

## ONTARIO ENERGY BOARD

**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 Networks Inc. for an order or orders pursuant to section 92 of the *Ontario Energy Board Act*, 1998 (as amended) granting leave to construct transmission line facilities in the Windsor-Essex Region, Ontario.

### INTERROGATORIES TO HYDRO ONE

From

#### E3 COALITION

(E.L.K. Energy Inc. (E.L.K.),  
Entegrus Powerlines Inc. (Entegrus), and  
Essex Powerlines Corporation (Essex))

1. **Reference:** Transmittal letter dated February 12, 2015 regarding Hydro One Updates to Prefiled Evidence.

Hydro One's February 12, 2015 updates transmittal letter refers to "*updated economic assumptions*" having been taken into account in the updated evidence.

Did the "*updated economic assumptions*" influence Hydro One's proposed allocation of the costs of the SECTR project? If so please explain how and quantify the allocation impacts of the updated assumptions.

2. **Reference:** Exhibit A, Tab 1, Schedule 1, page 3, lines 7-11.

The prefiled evidence references "*the OEB's 'beneficiary pays' principle*" in support of Hydro One's proposed allocation at the distribution level of transmission investment costs associated with the SECTR project.

The OEB's *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012 addresses a "*beneficiary pays*

*principle*” at page 43, in reference to facilitation of the implementation of regional infrastructure planning, as follows:

*The Board believes that a shift in emphasis away from the ‘trigger’ pays principle to the ‘beneficiary’ pays principle is appropriate in that regard.*

Please provide any further references related to the Board’s articulation of the “*beneficiary pays principle*” which support Hydro One’s proposed allocation of the costs of the SECTR project.

3. **Reference:** Exhibit A, Tab 3, Schedule 1, page 4, lines 10-11.

The evidence requests a written hearing on the basis, *inter alia*, that “[t]here will be a minor customer total bill impact (approximately 0.01%) as a result of the new line facilities.”

- (a) Please confirm that this bill impact statement is made in respect of transmission cost impacts of the SECTR project only.
- (b) Please advise whether Hydro One has performed any analysis of customer bill impacts at the distribution level for any of the distributors to whom SECTR project costs are proposed to be allocated.
- (c) If any such analysis has been performed, please provide bill impacts for the customers of these distributors once the distribution level costs proposed by Hydro One are included. Please detail assumptions used, and calculations in support of, any such anticipated bill impacts.

4. **References:** Exhibit B, Tab 1, Schedule 1, page 2, lines 19-22; Exhibit B, Tab 5, page 20; Exhibit I-P1, Tab 1, Schedule 8.

The evidence notes six customer-owned generating plants in the Windsor-Essex region, and provides information about the nature, capacity and contract expiry dates of these generation facilities.

- (a) Please provide the in-service dates of each of these generators.
- (b) Please detail, for each of these generating stations, the extent to which its connection had an impact on the available connection capacity, reliability and generation constraining transmission congestion in the region.
- (c) The OPA’s evidence notes that two of these generation facilities are assumed not to be available over the planning period because expiry of their current power purchase contracts with the IESO is imminent. The

evidence further indicates that re-contracting of some of this generation would help meet the restoration requirement in the J3E-J4E subsystem, which the SECTR project also addresses.

- (i) Please indicate whether re-contracting of this generation would reduce the scope and/or cost of the SECTR project, and if so how and by how much.
- (ii) Could the IESO please indicate its expectations regarding timing for such re-contracting if it is being/to be pursued (by either the IESO or the generator).

5. **References:** Exhibit B, Tab 1, Schedule 5, page 40, lines 17-18; Exhibit I-P1, Tab 1, Schedule 8, page 2.

The evidence indicates that the SECTR project will reduce the peak deliverability limitation for the Brighton Beach GS. The evidence further indicates that the value to the province of 180 MW of simple cycle gas fired generation is \$162 million.

Has the value of this benefit to the province and/or Brighton Beach GS been considered in the proposed allocation of the SECTR project costs? If so, how? If not, why not?

6. **References:** Exhibit I-P1, Tab 1, Schedule 2, Attachment A, pages 4 and 5 of Attachment.

The evidence, an excerpt from the 2007 IPSP addressing the Windsor-Essex Area transmission constraints, mentions four power generators and the 400 MW Michigan/Ontario transmission intertie in discussing transmission congestion related to generation in west Windsor.

- (a) Please discuss the extent to which the SECTR project eliminates or mitigates this congestion, and to the benefit of what parties.
- (b) Has the value of elimination of this congestion been quantified? If yes, please provide. If not, why not?
- (c) Has the value of elimination of this congestion been considered in the proposed allocation of the SECTR costs? If it has, how? If it has not, why not?

