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Our File No. 143165

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli
Board Secretary

Dear Ms. Walli:

Re: EB-2014-0083

Pursuant to Procedural Order No. 1, please find attached BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

A handwritten signature in dark ink, appearing to read "Thomas Brett", written over a horizontal line.

Thomas Brett

TB/dd

Encls.

cc: All Parties

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

AND IN THE MATTER OF an application by Hydro One
Brampton Networks Inc. for an order approving just and
reasonable rates and other charges for electricity distribution to be
effective January 1, 2015.

INTERROGATORIES OF
BUILDING OWNERS AND MANAGERS ASSOCIATION, GREATER TORONTO
("BOMA")

July 24, 2014

Interrogatories

1.BOMA.1; Ref: Exhibit 1, Tab 5, Schedule 1, Page 1, Line 22

- (a) What efficiencies will be realized as Hydro One Brampton Networks Inc. ("HOBNI") customer base continues to grow?
- (b) Please estimate the incremental amount in dollars:
 - (i) in 2015
 - (ii) in each year over the plan period. Estimate a range of savings. BOMA understands the estimates will be approximate and may vary, year over year. Please discuss fully;

1.BOMA.2; Ref: Exhibit 1, Tab 5, Schedule 1

- (a) HOBNI outsources several OM&A functions. Please provide a description of, and rationale for, each of the services, functions or activities that HOBNI contracts out, and to whom (for partial list, see page 13 of 28 at Exhibit 4, Tab 3, Schedule 1).
- (b) Please provide a calculation of the annual savings achieved, or incremental costs incurred, by each of the outsourced functions in each of the last three years.
- (c) Please confirm that OM&A numbers include all outsourcing costs. Please confirm that the stated OM&A costs include any administrative support cost to the outsourced activities.
- (d) Please confirm that no outsourcings are captured as capital projects. If that is not the case, please identify the capital project work that is outsourced.
- (e) Please address how outsourcing measures affect the quality of the work, and the quality of service to customers, and how the quality of the outsourced work and services are monitored and maintained over time. Please discuss by outsourced function.
- (f) What would the approximate FTE count in 2015 be in the event that all these functions were performed in-house? Please break down the total by outsourced function.

1.BOMA.3; Ref: Exhibit 1, Tab 5, Schedule 1

For each of the eight specific productivity initiatives listed on pages 7 and 8 of 16, estimate and provide an explanation for the approximate dollar savings in 2015 and each year of the plan period. Do the same for each project described on pages 12 to 16.

1.BOMA.4; Ref: Exhibit 1, Tab 5, Schedule 1, Page 13

Please show the savings achieved by HOBNI's underground cable-injection and rehabilitation program relative to a removal and replacement strategy. Show savings for each year since program inception, and forecast for 2014, 2015, and plan period.

1.BOMA.5; Ref: General

HOBNI is converting to IFRS effective January 1, 2015.

Please provide an explanation for each accounting change relative to CGAAP and how each change (both on accounting and cash flow basis) impacts change the 2015 revenue requirement calculations. Please address, among other things, the treatment of:

- (a) depreciation
- (b) capitalization
- (c) capital contributions.

2.BOMA.6; Ref: Distribution System Plan, Exhibit 2, Tab 6, Page 3

- (a) Please provide a list of the smart grid modernization strategies, including storage, that HOBNI has examined and summaries of the analysis that it has done, and the conclusions it has drawn with respect to each "smart grid" concept, strategy, or proposal.
- (b) Has HOBNI contracted third party studies on "smart grid" options? If so, please produce them. If not, why not?

2.BOMA.7; Ref: Exhibit 2, Tab 6, Appendix B, Page 39 (HOBNI Business Plan)

- (a) HOBNI states that it will be difficult to achieve its assigned (by OEB) 2014 demand reduction targets (46 MW of demand). Please provide the demand savings achieved as of December 31, 2013 and December 31, 2012. Why is HOBNI not able to meet its 2014 target? Please discuss.
- (b) Given this situation, why has HOBNI relied exclusively on OPA province-wide CDM programs, and not launched some of its own customized CDM programs? Is HOBNI still on track to meet its 2014 GWh targets of 186 GWh? Please provide current savings status.
- (c) Does HOBNI intend to develop its own CDM programs over the next plan period?

- (d) Please provide a status report on HOBNI's work with the OPA to develop a framework for the new six year CDM program. Is HOBNI contributing directly to the project?
- (e) What was the impact of TOU rates on energy consumption and demand in 2013? What is estimated for 2014 and 2015?

3.BOMA.8; Ref: Exhibit 3, Tab 1, Schedule 1, Table 19

Please discuss the amounts of electricity supplied to the Distributed Generation class in 2014 and 2015 (forecast). In what circumstances was the electricity provided, and to what types of distributed generator customers? Please show the amounts by customer, using numbers to identify customers.

