



## **Jay Shepherd**

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**BY EMAIL and RESS**

September 28, 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 Notice of Motion**

We are counsel to the School Energy Coalition (“SEC”). Enclosed, please the Notice of Motion of 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)

**IN THE MATTER OF** the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Hydro One Networks Inc. for an Order or Orders approving or fixing just and reasonable rates and other service charges for the transmission of electricity as of January 1, 2017.

**AND IN THE MATTER OF** Rule 27 of the Board's *Rules of Practice and Procedure*.

### **NOTICE OF MOTION**

The School Energy Coalition ("SEC") will make a motion to the Ontario Energy Board ("the Board") at its offices at 2300 Yonge Street, Toronto, on a date and at a time to be fixed by the Board.

#### **PROPOSED METHOD OF HEARING:**

SEC has no preference on the method of hearing this motion.

#### **THE MOTION IS FOR:**

1. An order requiring Hydro One Networks Inc. ("Hydro One") to provide full and adequate responses to the following interrogatory and technical conference questions:
  - a. SEC #6, specifically the production of the:
    - i. North American Transmission Forum (NATF) Hydro One Peer Review report, and
    - ii. North American Transmission Forum (NATF) Transmission Reliability Report;
  - b. Hydro One's 2016 forecast ROE (follow-up to BOMA #30);
  - c. Hydro One Business Group Business Plans; (follow up to SEC #2)
  - d. Board Staff #28/SEC #29, specifically individual asset replace vs. refurbish Asset Economic Assessment graphs for assets over \$20M; and
  - e. Production of two internal audits reports: (follow-up to AMPCO #1), specifically the:
    - i. Audit of Investment Planning #2014-29 (January 30, 2015); and
    - ii. Transmission Lines Preventive Maintenance Optimization #2015-33 (April 7, 2016)

2. Such further and other relief as the SEC may request and the Board may grant.

**THE GROUNDS FOR THE MOTION ARE:**

1. The Board issued a Notice of Hearing on an application by Hydro One pursuant to section 78 of the *Ontario Energy Board Act, 1998* for an order or orders approving just and reasonable rates for the transmission of electricity beginning January 1, 2017 and again, January 1, 2018.

2. According to its latest update, Hydro One is seeking approval from the Board for a revenue requirement of \$1612.6M in 2017 and \$1691.1M in 2018.<sup>1</sup>

3. SEC is an intervenor in this proceeding. Pursuant to *Procedural Order No. 2*, the Board scheduled a technical conference to provide parties an opportunity to ask clarification and follow up questions regarding interrogatory responses.

4. Rule 27.03 of the Board's *Rules of Practice and Procedure* provides that a party may bring a motion seeking direction from the Board if it is not satisfied that a party has provided "full and adequate response to an interrogatory."<sup>2</sup> The same procedure reasonably applies to responses to technical conference questions and requests.

5. SEC brings this motion because Hydro One has not provided full and adequate responses to a number of interrogatories, as well as questions and requests posed to it at the technical conference held beginning September 22, 2016. The information requested is relevant to the issues to be decided in this proceeding and the refusals are unreasonable.

***Benchmarking Information***

6. In interrogatory SEC #6<sup>3</sup>, Hydro One was asked to "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."

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<sup>1</sup> Exhibit E2, Tab 1, Schedule 1, p.1 (updated September 21, 2016)

<sup>2</sup> Ontario Energy Board, *Rules of Practice and Procedure* (as revised on April 24, 2014)

<sup>3</sup> Exhibit I, Tab 6, Schedule 6 (SEC #6) [See Appendix 1]

7. In its response<sup>4</sup>, Hydro One pointed to its response to interrogatory SEC #36<sup>5</sup>, in which it listed five benchmarking studies that it had taken part in, but had not provided in the pre-filed evidence. For two of the five, Hydro One stated that it was providing on a confidential basis in response to another interrogatory (AMPCO #11). Of the other three, Hydro One stated that for one, it had stopped its involvement with it in 2014, and that for the other two, it would not be providing copies. Its reason for not providing each of those two benchmarking studies was that “per NATF [North American Transmission Forum] this study cannot be shared outside NATF memberships”.<sup>6</sup>

8. At the technical conference, SEC followed up on this interrogatory response and requested once again copies of the two NATF reports, specifically, i) the North American Transmission Forum (NATF) Hydro One Peer Review report, and ii) the North American Transmission Forum (NATF) Transmission Reliability Report. Hydro One once again refused to provide a copy of these two reports.<sup>7</sup>

9. The two reports are clearly relevant to the proceeding. The NAFT Hydro One Peer Review is peer review of Hydro One’s transmission operations.<sup>8</sup> The Transmission reliability report is a benchmarking study of Hydro One’s reliability against a broad array of transmission companies in the US and Canada.<sup>9</sup> Hydro One’s objection is not based on relevance, but that the study cannot be shared outside NATF membership.

10. The Board has repeatedly and consistently said that agreements between a utility and a third-party are not a valid reason for non-production of relevant information.<sup>10</sup> The Board is not bound by agreements between utilities and third-parties that restrict disclosure, such as confidentiality agreements, which is likely what Hydro One has with NATF.<sup>11</sup>

11. The Board has made this point directly to Hydro One on multiple occasions. In EB-2011-0140, the Board wrote regarding a request to limit disclosure of a document by Hydro One Inc.:

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<sup>4</sup> Exhibit I, Tab 6, Schedule 6. (SEC #6) [See Appendix 1]

<sup>5</sup> Exhibit I, Tab 6, Schedule 36 (SEC #36) [See Appendix 2]

<sup>6</sup> *Ibid.*

<sup>7</sup> Technical Conference Transcript Day 1, p.22-23 [See Appendix 3]

<sup>8</sup> Technical Conference Transcript Day 1, p.22-23 [See Appendix 3]; Also see <http://www.natf.net/programs>

<sup>9</sup> Technical Conference Transcript Day 1, p.22-23 [See Appendix 3]; Also see <http://www.natf.net/membership/membership-information>

<sup>10</sup> See for example: *Procedural Order No. 4* (EB-2013-0115), March 19 2014 at p.4, *Decision on Confidentiality* (EB-2011-0123), August 19, 2011 at p. 3,

<sup>11</sup> See for example, *Decision on Confidentiality* (EB-2011-0123), August 19, 2011 at p. 3

As set out in the Board's *Practice Direction on Confidential Filings* (the "*Practice Direction*"), it is the Board's general policy that all records should be open for inspection by any person unless disclosure of the record is prohibited by law. This reflects the Board's view that its proceedings should be open, transparent and accessible. The *Practice Direction* seeks to balance these objectives with the need to protect information properly designated as confidential. In the context of this proceeding, confidentiality concerns should not prevent access by the Board and parties to this proceeding to information in the possession of HONI and GLPT relevant to the development of the East-West Tie line. The fairness of the process is a primary consideration in this case. Moreover, the Board is not bound by confidentiality agreements entered into by the utilities it regulates, and regulated utilities may be ordered to produce documents that are the subject of such agreements. The *Practice Direction* provides adequate mechanisms for the protection of confidential material. [emphasis added]<sup>12</sup>

12. In EB-2012-0031, the Board ordered production of a benchmarking study, conducted by the CEA, even though the terms of that agreement between Hydro One and the CEA did not allow for production. The Board went on to say that:

We are somewhat surprised that Hydro One would agree to the confidentiality arrangements described by the company today. Hydro One is well aware of the Board's view of the importance of benchmarking.<sup>13</sup>

13. More recently in Hydro One's last distribution application, the Board commented when it ordered disclosure of another benchmarking study which Hydro One refused to provide:

The Board has confirmed many times that a confidentiality agreement between a regulated utility and a service provider does not prevent the Board from requiring disclosure of information on the public record. The fact that the ISG benchmarking study is subject to confidentiality restrictions in the service agreement between Hydro One and Inergi is not a sufficient reason for accepting a redacted version of the report.<sup>14</sup>

14. The information is relevant to this proceeding and the Board should order Hydro One to produce it as requested.

### ***Forecast 2016 ROE***

15. In interrogatory BOMA #30<sup>15</sup>, Hydro One provided rationale for why it had exceeded its return on equity ("ROE") in each year between 2012 and 2015. At the technical conference, SEC requested Hydro One to provide its 2016 forecast ROE.<sup>16</sup> The information is relevant to understanding

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<sup>12</sup> *Decision on Phase 1 Partial Decision and Order: Production of Documents* (EB-2011-0140), dJune 14 2012, at p.3

<sup>13</sup> Motion Hearing Transcript, October 23 2012 (EB-2012-0031) at p. 28.