7. **Reference:** Exhibit B, Tab 4, Schedule 3, page 4.

The evidence includes a table indicating the proposed cost responsibility (as between the transmission pool and customers) for the elements of work to be done on the project.

- (a) Please restate the table on the basis that the pool is allocated responsibility for SECTR project costs equal to the total of the costs avoided by the pool as a result of the project (and the balance of the SECTR project costs are allocated to customers).
- (b) Please comment on the appropriateness of allocating to the transmission pool an amount equal to all costs avoided by the transmission pool as a result of the SECTR project, and allocating the balance of the SECTR project costs to customers.

8. **References:** Exhibit B, Tab 4, Schedule 3, pages 7 and 9, Tables 1 and 2; Exhibit I-P1, Tab 1/Schedule 3.

- (a) Please file a copy of the most recent Windsor-Essex Regional Planning Status Letter (or other such communication), and please file a copy of the Windsor-Essex Regional Plan when it is available (according to the second reference noted above, by April 28, 2015).
- (b) Please indicate the time horizon of the current plan, which includes the SECTR project.
- (c) Please detail Hydro One's current expectations for when incremental facilities in addition to the SECTR project may be required in order to reliably serve loads in the Windsor-Essex region, and Hydro One's current expectation of what such facilities might be and what further capital contributions might be required from the affected distributors.

9. **References:** Exhibit B, Tab 4, Schedule 3, pages 7 and 9, Table 5; Exhibit I-P1, Tab 1, Schedule 6, page 2.

- (a) Please confirm that the 2014 figures provided in the table found at the second referenced exhibit are actuals. If they are not, please provide actual figures.
- (b) How were the load forecasts used in the DCF analysis determined?
- (c) Please file the individual distributors' incremental load forecasts relied upon by Hydro One. (Please note that the E3 Coalition members – E.L.K.,

Entegrus and Essex – take no objection to the public filing of any load forecasts or other information regarding current or expected load that they have provided to Hydro One.)

- (d) Please provide the most current estimates, with supporting calculations, of the capital contributions that are forecast to be required from each of the affected distributors (including Hydro One Distribution).
- (e) Please describe the basis for, and if possible quantify, any uncertainties associated with the estimated required capital contributions.

10. **Reference:** Exhibit B, Tab 4, Schedule 4, page 4, lines 11-17.

The evidence provides *“the OPA’s view that the most appropriate way to apportion the costs of the SECTR project between load customers and transmission ratepayers is to apportion the total cost by reference to the costs that load customers and transmission ratepayers would otherwise have to pay if they were to individually address customer and system needs.”* The evidence goes on to propose an allocation between the transmission pool and customers in proportion to the costs that would be incurred to address these interests separately.

- (a) Please discuss the approach to allocation of SECTR project costs that would result from application of the OEB’s current applicable cost responsibility rules, including quantification, with supporting calculations, of resulting cost allocations between the transmission pool and customers, and among each of the affected distributors.
- (b) Please indicate alternative cost allocation approaches considered beyond the approach now proposed and the basis for rejection of any such alternatives.

11. **Reference:** Exhibit B, Tab 4, Schedule 4, page 9, lines 12 to 14.

- (a) Did IESO base the costs of the project only on incremental load requirements, or was renewal of capacity to service existing load also a consideration?
- (b) Are the SECTR project costs based only on building new facilities, or do the project costs include the costs of replacing or refurbishing existing facilities?

12. **Reference:** Exhibit B, Tab 4, Schedule 5, page 2, lines 12-14.

The evidence describes how Hydro One proposes to allocate SECTR project costs among affected distributors, in a manner said to be consistent with section 6.3.15 of the TSC.

Section 6.3.15 of the TSC provides as follows:

*“Where more than one load customer triggers the need for a new or modified transmitter-owned connection facility, a transmitter shall attribute the cost to those load customers:*

*(a) in accordance with such methodology as may be agreed between the transmitter and all such load customers; or*

*(b) failing such agreement, in proportion to their respective non-coincident incremental peak load requirements, as reasonably projected by the load forecasts provided by each such load customer or by such modified load forecast as may be agreed by such load customer and the transmitter and, in the case of line connection facilities, taking into account the relative length of line used by each load customer.”*

- (a) Did Hydro One pursue alternative (a) described in TSC section 6.3.15 before deciding on an allocation in proportion to non-coincident peak load?
- (b) If yes, please provide any material provided to the affected distributors in the course of the required consultations.
- (c) If not, please explain why not.

13. **Reference:** Exhibit B, Tab 4, Schedule 5, page 3, lines 3-11.

The evidence lists four distributors that Hydro One considers will benefit from the SECTR project.

