performance measurement which should be considered in relation to the value of the information gained and reported.

- a) Please discuss how this was considered by Hydro One in determining the eight proposed outcome metrics.

2.2-AMPCO-9

Ref: A-4-4 Page 5

Preamble: Hydro One indicates the areas to be measured have, for the most part, been tracked by the company historically so data is available against which to measure Hydro One’s performance in each area.

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Are there any specific outcome metrics proposed where historical data is not available? If yes, what are the implications?

2.2-AMPCO-10

Ref: A- 4-4 Pages 6-16

- a) The Table below lists Hydro One's Outcome Metrics and the stated goal as provided in the evidence. For outcome #1, #2, #3, #5 and #7, the goal of the metric is not specifically stated in the evidence. Please fill in the "Goal" Column in the Table to confirm the goal for these outcome metrics.
- b) Please discuss the process of how the outcome measures will be annually tracked and reported to the Board.

	Outcome Areas	Metric	Goal
1	Vegetation Management (Sustaining OM&A)	Reduction in vegetation related customer outages	
2	Pole Replacement (Sustaining capital)	Poles replaced per year	
3	PCB Line Equipment (Sustaining capital)	Number of pole top transformers with PCB oil replaced	
4	Substation Refurbishments (Sustaining capital)	Number of substation interruptions over 5 year period	Page 10 - goal to reduce # of substation interruptions during 5 yr plan
5	Distribution Line Equipment	Number of distribution line equipment interruptions over 5 years	
6	Customer Experience (OM&A)	Overall customer satisfaction	Page 13 - goal to move HONI towards a 85% customer satisfaction target in 5 yrs
7	Handling of Unplanned Outages	Percent of customers satisfied with the way H1 handled the unplanned outage	

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

8	Estimated Bills	Percent of estimated bills issued	Page 16 - goal to reduce the percent of estimated bills during 5 year plan
---	-----------------	-----------------------------------	--

2.2-AMPCO-11

Ref: A-4-4 Page 6 Table 1 Vegetation Caused Interruptions

Preamble: Table 1 provides vegetation caused interruptions (excluding force majeure events) for the years 2009 to 2019. For 2013, the actual number of interruptions is 5,791 compared to 6,300 in the years 2014 and 2015 and 6,953 in 2012.

- a) Please explain the decrease in interruptions for 2013 actual and its impact on target setting.
- b) Please explain the trend and how annual targets for 2014 to 2019 were developed.

2.2-AMPCO-12

Ref: A-4-4 Page 7 Table 2 Pole Replacement

Preamble: Hydro one proposes the metric, pole replacements per year, to assess its performance with regards to pole replacement, noting poles can cause customer outages.

- a) Please provide the number of pole failure related customer interruptions for the years 2009 to 2013.
- b) Please discuss if Hydro One considered the number of interruptions per year due to pole failures as a potential metric. If not, why not?
- c) Please provide the pole failure related customer interruption forecast for the years 2015 to 2019 as a result of the pole replacement program.

2.2-AMPCO-13

Ref: A-4-4 Page 8 PCB Line Equipment

Preamble: Hydro One proposes a new measure related to number of pole top transformers with PCB oil that have been replaced. Approximately \$4 million has been spent replacing PCB pad-mount transformers in the previous 5-year period.

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Please provide the total number of pole top Transformers with PCB oil.
- b) Please provide the number of pole top Transformers with PCB oil replaced in the previous 5-year period by year.
- c) Please confirm the years in the previous 5-year period.

2.2-AMPCO-14

Ref: A-4-4 Page 10 Table 4 Substation Caused Interruptions

Preamble: Table 4 shows the number of substation caused interruptions per year. For the years 2015-2019 the forecast total is 775 (155 per year) and the projected total spending over the period is \$203 M. For the preceding 5 year period the spending was \$46 M and the number of substation caused interruptions is 775 (over the period 2009-2013).

- a) Please explain why the number of interruptions annual target isn't decreasing over the 2015-2019 period given the over 440% increase in proposed spending.

2.2-AMPCO-15

Ref: A-4-4 Page 11 Table 5 Distribution Line Equipment

Preamble: Table 5 provides the number of interruptions caused by Distribution Line Equipment for the years 2009-2019.