<sup>14</sup> *Decision and Order on Confidentiality and Motion* (EB-2013-0416), August 25 2014, p.5

<sup>15</sup> Exhibit I, Tab 2, Schedule 30 (BOMA #30) [See Appendix 4]

<sup>16</sup> Technical Conference Transcript Day 1, p.22 [See Appendix 3]

the validity and testing of Hydro One's forecasts, especially considering its view is that its 2016 forecasts which were set months ago have not materially changed.<sup>17</sup>

16. Hydro One refused to provide the information, not on the basis of relevance, but that the information is forward looking financial information.<sup>18</sup> And that it "would not provide that information on a confidential basis" either.<sup>19</sup>

17. The fact that information is forward looking financial information is not a valid reason to avoid providing relevant information. It is only a rationale for why the information should be confidential pursuant to the *Practice Direction on Confidential Filings* ("*Practice Direction*") which makes specific provisions for the protection of this type of information.<sup>20</sup>

18. Hydro One is not the first company that the Board regulated whose parent entities are publically traded (Enbridge and Union Gas). Moreover, the new status of Hydro One's parent company (Hydro One Inc.) as publically traded company has not added any new requirements under the *Ontario Securities Act* related to the disclosure of forward looking financial information. Hydro One has always been a reporting issuer and subject to the same disclosure requirements under the *Ontario Securities Act*.<sup>21</sup> For years this similar forward looking financial information was provided confidential treatment by the Board.<sup>22</sup>

19. SEC submits the information is relevant and should be disclosed. If the information is required to be kept confidential, the Board has process to determine that pursuant to the *Practice Direction*. Hydro One should not be allowed to use its new status as a publically traded company as a way to limit the information that would be required to be disclosed from all other regulated entities with different ownership structures.

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<sup>17</sup> Technical Conference Transcript Day 1, p.23 [See Appendix 3]; Exhibit I, Tab 4, Schedule 5 (LPMA #5)

<sup>18</sup> Technical Conference Transcript Day 1, p.22 [See Appendix 3]

<sup>19</sup> Technical Conference Transcript Day 1, p.22 [See Appendix 3]

<sup>20</sup> Ontario Energy Board, *Practice Direction on Confidential Filings*, Appendix B, p.19

This Appendix contains an illustrative list of the types of information previously assessed or maintained by the Board as confidential, and parties may anticipate that the Board will accord confidential treatment to these types of information in the normal course

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6. "Forward Looking" Financial Information

"Forward looking" financial information that has not been publicly disclosed and that Ontario securities law therefore requires be treated as confidential.

<sup>21</sup> See <http://www.hydroone.com/InvestorRelations/FinancialReporting/Pages/QuarterlyReportsHydroOneInc.aspx>

<sup>22</sup> See for example *Decision and Order on Confidentiality and Motion* (EB-2013-0416), August 25 2014, p.5

### ***Hydro One Business Group Business Plans***

20. In the response to interrogatory SEC #2, which asked for the budget guidance documents that were issued for the 2017-2018 budgets that underlie the application, Hydro One provided a number of internal business planning documents.<sup>23</sup> On slide 5, of the first document ‘Business Planning 2016-20 presentation’, it references the creation of 2016-2020 business plans which are to be created at various division or group levels. The slide says the purpose of the documents is to provide details on staff and budget, educate a new Board [of Directors] member, clarify the plan to each division’s/group’s own group and others.<sup>24</sup> Hydro One’s own witnesses described them as “high level” documents for each business group.<sup>25</sup>

21. SEC requested that each of these business plans be provided.<sup>26</sup>

22. Hydro One has refused to provide the information on the basis that the “level of granularity is not relevant to the nature of the issues that we see arising in this application”.<sup>27</sup> Hydro One believes that the Board should not be testing the budgets of individual business groups within the company:

MR. NETTLETON: And the underlying debate then is whether this proceeding is intended to test the underlying budgets of groups within the company, and again I'll reiterate, we do not believe that the level of granularity of that type of enquiry is intended for this proceeding.<sup>28</sup>

23. SEC completely disagrees with Hydro One’s position and submits the documents should be produced. This proceeding is exactly about testing the underlying budgets of groups within Hydro One for the 2017 and 2018 test years. Hydro One has filed a cost of service application and the Board must ensure that the amounts that make up the revenue requirement, which are an aggregation of the costs of different areas within the company, are reasonable. The information sought is clearly relevant to the application and the parties’ ability to test the underlying budget.

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<sup>23</sup> Exhibit I, Tab 6, Schedule 2 (SEC #2) [See Appendix 5]

<sup>24</sup> Exhibit I, Tab 6, Schedule 2, Attach 1, p.5 (SEC #2) [See Appendix 5]

<sup>25</sup> Technical Conference Transcript Day 1, p.24 [See Appendix 3]

<sup>26</sup> Technical Conference Transcript Day 1, p.24-25 [See Appendix 3]

<sup>27</sup> Technical Conference Transcript Day 1, p.25 [See Appendix 3]

<sup>28</sup> Technical Conference Transcript Day 1, p.26 [See Appendix 3]

24. The amounts are material. Almost all the business groups where business plans would have been created are all above the materiality threshold, most substantially so.<sup>29</sup>

25. The importance of this information is heightened in this application since Hydro One does not have a company-wide business plan<sup>30</sup>, or even a strategic plan.<sup>31</sup> In fact, it does not even have a company-wide organizational chart.<sup>32</sup>

26. SEC submits the documents are relevant and should be produced.

### ***Replace vs. Refurbish Asset Economic Assessment***

27. Interrogatory Board Staff #28, asked a number of questions of Hydro One regarding how it evaluated the economic risk of assets to determine when it is most economical to replace versus refurbish an asset.<sup>33</sup> In response, to subpart 1(i), Hydro One responded it does do such an evaluation to determine if it should replace or refurbish one of its major asset types (transformers, breakers and transmission lines). It provided an illustrative graph to show the analysis for one of its 230kv autotransformers. In subpart 1(ii), which asked for copies of the business cases for all projects over \$20M, Hydro One responded by directing the reader to the Investment Summary Document (“ISD”) contained in the pre-filed evidence.<sup>34</sup>

28. SEC followed up on this interrogatory response at the Technical Conference and requested a copy of the similar graph that shows the economic analysis for all major assets for each project that is over \$20M<sup>35</sup>, as requested in subpart 1(ii). This is because the information is not actually contained in the individual ISDs contained in the evidence.<sup>36</sup> SEC had asked for the same information in interrogatory SEC #29, seeking quantification for each of the ISDs, the cost to maintain instead of replacing an asset.

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<sup>29</sup> Hydro One’s materiality threshold is \$3M (Hydro One confirms this at Technical Conference Transcript Day 1, p.60). During the technical conference, Hydro One’s witness Mr. Jodoin stated that the organizational level that the business plans were created were at the level set out for example at the table at Exhibit C1-3-3 which is for Corporate and Common Costs (Technical Conference Transcript Day 1, p.24). Of the 9 division/groups listed, only 1 has an annual budget for 2017-2018, that is allocated to transmission, of less than \$3M. (See C1-3-3, p.1, Table 3).

<sup>30</sup> Technical Conference Transcript Day 1, p.33 [See Appendix 3]

<sup>31</sup> Exhibit I, Tab 6, Schedule 3 (SEC #3), Exhibit I, Tab 13, Schedule 6 (CCC #6)

<sup>32</sup> Exhibit I, Tab 6, Schedule 9 (SEC #9)

<sup>33</sup> Exhibit I, Tab 1, Schedule 28 (Board Staff #28) [See Appendix 6]

<sup>34</sup> *Ibid*

<sup>35</sup> This is significantly above Hydro One’s materiality threshold of \$3M.

<sup>36</sup> All the ISDs say with respect to replace versus refurbish is generic line such as the following: Alternative 2 [replace] is the preferred alternative, as Alternative 1 [continue to maintain the assets] does not address the risk of failure due to asset condition and would result in increased maintenance expenses.” (See for example Exhibit B1, Schedule 03, Tab 11, S44, p.2)



Hydro One simply referred the reader to the Board Staff interrogatory at issue (Board Staff #28, parts a(i)).<sup>37</sup>

29. Hydro One refused to provide the information<sup>38</sup>, even though it admitted it had the same type of graph showing the analysis for each of those projects.<sup>39</sup>

30. Hydro One refused “on the basis of its granularity”.<sup>40</sup> Hydro One’s position is that it does not believe it is appropriate to review individual material assets that it plans to replace:

MR. NETTLETON: ....

If we get into a hearing about how each individual asset has been assessed in the manner in which the assessment has been carried out on an individual asset by asset basis, this type of armchair quarterbacking is, with due respect, not something that we believe is for the purposes of this hearing.

The fact that there is a model, and the fact that the professionals that Hydro One has on its payroll that carries out this task is what is the basis of this interrogatory. It demonstrates the process that these professionals are undertaking and how it's carried out, and that's the point of this exercise and this information request.<sup>41</sup>

31. SEC believes the information is relevant and should be produced. While Hydro One’s single example may demonstrate the general concept behind its economic evaluation, it does not provide parties with adequate information to determine how the individual material projects which it is seeking to replace have ultimately met that evaluation criteria. Further, it provides no ability for parties to test the sensitivity to changes in the assumptions such as cost and projected useful asset service life.

