Hydro One Brampton Networks Inc.
EB-2014-0083
Board Staff Interrogatories

General

Staff-1

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that Hydro One Brampton wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

Staff-2

Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.), reflecting any changes made during the interrogatory process.

Exhibit 1 – Administrative Documents

1-Staff-3

Ref: Exhibit 1, Tab 6, Schedule 1
Ref: Filing Requirements for Electricity Distribution Rate Applications, Ch. 2, p. 8

Chapter 2 of the Filing Requirements states,

> *"The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations." (Emphasis added)*

a) Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced.

1-Staff-4
Ref: Exhibit 1-Tab 9, Schedule 4

Hydro One Brampton has provided a reference to its conditions of service and has indicated that no charges are contained which do not appear in its tariffs.

a) Please provide a schedule outlining the revenues recovered from these rates and charges from 2010 to 2013 inclusive, and the revenue forecasted for the 2014 bridge and 2015 test years.
b) Please explain whether, in Hydro One Brampton's view, these rates and charges should be included on the tariff sheet of approved rates and charges.

1-Staff-5
Ref: Exhibit 1, Tab 6, Schedule 1, p. 3
Ref: Exhibit 1, Tab 6, Schedule 1, Appendix 2

Hydro One Brampton states that it has a high customer service rating; however the large customer survey appears to indicate that customer service results for Hydro One Brampton are below the average UP database results.

a) Please describe the actions taken or proposed by Hydro One Brampton to improve these results.

1-Staff-6
Ref: Exhibit 1, Tab 6, Schedule 1, p. 3

Hydro One provides a list of things identified by customers as areas for improvement.

a) What actions has Hydro One Brampton taken to address these areas for improvement?

1-Staff-7
Ref: Exhibit 1, Tab 6, Schedule 1, p. 5

Hydro One Brampton held public forums to discuss the 2015 rate application.

a) What adjustments were made to the application as a result of feedback received from stakeholders?

1-Staff-8
Ref: Exhibit 1, Tab 7, Schedule 1, p.1

Hydro One Brampton has provided a description of its business planning process.

a) Please provide a copy of the overall business planning instructions received from Hydro One Corporate Finance.
b) What adjustments resulted to the draft business plan from reviews by Hydro One Corporate Finance, the Executive Committee, the FRPC and Hydro One Brampton's Board of Directors?
c) Please explain how customer feedback and preferences are reflected in the business planning process.

1-Staff-9
Ref: Exhibit 1, Tab 7, Schedule 1, p. 5

The reference describes the timing of the OM&A budget process as follows: start in late spring; department budgets submitted to Finance by the end of June. Board staff notes that this application was filed on April 25.

a) Given that the filing of this application appears to have taken place prior to completion of the budget process, what process was followed to prepare the OM&A budget for this filing?
b) What is the final approved OM&A budget resulting from Hydro One Brampton's OM&A budget process?
c) Please provide a variance analysis between the budget contained in this filing and the final budget approved by the Board of Directors.

Exhibit 2 – Rate Base, Capital Expenditures and the Distribution System Plan

2-Staff-10
Ref: Distribution System Plan, Appendix B: Business Plan

Hydro One Brampton's Business Plan refers to the results of the MEARIE Utility Performance Management Survey.

a) Please provide the Performance Scorecard prepared for Hydro One Brampton as part of the UPM survey.

b) Please describe specific actions taken to address the results. If no actions were taken, please explain why.

2-Staff-11

Ref: Exhibit 2, Tab 5, Schedule 1, p.16 – Test Year Capital Expenditures

In Table 8 at the above reference Hydro One Brampton has provided a list of 2015 capital projects. The total Test Year 2015 capital expenditure for all projects is $37,622,330.

a) Are all of the projects and related capital expenditure of $37,622,330 that are listed in Table 8 expected to be placed in-service in 2015 and to be added to the 2015 Rate Base?
b) If some of the projects that are listed in Table 8 are not expected to be in-service in 2015 and as a result will not be added to the 2015 Rate Base, please identify all such projects, the associated capital expenditure, in-service date and an explanation as to the relief that Hydro One Brampton (e.g. seeking pre-approval) is seeking from the Board in relation to these projects.
c) With reference to Table 8, please also provide a list of capital projects and related expenditure that are planned for 2015 and will be placed in service in 2015 (and the related expenditure is to be added to the 2015 Rate Base)

2-Staff-12

Ref: Distribution System Plan, p. 115

Hydro One Brampton states *"In 2014, Hydro One Brampton will develop a request for information (RFI) and/or request for proposal (RFP) for a new ERP system scheduled for implementation in 2015. Hydro One Brampton's 2015 expenditure for this initiative represents 52% of its overall 2015 General Plant expenditure. Hydro One Brampton acknowledges that because this expenditure will be excluded from the 2015 asset base, it will not be considered for 2015 rate-setting. Nevertheless, this project represents a substantial investment by Hydro One Brampton on behalf of customers that should be mentioned".*

a) Please provide a high level breakdown for the expenditure that is proposed in 2015 and the relief that Hydro One Brampton is seeking from the Board with respect to this expenditure.

b) If certain elements of the ERP project are expected to be in-service in 2015, please identify the elements and in-service dates. Please also provide a project timeline identifying key project milestones.
c) Please identify what improvements in services and outcomes Hydro One Brampton's customers will experience in 2015 and during the subsequent IRM term as a result of this expenditure.
d) How has Hydro One Brampton communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.

2-Staff-13
Ref: Exhibit 2, Tab 5, Schedule 3, p.1, Table 9
Ref: Exhibit 2, Tab 5, Schedule 4, p.1

At the above referenced table, Hydro One Brampton has provided the ***actual*** capital expenditures for the years 2010-2013 and forecast expenditures for the years 2014 and 2015. Hydro One Brampton has also provided the *Board Approved* capital expenditure budget for 2011 and a variance analysis between *Board Approved* capital expenditure and actual expenditure in 2011. Staff observes that the proposed Test Year capital expenditure budget for 2015 is one of the largest in Hydro One Brampton's history and would therefore like to better understand Hydro One Brampton's ability to complete the planned work.

a) Excluding year 2011 (for which a variance analysis has been presented in the application), please provide the company's own forecast of **total** capital expenditures for the years 2010, 2012 and 2013 (there is no need to provide breakdown by category). In the event there is a significant difference between the planned and actual expenditures, please identify the key reasons for the variance between planned and actual capital expenditures.
b) What measures has Hydro One Brampton undertaken to ensure that this capital plan is achievable?

