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4 June, 2016

BY EMAIL & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Ms. Walli:

**Board File No. EB-2016-0050 --- Hydro One GLPT - for leave to purchase all issued and outstanding voting securities of Great Lakes Power Transmission Inc.
Energy Probe – Interrogatories to Applicant**

Pursuant to Procedural Order No. 1, issued May 18, 2016, attached please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Hydro One in the EB-2016-0050 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc. Erin Henderson, Hydro One Networks Inc. (By email)
Gordon Nettleton, McCarthy Tetrault LLP (By email)
Judith Fernandes, Ontario Energy Board (By email)
Brady Yauch, Consultant to Energy Probe (By email)
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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF an application made pursuant to
section 86(2)(b) of the *Ontario Energy Board Act, 1998* by Hydro
One Inc. for leave to purchase all issued and outstanding voting
securities of Great Lakes Power Transmission Inc.

Hydro One GPLT Merger

Interrogatories of the

Energy Probe Research Foundation

June 4, 2016

Hydro One GPLT Merger: Energy Probe Interrogatories

Energy Probe IR#1

Reference: Exhibit A, Tab 1, Schedule 1, Page 7

Preamble: Hydro One's assessment of the proposed transaction takes into account the Board's "No Harm" Test outlined in the Handbook.

- a) Please provide the specific Handbook reference(s) and extract(s).**
- b) How does Hydro One interpret the "No Harm" test from a ratepayer perspective?**
- c) If GPLP's revenue requirement and rates were to increase at or below inflation (absent the merger), how would this affect the "No Harm" test?**

Energy Probe IR#2

Reference: Exhibit A, Tab 1, Schedule 1, Page 8

Preamble: While longer term synergy savings opportunities are reasonably expected, reductions to the GLPT cost structure over time are not expected to result in significant reductions to the level of the UTR relative to the UTR rate had the transaction not proceeded. This outcome is due to the relatively small size of the GLPT revenue requirement as compared to the overall revenue requirement recovered through the UTR.

Please explain why "size matters" in assessing the cost/benefit of the Transaction. In your response take into account the fact that GPLT's revenue requirement is now recovered in the pooled UTR rates now and Post-merger.

Energy Probe IR#3

**References: Exhibit A, Tab 3, Schedule 1. Page 2 and
Distribution Filing Requirements Chapter 3 (RRFE)**

- a) With reference to the RRFE, specifically Chapter 3, Table 1, Page 2 of the Guidelines, please indicate which of the Option(s) Hydro One is attempting to mirror - 4th Generation IR, Custom IR or Annual IR Index.**
- b) Please demonstrate/discuss how the specific proposals in the Application and resulting Rates meet/do not meet the Structure and Options of the RRFE.**
- c) Please discuss why Hydro One is proposing to adopt certain parts of the RRFE framework in the 10 year period post-merger and not others e.g. X factor, Term.**

Energy Probe IR#4

References: Exhibit A, Tab 2, Schedule 1, Page 3 and
Exhibit A, Tab 3, Schedule 1, Page 1

- a) Please confirm Hydro One Tx and GLPT rates recently have been set for a two year period based on a Revenue Requirement based on Cost of Service.**
- b) Please provide for each entity, the annual Revenue Requirement and the realized rate of return for the period 2010-2015.**
- c) Leaving aside relative size argument(s), please explain why a 10 year rebasing for GPLT is appropriate for Hydro One and for existing ratepayers?**
- d) Given the historic revenue requirements for Hydro One TX and GLPT, please explain why inflation is an appropriate escalator for GPLT revenue requirement post 2019?**

Energy Probe IR#5

Reference: Exhibit A, Tab 2, Schedule 1 Page 3 Table 1

- a) Please explain why in Table 1 “OM&A per gross fixed assets” is an appropriate measure.**
- b) Has this measure been approved as a Productivity Measure for Transmitters, comparable to Total Factor Productivity used for Distributors? If so, please provide references.**
- c) Does Hydro One have TFP figures for GPLT and Hydro One? If so, please provide these.**

Energy Probe IR#6

Reference: Exhibit A, Tab 2, Schedule 1 Tables 2 and 3

- a) Please provide a draft of GPLT’s Capital Plan as referenced in the evidence.**
- b) Comparing Tables 2 and 3, please provide the basis of the reductions in CAPEX i.e. which projects will be deferred or integrated with Hydro One plans. Please be as specific as possible with a listing of projects and capital costs before and after the merger.**

Energy Probe IR#7

Reference: Exhibit A, Tab 2, Schedule 1 Tables 4 and 5

Comparing Tables 4 and 5, please list the major areas and amounts of OM&A savings, e.g. Salaries and Wages and associated savings for Business as Usual/Base/High scenarios.

Energy Probe IR#8

Reference: Exhibit A, Tab 2, Schedule 1 Table 6

- a) Does Hydro One have Regional SAIFI and SAIDI figures that correspond geographically to GPLTs service area?**
- b) If so, please provide these data.**

Energy Probe IR#9

Reference: Exhibit A, Tab 3, Schedule 1, Page 2

- a) Please explain why Hydro One is proposing one of the features of RRFE - a 300 basis point ESM/Off Ramp.**
- b) Confirm the proposed ESM is asymmetric.**
- c) Please indicate if Hydro One is linking the ESM and the rebasing period. If so, describe the relationship and examples of other rebasing periods and ESM thresholds Hydro One has considered.**
- d) If the Board was to require a productivity offset similar to Distribution, what would Hydro One propose? Please consider historic rate increases in your response.**
- e) If the Board decided to set the rebasing term at 5 years with/without an option to extend, what would Hydro One's position be?**

Energy Probe IR#10

Reference: Exhibit A, Tab 3, Schedule 1, Page3, line 6

Preamble: In the absence of audited financial statements, GLPT's last available audited financial statement will serve as a proxy for the achieved ROE amount (excluding one-time extraordinary, unusual items and any OEB-approved adjustments) for purposes of calculating shared earnings.

- a) Please provide the following Financial Pro-formas 2017-2026 for GLPT using the data in Tables 2-5.**
 - i) Business as usual (No Merger)**
 - ii) Base (Savings)**
 - iii) High (Savings)****Please provide in Active XLS format.**
- b) Please illustrate using the pro-forma(s), with rates increasing at inflation, the annual revenue requirement for each case and the return to Hydro One assuming the \$222 million Acquisition Costs are recovered in rates over a) 5 years and b) 10 years? Please provide all assumptions.**

Energy Probe IR#11

Reference: Exhibit A, Tab 1, Schedule 1, Page 8

Preamble: The rate rebasing deferral period is intended to give HOI the opportunity to realize cost savings through operational integration and the eventual amalgamation with Hydro One. Savings realized during the deferral period will be used by HOI to offset transaction costs and premiums incurred in respect of the transaction. The resulting cost structure reductions following the deferral period will be reflected in rebased rates charged to transmission customers.

Please provide rebasing periods for previous purchases in the company's transmission and distribution businesses.

Energy Probe IR#12

Reference: Exhibit A, Tab 2, Schedule 1, Table 2 and Table 4

- a) Please provide the capital expenditure data back to 2010.**
- b) Please provide the OM&A data back to 2010.**