32. Further, while the initial interrogatory pointed readers to the ISD for the business case of the asset, Hydro One admits that those are not actually the internal business cases with all the necessary economic and other inputs and evaluations, but simply a summary of the purpose of the investment and its costs for the benefit of this application.<sup>42</sup> The requested information is important to being able to test the evidence, and not just take Hydro One’s word for it. Hydro One’s position that the purpose of the hearing is not to “arm-chair quarterback” its asset plan is not correct. The purpose of this application is

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<sup>37</sup> Exhibit I, Tab 6, Schedule 28 (SEC #29) [See Appendix 7]

<sup>38</sup> Technical Conference Transcript Day 1, p.136 [See Appendix 3]

<sup>39</sup> Technical Conference Transcript Day 1, p.136 [See Appendix 3]

<sup>40</sup> Technical Conference Transcript Day 1, p.136 [See Appendix 3]

<sup>41</sup> Technical Conference Transcript Day 1, p.136-137 [See Appendix 3]

<sup>42</sup> Technical Conference Transcript Day 2, p.147

exactly to test the plans, assumptions, and proposals of Hydro One. There is no presumption of reasonableness or prudence of any application before the Board.<sup>43</sup>

33. SEC submits the information is relevant and should be produced.

### ***Specific Internal Audit Reports***

34. In response to interrogatory AMPCO #1<sup>44</sup>, Hydro One provided a summary of internal audit reports conducted in 2015 and 2016 of its OM&A and capital expenditures.<sup>45</sup> The summary provides a table for each of the 40 internal audits, the recommendations, a short summary of the action plan and its status, and the risk level.

35. During the technical conference, SEC asked for production of 2 of 40 of those reports, specifically:<sup>46</sup>

- Audit of Investment Planning #2014-29 (January 30, 2015);
- Transmission Lines Preventive Maintenance Optimization #2015-33 (April 7, 2016)

36. Hydro One refused to provide these two audit reports on the basis, as SEC understands it, that the reports are meant for the Board of Directors, and specifically the audit subcommittee.<sup>47</sup>

37. SEC recognized the Board's decision in Hydro One's previous distribution application on a past motion for disclosure of all past audit reports.<sup>48</sup> It is why SEC has only requested the two reports, which are very germane to some of the significant issues in this proceeding. Investment planning, and the new methods that Hydro One is undertaking, are a significant issue in this proceeding that are driving large increases in proposed capital. It is also an issue that was partially the subject of the 2015 Auditor General of Ontario's report on Hydro One's asset management.<sup>49</sup> Transmission Line Maintenance is a significant part of Hydro One's budget, and it directly feeds into the investment planning. The summary information provided by Hydro One is not robust enough for parties and the Board to properly understand the issues

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<sup>43</sup> *Ontario (Energy Board) v. Ontario Power Generation Inc.*, 2015 SCC 44, at para 79

<sup>44</sup> Exhibit I, Tab 3, Schedule 1 (AMPCO #1) [See Appendix 8]

<sup>45</sup> Exhibit I, Tab 3, Schedule 1, Attachment 1 (AMPCO #1) [See Appendix 8]

<sup>46</sup> Technical Conference Transcript Day 1, p.142-143 [See Appendix 3]

<sup>47</sup> Technical Conference Transcript Day 1, p.143 [See Appendix 3]

<sup>48</sup> Decision and Order on Confidentiality and Motion (EB-2013-0416), August 25 2014, p.5

<sup>49</sup> Auditor General of Ontario, 2015 Annual Report, Chapter 3.06 - Hydro One - Management of Electricity Transmission and Distribution Assets

<<http://www.auditor.on.ca/en/content/annualreports/arreports/en15/3.06en15.pdf>>

the audit raised, and what the recommendations mean. Without the full report, the recommendations are not helpful.

38. Hydro One has agreed to provide, by way of technical conference undertaking, to see if they can provide more information regarding these audits.<sup>50</sup> SEC is hopeful that the undertaking will allow for the withdrawal of the request for an order for production of these two audit reports.

**THE FOLLOWING DOCUMENTARY MATERIAL AND EVIDENCE WILL BE RELIED UPON AT THE HEARING OF THE MOTION:**

1. The Record in EB-2016-0160
2. Such further and other material as counsel may advise and the Board may permit.

**September 28, 2016**

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**Mark Rubenstein**

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**Erin Henderson**

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**AND TO: McCarthy Tétrault**  
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<sup>50</sup> Undertaking TCK1.28; Technical Conference Transcript Day 1, p.144 [See Appendix C]

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**Gordon M. Nettleton**  
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Counsel to Hydro One Networks Inc.

**AND TO: All Intervenors**

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**School Energy Coalition (SEC) INTERROGATORY #006**

**Reference:**

Not Applicable

**Interrogatory:**

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.

**Response:**

See response to Exhibit I, Tab 6, Schedule 36.

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**School Energy Coalition (SEC) INTERROGATORY #036**

**Reference:**

B2/1/1, p.3

**Interrogatory:**

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

**Response:**

Benchmarking Studies that Hydro One contributed to include:

**1. The North American Transmission (NATF) Form Hydro One Peer Review**

As per NATF this study cannot be shared outside NATF memberships. This was confirmed by Hydro One Networks Inc. law department.

**2. CEA Forced Outage Performance of Transmission Equipment report**

The 2014 composite report, which is the latest and based on all T-CCOS members’ aggregated data from 2010 to 2014, has been provided as the response to IR AMPCO #11 as a confidential document;

**3. CEA Bulk Electricity System Delivery Point Interruptions & Significant Power Interruptions report**

The 2014 composite report, which is the latest and based on all T-CCOS members’ aggregated data from 2010 to 2014 for 5-year performance and 2014 data for single year performance, has been provided as the response to AMPCO #11 as a confidential document.

**4. SGS transmission reliability benchmarking study**

The agreement with the Service Provider states that the results and methods cannot be disclosed without the permission of SGS and all of the other companies (13) mentioned in the Study. Hydro One discontinued participation in this study as of 2014. Therefore, this study is not available for release.

**5. North American Transmission Forum Transmission reliability report**

As per NATF this study cannot be shared outside NATF memberships. This was confirmed by Hydro One Networks Inc. law department.



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# ONTARIO ENERGY BOARD

**FILE NO.:** EB-2016-0160

**Hydro One Networks Inc.  
Transmission**

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**VOLUME:** Technical Conference

**DATE:** September 22, 2016

1           MR. JODOIN: The forecast for the actual ROE, we will  
2 not be supplying that.

3           MR. RUBENSTEIN: Why not?

4           MR. HUBERT: Just to clarify the question, are you  
5 looking for a forecast of the actual ROE that Hydro One  
6 will attain in 2016?

7           MR. RUBENSTEIN: Yes.

8           MR. HUBERT: That is forward-looking information. I  
9 don't believe we'll be able to provide that.

10          MR. RUBENSTEIN: I understand maybe in a public  
11 setting. But are you able to provide that --

12          MR. HUBERT: Well, this is a public setting, Mr.  
13 Rubenstein.

14          MR. RUBENSTEIN: Sorry, I mean are you able to provide  
15 is it on a confidential basis?

16          MR. NETTLETON: No, Mr. Rubenstein, we would not  
17 provide that information on a confidential basis. Publicly  
18 traded companies now need to be very cautious about the  
19 implications. These types of data points that you're  
20 asking for can affect the trading of securities, and so  
21 this type of question is not appropriate.

22          MR. RUBENSTEIN: This is relevant information. If the  
23 Board has procedures to deal with exactly the situation for  
24 the rationale that you're discussing, the confidentiality  
25 provisions.

26          MR. NETTLETON: My understanding from what you heard  
27 from Mr. Jodoin and Mr. Hubert is that the company is not  
28 prepared to provide that information, and so we're

1 objecting to the question.

2 MR. RUBENSTEIN: All right. If I can ask you to turn  
3 to LPMA Interrogatory No.5, in part (a) you were asked to  
4 provide most recent year-to-date actuals available for  
5 2016, along with a current forecast for the remainder of  
6 the bridge year. And your response is there has been no  
7 material change in 2016 OM&A. I'm just wondering what you  
8 mean by "no material change."

9 MR. JODOIN: The forecast that we have submitted as  
10 part of the 2016 bridge year as part of this application is  
11 consistent with our filing. It's not materially different.

12 MR. RUBENSTEIN: And my question was just, obviously  
13 it's not going to be dollar for dollar the same. I just  
14 want to understand, you know, what are we talking about  
15 when we're talking about material?

16 MR. JODOIN: Generally speaking, the materiality  
17 threshold is under 3 million.

18 MR. RUBENSTEIN: So the difference is going to be plus  
19 or minus 3 million?

20 MR. JODOIN: At the time of preparing this application  
21 and deriving our bridge year forecast, that's...

22 MR. RUBENSTEIN: Thank you very much.

23 Could I ask you to turn to I-6-2, so SEC interrogatory  
24 2, attachment 1. If you can go further down. Sorry, I --  
25 my apologies, I-6-2, attachment 1. So we had asked you in  
26 the interrogatory to provide business planning, budget  
27 documents, that you -- budget planning documents. I was  
28 wondering if we can turn to -- and you provided this

1 presentation.