- a) Please explain the forecast increase in interruptions in 2016 of 8,300 compared to 7,300 in 2015.

2.2-AMPCO-16

Ref: A-4-4 Page 14 Table 7 Customer Satisfaction with Handling of Unplanned Outages

Preamble: Table 7 shows targets for satisfaction levels for the period 2009 to 2019, moving from 78 in 2013 to 83 in 2019.

- a) Is the cost to achieve this metric included in the \$21 M proposed spending on the Customer Experience?
- b) Please provide the total cost to address this metric.

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

2.2-AMPCO-17

Ref: A-4-4 Page 16 Table 8 Estimated Bills

Preamble: Table 8 shows targets for % of Estimated Bills Issued. Hydro One proposes to reduce the percentage from 10.8 in 2013 to 3.5 in 2019.

- a) Please confirm the cost over the period 2015 to 2019 to achieve the proposed targets over this period.

2.5 Are Hydro One Distributions' proposed off -ramps, annual adjustments and annual adjustments outside the normal course of business appropriate?

2.5-AMPCO-18

Ref: A-4-2 Page

Preamble: Hydro One is proposing annual adjustments related to cost of capital, working capital and clearance of variance accounts.

- a) Please explain the rationale for not proposing annual adjustments to rate base based on actual in-service additions for the years 2015-2019.

2.5-AMPCO-19

Ref: A-4-3 Page 1

Preamble: Hydro One submits that an appropriate materiality threshold for adjustments outside the normal course of business is 0.5% of test year revenue requirement or approximately \$7.5 million.

- a) On what basis did Hydro One determine that \$7.5 million is an appropriate threshold?

3.0 PROGRAM AND PROJECT EXPENDITURES

3.2 Is the level of planned capital expenditures appropriate for the period 2015-2019 and is the rationale for the planning and pacing choices appropriate and adequately explained?

3.2-AMPCO-20

Ref: D1-1-1 Page 3 Table 2

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Table 2 includes a description “Less Future Use Land”. Please explain.

3.2-AMPCO-21

Ref: D1-1-2 Page 3

Preamble: Hydro One provides the major drivers of the in-service levels requested in 2015 through 2019 within the sustainment, development and operation work programs.

- a) Please quantify the dollar and percentage amount attributable to each driver to explain the increases in 2015 to 2019.

3.2-AMPCO-22

Ref: D1-1-2 Attachment 1 Page 4

Preamble:: The evidence states with respect to Fleet & Facilities Projects that an optimization of resources initiative will lead to significant savings for the project and for customers and the new integrated project is now underway and is on target to be completed in 2014.

- a) Please confirm the in-service additions forecast for 2014.

3.2-AMPCO-23

Ref: D1-1-3 Page 2

Preamble: Hydro One indicates the methodology used to determine the net working cash required is based on the Navigant study that was accepted by the OEB.

- a) Please identify any key differences between the past Navigant study accepted by the OEB and the Navigant study in this application.

3.2-AMPCO-24

Ref: D1-1-4 Page 3

Preamble: The evidence states “Materials and Supplies for major distribution projects are usually shipped directly to the project sites and are not included in the planned inventory levels.”

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Please confirm that these amounts are not included in Table 1 Inventory Levels at D1-1-4 Page 2.
- b) Please provide the inventory levels shipped directly to project sites for the years 2010 to 2019.

3.2-AMPCO-25

Ref: D1-2-1 Page 7

Preamble: "Replacement of failed transformers takes longer to complete, is more costly, and is more impactive to customer supply when compared to replacements under planned situations."

- a) Please provide the analysis to support the above statement to demonstrate the difference between the cost and interruption time to replace a transformers under planned compared to failure conditions.

3.2-AMPCO-26

Ref: D1-2-1 Page 8

Preamble: Historically, an average of 7 transformers have been replaced on a planned basis annually.

- a) Please provide the average number of transformers replaced on a failure basis annually.

3.2-AMPCO-27

Ref: D1-2-1 Page 11

- a) Please provide the number of failures for the years 2009 to 2013 for reclosers and breakers.

3.2-AMPCO-28

Ref: D1-2-1 Page 12

- a) Please provide the average cost for the years 2009 to 2013 to replace a recloser (with a vacuum recloser) and to replace a breaker and show the calculation.

