Aiken & Associates

578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

August 12, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2016-0160- Interrogatories of London Property Management Association

Please find attached the interrogatories of the London Property Management Association ("LPMA") in the above noted application.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

cc: Erin Henderson, Hydro One

EB-2016-0160

Hydro One Networks Inc. Transmission

Application for electricity transmission revenue requirement and related changes to the Uniform Transmission Rates beginning January 1, 2017 and January 1, 2018.

INTERROGATORIES OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION ("LPMA")

EXHIBIT A - ADMINISTRATION

A-LPMA-1

Ref: Exhibit A, Tab 3, Schedule 1, Table 1

Please define "customer" as used in customer focus. Does it include directly connected LDCs and end users only, or does it include customers of LDCs?

A-LPMA-2

Ref: Exhibit A, Tab 5, Schedule 3

a) Please add a column to Table 2 that shows the total costs that remain in Hydro One Networks for each of the services shown.

b) Please expand Table 2 provided in response to part (a) to include actual data for 2015 and the most recent year to date information for the 2016 bridge year along with the forecast for the remainder of 2016.

A-LPMA-3

Ref: Exhibit A, Tab 5, Schedule 3

Please expand Table 3 to include columns to show the actual figures for 2015 and the bridge year forecast for 2016, including the most recent year to date actuals for 2016.

EXHIBIT B - TRANSMISSION SYSTEM PLAN, PEFORMANCE AND REPORTING

B-LPMA-4

Ref: Exhibit B1, Tab 3, Schedule 10

a) Please provide the overhead capitalization rates used in each of 2013 through 2016.

b) What is the impact on OM&A and capital of moving from the 2016 overhead capitalization rates to those proposed for both 2017 and 2018?

EXHIBIT C - COST OF SERVICE

C-LPMA-5

Ref: Exhibit C1, Tab 2, Schedule 1

a) Please update Table 1 to reflect the most recent year-to-date actuals available for 2016, along with the current forecast for the remainder of the bridge year.

b) Please provide the most recent year-to-date actuals available for the 2016 bridge year in the same level of detail as shown in Schedule 1, along with the figures for the corresponding period in 2015.

C-LPMA-6

Ref: Exhibit C1, Tab 2, Schedule 1

Please provide a table that shows the transmission OM&A expenditures both before and after capitalization for the 2012 through 2018 years. In particular, please show the total OM&A as reported in Table 1, followed by a line that shows the total transmission related OM&A that was calculated and then a third line showing the sum of the two, the gross transmission OM&A before capitalization.

C-LPMA-7

Ref: Exhibit C1, Tab 2, Schedule 1

Where are tax credits included in Table 1 as an offset to OM&A costs?

C-LPMA-8

Ref: Exhibit C1, Tab 2, Schedule 2

Please update Table 1 to reflect the most recent year-to-date actuals available for 2016, along with the current forecast for the remainder of the bridge year.

C-LPMA-9

Ref: Exhibit C1, Tab 3, Schedule 7

Please update Table 1 to reflect the most recent year-to-date actuals and actual property tax assessments, indemnity and rights payments invoices received for 2016. Please also update the forecast for the remainder of 2016 where final assessments or invoices have not yet been received.

C-LPMA-10

Ref: Exhibit C1, Tab 5, Schedule 1

Are the depreciation expenses related to the fleet management services in Table 3 included in the total OM&A forecast shown in Table 1 of Exhibit C1, Tab 2, Schedule 1, or are they transferred out of OM&A and into the depreciation expense shown in Table 1 of Exhibit C1, Tab 7, Schedule 1?

C-LPMA-11

Ref: Exhibit C1, Tab 5, Schedule 1

a) Where are the revenues shown in Table 5 included as an offset to the in the calculation of the supply chain OM&A costs shown in Table 4? If not, where are these revenues reflected in the calculation of the revenue requirement?

b) What is the forecast for the 2017 and 2018 for the incremental recovery program shown in Table 5?