2 If I can ask you to turn to page 5 of that. And it  
3 references a written business plan for 2016 to 2020 that  
4 I'm unsure if this is the company as a whole or this is --  
5 each individual division is providing.

6 So first, can you clarify that?

7 MR. JODOIN: So this was a -- so the intent of this  
8 was to have a lot of the corporate groups create, I guess,  
9 a business planning story about the efforts their groups  
10 undertake. Basically, you can look at it as an org  
11 definition of their group and what they're trying to  
12 achieve.

13 MR. RUBENSTEIN: All right. And I assume when you say  
14 it's to educate a new board member, we're talking about  
15 your board of directors?

16 MR. JODOIN: That's fair.

17 MR. RUBENSTEIN: Can you help me understand what --  
18 when you talk about each group what level -- trying to  
19 understand the organization. How high up is -- would you  
20 define a group?

21 MR. JODOIN: So an example, if you leverage Exhibit C-  
22 1-3-3, where we outline various groups, so finance would be  
23 an example. There are various groups under the finance  
24 heading where -- the corporate controller. They're all  
25 listed out. These are the types of groups that we would  
26 have requested information for. Just a high-level  
27 document.

28 MR. RUBENSTEIN: All right. And can you provide those

1 high-level documents?

2 MR. NETTLETON: Well, Mr. Rubenstein, you're going to  
3 have to explain a little bit for us as to why those  
4 underlying documents are needed. The application has  
5 summarized that information, and the application is based  
6 upon that summary that are the inputs to the revenue  
7 requirement.

8 The level of granularity of going into and seeking  
9 information of the individual business plans of individual  
10 departments or groups is a level of granularity that we're  
11 going to need better explanation as to why it's relevant to  
12 this proceeding.

13 MR. RUBENSTEIN: Well, I think it provides a  
14 perspective not -- it provides a better perspective of what  
15 the individual groups are doing. This is information that  
16 already exists, so you're not having to -- I'm not asking  
17 you to derive a new business plan for each of these groups.  
18 It helps to understand what each of the groups believes  
19 that they require and what their activities are, testing  
20 the budgets of each of these groups on a going-forward  
21 basis, and I would add, it is especially important since,  
22 in response to other interrogatories which we'll ask about  
23 afterwards, you say the company doesn't have a business  
24 plan.

25 MR. NETTLETON: I didn't say that, Mr. Rubenstein.

26 MR. RUBENSTEIN: Sorry, not you specifically.

27 MR. NETTLETON: What I tested was the level of  
28 granularity of the request that you've made to provide the

1 individual business plans of the groups in the  
2 organization, and my point is that that level of  
3 granularity is not relevant to the nature of the issues  
4 that we see arising in this application.

5 MR. RUBENSTEIN: Well, and as I said, I don't agree  
6 with that. That may be your position. I believe that they  
7 are important to being able to test the budgets of the  
8 individual.

9 MR. NETTLETON: And the underlying debate then is  
10 whether this proceeding is intended to test the underlying  
11 budgets of groups within the company, and again I'll  
12 reiterate, we do not believe that the level of granularity  
13 of that type of enquiry is intended for this proceeding.

14 MR. RUBENSTEIN: Well --

15 MR. NETTLETON: So we object to the underlying  
16 request, and I'm instructing the witness not to answer the  
17 question.

18 MR. RUBENSTEIN: All right. Well, I'll just respond  
19 to that. I understand your instructions to your witnesses.  
20 But you're seeking money at this level for these individual  
21 business units. This proceeding is exactly to test the  
22 underlying budgets which make up the revenue requirement  
23 which makes up the transmission rates. It's what we're all  
24 here to be doing.

25 MS. HELT: I take it then that this is a refusal to  
26 answer the question, and we'll note that.

27 MR. NETTLETON: If we were to go down the road, Mr.  
28 Rubenstein, that you're suggesting, it would mean to have

1 every department of Hydro One appear before this Board and  
2 in this proceeding to discuss the granularity of the  
3 business plans that they have comprised, that they have  
4 inputted into the application that is now before this  
5 Board. That level of enquiry, that level of granularity,  
6 is not something that we see as relevant to this  
7 proceeding.

8 MR. RUBENSTEIN: All right. Well, we have your  
9 position.

10 Can I ask you to turn to -- just on this interrogatory  
11 -- attachment 3. I assume this is for -- best for the  
12 afternoon panel?

13 MR. NETTLETON: That's correct.

14 MR. RUBENSTEIN: If I can ask you to turn to  
15 interrogatory 56. We had asked you in this interrogatory  
16 what assumptions is Hydro One making for the purposes of  
17 this application regarding the PWU after the expiry of its  
18 current collective agreement and the end of the test year,  
19 so there is a period of April 1st to December 31st, with  
20 the current collective agreement. And your response says:

21 "It assumes that there will be a continued focus  
22 on cost containment and increased flexibility as  
23 Hydro One enters collective bargaining with the  
24 PWU in 28 (sic). Due to the nature of the  
25 collective bargaining, it's premature to  
26 elaborate on specifics at this time."

27 I understand the confidentiality of information, and  
28 there are clearly some parties in this room that this



1           MR. HUBERT: If you're looking for a business planning  
2 document?

3           MR. RUBENSTEIN: Yes, usually the board of directors  
4 is approving some business plan, most entities.

5           MR. HUBERT: There is no business planning document or  
6 board-approved business plan.

7           MR. RUBENSTEIN: Is there an expectation that one will  
8 be at some point created?

9           MR. HUBERT: The business planning process is actually  
10 reflected in our application, and the business plan, the  
11 results of the business plan are as filed here. I'm  
12 differentiating between a strategic plan, which was the  
13 original question, and a business plan.

14           So strategic planning is an ongoing process at Hydro  
15 One. But in terms of a business plan document or a  
16 strategic plan document, we have nothing that we can offer  
17 that exists right now.

18           MR. RUBENSTEIN: I think those are my questions.  
19 Thank you very much.

20           MS. HELT: Thank you, Mr. Rubenstein. Mr. Harper, how  
21 long do you think you'll be? I'm just wondering if you are  
22 going to be more than until 11, we could either just have a  
23 couple of short people who have a shorter amount of time?

24           MR. HARPER: I suspect I'll be more than to eleven  
25 o'clock, so if you want to take some other people.

26           MS. HELT: That just might be easier, rather than  
27 breaking up your questioning.

28           Who has -- anyone want to go who has about 20 minutes

1   edification to understand where and how my client might  
2   wish to proceed, I understand the materiality threshold in  
3   filing guidelines the Board has determined is \$3 million.  
4   And I didn't really understand why then these areas  
5   wouldn't be material.

6           Perhaps you could just help me with the what you were  
7   trying to drive at, so I can understand why the budgets of  
8   these areas over 3 million would not be material.

9           MR. NETTLETON: Well, Mr. Garner, I think my comments  
10   pertain to granularity. And I think what you heard from  
11   Mr. Jodoin was that there are a number of groups that  
12   comprise the category descriptions that are found on the  
13   far left column.

14           And what I had understood Mr. Rubenstein to be asking  
15   was for the individual group business plans that have been  
16   prepared and feed up into the numbers that have been  
17   provided here.

18           And what I was having a debate with, and what the  
19   scope of my objection has been and continues to be, is the  
20   idea or notion that we are getting into a discussion and  
21   process intended to effectively audit the individual  
22   budgets of individual groups that feed up into these  
23   numbers.

24           MR. GARNER: Thank you. Where I'm confused -- and I'm  
25   sure you can help me. Where I'm confused is it seemed to  
26   me, and perhaps you see it differently, but it seemed to me  
27   when the Board made the \$3 million materiality threshold,  
28   it anticipated precisely your concerns, in the sense that

1 it didn't want parties to get into matters below that  
2 materiality threshold.

3 So I was confused because that's the way I read the  
4 Board's materiality threshold, but you seem to be reading  
5 it differently. I just wanted to understand how you're  
6 reading that differently than me.

7 MR. NETTLETON: Well, from the filing or from the  
8 filing requirements. I don't believe the issue is specific  
9 to individual budgets of individual groups within a  
10 corporation, within a transmitter, for example.

11 I think the wording is unless a different threshold  
12 applies to a specific section of these requirements, the  
13 default materiality thresholds are, and they're addressed.  
14 And 3 million is one element that applies for transmitters  
15 with a transmission review requirement of more than  
16 200 million.

17 So I'm not taking issue that the 3 million is  
18 applicable, but what I'm talking about here is the level of  
19 debate and process that is going to go into the purpose and  
20 nature of the material that we would be filing for  
21 individual groups relating to business plans for those  
22 groups that feed up into the totals that are shown here.

23 There has to be some level of reasonableness, in terms  
24 of what we are discussing and are going to discuss at the  
25 hearing. We have provided that breakdown in a cogent  
26 material way, and we're hoping that is an appropriate way  
27 to address these issues.

