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BY COURIER

June 3, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700,
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

EB-2014-0213 – Hydro One Networks Application to Purchase Woodstock Hydro – Hydro One Networks Responses to Undertakings

I am attaching two copies of Hydro One Networks' responses to Undertakings J2.1 to J2.3 made on May 27, 2015 in the above-noted proceeding.

An electronic copy of these Undertakings has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

Att.

c/ Intervenors of Record (EB-2014-0213)

UNDERTAKING J2.1

Undertaking

To calculate the average ROE for the Woodstock Operations for those ten years.

Response

Hydro One's response to this undertaking must be based upon an incorrect assumption that Woodstock operations remain segregated from Hydro One Distribution's operations over a 10 year period. As noted in the record of this proceeding, that is not the case.¹

Mathematically if Hydro One uses the forecast incremental OM&A costs from Table 2 of Exhibit A, Tab 2, Schedule 1, for the ten years, and substitutes these into the WHSI revenue requirement as approved by the Board at WHSI's last rebasing for 2011 (EB-2010-0145) rates as a baseline, the average "ROE" for the ten years would be in the 27 percent range suggested by Mr. Sheppard. However, that mathematical calculation does not provide an accurate portrayal of the expected return earned on a share purchase investment. Specifically, substitution of the revenue requirement calculation suggested by Mr. Sheppard does not factor in the recovery on the initial investment (including premium) that Hydro One is planning to make and which Hydro One through its purchase of WHSI expects to recover over the extended deferral period. The dollar amount of the average "ROE", provided by Mr. Sheppard, giving rise to the 27 percent imputed calculation would need to be applied to the premium and integration costs, which Hydro One expects to incur, over the 10 year period. When these amounts are taken into account, the average ROE Hydro One expects to earn over the 10 year period is reduced to the levels historically approved by the OEB.

¹ EB-2014-0213 – Transscript - Volume 2, May 27, 2015, page 46

UNDERTAKING J2.2

Undertaking

To clarify what is meant by "are successful"; Mr. Bertolo to make best efforts to see if he has the CDM reporting

Response

During the 2011-2014 timeframe, Hydro One made available all province-wide programs to its customers, including customers served in the municipal boundary of Woodstock. Hydro One serves approximately 720 customers within the municipal boundary of Woodstock. Please note that the data for residential programs was reported to Hydro One by the Ontario Power Authority (now the IESO) and Hydro One reports its Annual CDM Report on a provincial aggregate. This subset has been provided utilizing Hydro One's internal CDM database to explicitly locate customers who participated in programs with a Woodstock municipal address as requested. A description of any of the CDM programs that the 720 Hydro One customers in the municipality of Woodstock took advantage of is provided below.

Residential Programs:

- **Appliance Retirement Program:** Over 75 appliances were retired through this Program which offers customers with a free pick up and removal of old, inefficient appliances including refrigerators, freezers, and dehumidifiers.
- **HVAC Incentives Program:** Over 90 HVAC units were installed through this Program which pays incentives to customers that upgrade to more energy efficient air conditioning or central heating equipment.
- **Home Assistance Program (also known as Low Income Program):** Over 5 homes participated in the Home Assistance Program which provides income-qualified customers with free home energy audits and energy efficient equipment and/or appliances.

Non Residential Programs:

- **Retrofit Program:** Approximately 10 business customers benefited from this Program over the 2011-2014 timeframe. The Retrofit Program provides business customers with incentives of up to 50% of the project cost to upgrade to energy efficient equipment.
- **Direct Install Lighting Program:** Over 40 businesses participated in this program which offers small business with up to \$1,500 in free energy efficient lighting upgrades.

1 • **High Performance New Construction Program:** One facility participated in this
2 program which provides incentives for new facilities that are built above building code
3 (incentives vary by project).
4

5 • **Energy Audit Program:** One facility participated in this Program which provides
6 customers with up to 50% of the cost of an energy audit.
7

8 • **Demand Response 3:** One facility participated in this program which pays
9 facilities for making themselves available to curtail load in the event of a high system
10 peak.
11

12 As noted in the transcript, take up of CDM programs cannot be forced on customers.
13 Customers may have different preferences or reasons for wanting to participate in one
14 program and not in another. Using Table 1 of the Woodstock Hydro 2013 CDM Annual
15 Report Data, filed in this proceeding as Exhibit K2.3, Hydro One has compared number
16 of CDM projects that were taken up in both service areas by program (**Table 1** below).
17 This information has also been provided as a percentage of take up of each program by
18 customer base available.
19
20

Table 1: Take Up (Projects & Customer Base)

	Hydro One		Woodstock Hydro	
	Number of Projects	Take Up As % of Available Customer Base	Number of Projects	Take Up As % of Available Customer Base
CDM Program				
Appliance Retirement	75	10.42%	343	2.17%
HVAC Incentives Program	90	12.50%	1048	6.64%
Home Assistance Program	6	0.83%	63	0.40%
Retrofit Program	10	1.39%	92	0.58%
Direct Install Lighting Program	43	5.97%	197	1.25%
High Performance New Construction Program	1	0.14%	2	0.01%
Energy Audit Program	1	0.14%	7	0.04%
Demand Response 3	1	0.14%	11	0.07%
Appliance Exchange ¹	0	0.00%	54	14.32%
Conservation Instant Coupon Booklet ¹	0	0.00%	2260	47.78%
Bi-Annual Retailer Event ¹	0	0.00%	7538	0.13%
Electricity Retrofit Incentive Program ¹	0	0.00%	20	0.00%
Customer Base	720		15,777	

¹ Participation for Hydro One customers in Woodstock is not available for the Appliance Exchange, Conservation Instant Coupon Booklet, Bi-Annual Retailer Event, and the Retailer Co-Op programs as there is no participation tracking by premise for these programs. However, utilizing the customer counts for Hydro One provided in Exhibit A, Tab 3, Schedule 1, Page 7 and Table 1 of Hydro One's publically available 2013 Annual CDM Report the provincial take-up for each of these programs can be calculated as: 0.36%, 25.49%, 73.89% and 0.03% respectively.

1 As is illustrated in Table 1, when a comparison of each CDM programs take-up is
2 illustrated as a percentage of customer base, where information is available to compare,
3 Hydro One is consistently performing better than Woodstock Hydro in the take-up of all
4 CDM programs participated in by customers in the municipality of Woodstock.
5
6 Lastly, we note that Hydro One is supportive of the Ontario Government's renewed
7 commitment for conservation and demand management and Hydro One will continue to
8 work with the government and other stakeholders to develop the Province's CDM
9 framework for 2015-2020.

UNDERTAKING J2.3

Undertaking

To provide information with respect to the breakdown of residential and industrial customers of Woodstock Hydro at the current time.

Response

WHSI's customer count as at April 30, 2015 is as follows:

Customer Category	Customer Count
Residential	14,329
Commercial/Industrial	1,448
Total	15,777