4.BOMA.9; Ref: Exhibit 4, Tab 1, Schedule 1, Page 3, Lines 1 to 7

- (a) Why does the annual increase in OM&A from 2011 to 2015 (excapitalization policy change impacts) substantially exceed inflation (4.3% vs. 2.0%)? Please explain fully.
- (b) Please explain, quantify, and rank order the factors which caused the increase in order of impact.

4.BOMA.10; Ref: Exhibit 4, Tab 2, Schedule 1, Page 8

Please confirm that the maintenance costs shown are not fully loaded, in that they do not contain corporate overheads. If they are fully loaded, please identify separately the direct costs and the overheads.

4.BOMA.11; Ref: Exhibit 4, Tab 3, Schedule 1, Page 4, Table 2

Compensation: What is the forecast average percentage increase for wages and benefits for Unifor members in 2014 (new contract, first year) over actual 2013 (last contract year).

4.BOMA.12; Ref: Exhibit 4, Tab 3, Schedule 2, Shared Services and Corporate Cost Allocation

Please explain why, for each of the contracts under which HOI or HONI provides services to HOBNI, the dispute resolution clause provides that in the event of a dispute between the parties, the HOI president shall be the final decision maker.

4.BOMA.13; Ref: Exhibit 4, Tab 3, Schedule 1, Page 3

Preamble: "Total compensation midpoint is between 14-24% below market, when compared to other LDCs and is 15-25% below market, when compared to other 905 industrial companies".

Why is it appropriate to expect publicly owned regulated utility management salaries to be equivalent to industrial company management salaries? If that is not HOBNI's expectation, please explain. Please discuss fully.

4.BOMA.14; Ref: Exhibit 4, Tab 3, Schedule 1, Page 6

How many contract positions (long or short term) does HOBNI have:

- (a) in 2013, 2014, and 2015 (forecast)? How many of the FTEs are composed of full or aggregated part time contract staff, including students?
- (b) what is total cost of compensation paid to them?
- (c) where do the contract staff numbers show up (in what functions) in Exhibit 4, Tab 2, Schedule 1, Page 1, Table 1?
- (d) on average, how long do positions remain vacant after the incumbent has left? How long have the "current" eight vacancies been vacant?

5.BOMA.15; Ref: Exhibit 5, Tab 2, Schedule 1, Page 1

- (a) Please provide the actual interest rate paid on the \$20 million LT debt, issued to HONI on July 1, 2014 or thereabouts. Please confirm that the interest rate on that debt is factored in to the calculation of the proposed embedded cost of debt for the test year.
- (b) Please confirm that HOBNI will use as its own forecasted debt rate for the proposed \$15 million debt to be issued to HONI in July 2015, rather than the LT debt rate to be established by the Board in late 2014.
- (c) Why will HOBNI not use the cost of capital parameters (ROE and STD) established by the Board in late 2014 for the 2015 test year, rather than the parameters in effect at the date of the final decision in this case, which could well come before the "reset date"?

7.BOMA.16; Ref: Exhibit 4, Tab 7, Schedule 1, Pages 1 to 4

Preamble: Page 3 – HOBNI states that "Due to constraints at the Transformer Stations (TS) 44kV Bus for Bramalea and Woodbridge TSs, no additional generation can be connected. HOBNI will however investigate and offer if available, an alternate solution with any 27.6kV feeder in reasonable proximity with available capacity".

- (a) What is meant by a feeder in reasonable proximity with available capacity? Please quantify the criteria used to decide what is reasonable.
- (b) What if a customer wishes to construct a distributed generation project at its house or business, but is either in an area served by transformers with capacity

limitation akin to those described above, or is not within reasonable proximity to a 27.6kV feeder? What steps will HOBNI take to ensure the customer is able to proceed? Please discuss fully.

- (c) Please explain fully the rationale for the rate structure for the new distributed generation class route.
- (d) Please explain fully the rationale for the existing standby rate. Is it intended that distributed generators are required to pay a standby rate as well as the new proposed delivery rate? Please discuss.

7.BOMA.17; Ref: Distribution System Plan, Page 363 of 607 – Memorandum dated January 10, 2014, Page 7 (Page 363 of Appendix B)

Preamble: "Taking into consideration the historical trend for the OPA managed program for Brampton and the present directive given to the OPA by the Minister of Energy, HOBNI shall not be expending funds for expansion to accommodate Renewable Energy Generators related to:

1. Rebuilding a single phase line to three phase to serve the connecting customer.
2. Rebuilding an existing line with a larger size conductor to serve the connecting customer.
3. Converting a lower voltage line to operate at higher voltage.
4. Upgrading a voltage regulating transformer or station to a larger MVA and size.
5. Adding or upgrading capacitor banks to accommodate the connection of the connecting customer".