28 If we're going to get into a debate about each

1 you're looking into how to do -- to compare construction  
2 site costs for heterogeneous activities, or similar  
3 activities where you don't have the issues hard to compare.

4 I was wondering if you could provide information in a  
5 general sense of what's the status of that. Is there any  
6 sort of preliminary assessment that you have about this  
7 sort of thing?

8 MR. NETTLETON: What I'm hearing is can you provide  
9 any additional clarification or update around that last  
10 sentence, and we can certainly do that by way of  
11 undertaking.

12 MS. HELT: That will be undertaking TCJ1.27.

13 **UNDERTAKING NO. TCJ1.27: PROVIDE ADDITIONAL**  
14 **CLARIFICATION OR UPDATE AROUND THAT LAST SENTENCE IN**  
15 **THE RESPONSE TO STAFF 97**

16 MR. RUBENSTEIN: Can I ask you to turn to Staff 28?  
17 The context of this undertaking, as I understand it, is  
18 about the asset economic risk. And you were asked in part  
19 A: Does Hydro One develop business cases to evaluate the  
20 economic risk of individual assets or groups of assets.

21 And then it asks you:

22 "If yes, does the business case evaluation  
23 criteria change in accordance with certain  
24 material thresholds. Please provide details."

25 And then part 2: "If yes, please provide the  
26 business cases for all projects listed in the  
27 filing with total costs over 20 million."

28 If you look at your response to part one -- sorry

1 A(i), you say:

2 "Only major assets such as transformers,  
3 breakers, transmission lines are economically  
4 evaluated to determine if they should be replaced  
5 or refurbished. See the graph below as a sample  
6 analysis." And then you provide it here.

7 And then for part 2, you're asked to provide all the  
8 business cases and you refer to the ISDs. The ISDs don't  
9 have this sort of economic analysis in them. I was  
10 wondering if you can provide those. So this chart is very  
11 helpful in helping to understand and evaluate. Are you  
12 able to provide it for all the projects? The ISDs don't  
13 have that in there.

14 MR. NETTLETON: Mr. Rubenstein, I think what you heard  
15 from Mr. Penstone is the fact that planners across the  
16 province are looking at the question of investment  
17 candidates. And again, I think the concern here is the  
18 level of granularity with the request that is being made  
19 and also - well, I'll leave it with the level of  
20 granularity and how it relates to this proceeding.

21 But I want to get Mr. Penstone's views on this, too,  
22 because I think it will be helpful to you and to others in  
23 terms of where this exercise fits into the boxes he  
24 presented in the table, because it is really important, I  
25 think, that we all understand where its happening.

26 MR. PENSTONE: Mr. Ng will sort of clarify the extent  
27 to which we consider economics in replacing these  
28 particular assets.

1           MR. NG: Good afternoon. In terms of major assets  
2 such as transformers, the trade-off between refurbishment  
3 and capital investment is done when a planner has notified  
4 that the asset is in need of replacement. It has  
5 deteriorated to a point that reliability becomes a  
6 challenge.

7           So at that point in time, a planner will look at the  
8 cost of the transformers and factor in what is the cost of  
9 repair to reduce the leak, and make an assessment that once  
10 the leak is repaired, how many more years can we expect the  
11 asset to last.

12           That cost is compared against the net present value of  
13 replacing it brand new and the what is the total cost of  
14 refurbishment and the expected life that this asset can  
15 continue to provide service.

16           I would like to bring you to the attention of IR from  
17 CME number 6. In it, there is a report that we filed that  
18 talks in length about this economic trade-off when we come  
19 to a transformer assessment exercise.

20           MR. RUBENSTEIN: So I understand the point of it, and  
21 I understand the theory there, the plan, the theory that  
22 you've undertaken and how you do the calculation in a  
23 general sense.

24           As I understood it, and maybe you correct me if I'm  
25 wrong, the chart you're showing in this interrogatory is an  
26 example of it being done. Is that -- am I right about  
27 that? For this asset, this was a sample evaluation that  
28 you did for one of your 230 kV auto transformers. Is that

1 what I'm looking at?

2 MR. NG: Yes.

3 MR. RUBENSTEIN: So for all the ISDs, or least for all  
4 the ISDs that fit into categories of major assets -  
5 transformers, breakers, and transmission lines -- does one  
6 exist, a similar graph like this?

7 MR. NG: For all the transformers that we propose to  
8 replace, the 41 of them, they all have a specific  
9 comparison chart as such prepared and analyzed.

10 MR. RUBENSTEIN: Can we have that for each of the  
11 major assets, transformers, breakers, transmission lines?  
12 That's what I'm seeking.

13 MR. NETTLETON: Again, Mr. Rubenstein, I would object  
14 to the request that you're asking for on the basis of its  
15 granularity.

16 What we've tried to do is provide you with an example  
17 of one instance, one investment candidate where that type  
18 of analysis is shown. Unless you can provide us with  
19 better understanding of how that information is going to be  
20 used to support -- or be used in the hearing, I think we  
21 would have a very difficult time with fulfilling the  
22 request you're making.

23 As Mr. Ng indicated, there's 41 of these for just one  
24 type of asset. If we get into a hearing about how each  
25 individual asset has been assessed in the manner in which  
26 the assessment has been carried out on an individual asset  
27 by asset basis, this type of armchair quarterbacking is,  
28 with due respect, not something that we believe is for the

1 purposes of this hearing.

2 The fact that there is a model, and the fact that the  
3 professionals that Hydro One has on its payroll that  
4 carries out this task is what is the basis of this  
5 interrogatory. It demonstrates the process that these  
6 professionals are undertaking and how it's carried out, and  
7 that's the point of this exercise and this information  
8 request.

9 So I'm objecting to the question of providing each and  
10 every analysis that's done on each and every asset that  
11 seems to be the basis of your request.

12 MR. RUBENSTEIN: Just to clarify, part 2 is what I was  
13 interested in, the response to part -- sorry, A(ii), which  
14 was -- the question was only asking for ones which are  
15 20 million dollars. And I'm asking if you can provide the  
16 chart that you would have for each of the assets where the  
17 project is 20 million dollars is more.

18 I assume that is a more narrow category. And to the  
19 overall question about the granularity, I mean, this is a  
20 forward looking -- you're seeking revenue requirement on a  
21 forward-looking basis. You say that the Board is not here  
22 to armchair quarterback. In some way, it's to evaluate the  
23 reasonableness of your proposals for these capital  
24 programs, obviously understanding and seeing the data so we  
25 can test to ensure that the replace versus a refurbishment  
26 option is the appropriate one is central.

27 MR. NETTLETON: Mr. Rubenstein, we've attempted to  
28 provide you with a summary of the projects. That's what



1 Mr. Ng was referring to in terms of the documents, I think,  
2 that were included at -- in the CME response. But the ISD  
3 is really what it is intended to fulfill that information,  
4 but we are not going so far as to produce the requested  
5 information that you've asked in interrogatory A, sub-point  
6 2 of the business cases for all projects in this filing  
7 with total costs of \$20 million.

8 MR. RUBENSTEIN: All right. If I could ask you to  
9 turn to interrogatory 59. Staff had asked you in part (a)  
10 how Hydro One guards against judgment bias and made  
11 contrary to the objective evidence, and in your response in  
12 paragraph 2 you talk about how Hydro One has developed  
13 training modules to derive a consistent assessment of risk  
14 across business units guiding planners to identify the  
15 risks, sources, hazards, or threats and strength of  
16 existing controls and ultimately to define the risk event  
17 and investment intended to mitigate or prevent as outlined  
18 at section 4.3 of Exhibit B-1, tab 2, Schedule -- so I just  
19 want to clarify what you mean by that.

20 So essentially it's to -- how to -- when you talk  
21 about a training module to help guard against judgment  
22 bias, it's a training module to ensure that they're  
23 assessing the risks properly that you've categorized and  
24 that you talked about in your presentation?

25 MR. PENSTONE: So I would say it's assessing them  
26 properly and consistently.

27 MR. RUBENSTEIN: Thank you.

28 If I can ask you to turn to Staff 88. And here you

1 line replacement program. It is not -- there is no  
2 emergency/non-emergency distinction.

3 MR. NG: Let me clarify one point here. This response  
4 to this IR is focused in on one line item in the table. So  
5 the IR asks what is a historical level of spend for  
6 emergency transmission line restorations, so to respond to  
7 that we provided a table from the pre-filed evidence that  
8 contain this information, which is the second line from the  
9 bottom.

10 MR. RUBENSTEIN: I misread that. I apologize. There  
11 is not much change.

12 MR. NG: Correct. Yes --

13 MR. NETTLETON: Yes, Mr. Rubenstein, that's why I  
14 asked which line are you looking at, are you looking at the  
15 bottom line or are you looking at the line item that does  
16 refer to transmission lines emergency restoration, which  
17 was in the IR.