C-LPMA-12

Ref: Exhibit C1, Tab 6, Schedule 1 & EB-2013-0416 Exhibit C1, Tab 5, Schedule 1

Please explain the significant increase in total CCF&S costs shown in the current evidence of $201.8 for 2017 and $202.7 for 2018 in Tables 1 and 2 with the figures in

Tables 3 and 4 in Exhibit C1, Tab 5, Schedule 1 in EB-2013-0416 of $175.3 (Table 3) for 2017 and $179.2 (Table 4) for 2018.

C-LPMA-13

Ref: Exhibit C1, Tab 7, Schedule 1

a) Does Hydro One capitalize and/or expense any of the depreciation and/or amortization expense?

b) If the response is yes to (a), please provide a table that shows for 2012 through 2018 the amount that is capitalized and the amount that is expensed. If any amount is expensed, please confirm whether or not this amount is included in the OM&A historical and forecasted figures.

C-LPMA-14

Ref: Exhibit C1, Tab 7, Schedule 1

a) What is driving the significant increase in asset removal costs shown for 2017 and 2018 relative to the four previous years shown in Table 1?

b) Please provide all the data, information and calculations used to calculate the asset removal costs for the bridge and test years.

C-LPMA-15

Ref: Exhibit C1, Tab 7, Schedule 1

Please provide a table that shows for each year from 2012 through 2016 the total Board approved depreciation and amortization expense, the actual depreciation and amortization expense and the difference.

C-LPMA-16

Ref: Exhibit C1, Tab 7, Schedule 1

Please updates Tables 1 & 2 to reflect the most recent year-to-date actuals available for the 2016 bridge year, along with an updated forecast for the remainder of the bridge year.

C-LPMA-17

Ref: Exhibit C1, Tab 7, Schedule 1

a) How does Hydro One calculate the depreciation expense? For example, is depreciation calculated starting in the month that an asset is placed in service, or does Hydro One use the midyear rule?

b) Does Hydro One use the same depreciation methodology for accounting purposes as it does for regulatory purposes? Please explain fully.

c) Does Hydro One use the same depreciation methodology for actual assets placed into service as it does for forecasting purposes? Please explain fully.

C-LPMA-18

Ref: Exhibit C1, Tab 8, Schedule 1

a) Please explain the derivation of the $2.3 billion one-time PILS departure tax noted on page 1 at lines 26-27.

b) Please explain why Hydro One was required to file the November 4, 2015 tax return. Was this related to the PILS departure tax?

c) Please provide the tax return for the period ending December 31, 2015.

C-LPMA-19

Ref: Exhibit C2, Tab 4, Schedule 1, Attachment 2 & Exhibit D1, Tab 1, Schedule 2

Please reconcile the net additions for 2016, 2017 and 2018 shown in Attachment 2 to Exhibit C2, Tab 4, Schedule 1 with the in-service capital additions shown in Table 1 of Exhibit D1, Tab 1, Schedule 2.

C-LPMA-20

Ref: Exhibit C2, Tab 4, Schedule 1, Attachment 2

Please explain the reduction in the CCA labelled as "Less CCA not in rates".

C-LPMA-21

Ref: Exhibit C1, Tab 8, Schedule 1 & Exhibit C2, Tab 4, Schedule 1, Attachment 4 & 2

The evidence states (page 7 of the first reference above) that "the opening bridge year's UCC balance is based on the December 31st historic UCC balance which is expected to be reported in Schedule 8 of the federal T2 tax return that will be filed by June 30th of 2016".

Hydro One filed the T2 return on August 10, 2016. Please update the 2015 CCA schedule shown on page 3 of Attachment 4 to Exhibit C2, Tab 4, Schedule 1 to reflect actual data reflecting the actual T2 return for the period ending December 31, 2015, if any changes are required. If changes are required to the CCA schedules, please reflect these changes in the bridge and test year CCA schedules shown in Attachment 2 of Exhibit C2, Tab 4, Schedule 1.