Please explain fully why HOBNI has decided not to expand its capacity to accommodate renewable energy investments in each of circumstances outlined in 1 through 5, and relate the rationale to:

- (a) the "historical trend" and "ministerial directive" referred to.
- (b) how is this "policy" consistent with the government's policy to encourage the growth of renewable energy in Ontario?
- (c) does the service policy apply to other distributed generation, for example, small gas engines/turbine projects, CHP projects, or others?

7.BOMA.18; Ref: Exhibit 1, Tab 4, Schedule 2, Page 17; Exhibit 7, Tab 1, Schedule 3, Pages 1 to 4

Preamble: "In the application, HOBNI is proposing to establish a Distributed Generation Rate Class" and "HOBNI is proposing to create a new service classification for this group of generators so they pay their fair share of distribution costs in order to avoid cross subsidization between classes. HOBNI included this class in its CAS and provided class specific data to HONI who modelled this class with the others to determine class specific coincident and non-coincident peak load data that was used in the CAS model".

- (a) Please provide the capacity (kW) and annual production KWh of each of the twenty-three FIT generators now operating in the HOBNI service territory. Numbers can be used to maintain confidentiality.
- (b) Do some or all of the customers that have distributed generators also pay a standby rate? Please discuss.
- (c) Please explain, in detail, the rationale for changing the existing practice of utilizing the General Service <50 rate for these customers, including the residential or small commercial customers. Provide the data used to determine the costs referred to.
- (d) Please provide the modelling data from HOBNI that was used to determine class-specific coincidental and non-coincidental peak load data that was used in the CAS model.
- (e) What is the incremental revenue generated in 2015 from this new rate? What is it as a percentage of the revenue requirement?

7.BOMA.19; Ref: Exhibit 7, Tab 1, Schedule 1, Page 3

Cost Allocation

- (a) Please explain what cost data for the NAICS Code was used in the cost allocation for the 50-699 kW class.
- (b) Please provide copies of the relevant codes with sufficient explanatory material on exactly how they were used, and which data was extracted.
- (c) Please provide a summary of the functionalization, classification, and allocation procedures used in the 2014 Cost Allocation Study.
- (d) Please confirm that customers with MicroFIT projects are considered part of the distributed generation class. How does the new class impact the fixed monthly charge for MicroFIT that the Board authorized in EB-2010-0219.

- (e) Please compare the distribution bill to an average residential customer with a standard solar photovoltaic generation system under the existing cost allocation, under which it is billed for the KWh it consumes at the General Service <50 kW rate (see page 1, paragraph 2 for details), with the distribution bill the same customer would receive with the new proposed distributed generator rate.

7.BOMA.20; Ref: Exhibit 7, Tab 2, Schedule 1, Appendix 1

- (a) Please complete the footnotes at page 2 under part (c).
- (b) Please explain why two of the three commercial rates are at levels resulting in (i) them subsidizing the residential and large customer users by very substantial amounts in the Table in section (c).
- (c) Please state what the 2013 ratios are.
- (d) Please explain the meaning of the "status quo ratios" in the second column.

8.BOMA.21; Ref: Rate Design – Exhibit 8, Tab 1, Schedule 1, Page 2

- (a) Given the widespread opposition from almost all customer groups to the Board's Draft Report, EB-2012-0410, why has HOBNI chosen this occasion to make a major increase to the percentages of its revenues that it receives from the fixed charge part of its delivery rate? Please discuss fully.
- (b) Ibid, Page 3 - Given that it is not known how fixed rate design will work since it is yet to be determined, would it not be more prudent to gain an understanding of how the fixed rate design will work before deciding to increase the fixed charge portion of the delivery rate? Please discuss fully.
- (c) Ibid, Page 6 - Please discuss HOBNI's cost drivers that justify larger percentage increases to commercial class fixed charges and large user fixed charges relative to those for residential class fixed charges. Please discuss how the cost driver justify the markedly different percentage increases for residential, commercial (all three rate classes) and large users.
- (d) Ibid, Page 4 - Please provide a table similar to Table 1 on Page 5 of 9 for each of the large distributors listed on this page. Please comment on whether some or all of these distributors have cost drivers different from the cost drivers for HOBNI, and the degree to which the different cost drivers affect the results.
- (e) Given the importance that commercial customers attach to stable rates, why does HOBNI take the risk that its proposal to increase fixed charges would cause rates to change in one direction, and then have to be changed again within twelve months once the Board decides upon a final rate design.