18 MR. RUBENSTEIN: I misunderstood. I apologize.

19 Can I ask you to turn to I-3-1, Exhibit 2, attachment  
20 1. This is with respect to the audit planning -- sorry,  
21 it's attachment 2, but I guess it doesn't matter. And  
22 there -- Ms. Grice had asked an earlier question, and it  
23 sort of -- at least as I understood -- was punted to this  
24 panel.

25 And my question is -- would be a request to provide  
26 two of the audits which I think are very essential to this  
27 application. One is audit of investment planning is the  
28 twenty-fourteen-two-nine. And then the second one is

1 transmission line preventative maintenance optimization  
2 twenty-fifteen-three-three. Can any of you provide those  
3 two audit reports?

4 MR. NETTLETON: So, Mr. Rubenstein, the short answer  
5 is no, we are not prepared to provide by way of undertaking  
6 these reports. The audit committee reports - sorry, the  
7 audit reports are prepared for the purpose of submission to  
8 the subcommittee of -- a subcommittee of the board of  
9 directors of Hydro One. The purpose of that is for  
10 disclosure to the board of directors, and that subcommittee  
11 in particular.

12 But I think what we can do to be helpful is we can  
13 provide a summary of those reports, in particular the  
14 conclusions that are found in that report. And I'll let  
15 Mr. Penstone talk about specifically what that might  
16 entail.

17 And I'm specifically thinking of if there's action  
18 items and the status of those action items.

19 MR. PENSTONE: In terms of the summary that we could  
20 provide you, it would be as Mr. Nettleton just described.  
21 Here are the recommendations arising from that audit and  
22 here the corrective actions that have been undertaken as a  
23 result of those recommended actions.

24 MR. NETTLETON: We are prepared to provide a summary,  
25 but the actual reports themselves we will object to on the  
26 basis that they are intended for disclosure to and for  
27 purposes of the board of directors of Hydro One and its  
28 subcommittee.

1 MR. RUBENSTEIN: So this response provides -- you were  
2 Looking at the recommendation, as I understand it, in one  
3 of the columns. Are you willing to provide more than this?

4 MR. NETTLETON: We're prepared to provide with you a  
5 summary of the recs.

6 Mr. Rubenstein, let us take that away and let us think  
7 about whether we can provide you with anything more than  
8 what is provided here.

9 MS. HELT: So then, Mr. Rubenstein, the undertaking,  
10 as I understand it, would be for Hydro One to consider  
11 whether they are able to provide you with more than what is  
12 set out in the document. I think it is I 31, Exhibit 2,  
13 attachment 1, and the summary of recommendations. And if  
14 there is more that can be produced, Hydro One will produce  
15 it.

16 MR. RUBENSTEIN: Is it an undertaking? Sorry, is it  
17 by way of undertaking?

18 MR. NETTLETON: The undertaking is that we would look  
19 to see if there is any more information we can provide with  
20 respect to the attachment that was included as Exhibit I.

21 MS. HELT: 31, Exhibit 2, attachment 1.

22 MR. NETTLETON: Yes.

23 MR. RUBENSTEIN: And there is a refusal to provide the  
24 report?

25 MS. HELT: And that is undertaking TCJ1.28.

26 **UNDERTAKING NO. TCJ1.28: TO SEE IF THERE IS ANY MORE**  
27 **INFORMATION WE CAN PROVIDE WITH RESPECT TO THE**  
28 **ATTACHMENT THAT WAS INCLUDED AS EXHIBIT I31, EXHIBIT**

1           **2, ATTACHMENT 1**

2           MR. NETTLETON: That's consistent with the undertaking  
3 that was given to Ms. Grice.

4           MS. GRICE: Can I just jump in with one thing  
5 regarding the reports? What might be helpful is to  
6 understand what triggered the audit. Was there a state of  
7 play that is helpful in understanding the recommendations  
8 that you could share?

9           MR. PENSTONE: I have an understanding of how an audit  
10 plan is established within the company. But if you don't  
11 mind, Ms. Grice, I would prefer to actually get that  
12 crystal clear and basically undertake to directly from our  
13 audit group, how do they establish their audit plan.

14          MS. HELT: That's an additional undertaking and we  
15 will have that noted as TCJ1.29.

16           **UNDERTAKING NO TCJ1.29: TO ADVISE HOW THE AUDIT PLAN**  
17           **IS ESTABLISHED, TO ADVISE THE TRIGGER THAT BROUGHT**  
18           **ABOUT THE AUDIT**

19          MR. PENSTONE: Because they do establish annual audit  
20 plans. The rationale behind those plans, I can't speak to.

21          MS. GRICE: I was just even thinking for the two that  
22 have been asked for, if that information could be provided  
23 in summary specific to those two reports.

24          MR. PENSTONE: What was the trigger?

25          MS. GRICE: What was the trigger for them, what was  
26 sort of the state of play within the organization that  
27 brought about the audit. That I think will better ground  
28 the recommendations in terms of us understanding it better.

4

**Building Owners and Managers Association (BOMA) INTERROGATORY #030**

**Reference:**

Cost of Capital

**Interrogatory:**

Please explain why Hydro One Transmission's actual ROEs have exceeded its allowed ROE by at least 200 basis points over each of the last several years.

**Response:**

Hydro One Transmission's actual ROE have exceeded the allowed ROE by at least 200 basis points in 2012-2014, but not in 2015, as outlined below.

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Allowed ROE	9.42%	8.93%	9.36%	9.30%
Actual ROE	12.41%	13.22%	13.12%	10.93%
<b>Variance</b>	<b>2.99%</b>	<b>4.29%</b>	<b>3.76%</b>	<b>1.63%</b>

Actual ROE has exceeded allowed ROE by more than 200 basis points for the following major reasons.

In each of 2012-2014, favourable weather resulted in attaining a higher than planned peak demand and thus greater than expected revenues. In addition, over the course of 2012-2014, cumulative in-service additions were less than planned. This resulted in lower depreciation expense and rate base, which respectively affect the numerator and denominator of the calculation of actual ROE.

Specific to 2013, lower OM&A was mainly a result of the company recognizing a one-time property tax rebate. For 2014, lower OM&A was associated with receipt of insurance proceeds for the 2013 flooding at Richview TS and Manby TS.

2015 actual ROE did not exceed allowed ROE by more than 200 basis points.

5



1                    **School Energy Coalition (SEC) INTERROGATORY #002**

2            **Reference:**

3            Not Applicable

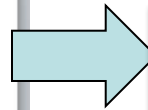
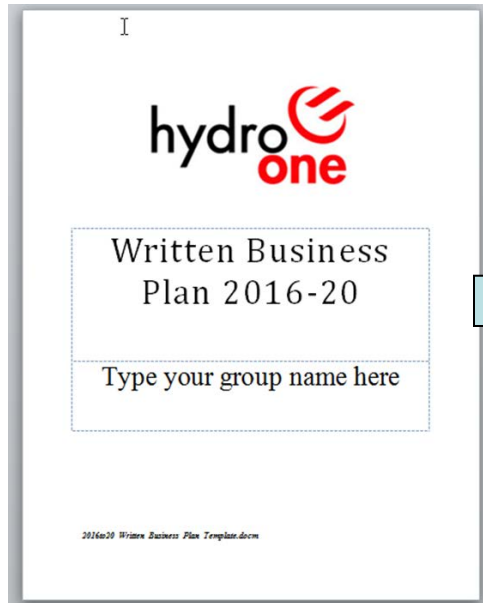
4  
5            **Interrogatory:**

6            Please provide a copy of all budget guidance documents that were issued regarding the 2017-  
7            2018 budgets that underlie the application.

8  
9            **Response:**

10           Please see the attachments to this response.

# Business Plan: The Written Document



It's **YOUR** Story

Clarify for your  
own group

Explain to  
other groups

Educate a new  
Board member

Details:

- Staff #
- Budget \$



- Productivity
- Interactions with others
- Work you do

***Standard Template for ALL***

6

**Ontario Energy Board (Board Staff) INTERROGATORY #028**

**Reference:**

Exhibit B1/Tab2/Sch 5/ – Section 2.1.6: Asset Economic Risk, pg. 4

*“Asset economic risk is based on the economic evaluation of the ongoing costs associated with the operation of an asset. Depending on the asset type, this evaluation may be as simple as determining the replacement cost of the asset, or as complex as comparing the present value of ongoing maintenance to that of complete refurbishment or replacement.*