2-Staff-14
Ref: Exhibit 2, Tab 6, p.43 – p.44 - Distribution System Plan

In Figure 5-18 at the above reference, Hydro One Brampton has provided its Work Program Achievement ("WPA") statistics for the period 2009 to 2013. Hydro One Brampton states *"… [The WPA] is an important measure of an*

organization's ability to plan, schedule, execute, control and complete capital projects".

a) Please explain how is the WPA statistic derived?
b) Please explain how the WPA measure should be interpreted in the context of the 2015 Test Year capital budget. For example, the WPA measure for the years 2012 and 2013 is stated to be 90% and 93% respectively. Therefore, does the WPA measure for 2012 and 2013 signify that Hydro One Brampton was able to complete only 90% and 93% of its planned capital work in 2012 and 2013 respectively?
c) What is the expected WPA measure for 2014 and 2015?

2-Staff-15

Ref: Exhibit 2, Tab 6, p. 50 – Distribution System Plan

At the above reference Hydro One Brampton describes its *Investment Prioritization and Selection Process* and how capital projects are included in the capital plan.

a) In the event Hydro One Brampton is unable to complete all of the planned capital work in a given year, how does Hydro One Brampton decide which of the planned projects should be deferred.
b) How would these measures be applied to the 2015 capital plan?

2-Staff-16

Ref: Exhibit 2, Tab 5, Schedule 1, p.10

Hydro One Brampton's forecast 2015 capital spending has increased by about 35% from 2011 actual spending.

a) In its annual capital planning and implementation for the years 2011 to 2015 did Hydro One Brampton take into account the cumulative impact its capital expenditures would have on rates in 2015?
b) What changes ensued from these considerations?

2-Staff-17

Ref: Exhibit 2, Tab 6, p.30 - Distribution System Plan - Table 5-3 Hydro One Brampton Five-Year Audit Summary

a) Please clarify what is meant by the headings "Audit" and "Due Diligence Inspection" in the referenced table.

b) Please provide information on each of the “Non-compliant”, “Needs Improvement” and “Recommendations” items shown in the table for the audit years 2010/2011, 2011/2012 and 2012/2013.

2-Staff-18

Ref: Exhibit 2, Tab 6, p.39 - Distribution System Plan - Table 5-6 *Major Defective Equipment: History*

a) Please explain why Insulator Flashover shows “N/A” for all years.
b) The *Major Defective Equipment History* for Transformers shows a significant increase from 47 failures in 2010 to 139 failures in 2013. Please comment on the reason for the significant increase in major failures for this category and what steps Hydro One Brampton has taken to address such issues.

2-Staff-19

Ref: Exhibit 2, Tab 6, p. 67 - Distribution System Plan

a) Given that HONBI owns only one transformer station (Yarrow) with 3-230kV transformers what does Hydro One Brampton possess in the way of spare transformers for this station?
b) Please describe Hydro One Brampton’s plan for spares for failure of its Yarrow main transformers and its cost effectiveness.
c) Does Hydro One Brampton have any arrangements with other utilities for shared ownership of spare transformers?

2-Staff-20

Ref: Exhibit 2, Tab 6 - Distribution System Plan and Appendix B, Project SS-2015-017-01 and -02

Each of the projects referenced above is described as providing a tie-in between two feeders, for purposes of supplying new loads and for load transfer capability.

a) Will the feeder tie switches be remotely controllable i.e. from SCADA?
b) If so, why are these projects not listed in project SS01 SCADA switch, as receiving new SCADA switches?
c) If not, please describe how these switches would be used for load balancing during peak hours.

2-Staff-21

Ref: Exhibit 2, Tab 6 - Distribution System Plan, Project SR01 44kV/13.8kV Station Tx Replacement (MS22 T1 and T2) and SR02 Indoor Switchgear Replacement at MS19

The Project Description indicates in the first paragraph, that "*A major area for concern was recommendation to begin addressing aging municipal station transformers and magnetic circuit breakers at the 13.8kV class rating"*. Hydro One Brampton further states: "*This turn-key project includes the removal and disposal of existing transformers and the supply, installation, connection and commissioning of two replacement units."* Staff observes that this *turn-key* project does not indicate that the magnetic circuit breakers or protection will be replaced. Staff also observes that in reference to Project SR02 it is indicated that "*circuit breakers are critical assets and that there is a high probability and high risk associated with not replacing them when they begin to show signs of degradation*."

a) Please indicate the ratings of the existing and new transformers at MS22.
b) It is indicated under the Project "SR02 Indoor Switchgear Replacement at MS19" that the 13.8kV switchgear is recommended to be changed "at all 13.8kV stations" (p210, bottom paragraph), but is not apparent that this is being done at MS22. Are the circuit breakers and protections not being upgraded, and if not what was the analysis that determined that would be the case?
c) If the circuit breakers and protection related to MS22 transformers are not changed please indicate how "enhanced protection, improved restoration times …" will result, as indicated at page 204?
d) It is indicated at page 205 of the DSP that "… spare transformation is not readily available…" What spares or other arrangements does Hydro One Brampton maintain for 13.8kV transformers?

2-Staff-22

Ref: Exhibit 2, Tab 6 - Distribution System Plan ("DSP"), Project SR06 Feeder Cable Rehabilitation or Replacement and Project SR07 Distribution Cable Rehabilitation or Replacement

XLPE cable is indicated as having a very high proportion of poor or very poor population and there is a very active program to replace the Feeder cable in some areas, with the capital expenditure for Feeder cables representing a

significant portion (~23%) of the $2.2m of the System Renewal expenditure for 2014 and $800,000 (10%) in 2015.

