

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

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

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

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

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

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

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

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

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

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

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

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

28 DR. ELSAYED: Thank you.

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

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

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

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

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

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

25 MS. LONG: On page 44 of the settlement agreement, you
26 discuss the increase in OM&A between 2015 and 2019, and I'd
27 like to get a better understanding of the reason for the
28 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

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

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

10 MR. MACDONALD: None come to mind.

11 MS. GIRVAN: Enersource come to mind?

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

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

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

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

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

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

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

11 MS. CUNNINGHAM: Can you ask that one again?

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

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

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

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

1 as potentially benchmarking.

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

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

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

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

15 MR. SHEGOBIND: Yes, typically we would put these
16 vehicles up for auction.

17 MS. GIRVAN: Where does that money go?

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

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

23 The one is staying on this same page, at the very
24 bottom -- yes, at the bottom of 59, there's some budget
25 items here with respect to smart grid. And I would also
26 like you to turn to CCC 42. It's G.CCC.42-2, page -- these
27 are so confusing, these references. It's page 178 of the
28 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**

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

3 MR. SHEPHERD: And the reason why that's gone from 1.5
4 million in your previous plan to seven million now -- and
5 12 million last year, in fact -- is because you got more
6 inspections and you realized you have more in bad shape?

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

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

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

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

22 MR. MACUMBER: Well, I can't speak for other
23 utilities. I know that our board is concerned that if a
24 transformer is leaking oil, that it is harming the
25 environment. We do soil-testing to confirm if it needs to
26 be remediated, the soil, and we're changing out the
27 transformer for the betterment of the people of Mississauga
28 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

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

5 MR. JANIGAN: Yes.

6 MS. CACERES: He's asking for speculation.

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

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

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

21 MR. VILLET: Yes.

22 MR. JANIGAN: And in terms of the impact of each 100
23 basis points of the working capital allowance, my
24 understanding is 100 basis points is approximately equal to
25 \$460,000; is that correct?

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

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