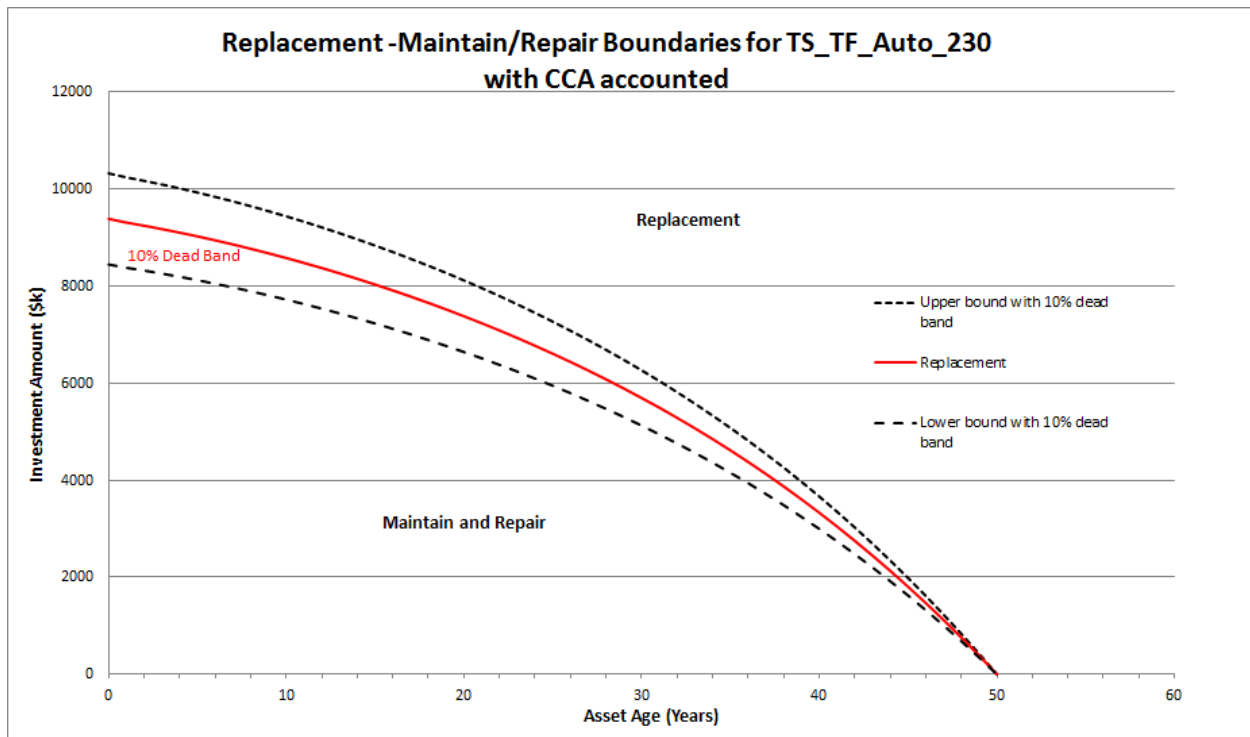
*While an economic evaluation can identify assets that are candidates for replacement, more typically, the evaluation assists in selecting the best form of remediation for assets already deemed to be candidates for refurbishment or replacement.”*

**Interrogatory:**

- a) Does Hydro One develop business cases to evaluate the all-in economic risk of individual assets or groups of assets (such as integrated substation investment projects) when preparing its capital budgets, and when determining if the economic risk of an asset or group of assets would be most economically addressed by replacement or refurbishment?
- i. If yes, does the business case evaluation criteria change in accordance with a certain materiality threshold? Please provide details.
- ii. If yes, please provide the business cases for all projects listed in this filing with total costs of over \$20M.
- iii. If no, please explain why Hydro One does not develop business cases to evaluate capital investments of this magnitude, and describe the cost materiality threshold at which developing a business case would be considered appropriate.
- iv. If no, please provide details of how the all-in economic risk is measured and analyzed.
- b) How does Hydro One evaluate the economic risk of a refurbished asset prematurely failing when deciding between replacement and refurbishment for a particular asset?

**Response:**

- a) Yes, Hydro One evaluates the economic risk of replacing or refurbishing assets or groups of assets when developing business cases.
- i. Only major assets such as transformers, breakers and transmission lines are economically evaluated to determine if they should be replaced or refurbished. See the graph below for a sample economic analysis of a 230kV autotransformer.



ii. Please see the requested information in the Investment Summary Documents in Exhibit B1, Tab 3, Schedule 11.

iii. Not applicable.

b) Please see the graph above. When deciding between refurbishing or replacing an asset, Hydro One will consider the life extension associated with refurbishment by performing an economic sensitivity analysis (i.e. net present value analysis) on the extension.

7

**School Energy Coalition (SEC) INTERROGATORY #029**

**Reference:**

B1/3/11

**Interrogatory:**

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.

**Response:**

- a) Please refer to SEC #19 (Exhibit I, Tab 6, Schedule 19).
- b) Please refer to Board Staff #28 (Exhibit I, Tab 1, Schedule 28, Parts (a) and (i)).

8



**Association of Major Power Consumers in Ontario (AMPCO)**  
**INTERROGATORY #001**

**Reference:**

Exhibit A Tab 5 Schedule 2

**Interrogatory:**

**Preamble:** The corporate governance framework consists of the Board of Directors and its committees, an independent internal auditor, a Chief Compliance Officer, policies and procedures and Bill 198 controls.

- a) Please summarize the types of internal reports prepared by Hydro One's internal auditors.
- b) Please provide a listing of all 2015 and 2016 reports prepared by Hydro One's internal auditors relevant to this application.
- c) Please summarize the key recommendations from Hydro One's internal auditors that have been incorporated in the current application.
- d) Please provide the internal audit plans for 2015 to 2018.

**Response:**

- a) Guided by an annual risk-based Internal Audit work plan, Internal Audit performs compliance, assurance and advisory audits/reviews in the Financial and Operational, Environment, Health and Safety, Information Technology, Technical, and Construction/Capital Projects areas of the organization, and provides to the Board of Directors and management:
  - assurance regarding the quality of internal controls for high risk operating processes;
  - periodic assurance that the status of management's corrective actions are appropriate; and
  - advice to achieve greater efficiency and effectiveness of operations.
- b) A list of relevant 2015 and 2016 audit reports is included as Attachment 1.
- c) A summary of key recommendations is included as Attachment 2. A column has been added to provide the status of management's actions to address the recommendations. Content pertaining to IT and cybersecurity has been redacted for security purposes.

1 d) The internal audit plan for 2015 is included as Attachment 3, and the internal audit plan for  
2 2016 and 2017 is included as Attachment 4. The internal audit plan for 2018 has not been  
3 completed yet as Internal Audit is presently transitioning its planning process to a rolling  
4 three-year audit plan which still needs to be endorsed by Hydro One's executive management  
5 and approved by the Audit Committee of the Board of Directors. Each year's audit plan is  
6 subject to change based on an annual update process as well as emerging risks and requests  
7 from the Board of Directors and senior management.

<b>Audit Reports Issued in 2015</b>	
<b>Report Number</b>	<b>Audit Name</b>
2014-15	Shared Services Accommodation and Facilities Management Work Process Inspections
2014-16	Provincial Lines Utility Work Protection Code
2014-17	Shared Services Fleet Services Work Process Inspections
2014-18	Shared Services Logistics Work Process Inspections
2014-19	Provincial Lines Work Process Inspections
2014-20	Ontario Grid Control Centre IT Documentation Review
2014-23	Station Services Work Process Inspections
2014-29	Investment Planning
2014-30	Hydro One Networks Inc. Driver Safety
2014-31	Hydro One Networks Inc. Fleet Environmental Impacts
2014-32	HR Cloud Computing Security Reviews
2014-33	Large Customer Client Services
2014-34	Large Customer Connection and Cost Recovery Agreement True - Up
2015-01	2014 Corporate Scorecard Phase 2
2015-03	Central Maintenance Services Finance and Operations Controls
2015-05	Hydro One Networks Inc. Asset Deployment
2015-06	Project Management Control on the Network Management System Upgrade Project
2015-07	Construction Services Job Safety Planning and Work Safety Observations
2015-08	Information Solutions Division Major Project Processes and Controls
2015-09	NERC CIP V5 Project
2015-10	2015 Corporate Scorecard - Phase1
2015-11	Conservation and Demand Management
2015-12	Treasury Operations
2015-13	Corporate Technical Standards
2015-16	NERC CIP V5 Project Management - Follow Up
2015-17	Tx Protection and Control
2015-18	Clarington Project - Review of Project Management
2015-19	Spill Management
2015-20	Interim Review or Variances

<b>Audit Reports Issued in 2016</b>	
<b>Report Number</b>	<b>Audit Name</b>
2015-24	Hydro One Networks Inc. Below Grade Construction Activities
2015-25	Transmission Outage Management
2015-27	Provincial Lines Job Safety Planning Audit
2015-28	Station Services Job Safety Planning Audit
2015-30	Disaster Recovery Review Report
2015-31	2015 Corporate Scorecard Phase 2
2015-32	Construction Project Mgt Processes
2015-33	Preventative Maintenance Optimization TxLines
2015-35	Inergi Services IT Contract Management
2015-36	Safety Incident Investigation Follow Up
2015-37	Hydro One Networks Inc. Utility Work Protection Code Governance



## SUMMARIES OF INTERNAL AUDIT REPORTS OF OM&A AND CAPITAL EXPENDITURES



Included in this Exhibit are Action Items pertaining to 2014 and 2015 Audit Reports.