The Kinectrics Asset Condition Assessment at page 174 of the Kinectrics report suggested that, because age was the only available data for this category, it would assist the next ACA report if inspection maintenance records could be kept to determine the specific segments where failure is occurring. But at (Adobe) page 398 of the Distribution System Plan, Hydro One Brampton indicates that the "*strategic feeder cable replacement program has been designed to mitigate impact of unplanned cable replacements by using replacement metrics that are selective and consider cable age, loading and cable fault history. This program will install new feeder rated cables to improve*…" (Emphasis added)

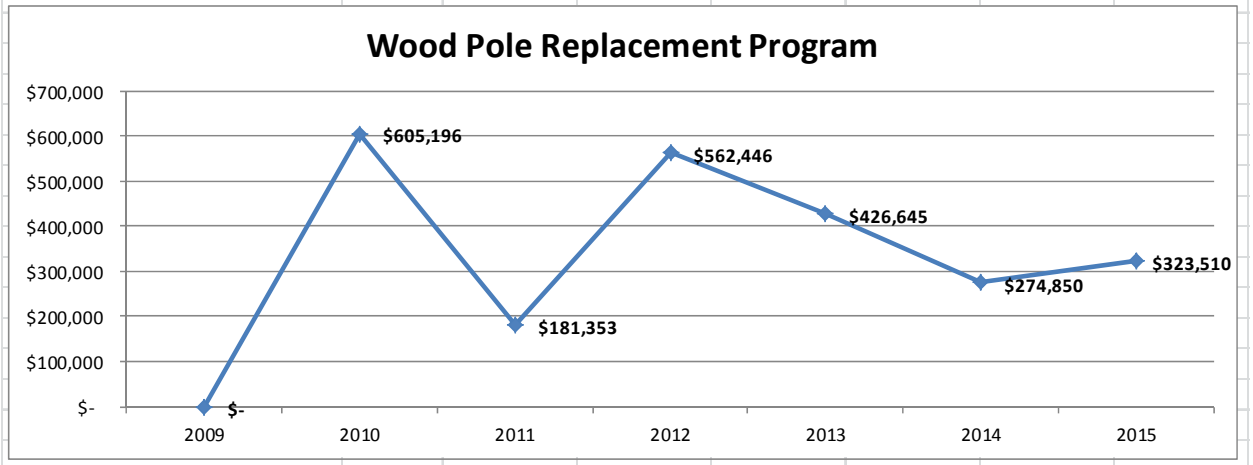
a) The underlined statements appear contradictory and in the case of the Feeder cable, it appears that all the Feeder cable is to be new, although the title indicates rehabilitation or replacement. Why would Kinectrics indicate that age was the only variable available for this category of data, when it appears Hydro One Brampton has additional data?
b) Please clarify if the renewal (rather than rejuvenation) of Feeder cable is because it also requires upgrading to a larger cable? Is any feeder cable being replaced for condition reasons rather than for capacity reasons? Please clarify and Indicate where replacement and rejuvenation is to occur for Feeder cables?
c) If the Feeder cable is not all new please indicate if the option of replacement and/or rejuvenation been decided upon in the same manner as for the Distribution Cables, i.e. by looking at the fault history?
d) Please describe what is done with replaced cable. Is it sold for scrap? Is the cost of replacement net of scrap value?
e) Can Hydro One Brampton demonstrate (or identify where it is demonstrated) the beneficial effects on OM&A of programs providing renewed and rejuvenated cables?

2-Staff-23

Ref: Exhibit 2, Tab 6 - Distribution System Plan and Appendix 2AA Capital Expenditure Table

	2009	2010	2011	2012	2013	2014	2015
Wood Pole Replacement Program	$ -	$ 605,196	$ 181,353	$ 562,446	$ 426,645	$ 274,850	$ 323,510

Source: DSP, Appendix 2AA Capital Expenditure Summary



a) Board staff observes that a Business Case for the 2015 Wood Pole Replacement Program has not been provided as part of *Appendix A: Capital Project Business Cases 2014 & 2015*. Please provide the Business Case for the Wood Pole Replacement Program. If a Business Case is not available, please provide information on this program that is typically included in a Business Case (i.e. information provided under items A to H).

b) How many wood poles were replaced under this program in each of the years 2009 to 2013? If possible, please provide a breakdown between "proactive" and "reactive" replacements and the average cost per pole replaced in each year.

c) How many wood poles are planned to be replaced in 2014 and 2015 respectively and how was the estimate for pole replacements established? If possible, please provide a breakdown between "proactive" and "reactive" replacements.

d) Does HONBI have a long-term wood pole replacement program? Please describe the program, including the scope and pace of the replacements proposed under the program.

e) Please explain why have the capital expenditures for this program fluctuated considerably from year to year? What steps has HONBI taken to mitigate the large fluctuations in capital spending for this program?

f) What productivity improvements has Hydro One Brampton made in its pole replacement program, and what further productivity improvements are planned for 2015 and beyond?

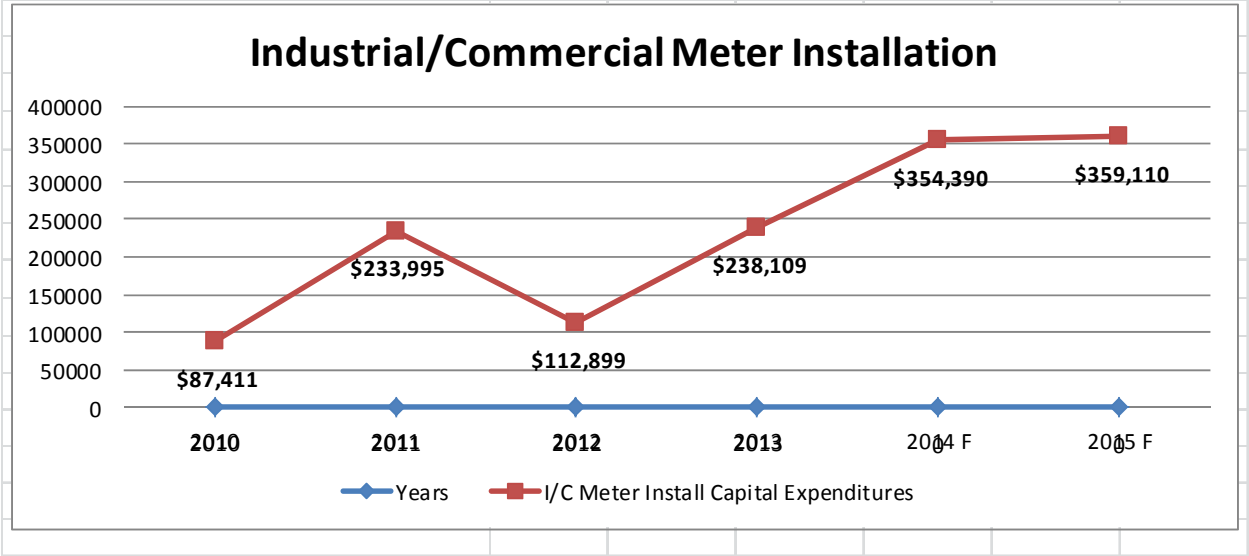
2-Staff-24

Ref: Exhibit 2, Tab 6, p.184 – Distribution System Plan - SA10 – Industrial/Commercial Meter Installation; and Appendix 2AA – Capital Projects Table

