

August 12, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0160 – Hydro One Networks Inc. – Transmission Rates 2017 and 2018

Please find, attached, interrogatories on behalf of the Consumers Council of Canada pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All Parties
Hydro One, Regulatory Affairs

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA

FOR HYDRO ONE NETWORKS INC. – TRANSMISSION

2017 and 2018 RATES

EB-2016-0160

ADMINISTRATION

A-CCC-1

(Ex. A/T3/S1/p. 3)

The evidence states that Hydro One (HON) is in the process of devising new approaches relating to serving its customers, forming its investment plans, and operating and maintain its assets, while maintaining a strong commitment to safety and the environment. Please elaborate on the nature of these new initiatives. Please identify where the costs and savings related to these initiatives are included in the forecasts for 2017 and 2018.

A-CCC-2

(Ex. A/T3/S1/p. 5)

The evidence states that based on HON’s assessment of its transmission system, a significant portion of its assets have deteriorated to the point where they pose a risk to its business objectives of maintaining current levels of reliability and improving customer satisfaction. Please explain how HON allowed for “a significant portion of its assets” to have deteriorated to the point where they pose such risks. Why should ratepayers now be responsible for the increased capital expenditures required to mitigate these risks?

A-CCC-3

(Ex. A/T3/S1/pp. 5-6)

The evidence states that between 2009 and 2012 HON invested heavily in system development in order to comply with government policies related to the connection and integration of renewable energy generation and the retirement of coal-fired generation. As a result system renewal needs have increased to the point of creating risk to current reliability levels. Why did HON not focus on system renewal during the 2013-2016 period?

A-CCC-4

(Ex. A/T3/S1/p. 13/Table 5)

Please recast Table 5 to include the forecast capital budget amounts for the years 2012-2016.

A-CCC-5

(Ex. A/T5/S2)

Please provide all materials presented to the HON Board of Directors related to this Application.

A-CCC-6

(Ex. A/T8/p. 3)

In the 2015 Annual Report the President and CEO refers to the fact that HON has undertaken a strategic planning process to define its future. Please provide the most recent HON Strategic Plan.

A-CCC-7

(Ex. A/T8/S1/S1/p. 29)

Please provide an update on the Class Action Lawsuit regarding HON billing issues. Could the outcome of this lawsuit impact transmission rates in any way? If so, please explain how.

TRANSMISSION SYSTEM PLAN

B-CCC-8

(Ex. B2/T1/S1/p. 1)

Provide all key performance indicators for the years 2012-2016. Please provide a complete list of metrics currently tracked and those that will be tracked going forward for 2017 and 2018. Please explain why HON is not proposing targets for its proposed metrics.

B-CCC-9

(Ex. B2/T1/S1)

Please indicate whether HON has explicitly built in productivity into its 2017 and 2018 budgets. If not, please explain why not. Please explain why HON is not proposing a price cap approach to determining rates for 2018.

B-CCC-10

(Ex. B2/T1/S1/p. 12)

The evidence states that as part of recent activities commissioned by the Company's new board and management, a number of initiatives have been identified that are expected to drive greater efficiency and productivity in HON's programs, leading to lower OM&A costs. Please provide all documents related to these initiatives.

B-CCC-11

(Ex. B2/T1/S1/p. 25)

The evidence states that the company's management team and Board of Directors have an ongoing commitment to invest in system, people and tools to ensure that KPIs and measurements of progress and outcomes are a critical element of how the company manages its transmission business. Please explain how the KPI and metrics relate to compensation plans. What are the implications if metrics do not demonstrate improvements in productivity? What happens if Hon does not demonstrate continuous improvements in its operations.

B-CCC-12

(Ex. B1/T2/S3)

Please explain in detail how the Regional Planning Process has impacted the 2017 and 2018 capital budgets. Are all of those expenditures subject to a prudence review through this application? If not, please explain why not.

COST OF SERVICE

C-CCC-13

(Ex. C1/T2/S1/p. 2)

Please recast Table 1 – Summary of Transmission OM&A Expenditures to include forecast amounts for the years 2012-2016. Please explain the methodology used to develop the OM&A budgets for 2017 and 2018. Is this methodology consistent with how the budgets have been developed in the past? If not, please explain what has changed. Please provide copies of all documents, directives etc. that were provided to employees as a part of the 2017 and 2018 budgeting process.

C-CCC-14

(Ex. C1/T2/S3/p. 1)

Please provide a complete list of the Research Development and Demonstration projects and the budgets associated with these projects. What process does HON undertake to determine which projects to undertake?

C-CCC-15

(Ex. C1/T3/S2/p. 1)

On March 1, 2015, HON entered into a new services arrangement with Inergi that has a 58-month term. Why was a 58-month term chosen? What is the annual cost of the contract for 2015-2018? How does this compare to the cost of the same services in 2012-2014?

C-CCC-16

(Ex. C1/T3/S2/p. 5)

On January 1, 2015, HON entered into a new services agreement with Brookfield Global Integrated Solutions. Why was a 10-year term selected? What is the annual cost of the contract 2015-2018? How does this compare to the cost of the same services in 2012-2014?

C-CCC-17

(Ex. C1/T3/S2/p. 3)

Overall Corporate Management Costs have more than doubled from 2015 to 2016. They are more than doubling from 2016 to 2017. The evidence indicates these costs are increasing because of changes in compensation. Please provide a detailed break-out of these costs each year for the period 2015-2018. Please provide a detailed explanation for these increases.

C-CCC-18

(Ex. C1/T3/S3/p. 3)

For each year 2012-2018 please provide the actual and forecast Corporate Management Costs specifically related to the Board of Directors.

C-CCC-19

(Ex. C1/T3/S3/p. 12)

Please provide a detailed budget for the Corporate Relations Function for 2017 and 2018. Please explain why ratepayers should be responsible to fund initiatives related to "corporate brand identity".

C-CCC-20

(Ex. C1/T3/S3/p. 21)

Please explain why Real Estate and Facilities Costs increased significantly from \$53.6 million in 2014 to \$60 million in 2015.

C-CCC-21

(Ex. C1/T4/S1/p. 16)

Please provide all documentation related to the Willis Towers Watson and Huggessen Consulting engagements. Were these contracts the subject of an RFP process? If not, why not?

C-CCC-22

(Ex. C1/T4/S1/p. 17)

Please provide all documentation related to the Short Term Incentive Plan and Long Term Incentive Plans.

C-CCC-23

(Ex. C1/T5/S1/p. 14)

Please explain why the Fleet Management Services Budget is increasing significantly in the period from 2016-2018 relative to historical levels.

C-CCC-24

(Ex. C1/T6/S1/p. 2)

The evidence indicates that with respect to the Corporate Cost Allocation methodology a time study was conducted within HON's Planning, Operating and Customer Service Groups. That study spanned a four-week period. Why was a four-week period chosen? Is this period of time typical for time studies. Was the Black and Veatch Study subject to an RFP process? If not, why not? What was the cost of the study and how are those costs recovered.

C-CCC-25

(C2/T2/S1/pp. 1-2)

Please recast the Schedule – Comparison of OM&A Expense by Major Category to include forecasts amounts.