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BY EMAIL and RESS

August 12, 2016
Our File: EB20160160

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2016-0160– Hydro One Transmission 2017-2018 – SEC Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Enclosed, please find interrogatories on behalf of SEC.

Yours very truly,
Jay Shepherd P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and intervenors (by email)

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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. pursuant to Section 78 of the *Ontario Energy Board Act* for an Order or Orders approving rates for the transmission of electricity.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

A-SEC-1

[A] Please provide all materials provided to the Board of Directors for the approval of this application and the associated 2017-18 budgets.

A-SEC-2

[A] Please provide a copy of all budget guidance documents that were issued regarding the 2017-2018 budgets that underlie the application.

A-SEC-3

[A] Please provide the most recent Hydro One business and/or strategic plans.

A-SEC-4

[A] Please provide a copy of Hydro One's 2015-2017 corporate scorecards.

A-SEC-5

[A] Are any Shareholder Directives no longer in force or no longer being applied as a result of the change in ownership structure of Hydro One? If so, please provide details.

A-SEC-6

[A] Please provide a copy of all benchmarking analysis, reports, opinions and/or assessments, undertaken by Hydro One or for Hydro One since 2014, regarding any aspect that directly or indirectly relates to its transmission business that is not already included in this application.

A-SEC-7

[A] Throughout the application, Hydro One has forecasted various amounts and/or costs for 2016. What is the date the 2016 amounts and/or costs were set?

A-SEC-8

[A/3/1, p.13] Please provide a breakdown of the Transmission Capital Budget for 2019-2021. Please provide any transmission capital plan that Hydro One has developed that underlies the forecast budget after 2018.

A-SEC-9

[A-5-1, p.4-5] Please provide a full Hydro One Networks Inc. organizational chart.

A-SEC-10

With respect to the 2015 Auditor General of Ontario Chapter 3 Report, “Hydro One – Management of Electricity Transmission and Distribution Assets”.

- a. Please provide a chart showing each Auditor General recommendation and all sub-recommendations, Hydro One’s specific response to those recommendations (and each sub-recommendation), and the status of implementation of the recommendation.
- b. If the recommendation or sub-recommendation asks for Hydro One to set a target/timetable, provide a report, create an action plan, or anything similar, please provide it.

B1-SEC-11

[B1/1/3, p.23-29] Please provide a list of the utilities that make up the ‘CEA Composite’ and explain how the methodology is used to weight their individual data to make up the composite score.

B1-SEC-12

[B1/1/3, p.23-29] Please provide a forecast of reliability, for each of the following metrics, for each year from 2016-2018, based on the capital work approved previously (2016), or sought for approval in this application (2017-2018). Please also provide for each metric, the forecasted reliability if no additional amounts were approved for 2017 and 2018 further to what was approved for 2016.

- a. Frequency of Momentary Delivery Point Interruptions
- b. Frequency of Sustained Delivery Point Interruptions
- c. Overall Frequency of Delivery Point Interruptions
- d. Duration of Sustained Delivery Point Interruptions
- e. Delivery Point Unreliability Index
- f. All Transmission Lines - Unavailability Due To Forced Outages
- g. All Major Transmission Station Equipment - Unavailability Due To Forced Outages

B1-SEC-13

[B1/1/3, p.10] With respect to customer surveys:

- a. [p.10] Please provide a copy of the full results of the Large Transmission Customer Survey;
- b. [p.12] By ‘end use customer’, is the Applicant only considering transmission connected customers, or all end-use customers of LDCs?

- c. If 'end use customer' only means transmission connected customers, please explain why the Applicant did not survey end-use customers of LDCs. i.e. residential and general service customers that will ultimately pay Hydro One's revenue requirement.

B1-SEC-14

[B1/2.2, p.4] Please provide all meeting notes from the past 2 years from meeting of the Customer Advisory Board. What information from those meetings did Hydro One use in developing this application and its capital plan?

B1-SEC-15

[B1/2/2, p.8-9] Please confirm whether LDCs pass on transmission costs to their end use customers. Please explain why Ipsos Reid did not survey non-transmission connected end-use customers.