C-LPMA-22

Ref: Exhibit C2, Tab 4, Schedule 1, Attachment 6

Please update the table to reflect actual data for 2015 and to include a column for the 2016 forecast for the line items shown in the table.

EXHIBIT D - RATE BASE AND COST OF CAPITAL

D-LPMA-23

Ref: Exhibit D1, Tab 1, Schedule 1, pages 4-5

a) The evidence indicates that the 2015 actual rate base was $34.1 million below the Board approved level. What is the impact of this variance in the revenue requirement taking into account return on capital, taxes/PILs and depreciation?

b) How many months of actual data are reflected in the 2016 bridge year forecast shown in Table 4?

c) Please update Table 4 to reflect the most recent year to date actual information for 2016 and the current forecast for the remainder of the bridge year.

D-LPMA-24

Ref: Exhibit D1, Tab 1, Schedule 2

Please update Table 1 to reflect the most recent year to date actual information for 2016 and the current forecast for the remainder of the year.

D-LPMA-25

Ref: Exhibit D1, Tab 1, Schedule 3

a) Please indicate where in Exhibit A-7-1 the 2015 true up payments are noted.

b) Please provide a table that shows for each of the agreements shown in Table 1 the project, the original contribution and the forecasted true up contributions. For each project, please also identify the customer responsible for making the contribution.

D-LPMA-26

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1

a) Please explain why the Payment Lag Time shown in Table 3 is not equal to the number of days from the period ending date to the payment date.

b) Please confirm that this is change in the calculation of the Payment Lag Time from the lead lag study filed in EB-2014-0140. Please explain the rationale for the change and provide all information that supports this change.

D-LPMA-27

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1

a) Please provide all the assumptions, data and calculations used to calculate each of the expense lead times shown in Table 5, including, but not limited to, payment frequency and length of expense periods.

b) Please provide all the assumptions, data and calculations used to calculate the expense lead times for each of the items shown on page 9 of the report.

D-LPMA-28

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 4

a) A comparison of the expense lead days in Table 4 filed in this application relative to that filed in EB-2014-0140 shows a number of significant changes. Please indicate what changes have taken place that have resulted in the following changes between EB-2014-0140 to the current study:

i) property taxes: (15.47) to 23.89;
ii) corporate procurement card: 33.36 to 29.87;
iii) payments to Inergy: 44.40 to 32.82;
iv) consulting and contract staff: 80.15 to 1.91; and
v) miscellaneous OM&A: 63.60 to 49.00.

b) In the EB-2014-0140 study, miscellaneous OM&A accounted for 13% of total OM&A expenses, while in the current study it now represents 40%. At the same time the weighting of payroll & benefits and consulting and contract staff have declined from 70% of OM&A to 45%. Please explain the swing in these costs.

D-LPMA-29

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 5

A comparison of the expense lead days in Table 5 filed in this application relative to that filed in EB-2014-0140 shows a number of significant changes. Please indicate what changes have taken place that have resulted in the following changes between EB-2014-0140 to the current study:

i) pensions: (45.68) to 28.18;
ii) group life insurance: 6.56 to 0.86;
iii) group health and dental -ASO; 30.83 to 56.48;
iv) group health and dental - claims: 1.89 to 10.9;
v) payroll - basic: 18.50 to 26.70;
vi) payroll - construction: 18.50 to 11.49;
vii) payroll - management: (0.8) to 25.91;
viii) payroll - supervisor pensions: (15.13) to 25.91;
ix) payroll withholdings - management: 7.22 to 40.29; and
x) payroll withholdings - supervisor pensions: (8.50) to 40.29.

D-LPMA-30

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 6

a) Please provide all the assumptions, data and calculations used to calculate each of the expense lead times shown in Table 6.

b) Does HONI expense any depreciation or amortization costs through OM&A? If yes, please quantify the amount for each of 2015 through 2018.

c) If HONI does expense some depreciation or amortization costs through OM&A, please confirm that these costs have NOT been included in the OM&A figures used to calculate the working capital allowance. If this cannot be confirmed, please explain fully why the depreciation and amortization costs should be included in the calculation of the working capital allowance.