The actual and planned capital expenditures for the Industrial/Commercial Meter Installation program are provided at Appendix 2AA to the Distribution System Plan. The expenditures for the year 2010-2013 total $672,414. In comparison, the forecast expenditures for two years, 2014 and 2015 together total $713,500. Staff observes that Hydro One Brampton is proposing to spend more on this program in the next two years than it has in total over the preceding 4 year period, from 2010-2013. Staff also observes that the 2014 expenditure is 49% higher than 2013 actual.

Years	2010	2011	2012	2013	2014 F	2015 F
I/C Meter Install Capital Expenditures	$ 87,411	$ 233,995	$ 112,899	$ 238,109	$ 354,390	$ 359,110

Source: Distribution System Plan Appendix 2AA



a) Hydro One Brampton states that it is undertaking this program to comply with Measurement Canada regulations requiring "all retail electricity customers to have a revenue class meter installed for measuring and

billing electricity use". Please confirm that this is an ongoing requirement, rather than a new one.

b) If there are new requirements necessitating increased action on the part of Hydro One Brampton, please indicate what steps were considered by Hydro One to mitigate the increased expenditure. For example, did HONI consider establishing a more stable and predictable pace at which the program could have been rolled out?

c) Please explain how the 2014 and 2015 capital expenditure forecast for the above referenced capital program was developed and provide a high level breakdown of the main project components that support the requested capital expenditure. In your response please provide (i) the assumptions that underpin the forecast, (ii) reason(s) for a 49% increase in program spending in 2014.

2-Staff-25

Ref: Exhibit 2, Tab 6 – Distribution System Plan; Project GP05 Building Upgrades

Hydro One Brampton has budgeted $1,216,000 in 2014 and $1,458,000 in 2015 for building upgrades.

a) Please provide a high level breakdown for the 2014 and 2015 expenditures.

b) Given the significant size of the proposed expenditure and scope of the project, did Hydro One Brampton consider implementing this project in phases so as to minimize rate impacts?

c) Please describe the project work that is planned for 2014 and 2015 respectively. With respect to the work that is planned to be completed in 2014, please indicate whether the project is on-schedule.

d) Please identify what improvements in services and outcomes Hydro One Brampton's customers will experience in 2014, 2015 and during the subsequent IRM term as a result of the building upgrades.

e) How has Hydro One Brampton communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.

2-Staff-26

Ref: Exhibit 2, Tab 6 - Distribution System Plan and Project GP01 – Bucket Trucks

Hydro One Brampton is proposing to replace one single bucket truck (#32) and one double bucket truck (#26) in 2014 and two single bucket trucks (#33 and #88) and one double bucket truck (#2706) in 2015. The forecasted capital cost is $1,054,410 in 2014 and $1,547,160.

a) Has Hydro One Brampton purchased replacements for truck #32 and truck #26 as forecasted in 2014? If the trucks have been purchased, please provide the actual cost relative to the forecasted expenditure.
b) In order to assess the reasonableness of Hydro One Brampton's 2015 capital expenditure estimates, please provide breakdown by major components for these 2014 and 2015 capital expenditures. In your response, please identify the assumed cost for the various types of bucket trucks that are proposed to be purchased.

2-Staff-27

Ref: Exhibit 2, Tab 6 - Distribution System Plan and Project GP01 – Bucket Trucks

Please provide:

a) A table listing the vehicles held (owned or leased) by Hydro One Brampton, their designation, type, description, purpose, year and cost of acquisition.
b) A description of the reasons for the number and type of bucket vehicles that make up the fleet.

Regarding replacement of bucket trucks #26 (2014), #33 and #88 (2015) please explain:

c) The formula for the conversion of engine hours into equivalent kilometers;
d) The basis for doing this conversion, and if there is any industry precedent or standard according to which this is done; and
e) Why this is done, and how it is used in decision making?

2-Staff-28

Ref: Exhibit 1, Tab 6, Schedule 1 – Customer Engagement and Exhibit 2, Tab 6 – Distribution System Plan

At the above exhibit Hydro One Brampton describes its customer engagement initiatives and states that it conducted several public forums to discuss its 2015 rate application.

a) At the public forums that were held to discuss the 2015 rate application, were any concerns raised specifically in regards to the scale of Hydro One Brampton's test year capital plan or the capital projects in the capital plan. Please describe the feedback, if any that was received specifically in relation to Hydro One Brampton's proposed capital expenditure plan.

2-Staff-29

Ref: Exhibit 2, Tab 6, p. 125 & p. 127 – Distribution System Plan – FIT and Micro-FIT Connection Forecast

a) In Table 5-29, at page 125 of the Distribution System Plan (Ex 2/T6), HONBI states that 25 FIT generators were successfully connected by year-end 2013 and that an additional 29 generators (54-25) representing 13,284 kW of capacity are expected to be connected by year-end 2014. As of the end of June 2014, how much of the forecasted capacity and how many of the forecasted 29 FIT generators are on-track to be connected to Hydro One Brampton's system in 2014.
b) In Table 5-31 at the above reference, HONBI states that 100 Micro-FIT generators were successfully connected by year-end 2013 and that an additional 50 Micro-FIT generators (150-100) representing 710 kW of capacity are expected to be connected by year-end 2014. As of the end of June 2014, how much of the forecasted capacity and how many of the forecasted 50 Micro-FIT generators are on-track to be connected to Hydro One Brampton's system in 2014.

