

OEB Staff Technical Conference Questions

Clarifications on Hydro One Networks Inc.'s (HONI) Interrogatory Responses Phase 2 – Supply to Essex County Transmission Reinforcement (SECTR) Application

EB-2013-0421

May 29, 2015

1- Staff – Clarification on Total SECTR Project Costs

Ref: HONI Responses to Staff Interrogatory #5 and E3 Coalition Interrogatory #19.

In response to Staff Interrogatory #5, Hydro One noted the lowest-cost option for addressing the supply capacity needs of customers in the Kingsville-Leamington subsystem is the SECTR Project at a cost of approximately \$77.4 million. In response to E3 Coalition Interrogatory #19, Hydro One identified additional distribution investment costs amounting to \$19.3 million that would be required.

- a) Please confirm that, while Hydro One is only seeking approval of transmission investments amounting to an about \$77.4 million in this LTC application, the actual total SECTR Project “wires” related costs are \$96.7 million (\$19.3 million + \$77.4 million).*
- b) Please explain why the \$19.3 million was not identified by HONI in the application or by the OPA in its evidence (supporting application) to provide the Board with the full context in terms of the potential cost consequences for consumers?*
- c) Are there any further additional potential costs that the Board should be aware of that are associated with the SECTR Project before it makes a decision on this application? If so, please identify them all.*
- d) In comparing actual vs. estimated costs associated with previous projects similar in scope to SECTR, does Hydro One have a typical range the deviation falls within (e.g., +/- 5%, +/- 10%)? If so, please identify.*

2- Staff – Clarification on Total Costs of Non-Preferred Alternative (“Division TS alternative”)

Ref: OPA Evidence, page 36, HONI Response to E3 Coalition Interrogatory #19.

Section 6.3.1 of the OPA Evidence discusses the non-preferred alternative identified in Hydro One’s application. It is referred to as the “Division TS alternative”. Under that

alternative, it explains the existing 115 kV system would be strengthened by reconfiguring and reinforcing the 115 kV transmission lines in the area by building a new TS near Woodslee junction at an estimated cost of \$64 million. It would also require upgrading the 115 kV connection line between Division TS and Kingsville TS at an estimated cost of \$34 million. It seems to indicate those are all the costs (i.e., \$98 million).

- a) Please clarify whether that is the case or are there additional “wires” investments (e.g., distribution) associated with this option similar to those associated with the SECTR Project (as identified in the Hydro One response to E3 Coalition Interrogatory #19)? If so, please identify.*

3- Staff – Future Cost Contributions

Ref: HONI Response to CCC Interrogatory #8 Exhibit I-P2, Tab 7, Schedule 7, Page 1 of 1.

In accordance with the cost responsibility provisions of the Transmission System Code, revised August 26, 2013, future benefitting customers up to 15 years from the in-service date of the SECTR project would be required to contribute financially to the project.

- a) Does the economic evaluation that HONI would perform in order to determine a new future benefitting customer’s financial contribution and subsequent refunds to existing benefitting customers take into account the depreciated value of the SECTR project equipment assets?*
- b) As a means of clarification could HONI provide an example of how a future benefitting customer’s financial contribution would be calculated for a new transmission connection and a new ST customer of HONI in year 10?*
- c) Given the significant emphasis on the beneficiary pays principle in the application, would HONI propose that refunds flow from future generator customers that benefit from the SECTR project or would HONI propose to limit refunds from only future load customers? If not generators, please explain why.*

4- Staff – Risk Classification of Future Customers

Ref: HONI Interrogatory Response to Electricity Distributors Association (EDA) Interrogatory #1 – Exhibit I-P2, Tab 5, Schedule 1, page 1 of 1.

In HONI’s response it indicated that it would be collecting a security deposit from its distribution customers to mitigate the risk during construction in accordance with its OEB approved Connection Procedures and it did not attempt to apply any risk classifications to any of the distribution customers.

- a) *What risk classification will HONI be allocating to the new Green House ST customers that are proposing to connect and will be benefitting from the SECTR project for the purposes of a security deposit during construction and for the purposes of determining the economic evaluation period?*

5- Staff – Sustainability of CDM Measures

Ref: HONI Interrogatory Response to E3 Coalition Interrogatory #9 – Exhibit I-P2, Tab 2, Schedule 9, page 1 of 4.

The projected capital contributions of the individual distributors are subject to large swings depending on each parties load forecast and their projection of new large customers as indicated in Hydro One`s response.

- a) *Have the load forecasts used in the determining the capital contribution requirements for HONI and the other 3 distribution utilities taken into account DSM projected achievements?*
- b) *Have any discount factors been applied to the load forecasts for the sustainability “permanence” of the projected conservation achievements by HONI and each of the other distribution utilities?*
- c) *What would the impact be on the economic evaluations if one or more of LDC’s chose not to participate in the project by not signing a CCRA?*

6- Staff – Application of the Proposed Cost Allocation Methodology

Ref: HONI Interrogatory Response to OEB Staff Interrogatory #9 – Exhibit I-P2, Tab 1, Schedule 9, page 1 of 2.