B1-SEC-16

[B1/2/3] For each capital project that Hydro One is undertaking that will be in-service in 2017 and 2018 that arise due to, or are part of, any regional plan, please provide:

- a. the name and description of the project
- b. the regional plan it is included in
- c. cost of the project and the year it will be in-service
- d. details regarding any capital contributions which are to be paid to Hydro One, and the methodology in determining the allocation of costs between Hydro One and any LDCs.

B1-SEC-17

[B1/2/4] Please explain how Hydro One's asset management approach has changed from its last transmission rates application.

B1-SEC-18

[B1/2/4, Attach 1, p.1] Please provide a copy of the Foster Associates, *2014 Asset Failure Analysis* report.

B1-SEC-19

[B1/2/5] Please provide a couple of specific numerical examples (using different assets) of Hydro One's Asset Risk Assessment Methodology calculations.

B1-SEC-20

[B1/2/6] Please complete the shaded cells in the table included in Excel file B1-SEC-20. Please provide the response in Excel format.

B1-SEC-21

[B1/2/6, p.7-66] For each major asset type, please provide a table showing the number of assets in each of the following categories, i) very low risk, ii) low risk, iii) fair risk, iv) high risk; and v) very high risk.

B1-SEC-22

[B1/2/6, p.7] Please explain how Hydro One determines the ‘expected service life’ of its assets. When was any assessment undertaken?

B1-SEC-23

[B1/2/7, p.4-5] Please provide the latest available Global Insight Forecast for 2017-2018 for:

- a. Transmission Cost Escalation For Construction
- b. Transmission Cost Escalation for Operations & Maintenance
- c. CPI-Ontario
- d. CDN:USD Exchange Rate

B1-SEC-24

[B1/2/7] Please explain where rate impact is considered within the investment planning process?

B1-SEC-25

[B1/2/7, p.12] What ‘incremental investment funding level’ is being proposed in this application?

B1-SEC-26

[B1/3/1/Attach 1] Please provide a similar chart showing a comparison of in-service additions by major category for each year between 2012 and 2018.

B1-SEC-27

[B1/3/1, Attach 1] With respect to external contractors:

- a. For each year between 2012 and 2018, and for each category, please provide what percentage of transmission capital spending is undertaken by external contractors as compared to internal labour.
- b. For capital work in which both external contractors and internal resources could be used, how does Hydro One determine when it will use external contractors?

B1-SEC-28

[B1/3/2, p.2] Please provide any longer-term forecasts for Sustaining Capital (by stations and lines) that Hydro One has.

B1-SEC-29

[B1/3/11] For each Investment Summary Document:

- a. Please provide the Asset Risk Assessment for each investment, including a breakdown of all risk components included (i.e. asset condition risk, asset demographic risk, asset criticality, asset performance risk, etc.)
- b. Please quantify each alternative, for example, the cost to maintain instead of replacing the asset.

B1-SEC-30

[EB-2014-0140, Section IIIi(ii)/I/10/Schedule 14, Attach 1] Please provide a chart that shows for each investment (set out in an Investment Summary Document) planned to be undertaken in 2015-2016, its forecasted cost to be incurred in 2015-2016 and its actual (or forecasted to end of 2016) cost. Please provide an explanation for all variances +/- 5%.

B1-SEC-31

[B1/4/1, p.11] Please provide further details regarding the “initiative to further improve the estimating process and methodologies” to be operational in 2016.

B1-SEC-32

[EB-2014-0140, Section IIIi(ii)/I/10/Schedule 14, Attach 12] Please provide a similar table for in-service additions for 2016-2018.

B1-SEC-33

[EB-2014-0140, Section IIIi(ii)/I/10/Schedule 14, Attach 11] Please update the table and add columns showing the actual net total cost, and in-service year and month. Please explain all material variances (+/- 5%).

B1-SEC-34

[B1/4/1] For each incremental productivity initiative related to capital spending, please provide the expected savings for each of 2017 and 2018. Please explain all assumptions made in the calculation.

B1-SEC-35

[B1] If the Board were to not approve a certain amount of proposed capital spending for 2017 and 2018, please explain how Hydro One would determine which proposed spending and projects would not be undertaken.