- (a) Please name the other distributors (transmission connected or embedded) in the Windsor Essex region.
- (b) Are there any benefits to these other distributors arising from the SECTR project?

14. **Reference:** Exhibit B, Tab 4, Schedule 5, page 3, lines 13-17.

The evidence discusses the process for capital contribution by the affected distributors.

- (a) Please provide a copy of the Capital Cost Recovery Agreement form that the listed distributors will be required to execute.
- (b) Please provide the amount of the security deposit that will be required from each affected distributor, and the currently expected timing for the payment of that deposit.
- (c) Please:
  - (i) Indicate the currently expected timing for the payment of the balance of each affected distributor's contribution.
  - (ii) Indicate the currently expected in-service timing for the SECTR facilities.
  - (iii) Indicate whether any of the distributor's payment obligations will be contingent upon, or related to the timing of, the connection by the distributors of new customers and related payments by such new customers to the distributors.
  - (iv) To the extent of a timing difference between the time that the capital contribution is required by the affected distributors and the time that the affected distributors are able to obtain capital contributions in respect of the incremental loads on their respective distribution systems, indicate Hydro One's expectations for how the affected distributors will finance the capital contribution being sought.

15. **Reference:** Exhibit B, Tab 4, Schedule 5, pages 5, lines 20-28.

The evidence notes Hydro One's assumption that the demand triggering the need for the SECTR facilities is caused by incremental load, as opposed to self-generation by greenhouse growers in the region.

- (a) Please explain the implications of this assumption for the proposed allocation of the SECTR project costs.
- (b) Are any of the facilities required as a result of generator customer load requirement, or are the facilities required only because of the need of load customers?

- (c) How would the proposed allocation of SECTR project costs change if it were assumed that self-generation also contributes to the demand for the project?

16. **References:** Exhibit B, Tab 4, Schedule 4, page 7, Table 1 and page 9, lines 1-14.

The evidence indicates under “Customer Benefits” that there will be benefit from enabling the connection of additional distributed generation in the Kingsville/Leamington area.

How were the benefits to future distributed generation customers taken into consideration in determining the proposed capital contributions by the affected distributors?

17. **Reference:** Exhibit B, Tab 4, Schedule 5, page 6, lines 14-16.

In answering the following questions, please note that the E3 Coalition members – E.L.K., Entegrus and Essex – take no objection to release of information provided by them to Hydro One or the IESO (then OPA), save for the request included below that the identities of specific end-use customers be protected by the use of coding (numbers or letters) in place of customer names.

Please provide a list, for each of the affected distributor’s service territories, of the customer loads (new load or incremental to existing load) anticipated and triggering the requirement for the SECTR project. To maintain confidentiality, please label each customer by code (i.e. number or letter) rather than providing the customer name. For each such customer please:

- (a) Provide as specific a description as possible of location of the load, mindful of customer confidentiality concerns.
- (b) Provide the amount of the load.
- (c) Provide the assumed in-service date of the load.

18. **Reference:** Exhibit B, Tab 4, Schedule 5, page 6, lines 14-19.

The evidence contemplates that the affected distributors, including Hydro One Distribution, will perform economic evaluations to allocate required SECTR project capital contributions among new large customers and existing ratepayers. E3 Coalition understands that the evidence, when referring to “new large



customers”, is intended to refer to new large customer loads, which would include specifically identified new and incremental load requirements of existing large customers. On this basis:

- (a) Given that the allocation to the distribution level of SECTR project costs is on account of the provision by the SECTR project of capacity for new distribution level customer loads, please explain the basis upon which SECTR project costs would be allocated by distributors to existing distribution customers.
- (b) Does Hydro One anticipate that the affected distributors will include in their respective rate bases contributions to the SECTR project costs not recovered from large customers with new load requirements?
  - (i) If yes, what is the authority for inclusion in distribution rate base of SECTR project costs (in particular considering that the costs are in respect of assets not owned by the distributors)?
  - (ii) If no, please explain Hydro One’s expectations for how the affected distributors will account in their respective costs of service for the required SECTR project capital contributions.

19. **Reference:** Exhibit B, Tab 4, Schedule 5, page 6, lines 21-22.

The evidence indicates that Hydro One will also allocate the associated project facility costs, such as distribution feeders, to the SECTR project’s “beneficiaries”.

- (a) Please explain the nature of, and quantify, any additional costs that are to be allocated to the affected distributors and that are not already included in the \$39.4 million of costs detailed in the prefiled evidence.
- (b) Please provide a breakdown of the allocation of any such additional costs as among the affected distributors, including in respect of each affected distributor a description of the facilities resulting in such costs.

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