2-Staff-30

Ref: Exhibit 2, Tab 8, Schedule 1, p.2

Telephone Accessibility and Telephone Call Abandon Rate both exceed minimum standards; however they show a certain volatility over the last 5 years.

a) Please provide an explanation for the volatility.
b) Please describe any planned initiatives to improve consistency in telephone service.

Exhibit 3 – Operating Revenue

3-Staff-31
Ref: Exhibit 3, Tab 3, Schedule 1, p. 18

Hydro One Brampton states that the load forecast for the Embedded Distributor class for 2014 is expected to be zero and the 2015 load is expected to be less than one half of 2013 actual load.

a) Please explain the significant reduction in load for the Embedded Distributor class.

3-Staff-32
Ref: Exhibit 3, Tab 1, Schedule 1, pps. 5-6

Hydro One Brampton has found that customer numbers and population are not significant variables for the purpose of its load forecast, and has removed these variables from its regression equation. Hydro One Brampton has found that Ontario GDP is the biggest driver of forecasted purchased kWh, as follows:

> *Intuitively, a 1% increase in Ontario Real GDP will increase forecasted purchased kWh by 256,369,295…*

a) Did Hydro One Brampton consider using a more local economic indicator, such as GTA labour statistics? If not, why not?
b) Please explain why an increase in customer numbers or population would not be expected to result in an increase in forecasted purchased kWh.

3-Staff-33
Ref: Exhibit 3, Tab 2, Schedule 3, page 2

Table 5 shows a decline in Residential class kWh usage in 2013.

a) Please explain the 4.21% decline in Residential kWh usage.

3-Staff- 34

Ref: Exhibit 3, Tab 1, Schedule 2, p. 3
Ref: Exhibit 3, Tab 1, Schedule 1, p. 2

Hydro One Brampton states that results from 2011 and 2012 have already been captured in the forecast through the use of actual data in the regression analysis, and it has included 2013 CDM savings in its manual adjustment.

a) Please explain why the 2013 savings would not already be included in the forecast, since the data set covers actual monthly data from 2004 to 2013.

Exhibit 4 – Operating Costs

4-Staff-35

Ref: Exhibit 4, Tab 1, Schedule 1, page 3

Board staff notes that Administrative Expenses shows a significant increase from 2011 Actual (most notably, a 34% increase between 2011 and 2014), which appears to indicate that Hydro One Brampton is not achieving any economies of scale from its customer growth.

a) Please describe Hydro One Brampton's efforts to determine best practices and achieve efficiencies in Administrative Expenses.

4-Staff-36

Ref: Exhibit 4, Tab 1, Schedule 1, page 3

Board staff notes that Hydro One Brampton's Meter Reading Expenses has increased by 81% from 2011 actual, which would appear to indicate that Hydro One Brampton has not achieved any cost benefits in this area from its smart meter deployment.

a) Please explain the changes in staffing and processes that have led to this significant cost increase.

b) Please explain what actions Hydro One proposes, if any, to address this significant increase.

4-Staff-37

Ref: Exhibit 4, Tab 2, Schedule 1, p.36

Hydro One Brampton states that meter reading services are provided by its outsourcing partner, HONI. Hydro One Brampton has forecast total meter reading expense for 2015 to be $572,700.

a) Did Hydro One Brampton investigate other service providers? Please indicate how the amounts paid to HONI for this service compare to the market rate.

b) Is the entire amount of meter reading expense paid to HONI? If not, please indicate the portion that is paid to HONI.

c) Please indicate where the meter reading expense payments have been included and explained in Hydro One Brampton's evidence on Shared Services and Corporate Cost Allocation.

4-Staff-38

Ref: Exhibit 4, Tab 2, Schedule 1, p. 39

Hydro One Brampton states that Energy Services is responsible for Conservation initiatives not funded by the OPA.

a) Please describe these initiatives and the associated costs.

b) Where have these costs been included?

c) How have these conservation savings been incorporated into the load forecast and LRAMVA?

4-Staff-39

Ref: Exhibit 4, Tab 2, Schedule 1, p. 40

Hydro One Brampton's Communications group is responsible for the promotion of the company to further its mission and goals.

a) Please explain how customer preferences have been reflected through the company's promotional activities.

4-Staff-40

Ref: Exhibit 4, Tab 2, Schedule 1, page 42

a) Please provide a further breakdown of the Executive/Management cost category into the three components of Executive, Management and STIP.

4-Staff-41

Ref: Exhibit 4, Tab 2, Schedule 1, p.47

Hydro One Brampton states that desktop virtualization reduces operating and hardware costs, however the company has had to purchase additional hardware and software maintenance programs from the vendor, which will increase hardware and software costs going forward.

a) What period of time is covered by the current contract with the vendor?

b) Please provide cost detail for these maintenance programs for 2013, 2014 and forecast 2015 through 2019.

c) Please itemize and quantify the expected savings of the desktop virtualization over the same period.

4-Staff-42

Ref: Exhibit 4, Tab 2, Schedule 1, p.47

Hydro One Brampton states that it has purchased a new workflow software engine which will increase costs in subsequent years. Board staff was unable to find the further information in the Customer Accounts section referred to in the evidence.

a) What period of time is covered by the current contract with the vendor?

b) Please provide costs for 2013, 2014 and forecast 2015 through 2019.

c) Please itemize and quantify the expected savings over the same period.

4-Staff-43

Ref: Exhibit 4, Tab 2, Schedule 1, p. 51
Ref: Appendix 2-M – Regulatory Costs

Hydro One Brampton states that 2015 Regulatory costs are $216,000 higher than 2013 due to the inclusion of 1/5 of the cost of its 2015 application. Board staff notes that 2014 costs are approximately $444,000 higher than 2013 costs.

a) Please indicate the cost of the 2011 cost of service application and the amount included for recovery each year from 2011 to 2014.

b) If 2011 costs have been included in 2013, please explain the variance from 2013 to 2015.

c) Please explain the variance from 2013 to 2014.

d) Please confirm that one-time costs incurred for this application in 2013 and 2014 are not included in those years' costs, but will be amortized over the next five years.