D-LPMA-31

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1

a) With reference to the long term debt instruments shown in Exhibit D2, Tab 4, Schedule 2, page 2 for 2014, please show the calculation of the lead time of (1.33) days for interest on long term debt.

b) Using the same methodology used for 2014, please calculate the lead time of the interest on long term debt based on the debt instruments shown for each of 2017 and 2018 in Exhibit D2, Tab 4, Schedule 2, pages 5 & 6.

D-LPMA-32

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1

a) Please explain the significant decrease in the PILS expense lead from 114.74 days in EB-2014-0140 to 19.63 days in the current application.

b) Please provide all the assumptions, data and calculations used to calculate the 19.63 days in the current application for the PILS expense lead.

c) Please provide all the assumptions, data and calculations used to calculate the 114.74 days in EB-2014-0140 for the PILS expense lead.

d) If PILS payments are made in monthly installments, please explain why the expense lead time should not be 45.63 days, being the sum of the average monthly period of 15.21 days (365/12) and 30.42 days being the average end of the month (365/12) when payment is made for the previous month. If payments are not made at the end of the month for the previous month, please explain when payments are made.

D-LPMA-33

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 7

Please provide all the assumptions, data and calculations used to calculate each of the HST lead times shown in Table 7.

D-LPMA-34

Ref: Exhibit D1, Tab 1, Schedule 4, Attachment 1, pages 15-16

a) Please explain the statement that Table 13 shows that when holding revenue lag days constant, the working capital requirement in 2017 is approximately 4.4% higher in the current study than the prior study when table 13 shows that the 4.4% is the working capital as a percent of OM&A and Table 4 shows that the corresponding figure for 2016 was 2.27%.

b) Please confirm that based on holding the revenue lag days constant, the WCA percentage would increase by approximately 93%, from 2.27% to 4.38%.

c) Please explain the inclusion of the cost of power in the tables in the line labelled 'Working Capital as a Percent of OM&A incl. Cost of Power'. What cost of power is included in this calculation?

D-LPMA-35

Ref: Exhibit D1, Tab 4, Schedule 1

What is the impact on the revenue requirement in each of 2017 and 2018 of a 10 basis point change in the return on common equity?

D-LPMA-36

Ref: Exhibit D1, Tab 5, Schedule 1

a) Please explain why no debt issues forecast for 2017 (Table 3) are for a term of 5 years.

b) Please confirm that the 2016 debt issuances shown in Table 2 will be updated when the debt is issued and carried into the 2016 and 2017 revenue requirement updates. If this cannot be confirmed, please explain why the actual amounts and interest rates would not be incorporated into the revenue requirements.

c) Please update Table 4 to reflect the most recent information available.

d) Will the 2018 revenue requirement be updated to reflect the actual 2017 debt issuances (amounts, rates and costs) that were completed prior to the filing for 2018 rates, or prior to the Board decision with respect to the 2018 rates, or some other point in time? If the latter, please explain the timeframe after which actual 2017 debt would not be taken into account in the setting of 2018 rates.

D-LPMA-37

Ref: Exhibit D2, Tab 2, Schedule 1

a) Please confirm that the transfers in/out shown for the bridge and test years reflect the CCRA capital contributions true ups

b) Please confirm that the CCRA capital contributions true up adjustments column reflects the removal of the half year impact which is included in average column.

c) Please provide an updated schedule that reflects the most recent year to date actual additions and retirements available, along with the current forecast for the remainder of 2016.