B2-SEC-36

[B2/1/1, p.3] Please provide a list of the “international and national benchmarking studies” the Applicant contributed to, with the full citation (if available publicly) for each.

B2-SEC-37

[B2/1/1, Table 2] Please advise whether this is a full list of Tier 2 and Tier 3 metrics. If it is not, please provide the full table with all such metrics currently identified.

B2-SEC-38

[B2/1/1, p. 18-19] With respect to the Reliability and Cost Efficiency (RCE) metric, please:

- a. Advise what other transmission utilities use this metric.
- b. Provide citations for academic and technical papers and other publications that discuss the use of this metric.
- c. Confirm that the RCE is directly proportional to the number of outages.

- d. Confirm that the RCE is inversely proportional to the maintenance spend.
- e. Confirm that the RCE is inversely proportional to the gross assets, but on a declining basis, such that as gross assets go up, RCE goes down, but at a lower rate than at which assets go up.
- f. Confirm that an increase in gross assets results in an improvement in RCE (without any change in number of outages or maintenance spend), even if the increase is a result of new assets with lower maintenance needs and higher reliability. Please explain how that relationship demonstrates improved efficiency in delivering reliability.
- g. Provide a fuller description of the logic behind the metric being proposed.
- h. Provide a breakdown of the calculations for each of the figures in Table 4.

B2-SEC-39

[B2/1/1, p.23 and Attachment 1, p. 26] Please advise which “schedule”, and which “approved budget” (e.g. original, release date, revised, final before commencement, or final with extras) is used to test the work execution metric.

B2-SEC-40

[B2/2/1, p.1] The evidence says “Hydro One agreed stakeholders would be consulted regarding the Terms of Reference (TOR)...”: Please confirm that the actual wording of the Settlement Agreement is as follows:

Hydro One agrees to complete an independent Transmission Cost Benchmarking Study that will be filed with Hydro One’s next Transmission rates application. Intervenors and Board Staff will be consulted, and agreement will be sought, in defining the Terms of Reference that will be included in the Request for Proposal document. The Request for Proposal document will be used in the selection process for the independent party that will complete the Study. After Hydro One selects the independent party that will complete the Study, Intervenors and Board Staff will review the Study proposal provided by the independent party to help ensure that the proposal meets the requirements of the Terms of Reference. Intervenors and Board Staff will also be provided with an opportunity to review and provide comments on the preliminary results prior to finalizing the Study.” [emphasis added]

Please confirm that a draft of the actual Terms of Reference was provided to the stakeholders, and that agreement was reached on those terms. If agreement was not reached, please provide an explanation.

B2-SEC-41

[B2/2/1, p. 2] Please provide a table showing all changes made to the Terms of Reference, the Study Plan, and the Final Report as a result of input from customer stakeholders, including in each case what was originally proposed, the input, and the final result.

B2-SEC-42

[B2/2/1, Attachment 1] With respect to the Transmission Total Cost Benchmarking Study:

- a. Please provide a copy of the RFP for the study, including the Terms of Reference.