3.2-AMPCO-29

Ref: D1-2-1 Page 14

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

- a) Please provide the average cost for the years 2009 to 2013 to replace a switch and fuse combination and show the calculation.

3.2-AMPCO-30

Ref: D1-2-1 Page 22

- a) Please provide the number of pole failures per year for 2009 to 2014.

3.2-AMPCO-31

Ref: D1-2-1 Page 24

Preamble: Hydro One continues to address a subset of Red Pine wood poles that are experiencing premature degradation.

- a) Please provide the quantity and cost per year related to the replacement of Red Pine wood poles for the years 2009 to 2019.

3.2-AMPCO-32

Ref: D1-2-1 Page 30

- a) When does Hydro One expect to return to average historical levels of 12,750 km which is required to sustain the 8 year cycle.
- b) Does Hydro One plan to outsource the incremental program work. If yes explain. If no, where will Hydro One get the extra equipment to manage a temporary program surge.
- c) Please provide data on the current (2014) and historical clearing rates (km/yr) for the years 2009 to 2013.

3.2-AMPCO-33

Ref: D1-3-1 Page 4

Preamble: The evidence states "Development Capital expenditures increase in 2015 and 2016 largely due to investments in system capability reinforcement and investments to facilitate an increasing number of customer connections and upgrades."

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

a) In 2017, there is also an increase over historical levels. Please explain.

6.0 REVENUE REQUIREMENT

6.0-AMPCO-34

Ref 1: A-4-4 Page 13

The evidence states "During the term of the 5 year plan, Hydro One plans to maintain current levels of distribution reliability, while improving customer service and satisfaction. "

Ref 2: E1-1-1 Page 2

The evidence states "The above Revenue Requirements are the amounts required by Hydro One Distribution to ensure the most appropriate, cost-effective solution to respond to corporate objectives mainly related to improving customer satisfaction, providing safe, reliable and affordable service and improving overall system reliability."

a) Please confirm if Hydro One's objective is to maintain or improve reliability over the 5 year plan.

6.0-AMPCO-35

Preamble: This application does not appear to deal with the Norfolk Hydro acquisition. AMPCO's understanding is that Norfolk Hydro ratepayers are to be given an initial rate decrease, followed by a multi-year rate freeze. Given normal escalation, this suggests that Norfolk operations will lose money. Hydro One has stated it will operate Norfolk separately from Hydro One.

a) Please verify.

6.1 Is the rate base component of the revenue requirement for 2015 as set out in the Custom Application appropriate?

6.1-AMPCO-36

Ref: D1-1-1 Page 2 Table 1

a) Please provide an estimate of the 2014 mid-year distribution rate base, in the form of D1-1-1 Table 1.

**Hydro One Networks Inc. (HONI) Custom IR Application
2015-2019 Distribution Rates
AMPCO Interrogatories**

6.1-AMPCO-37

Ref 1: EB-2009-0096 D1-1-1 Attachment 1 Page 6

Ref 2: EB-2013-0416 D1-1-3 Attachment 1 Page 6

Ref 3: Hydro One website indicates "CIS and the elimination of the customer billing delay".

Preamble: It is AMPCO's understanding that part of the benefit of the new Customer Information System was to be the reduction or elimination of the 18 day billing delay, between when the bill is sent out and when payment is due. This is defined in the lead lag studies as a part of the collection delay.

In the Lead-Lag study prepared for EB-2009-0096, the average collection delay is identified as 32.07 days (Ref 1).

In the Lead-Lag study for EB-2013-0416, the average collection delay is identified as 28.77 days, a reduction from the previous study of only 3.3 days (Ref 2).

It does not appear that the Navigant Study includes consideration of the impact of the new CIS.

- a) Please provide an estimate of the impact on working capital of the new CIS implementation, considering the elimination of the 18 day customer billing delay.

6.6 Is the load forecast a reasonable reflection of the energy and demand requirements of the applicant? Is the forecast of other rates and charges appropriate? Is the forecast of other revenues appropriate?

6.6-AMPCO-38

Ref: A-16-4 Table 2

- a) Please update this table with 2012 and 2013 data, and include actual, non-corrected data for all years.