4-Staff-44

Ref: Exhibit 4, Tab 2, Schedule 5
Ref: Appendix 2-L, Cost per FTE

Hydro One Brampton states that it makes use of outsourcing when it makes sense to do so and is more cost effective.

a) Where are outsourcing costs included in the application?

b) How have outsourcing costs been reflected in the cost per FTE calculations in Appendix 2-L?

c) Please provide the total cost of outsourcing by function for each year from 2011 to 2015.

d) Are Hydro One Brampton's levels of linemen sufficient to permit outsourcing under its current contract?

4-Staff-45

Ref: Exhibit 4, Tab 3, Schedule 1, page 1

Hydro One Brampton states that contract discussions with IBEW are in progress.

a) Please provide a status update on these discussions.

b) If available, please provide the escalation factors applicable under the new contracts for UNIFOR and IBEW.

4-Staff-46

Ref: Exhibit 4, Tab 3, Schedule 1, p.3

Hydro One Brampton hired Hay Group to complete a review of management base salaries and total compensation.

a) Please provide a copy of the Hay report.

b) Did the Hay study include a review of Hydro One Brampton's benefit program? If not, please provide the most recent survey on benefits.

4-Staff-47

Ref: Exhibit 4, Tab 3, Schedule 1, p. 3

Hydro One Brampton indicates that it is experiencing wage compression and that its Line Supervisor salary is .4% higher than that of a Line foreperson.

a) What compensation strategies have been undertaken or are planned to address the issue of wage compression between Hydro One Brampton's union and management workforces?

b) Does the differential noted above include the Line Supervisor's STIP pay? If not, please provide the salary differential including STIP.

4-Staff-48

Ref: Exhibit 4, Tab 3, Schedule 1, p.4

Table 2 provides total annual compensation costs and average annual incentive compensation.

a) Please confirm that total annual compensation costs include incentive compensation.

b) Please provide the total incentive compensation by employee category.

4-Staff-49

Ref: Exhibit 4, Tab 3m Schedule 1, p. 23

Hydro One Brampton has provided average yearly overtime in Table 14 and states that overtime may be banked to a maximum of 80 hours per year for UNIFOR, and 70 hours per year for IBEW.

a) How long are employees allowed to carry their banked overtime?

b) What is the maximum number of hours that may be banked in total (i.e. could an employee bank 80 hours a year for multiple years?)

c) What is the total amount of overtime banked for all employees as at December 31, 2013?

d) Please provide the total overtime hours worked and amount banked for 2011-2013.

e) How is banked overtime accounted for? Is overtime expensed when incurred or when used? If the latter, please comment on its effect on intergenerational equity.

f) How does Hydro One Brampton's overtime policy compare to similar LDC's?

g) How does Hydro One Brampton's overtime policy contribute to its corporate goals?

4-Staff-50

Ref: Exhibit 4, Tab 3, Schedule 1, p. 25

Hydro One Brampton indicates that incentive payments are based on attainment of corporate goals and payouts determined through an assessment by Hay consultants of corporate practices in the target market.

a) Must all corporate goals be 100% met in order for any payment of the corporate portion of STIP?

b) If not, please describe the process by which reduced corporate payouts are determined and approved.

c) Please provide the Hay study of corporate practices.

4-Staff-51

Ref: Exhibit 4, Tab 3, Appendix 1, 2013 Scorecard

a) Please provide the missing footnotes 1 and 2 to the schedule.

b) Please provide the individual CDM milestones and indicate which were met.

4-Staff-52

Ref: Exhibit 4, Tab 2, Schedule 1, p. 1
Ref: Exhibit 4, Tab 1, Schedule 1, pps. 4, 7

Hydro One Brampton has provided OM&A cost per customer and per FTE and the impact to OM&A from capitalization changes. Hydro One Brampton states that the inflation over the period has been approximately 2% per year. Restating the OM&A per customer and per FTE to remove the impacts from capitalization changes yields the following result:

	2011 Approved	2011 Actual	2012 Actual	2013 Restated	2014 Restated	2015 Restated	% Change from 2011 Actual	Average Annual Growth Rate
Number of Customers	134,539	136,119	139,740	143,970	147,788	151,708	11.45%	2.75%
Total Recoverable OM&A (restated)	20,070,266	20,156,799	20,488,607	21,641,400	24,053,507	23,883,649	18.49%	4.43%
OM&A Cost per Customer	149.18	148.08	146.62	150.32	162.76	157.43		
Number of FTEs	231.00	206.15	202.38	208.31	219.00	219.00	6.23%	1.56%
Customers/FTE	582.42	660.29	690.48	691.13	674.83	692.73		
OM&A Cost per FTE	86,884	97,777	101,238	103,890	109,833	109,058		
% Change in Customers			2.66%	3.03%	2.65%	2.65%		
% Change in OM&A			1.65%	5.63%	11.15%	-0.71%		
% Change in FTE's			-1.83%	2.93%	5.13%	0.00%		

a) Please confirm that the table calculations are correct.

b) Please confirm that both OM&A/customer and OM&A/FTE increase over the 2011-2015 period.

c) Please confirm that OM&A has increased over the period at approximately the rate of customer growth + inflation.

d) Please explain why there do not appear to be any productivity gains over this period.

e) Please identify any initiatives or measures proposed for the test year and subsequent IRM period to realize future productivity gains.

f) The Board's letter of November 28, 2012, established the stretch factor assignments for 2013 rates. Hydro One Brampton was assigned to Stretch

Factor Group 1 out of three groups. On November 21, 2013, the Board established the stretch factor assignments for 2014 rates in the *Report of the Board: Rate Setting Parameters and Benchmarking under the renewed Regulatory Framework for Ontario's Electricity Distributors.* Hydro One Brampton was assigned to Group III out of five groups. Please provide an explanation for the decrease in performance, as well as details on any initiatives undertaken to improve the applicant's assignment in future years.

4-Staff-53

Ref: Exhibit 4, Tab 3, Schedule 2

Hydro One Brampton indicates that variances in CCF&S fees are due to updates to the CCF&S methodology.

a) How often is the CCF&S methodology reviewed?

b) Is the review performed externally or internally?

c) When was the last review performed?

d) Please describe how the CCF&S costs are assigned/allocated to the affiliates.

e) Please describe the changes and reasons for changes leading to the variances shown in Tables 19 and 20.