- b. [p.4, 10] Please confirm that the normalization factor selected, gross asset value, has the result that if a transmission company has a relatively high cost system, its annual costs will appear to be lower than the rest of the comparators, even if those costs relative to customer outcomes are the same as or higher than the comparators.
- c. [p.4, 10] Please advise what steps were taken to ensure that the gross book value of Hydro One's assets, relative to its throughput, carrying capacity, or other non-cost factors, was not higher than the same metrics for the comparator group.
- d. [p.4, 10] Please advise what normalization factor was selected for each of the last ten transmission benchmarking studies filed with the FERC and prepared by companies other than Navigant or First Quartile.
- e. [p.11] Please provide the weighted average age of all of the transmission assets of each of the companies in the peer group, including Hydro One.
- f. [p.17] Please provide the calculation used to get to a 50 years replacement cycle.
- g. [p.22-23] Please provide a copy of the the CEA study referred to.
- h. [p.24-25 and Attachment 4, p.42] Please explain what steps were taken to ensure that the nomenclature used within the peer group to describe personnel was equivalent, such that the numbers of project managers could be compared directly. Please explain why, if the nomenclature is equivalent, Hydro One has lower support staff resources, and the hourly cost between support staff and project managers is not materially different.
- i. [p. 31] For each of the recommendations on Figure 32, please provide details of the information arising out of the benchmarking analysis that caused the experts to make the recommendation, and how the recommendation and the data are linked or related.
- j. [p. 33] Please confirm that Figure 33 provides 20-14 data for each company. Please reproduce Figure 33 with two more columns, one for total transmission revenue for 2014, and one for weighted average age of assets. Please provide the revised Figure 33, with existing and additional information requested, in Excel format.
- k. [p.33] Please provide a table showing the comparators proposed by parties during the stakeholder process, and for each, either confirm that the comparator was included in the final peer group or explain why it was not. Please provide a separate table showing a list of the comparators that were added by the experts and were not proposed by parties during the stakeholder process.
- l. [p.35] Please reproduce Figure 36 indicating where Hydro One would be located on the chart had it not been excluded.

B2-SEC-43

[B2/2/1, Attachment 2, p. 33] Please provide a table showing each of the comparators actually used in the benchmarking study, and for each, show how they meet the comparator characteristics referred to on this slide.

B2-SEC-44

[B2/2/1, Attachment 2, p. 42] Please advise which of the “cost criteria results” listed were used in the benchmarking study. For the first three criteria listed, please provide a table showing the results of these metrics for Hydro One and each of the comparators.

B2-SEC-45

[B2/2/1, Attachment 3, p. 18 and Attachment 4, p. 54] Please confirm that the best practices goal was not included in the Settlement Agreement. Please confirm that the “balanced panel” was used in order to deliver best practices information. Please confirm that a “homogeneous panel” is the optimal approach when selecting a peer group for benchmarking purposes.

B2-SEC-46

[B2/2/1, Attachment 3, p. 32-37] Please provide a copy of the responses given by the experts to the stakeholder feedback points on pages 32-37, as indicated on page 31 (next steps). If no written responses were delivered, please explain why, and provide those responses now.

B2-SEC-47

[B2/2/1, Attachment 4, p. 5] Please provide all studies in the possession of the experts supporting their opinion that transmission companies do not have economies of scale past a certain size, and supporting their opinion that all the comparators in this study are larger than that threshold size.

B2-SEC-48

[B2/2/1, Attachment 4, p. 32] Please provide a table, in the same format as this table, showing administrative costs alone.

C1-SEC-49

[C1/2/1, p.6-7] Please provide a similar table showing 2014 Board-approved versus 2014 OM&A actual expenditures.

C1-SEC-50

[C1] For complete Appendix 2-JB – Cost Driver Table, from the Board’s *Filing Requirements For Electricity Distribution Rate Applications*¹, with information for 2012-2018, please provide a version of the table in Excel.

C1-SEC-51

[C1] Similar to Appendix 2-JC - OM&A Program Table, from the Board’s *Filing Requirements For Electricity Distribution Rate Applications*², please provide in one single table, all of the

¹<http://www.ontarioenergyboard.ca/oeb/ Documents/2016EDR/2016 Filing Requirements Chapter2 Appendices.xlsm>

OM&A expenses broken out in the evidence for 2012-2018. Please provide a version of the table in Excel.

C1-SEC-52

[C1/2/2] For each incremental productivity initiative related to OM&A, please provide the expected savings for each of 2017 and 2018. Please explain all assumptions made in the calculation.

C1-SEC-53

[C1/2/2. p.41] With respect to vegetation management OM&A:

- a. For each year between 2012 and 2018, please provide the kilometres of each, brush control and line clearing, that Hydro One has completed (2012-2015) or is forecasting to complete (2016-2018).
- b. Have the brush and line clearing cycles changed since 2012? If so, please describe the changes and their rationale.
- c. How does Hydro One determine the appropriateness of its brush and line clearing cycles?

C1-SEC-54

[C1/4/1. p.5] With respect to retirement eligibility and retirements, please provide:

- a. A table that shows the underlying data for Figure 2.
- b. The number of eligible retirements for each year between 2016-2018.