In the response to Interrogatory #9 HONI noted that, if the proposed cost allocation methodology is approved by the OEB it intended to apply it to other projects.

- a) *Please expand on that response. For example, what other projects would HONI apply it to?*
- b) *To ease the administrative burden in applying the methodology, should there be a threshold (\$) value under which a distributor would be allowed to roll into their financial contribution requirement to the project into their respective rate classifications?*

7 - Staff – J3E-J4E Reliability Data

Ref: HONI Interrogatory Response to OEB Staff Interrogatory #3 – Exhibit I-P2, Tab 1, Schedule 3, page 1 of 1.

HONI has indicated in its response that the SECTR project will minimize supply interruptions across the region.

- a) Please provide the number of supply interruptions and average duration of the interruptions across the region for the past 5 years? How does that compare to the provincial average?*
- b) What improvement in reliability is HONI anticipating once the SECTR project comes into service? Please provide the forecasted number of service interruptions once the project comes into service.*
- c) Under the current requirements in HONI's Customer Delivery Point Performance Standards document, how many times has remedial action been triggered within the J3E-J4E subsystem since that CDPPS document was approved by the Board?*

8 - Staff – Clarification on Greenhouse Customer Connection Applications

Ref: HONI Response to Staff Interrogatory #4.

Staff requested a table setting out the peak demand of all the new greenhouse customers in the area that are contributing to the need for the proposed investments in the application. Hydro One provided a table that set out the peak load for 34 greenhouse customers based on connection applications received dating back to March 2011.

- a) Given that goes back over 4 years and decisions of commercial entities on where to locate (or proceed at all with an investment) can change over time, please confirm these are still all "live" applications.*
- b) Please also identify if Hydro One confirmed with all 34 customers that they still plan to proceed with the new facilities before the SECTR application was submitted for approval.*
- c) Please also confirm that Hydro One has no generator applications to connect in the area (including microFIT). If there are any, please identify them in a similar table.*

9 - Staff – Clarification on Non-Cost Comparison of Alternatives

Ref: OPA Evidence, page 41, Table 6.

Table 6 on page 41 of the OPA Evidence sets out the Needs, Costs and Benefits associated with the two alternative transmission solutions.

- a) *In relation to Ontario Resource and Transmission Assessment Criteria (ORTAC) and the SECTR project, please clarify (i.e., elaborate) “Substantially meets the need”.*
- b) *Is staff’s understanding correct that the “Division TS alternative” is the more effective option in terms of bringing the J3E-J4E subsystem into compliance with the ORTAC criteria? If so, from a purely “technical” perspective in relation to meeting the “needs” identified in the application (load customer supply and reliability in the region), would the “Division TS alternative” be a preferable option?*
- c) *Please clarify when it was first identified that the J3E-J4E subsystem did not comply with the IESO’s ORTAC restoration criteria.*

10 - Staff – Clarification on Need and Benefits

Ref: HONI Responses to Staff Interrogatory #2 and Staff Interrogatory #8

The response to Staff Interrogatory #2 confirmed staff’s understanding that the SECTR project does not exceed the capacity needs of the triggering load customers. In the response to Staff Interrogatory #8, it was indicated that addressing the supply limitations at Brighton Beach GS should be viewed as a “side benefit”.

- a) *Given the above, why would addressing the ORTAC criteria requirements related to the load customers in that region not also be considered a “side benefit”?*

11 - Staff – Consistency with Proposed Supplementary TSC Amendment

Ref: OPA Evidence on Cost Allocation (p.5), HONI response to E3 Coalition Interrogatory #7

In the OPA evidence in HONI’s application, it states that apportionment of the costs associated with the recommended investments is consistent with the Board’s proposed TSC amendments. However, in HONI’s response to E3 Coalition Interrogatory #7, HONI notes that Approach C (set out below for convenience) represents the cost responsibility outcome under both: (1) the existing TSC rules; and (2) the Supplementary Proposed TSC Amendment issued on August 26, 2013.

- a) *It appears HONI is now of the understanding that the proposed cost allocation in the application is not consistent with the Supplementary Proposed TSC Amendment. Is staff's understanding correct?*
- b) *Does the IESO still believe its proposed cost allocation is consistent with the Supplementary Proposed TSC Amendment?*

Approach C - Pool pays costs in excess of customer's avoided costs

<u>Cost Responsibility</u> <i>in \$ million, excluding HST</i>	Cost of Work (per B-4-2)	Cost Responsibility		Capital Contribution
		Customers	Pool	
Transmission Line Facilities	45.3	45.3	0	41.8
Station Facilities	32.1	32.1	0	20.6
Total	77.4	77.4	0	62.4