4-Staff-54

Ref: Exhibit 4, Tab 3, Schedule 3, Table 22

a) Please update the table 22 to include the total amount of non-affiliate services below materiality as a further "other" category.

4-Staff-55

Ref: Exhibit 4, Tab 5, Schedule 4, Appendix 3

a) Please provide the 2013 Federal/Provincial Tax Returns and Notice of Assessment.

4-Staff-56

Ref: Exhibit 4, Tab 2, Schedule 1, p.27

a) Please identify the billing frequency that the applicant is planning on using for the test period and beyond.

b) If the applicant is planning to implement monthly billing, please refer to parts c) through g) below. If not, please explain why not.
c) Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.
d) Please identify the percentage of customers on e-billing as of December 31, 2013.
e) Please describe the Applicant's efforts to promote e-billing to its customers.
f) Please describe other initiatives that the Applicant has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers
g) As part of the decision making process, has the applicant determined the impact of the change to monthly billing on its working capital? If so, how is the working capital impacted by this change? If not, why not?

4-Staff-57
Ref: Exhibit 4, Tab 5, Schedule 8 – Depreciation/Amortization, and Income Tax/PILs Workform, Tab S Taxable Income Test Year

The amount for depreciation per Appendix 2-BA, as well as the RRWF for the test year is $15,936,873. Board staff notes that this number does not match the amounts added to Test Year Taxable Income under the "Additions" section.

a) Please reconcile and explain.

4-Staff-58
Ref: Exhibit 4, Tab 3, Schedule 1 - Benefits Programs

a) Please provide the actuarial valuations that were prepared for year-end accounting for post-retirement benefits other than pensions ("OPEBs") for each historic year included in this application.
b) Please provide the actuarial valuation used to support the test year OPEB cost forecast.
c) Please provide a table similar to that below that analyzes the amounts requested in rates for OPEBs compared with the amounts paid (or to be paid) in each year from 2000 through 2015. Please use the total OPEB amount capitalized each year rather than the depreciation of the capitalized OPEB amount to complete the table.

	2000	2001	2002		2015
Amounts in rates					
OM&A					
Capital expenditures					
Sub-total					
Paid amounts					
Net amount included in rates greater than the amounts actually paid					

d) Please explain what HOBNI has done with the excess amounts recovered from ratepayers above the amounts actually paid (or to be paid).

e) Are the 2013 employees' data (census as of July 31, 2011, Towers Watson report, Exhibit 4, PDF page 159) included in the actuarial valuation dated January 2014 consistent with the projections for the 2015 test year staff complement? Please explain how the census data as of July 31, 2011 applies to the 2015 test year.

f) HOBNI provided the discount rates to Towers Watson [E4/T3/S1/Appendix 5/PDF Page 162]. Please provide a discussion, the applicable calculations, and supporting documentation for the derivation of the discount rate for the projected benefit obligation of 4.5% and the discount rate for the benefit cost of 4.0%.

g) What are the corresponding applicable bond yields as of June 30, 2014? Please provide the calculations and explain the derivation of similar discount rates as of June 30, 2014. If June data is not yet available, please use May 2014 data.

h) What is the total OPEB dollar cost included in this application for the test year before capitalization in capital expenditures?

i) If the Board allowed only the cash amount for OPEBs that will be paid in the test year to be included in 2015 rates, what would be the implications for HOBNI? Please discuss fully and include comments on the use of regulatory assets to record the difference.

j) If the pre-filed evidence does not show the OPEB cash amount for the test year, please provide the necessary evidence to support the amount.

k) Upon adoption of IFRS in 2015, will recovery of OPEBs on a cash basis cause difficulties for HOBNI? Please discuss the reporting issues that might arise.

Exhibit 5: Cost of Capital and Capital Structure

5-Staff-59

Ref: Cost of Capital Report, December 11, 2009, p. 53
Ref: Exhibit 5, Tab 2, Schedule 1, p.1

Hydro One Brampton is requesting a long term debt rate of 6.12%, reflecting its actual cost of long term debt. All long term debt instruments issued by Hydro One Brampton are held by its shareholder HOI.

a) Please confirm that the Cost of Capital Report requires that the deemed long term debt rate will act as a ceiling for what would be considered a market-based rate under circumstances that include affiliate debt.

b) Please recalculate long term debt using the approved deemed long term debt rates in effect at the time of issuance for each instrument in 2015. Please use the approved 2014 rate as a placeholder for the July /2015 issue.

c) Please provide Hydro One Brampton's rationale for the use of a long term debt rate other than the Board-approved deemed long term debt rate.

Exhibit 7 – Cost Allocation

7-Staff-60

Ref: Exhibit 7, Tab 2, Schedule 1, p. 4
Ref: Exhibit 8, Tab 11, Schedule 1, p.2

Hydro One Brampton proposes to adjust the revenue-to-cost ratio for the Distributed Generation class from 13.77% to 90% over 3 years. The total bill impact in the first year is $145.47.

a) Please provide the impact of a transition period of 5 years, rather than the 3 years proposed.

Exhibit 8- Rate Design

8-Staff-61

Ref: Exhibit 8, Tab 1, Schedule 1, p. 2

Hydro One Brampton proposes to shift its fixed/variable ratios to 45.1%/54.9% from 37.5%/62.5% in anticipation of changes resulting from the Board's revenue decoupling initiative. Hydro One Brampton has compared its current ratios with

the weighted average of seven large distributors to support this initial shift. Board staff notes that 4 of these comparator LDCs are not included among the Group 3 LDCs in the 2014 Stretch Factor Assignments, as is Hydro One Brampton.

a) What would the bill impacts from this application be for all rate classes without the shift in revenue-to-cost ratios?

b) How did Hydro One Brampton select these comparators?

c) What would be the result of a comparison based on LDCs of similar size from the same stretch factor assignment group?

d) Does Hydro One Brampton propose to communicate this shift to its customers? If so, how would this shift be communicated? If not, please explain why Hydro One Brampton believes that communication is not required.

8-Staff-62

Ref: Exhibit 8, Tab 1, Schedule 1, page 7

Hydro One Brampton is proposing increases to fixed rates above the ceiling as a result of the transition to revenue decoupling rates.

a) Please provide a comparison of fixed charges at the current ratios with the corresponding ceiling.

b) Please provide the rationale for any proposed fixed rate that exceeds the ceiling for that rate class.