D-LPMA-38

Ref: Exhibit D2, Tab 2, Schedule 2

a) Please explain, and provide an illustration, of how the accumulated depreciation continuity schedule reflects a reduction in accumulated depreciation associated with the capital contribution true ups reflected in Exhibit D2, Tab 2, Schedule 1.

b) Please provide an updated schedule that reflects the most recent year to date actual additions and retirements available, along with the current forecast for the remainder of 2016.

EXHIBIT E - REVENUE REQUIREMENT AND LOAD FORECAST

E-LPMA-39

Ref: Exhibit E1, Tab 2, Schedule 1

a) Please update Table 1 to reflect the most recent year to date actual information available for 2016, along with the current forecast for the remainder of the year.

b) Please provide the most recent year to date actual data for the 2016 bridge year in the same level of detail as found in Table 1. Please also provide the figures in the same level of detail for the corresponding period in 2015.

E-LPMA-40

Ref: Exhibit E1, Tab 2, Schedule 1, Table 1

a) Please confirm that there currently existing variance accounts to track any variance in revenues between actuals and that built into the revenue requirement for all four of the line items shown in Table 1. If this cannot be confirmed, please explain fully.

b) Is Hydro One proposing variance accounts for all of the external revenues shown in Table 1 for 2017 and 2018?

E-LPMA-41

Ref: Exhibit E1, Tab 3, Schedule 1

Please provide the data shown in Figures 3 and 4 in a live Excel spreadsheet.

E-LPMA-42

Ref: Exhibit E1, Tab 3, Schedule 1

What would be the impact on the revenue and revenue deficiency if the normal weather data were changed from the current 31 year average to:

a) the most current 20 year average; and

b) the most current 20 year trend?

E-LPMA-43

Ref: Exhibit E1, Tab 3, Schedule 1

a) Please show the derivation of the figures in Table 3 under the heading "Load Forecast before Deducting Impacts of Embedded Generation and CDM" based on the forecasts derived from the econometric, end-use and customer forecasts, and any other assumptions or calculations used to arrive at the figures shown in Table 3.

b) Please provide a version of Table 3 that reflects the use of the most recent information available for all of the explanatory variables and assumptions used in the model, such as GDP and housing starts as shown in Appendix E, CDM, etc. Please provide an updated Appendix E that reflects the updated forecasts.

E-LPMA-44

Ref: Exhibit E1, Tab 3, Schedule 1, Appendix F

a) Please confirm that EB-2014-0040 on line 6 should be EB-2014-0140.

b) Please provide versions of Tables 6a, 6b, and 6c that show only the difference from actual weather corrected for the first and second test years for each of the past five rate applications.

EXHIBIT F - REGULATORY ASSETS

F-LPMA-45

Ref: Exhibit F1, Tab 1, Schedule 1

Please confirm that the prescribed interest rate used for 2016 is 1.10%. If this cannot be confirmed, please provide the rate used for 2016 and the basis for the rate.

F-LPMA-46

Ref: Exhibit F1, Tab 1, Schedule 2

a) Please confirm that the In Service Capital Additions Variance Account that is proposed to be continued for both 2017 and 2018 will continue to be asymmetric to track the impact on the revenue requirement of any in-service addition shortfall compared to OEB approved amounts.

b) Please confirm that the cumulative additions will be for the period 2016 through 2018, consistent with the period of 2014 through 2016 used in the account approved in EB-2014-0140.

F-LPMA-47

Ref: Exhibit F1, Tab 1, Schedule 2

a) Please provide the CDM forecast built into the 2015 and 2016 forecasts in EB-2014-0140.

b) Please provide the actual CDM in 2015 and the most recent estimate of the CDM projected for 2016.

c) If the LDC CDM and Demand Response Variance Account had been in place for 2015 and 2016, please show the amount that would be included in the account for each year and whether it would be a credit or a charge to ratepayers.

EXHIBIT G - COST ALLOCATION

G-LPMA-48

Ref: Exhibit G1, Tab 1, Schedule 1

Has the WMS revenue noted in the note below Table 1 been allocated to the transformation connection pool? If not, please explain where this revenue has been allocated.