EB-2016-0025

Ontario Energy Board

IN THE MATTER OF Application or approval to amalgamate to form LDC Co. and for LDC Co. to purchase and amalgamate with Hydro One Brampton Networks Inc.

Vulnerable Energy Consumers Coalition

Compendium for Cross Examination #2

September 15, 2016

THE 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 Horizon Utilities Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 and for each following year through to December 31, 2019.

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Thursday, October 9th, 2014,
commencing at 9:34 a.m.

VOLUME 3

BEFORE:

CHRISTINE LONG	Presiding Member
CATHY SPOEL	Member
EMAD ELSAYED	Member

our website as sort of the one single vehicle for mass penetration, but certainly continue to refine the same over the next year to two years as we launch into a 2020 application.

DR. ELSAYED: I just want to go back quickly to my favourite issue of benchmarking.

I understand the answer to the previous question about benchmarking against yourself in terms of how you do with time.

But as you know, there have been increased focus by the Board to move towards external benchmarking as well. And just -- I'm curious as to what you see as possible hurdles, if any, in doing that going forward, benchmarking both your capital expenditure, OM&A, or anything else against other entities as well.

MS. BUTANY-DeSOUZA: Well, I guess what I would start with is that, as Ms. Lerette and Mr. Butler have said, we do have a number of interrogatories and some evidence that points to how we benchmark ourselves, to some extent internally.

The OEB, as you know, tabulates the annual yearbook and certainly has taken significant effort over the past 12 to 24 months, working with Pacific Economics Group in order to revise the benchmarking approach that it is undertaking for the sector.

So to an extent on total factor productivity and how we compare as an LDC compared to our peers, certainly we pay close attention to the PEG report and the annual

outcome on where we land as a utility relative to our peers in terms of cohort groupings.

So that is probably one of the single most important factors that we bear in mind when you consider all the reporting and Triple-Rs that we do to the Board on an annual basis. And hopefully, as is tabulated cumulatively and comparatively amongst our peers, same sort of metrics, and hopefully based on the same sort of parameters, we pay close attention to how we compare over the sector.

And what we've been seeing -- increasing investment in our systems, in our processes and in our capital expenditures notwithstanding, we're still quite strong comparatively. And certainly that's a notion that the parties and Horizon as the applicant agreed to in the settlement proposal, so much so that we agreed to an efficiency adjustment, that we recognize that benchmarking is important, that ongoing methods of demonstrating productivity to your customer -- to our customers is of great importance. And so it's for that reason that collectively we agree to an efficiency adjustment. It's important to us to be efficient, to continue to be efficient, and the parties to the settlement proposal were equally saying to us: Well, it's important to us too that you continue to prove that you're going to efficiently operate over these next five years.

And that's culminated in the efficiency adjustment that's included in the proposal.

DR. ELSAYED: Thank you.

MS. LERETTE: If I could just add, I just want to go back a little bit in your question on benchmarking for the capital distribution system and the construction.

So there are a couple of barriers there. We do benchmark against ourselves. We have activity-based costing, and we can look at our unit costs year over year and try to continuously improve those costs, but when we go to other utilities or our peers and we network with them, not all have activity-based costing. So we don't all track unit costs the same.

Our design and our construction standards differ between utilities, depending on what kind of systems you have and what voltages you have. So that's problematic to benchmark.

And field conditions are different. It is much different changing a pole in downtown Toronto than it is out in the country in Hamilton, for instance. So it is very difficult to benchmark.

And I don't think there is enough utilities out there that are actually tracking unit costs to the same level that we are, that we can actually share that information.

So that's why we just do internal benchmarking now. We just don't have peers out there that we can share the information with at this time.

MS. LONG: On page 44 of the settlement agreement, you discuss the increase in OM&A between 2015 and 2019, and I'd like to get a better understanding of the reason for the bump of 8.4 percent in the first year, I guess to get to

ONTARIO ENERGY BOARD

FILE NO.:	**EB-2015-0003**	**PowerStream**

VOLUME:	**3**	
DATE:	**November 26, 2015**	
BEFORE:	**Ken Quesnelle**	**Presiding Member**
	Ellen Fry	**Member**

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MS. CUNNINGHAM: My expectations -- I mean, my experience from other upgrades if you're staying to the same system it's -- you know, four or five years between upgrades makes sense, but it really depends on the nature of the software and where the vendor is at in terms of their upgrade cycle and the customers that they have and what they're doing with their product.

MS. GIRVAN: Okay. And are you aware of any other utilities that use this system for their ERP?

MR. MACDONALD: None come to mind.

MS. GIRVAN: Enersource come to mind?

MR. MACDONALD: Not from my memory, I'm sorry.

MS. GIRVAN: Okay. So you haven't compared the cost of your J.D. Edwards system to the cost incurred by other utilities at all?

MR. MACDONALD: No. As Ms. Cunningham said, doing the budget -- preparing the budgets, our IT staff would have talked to the vendors to get some -- a reasonable pricing to put forward, but we didn't talk to other utilities.

MS. GIRVAN: Okay. Thank you. And just one clarification. If you look at page -- or, sorry, line 30 on that same schedule, there is a line that says "finance emerging products -- projects", sorry, and I just wondered if this is a financial sort of system why you have an additional project, the finance emerging projects, going forward?