8-Staff-63

Ref: Exhibit 1, Tab 9, Schedule 12
Ref: Exhibit 8, Tab 8, Schedule 1, p.1
Ref: Appendix 2-R

Hydro One Brampton proposes to use the SFLF of 1.0045 in calculating its loss factors. Footnote H of Appendix 2-R states that this SFLF is for use by LDCs directly connected to the IESO grid, and provides formulas for calculating SFLF for embedded and partially embedded LDCs. At Exhibit 1, Tab 9, Schedule 12, Hydro One Brampton indicates that it is an embedded LDC for a single feeder.

a) What is the impact on the SFLF of calculating based on the formula for a single feeder?

b) If material, please recalculate total loss factor and SFLF based on the formula in footnote H.

8-Staff-64

Ref: Exhibit 8, Tab 12, Schedule 1

Hydro One Brampton is not proposing a rate mitigation plan for Unmetered Scattered Load, although the rate impact is 10.16%. Hydro One Brampton has adjusted the revenue-to-cost ratio from 91.3% to 100%.

a) Please confirm that the minimum ratio of the policy range is 80%, and that the calculated ratio of 91.3% exceeds the minimum.

b) Please explain why Hydro One Brampton has chosen to move this rate class to 100%, at a time when it is also proposing to adjust the fixed variable proportion.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-65

Ref: Exhibit 9, Tab 7, Schedule 1
Ref: CDM Guidelines, Appendix A

Hydro One Brampton has estimated its 2013 results and will update these when the final evaluations become available. The Guidelines state that 2015 filers should file for 2011 and 2012 programs, with savings persisting through 2014.

a) Please provide preliminary 2013 results, if available.

b) Please provide a calculation of total LRAMVA which excludes 2013 programs.

9-Staff-66

Ref: Exhibit 9, Tab 8, Schedule 1

Hydro One Brampton proposes a true-up amount of $528,538 for stranded meters and has proposed class-specific rate riders for recovery.

a) Please confirm that the recovery period is one year.

b) Please explain how the costs have been allocated to the different rate classes.

9-Staff-67

Ref: Exhibit 9, Tab 9, Schedule 1, p.4

Board staff notes that Hydro One Brampton's proposed final disposition amounts for its GEA Accounts appear to have been calculated based on 2013 forecast amounts.

a) Please update the GEA disposition evidence to reflect 2013 actual and 2014 bridge information.

9-Staff-68

Ref: Exhibit 9, Tab 9, Schedule 1, p. 8

At the above reference Hydro One Brampton states that it reclassified certain 2014 capital expenditures ($80,000) from Renewable Enabling Improvements ("REI") to Expansion.

a) Please explain why these investments were originally classified as *Renewable Enabling Improvements* in the 2014 IRM application.

9-Staff-69

Ref: Exhibit 9, Tab 9, Schedule 1, pps. 8-9

At the above reference Hydro One Brampton further states that "*By the end of 2014, it is forecasted that HONBI would have expended $80,000 of the forecasted $581,000 in capital expenditures for Expansion and Renewable Enabling Improvement projects*". The forecast of $80,000 is based on the assumption that HONBI will be required to replace two transformers to upgrade to a larger MVA size ($30,000 * 2 = $60,000) and rebuilding of an existing line ($10,000 * 2 = $20,000).

a) Is HONBI on-track to expend $80,000 in 2014 as forecasted? Please identify the two transformers sites and related lines that are being upgraded under this capital program.

9-Staff-70

Ref: Exhibit 9, Tab 9, p.11

In its 2011 COS application Hydro One Brampton had identified *5 projects* related to Smart Grid investments. Based on this the Board accepted a total capital expenditure forecast of $715,000 for 2010 and $731,000 for 2011. HONBI states that it expended $640,568 in 2010.

a) Please provide breakdown by *project* for the 2010 expenditure.

9-Staff-71

a) Please provide a table that lists all the appropriate OPA CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

Residential	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
GS<50	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
GS>50	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		

9-Staff-72

Ref: Exhibit 9, Tab 1, Schedule 1, Table 1 – Deferral and Variance Account Balances as at December 31, 2013

Ref: Exhibit 9, Tab 1, Schedule 1 - Deferral and Variance Account Disposition Confirmation Statements

Hydro One Brampton has indicated that it has followed the APH in accounting and recording of the Deferral and Variance Accounts balances in its books of accounts. Board staff notes that the following account balances proposed for disposition do not agree to the RRR 2.1.7 filings for 2013:

Account #	Dec. 31, 2013 Balance proposed for disposition	Dec. 31, 2013 RRR 2.1.7 Reporting	Difference
1588 – RSVA Power	-$1,549,040	$1,948,583	-$3,497,623
1589 – Global Adjustment	$3,497,623	$0	$3,497,623

a) Why are the reported balances different from the balances proposed for disposition?
b) Please provide an explanation for not recording/reporting amounts in Account 1589, Global Adjustment?

9-Staff-73

Ref: Exhibit 9, Tab 4, Schedule 1, Appendix 1 (OEB Appendix 2-EE – Account 1576 - Accounting Changes Under CGAAP)
Ref: Chapter 2 Appendices 2-BA (Fixed Assets Continuity Schedules) for 2010 and 2015

Board staff notes that there are many material adjustments made to the Depreciation expense (shown below the column “Additions” under “Accumulated Depreciation”) in Appendix 2-BA for all of the years.

a) Please provide an explanation for each type of adjustment.
b) Please provide Appendices 2-BA for years 2013 and 2014 under former CGAAP to support the amounts shown in Appendix 2-EE.

9-Staff-74

Ref: Exhibit 9, Tab 6, Schedule 1, Accounting Changes under CGAAP Rate Riders

Hydro One Brampton has indicated that it is proposing to exclude the Embedded Distributor Class from the rate rider for Account 1576 as this account was previously billed as a load transfer customer.

a) Please provide the period for which the Embedded Distributor class was a load transfer customer.
b) For years 2013 and 2014 when the differences in PP&E were calculated, please clarify if Hydro One Brampton was the physical or the geographic distributor (as per the Board’s Distribution System Code) to the Embedded Distributor Class.