C1-SEC-55

[C1/4/1, p.15] Please provide the specific details of the “increased resource flexibility [that] was achieved by negotiating enhancements to utilize temporary employees longer and to contract out more work”.

C1-SEC-56

[C1/5/, p.15] What assumptions is Hydro One making for the purposes of this application regarding the PWU after the expiry of its current collective agreement and the end of the test period (April 1-December 31, 2018)?

C1-SEC-57

[C1/4.1, p.16-17] Please provide a copy of all report/analysis/opinions/advice and assessments provided by both Willis Tower Watson and Hugessen Consulting regarding the MCP compensation strategy and the basis of the components of the new management compensation program.

²*Ibid*

C1-SEC-58

[C1/4/1, p21] With respect to the Long Term Incentive Program (“LTIP”), please:

- a. Provide a copy of the details of the LTIP that are provided to participants.
- b. Provide details regarding the individual metrics and/or targets that are used and the basis for using them.
- c. Explain how the LTIP aligns with the interest of Hydro One’s ratepayers;
- d. Explain how the LTIP aligns with the objectives under the *Renewed Regulatory Framework for Electricity*.

C1-SEC-59

[C1/4/1, p.20-21] With respect to the Short Term Incentive Plan (“STIP”) and Long-Term Incentive Plan (“LTIP”):

- a. What percentage of a management employee’s compensation could be set based on each of the STIP and LTIP?
- b. Please provide the maximum amount for each year between 2016 and 2018 that could be paid out under each of the STIP and LTIP.
- c. Please provide the amount for each year between 2016 and 2018 that Hydro One has budgeted to pay for each of the STIP and LTIP.

C1-SEC-60

[C1/4/1, Attach 1] Please provide the Payroll Table from 2013 to 2018 in Excel format.

C1-SEC-61

[C1/4/1, Attach 1] Please provide the number of employees in 2015 that would have appeared on the Ontario Government’s Public Sector Salary Disclosure list (i.e. Sunshine List) if it had still applied to Hydro One. Please also provide the number of employees in 2015 that would have had salaries at or over \$200,000.

C1-SEC-62

[C1/4/1, Attach 1] With respect to Hydro One’s employee vacancy rate:

- a. Please provide Hydro One’s actual vacancy rate for each year between 2012 and 2015.
- b. Please provide the forecast vacancy rate for each year between 2016 and 2018, and the basis for the forecast.
- c. Please confirm that Hydro One has built into its budget for 2017-2018 its forecast vacancy rate for 2017-2018. If confirmed, please explain how Hydro One has translated the forecast vacancy rate into a budgeted number.

C2-SEC-63

[C2/2/1 With respect to external contractors:

- a. For each year between 2012 and 2018, and for each category, please provide what percentage of transmission OM&A spending is undertaken by external contractors as compared to internal labour.
- b. For OM&A work in which both external contractors and internal resources could be used, how does Hydro One determine when it will use external contractors?

F1-SEC-64

[F1/1, p.13] With respect to the In-Service Capital Additions Variance Account, please provide:

- a. The account's current balance, including a breakdown of that calculation.
- b. A forecast of the account's balance at the end of 2016, including a breakdown of that calculation.

F1-SEC-65

[F1/1, p.13] Is Hydro One proposing to continue the In-Service Capital Additions Variance Account to record amounts for 2016-2018 on the same basis as was agreed to in the EB-2014-0140 Settlement Agreement for 2014-2016? If not, please explain why.

H1-SEC-66

[H1/4/1, p.2] With respect to the Export Transmission Service ("ETS") rate:

- a. Please explain why Hydro One believes it is appropriate to maintain the ETS rate at the same level that was approved for 2015 and 2016.
- b. If it was determined that the ETS rate should be adjusted for 2017 and 2018 to reflect the increased costs Hydro One is proposing to review in this application, what ETS rate would Hydro One recommend?

Respectfully submitted on behalf of the School Energy Coalition this 12th day of August, 2016.

Original signed by

Mark Rubenstein
Counsel for the School Energy
Coalition