MS. CUNNINGHAM: Yes, so J.D. Edwards is a good ERP system, but it's not the perfect system, if you will.

are considered. There is an annual review of the vehicle replacement plan. We consider the factors that Ms. Cunningham talked about, vehicle utilization as well as maintenance costs for specific vehicles, and our fleet department, they take the lead on this and they will also look at factors such as can we extend the life of this unit.

MS. GIRVAN: Have you done any analysis that compares your replacement program with respect to these trucks with other utilities?

MS. CUNNINGHAM: Can you ask that one again?

MS. GIRVAN: Have you done any analysis that compares your replacement program, the elements of that, with respect to what other utilities are doing?

MS. CUNNINGHAM: Yes. So my understanding is that the replacement cycle that's been determined is largely based on what the manufacturer is suggesting for a replacement cycle. And when they come up with -- then they have proposed the replacement cycle, and my understanding is that the individuals on staff that worked on it, they have in fact gone out and discussed with others what they're doing.

So that's the replacement cycle that gets set from a plan perspective, and again we go back to the individual bucket trucks where we also consider the condition at the time.

MS. GIRVAN: So you do -- my question was really about looking at other utilities and -- I would characterize it

as potentially benchmarking.

MS. CUNNINGHAM: I would say the question has been asked, but not in a formal way.

MS. GIRVAN: Wouldn't you think the manufacturers might have you on a faster replacement cycle recommendation than you might determine yourself? Just intuitively, if you're relying on when the manufacturer says it's to be replaced --

MS. CUNNINGHAM: That's possible, but our experience is that often they are in line as to when they need replaced. And that's part of the reason we do consider the other factors before we decide to actually replace a truck.

MS. GIRVAN: Is there salvage value associated with these trucks?

MR. SHEOGOBIND: Yes, typically we would put these vehicles up for auction.

MS. GIRVAN: Where does that money go?

MR. MACDONALD: It would -- accounting-wise, I guess it would be a type of proceed from sale or other revenue.

MS. GIRVAN: Okay. All right. Thank you. I just have a few questions with respect to smart grid, and there's two references.

The one is staying on this same page, at the very bottom -- yes, at the bottom of 59, there's some budget items here with respect to smart grid. And I would also like you to turn to CCC 42. It's G.CCC.42-2, page -- these are so confusing, these references. It's page 178 of the April interrogatories -- I'm sorry, it's CCC.44.

ONTARIO ENERGY BOARD

FILE NO.: **EB-2015-0065** **Enersource Hydro Mississauga Inc.**

VOLUME: **Technical Conference**

DATE: **January 8, 2016**

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are leaking oil, or contain PCBs, so that we're changing oil before they fail and leak oil.

MR. SHEPHERD: And the reason why that's gone from 1.5 million in your previous plan to seven million now -- and 12 million last year, in fact -- is because you got more inspections and you realized you have more in bad shape?

MR. MACUMBER: Yes. We have determined, based on our complete inspection of every transformer, the better records, is that we have a number of transformers that are leaking oil and it's contaminating the environment. And we're replacing them and cleaning up the soil.

MR. SHEPHERD: Are you trying to replace every transformer that leaks?

MR. MACUMBER: We are -- if a transformer is leaking oil, yes, we will be changing it out and cleaning up the soil if remediation is required.

MR. SHEPHERD: Can you tell me whether that's a practice that other LDCs follow? Because the reason I ask that is because we've seen lots of other asset management plans, and none of them say everything that leaks oil has to be replaced. None of them.

MR. MACUMBER: Well, I can't speak for other utilities. I know that our board is concerned that if a transformer is leaking oil, that it is harming the environment. We do soil-testing to confirm if it needs to be remediated, the soil, and we're changing out the transformer for the betterment of the people of Mississauga and for our system, so that if it is leaking oil eventually

ONTARIO ENERGY BOARD

FILE NO.: **EB-2014-0083**

VOLUME: **1**

DATE: **October 22, 2014**

BEFORE:	**Cathy Spoel**	**Presiding Member**
	Christine Long	**Member**

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MS. CACERES: The objection that I am trying to raise is that the witness is being asked to speculate on what the options may be arising from any determination by the OEB with respect to the working capital allowance.

MR. JANIGAN: Yes.

MS. CACERES: He's asking for speculation.

MR. JANIGAN: Counsel can answer this then. Is it the position of Hydro One Brampton that the Board must apply the default allowance in this -- default working capital allowance in this proceeding? Or are the stakeholders entitled to bring evidence to have it set aside?

MS. CACERES: It is a factor that the Board should consider, but the Board obviously has discretion in terms of determining what it will decide with respect to the working capital allowance.

MR. JANIGAN: Okay. Now, in tab 3 of my compendium, you indicate that you did not review any other utilities' lead/lag studies in coming to the conclusion that the working capital allowance should be 13 percent; is that correct?

MR. VILLETT: Yes.

MR. JANIGAN: And in terms of the impact of each 100 basis points of the working capital allowance, my understanding is 100 basis points is approximately equal to $460,000; is that correct?

MR. VILLETT: I believe in the first page of Energy Probe it refers to 435,000, subject to check.

MR. JANIGAN: Okay. That is the value for 100 basis