**Note: Risk Levels – Definitions**

DEFINITION	
<b>H</b>	= High – Controls are Ineffective or need significant improvement.
<b>M</b>	= Medium – Controls Need Some Improvement
<b>L</b>	= Low – Controls are Good

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
Audit of Shared Services Accommodation and Facilities Management #2014-15 January 14, 2015	1.0 Job Safety Planning			
	Re-implement the Job Safety Planning for Facilities field-based staff that will clarify Facilities expectations for satisfying the requirements of SP0282 Health, Safety and Environment Annual, Periodic and Job Planning Risk Assessments by: (a) Reviewing the Job Planning Folder with Facility Manager(s), (b) Conducting a quarterly review of the folder, and (c) Verifying conformance through WPIs.	(a) The existing Facilities Job Planning Folder for Facility co-ordinators will be reviewed with Facility co-ordinators by the Facility Manager and signed off by the Facility Co-ordinators at the next team meeting slated for Dec 2014 and Affected Facilities Managers will be asked to take available HOLMS JPF training, if required. (b) Thereafter it will be reviewed monthly by the Facility Co-ordinator in the field and signed off and at quarterly staff meetings with the supervisor and signed off after a discussion. (c) For a period of 6 months beginning in Jan 2015, thru required monthly WPI's, the Facilities Manager will verify for applicable staff the completion of the monthly Job Safety Planning folder (JSPF) sign off and will in discussion with staff at quarterly team meetings re-affirm the importance of the JSPF.	M	COMPLETE – Q2, 2015
Audit of Provincial Lines – Utility Work Protection Code #2014-16 January 14, 2015	2.0 Monthly Utility Work Protection Code Audit			
	(a) Develop and document and implement a standard process for the monthly UWPC audit to ensure that they are consistently being	A new monthly UWPC assessment form has been developed and is currently awaiting approval at the CAG. The form has assessment expectations which take into consideration all the	M	COMPLETE – Q1, 2015



Audit	Recommendation	Action Plan	Risk	Status of Action Plan
	and include all improvement opportunities identified during the inspections.			
Audit of Investment Planning #2014-29 January 30, 2015	<b>1.0 Governance and Controls</b>			
	1.1 Perform a formal risk assessment as per ERM Policy ( <a href="#">SP0736</a> ) on an annual basis to ensure that business risks facing the planning organization are identified and mitigating actions are developed and tracked.	Planning will work with ERM Group to conduct a risk workshop to identify risks in achieving the planning business objectives.		<b><u>COMPLETE</u></b> – Q4,2015
Audit of Investment Planning #2014-29 January 30, 2015	1.2 Develop, review and approve sufficiently detailed policies, standards, procedures and guidelines to ensure a consistent risk-based approach to planning and decision making. This would require a review of the existing governance documents and ARIS process models for their accuracy and validity. Management has informed us that a Policy Review project is currently underway to consolidate policy and directive documents.	Conduct a review of processes, procedures, standards and guidelines to determine the need, effectiveness, currency and to ensure they are aligned with and support the Corporate Operational Policies. Establish a review cycle for these documents.		<b><u>COMPLETE</u></b> – Q4,2015 Addressed: <ul style="list-style-type: none"> <li>• In order to have effective policies, we have incorporated into the Operational Policy Program the need of a Communication and Implementation Plan for all New and Reviewed Policies. In the past, the Plan was only required for New policies.</li> <li>• Included the Communication and Implementation Plan as part of policy development and review rather than the Plan being delivered post policy approval. This is indicated in the policy program milestones.</li> <li>• Reviewed Cycle – We are now stating “reviewed date” and “next review date” in HODS and on the policies.</li> </ul>


Audit	Recommendation	Action Plan	Risk	Status of Action Plan
Audit of Investment Planning #2014-29 January 30, 2015	1.3 Clarify the timing and level of input to be sought by the planners from the service providers as they develop their plans. Define and communicate the required level of engagement with the service provider when investment plans are being developed to ensure that plans are based on asset needs rather than executability by the service providers.	At the annual LOB kick off, AM Processes and Tools will identify and seek input from the service providers to obtain their feedback on ideal timing and level of input required. Planning will also be in attendance to ensure agreement and consistency in approach.		<u><b>COMPLETE</b></u> – Q1, 2015
Audit of Investment Planning #2014-29 January 30, 2015	1.4 Implement a formalized Quality Assurance process and related performance measures to assess the effectiveness of the “end-to-end” planning process. This would include: <ul style="list-style-type: none"> <li>• a Need identification and tracking process</li> <li>• guidelines on use and validation of AA data to assess needs and risks</li> <li>• QA reviews of Investment Summary Reports and feedback to planners</li> <li>• Supporting document availability and review, and</li> <li>• Realistic investment release dates.</li> </ul>	Quality expectations and the required metrics for the end-to-end process will be established and communicated by the Planning Organization.		<u><b>COMPLETE</b></u> – Q4, 2015 End-to-end KPIs for the Investment Planning process have been developed and approved by the VP of Planning. Spreadsheet listing the KPIs is attached. Planning will received training on the KPIs through the Investment Planning Process training module.






Audit	Recommendation	Action Plan	Risk	Status of Action Plan
Audit of Investment Planning #2014-29 January 30, 2015	1.5 Formalize and track all process and tool related training being given to planners in their Learning Management System. Establish refresher training requirements whenever there are significant changes in process and tools.	The Planning Organization will assess all training requirements including the frequency of refresher training and mechanism for tracking training completion. We will develop an implementation plan that defines the accountabilities for creation and delivery of training material.	M	<b>COMPLETE</b> – Q4, 2015 Investment Planning Training has been finalized and scheduled. Currently the list of individuals requiring training is being updated by Managers and once completed the lists will be loaded into HOLMS for tracking.
Audit of Investment Planning #2014-29 January 30, 2015	1.6 Document and communicate lessons learned after each planning cycle and use them for continuous improvement of the planning process.	AM Processes & Tools will document and communicate lessons learned after the 2016-2020 planning cycle.	M	<b>COMPLETE</b> – Q3, 2015 Survey results and action plan associated with opportunities for improvement have been posted to IM SharePoint site.
Audit of Investment Planning #2014-29 January 30, 2015	<b>2. Customer, Asset and System Need Assessment</b>			
	2.3 Request an audit of Asset Analytics data sources and algorithms to confirm that quality data and appropriate calculation methods are used for calculating the six Asset Risk Indexes for individual assets as well as asset groups.	SAP Data Audit on Asset and Maintenance data is already underway. The results of these audits will be used to address the underlying data issues in AA. Workshops with respective LOBs will be held regarding usability of existing algorithms.	H	On Schedule. Revised date of completion is Q4, 2016.  Preliminary workshops have been setup for Tx AM Planners input into revisiting existing AA algorithms and adding new risk factors. Work continues into Q4 on this.
Audit of Investment Planning #2014-29	2.4 Consider expanding the scope of the Asset Analytics tool to include up-to-date power system historical	AM Process and Tools will request ISD to add audit recommendation to corporate application roadmap. Key requirement is to have access to NMS	M	<b>COMPLETE</b> – Q1, 2015




Audit	Recommendation	Action Plan	Risk	Status of Action Plan
January 30, 2015	data such as load flows, connectivity, voltages, statuses, etc.	information.		
Audit of Investment Planning #2014-29 January 30, 2015	2.5 Continue to develop sufficiently detailed Asset Strategy Documents for all asset groups and ensure that all future asset needs are assessed against these documented strategies.	We will continue to develop Asset Strategy Documents.	M	Completion Date Q4, 2016. Schedule at risk due to Tx Rate Application and Business Planning work in Q2, and rate case defense in Q3 and Q4. Will reassess as we move closer to Q4.
Audit of Investment Planning #2014-29 January 30, 2015	<b>3. Investment Alternatives</b>			
	3.1 Increase the numbers of investments that are optimizable by requiring the planners to define more than one alternative for non-demand driven programs and time shift-able projects. Management should also ensure that appropriate justification is documented and reviewed for plans having only a single alternative.	We will define the framework for investments including the expectations outlining the definition and governance of programs and projects and requirements for program alternatives and time shift-able projects. Document and communicate these requirements.	H	<b>COMPLETE</b> – Q3, 2015 Review of Bus Plan will be done in Q4 to determine gaps areas in programs or investments without multiple alternatives.
Audit of Investment Planning #2014-29 January 30, 2015	3.2 Simplify the risk assessment matrix and provide suitable training and guideline to planners to perform an effective risk assessment. Specific focus should be on	We will improve the guidance on the use of the risk assessment matrix through the provision of practical examples.	M	<b>COMPLETE</b> – Q4, 2015.





Audit	Recommendation	Action Plan	Risk	Status of Action Plan
	using quantitative data from AA and other systems to determine/support appropriate probability and consequence on the established risk matrix.			
Audit of Investment Planning #2014-29 January 30, 2015	3.4 Review and confirm the Unit Price Catalogue with the service providers prior to the start of each planning cycle to ensure that the most current unit prices are being used to determine the funding level for the program work.	We will establish a process to ensure costs included in the investment plans are agreed upon between Planning and Operations (executing LOBs).		<b>COMPLETE</b> – Q4, 2015 The Investment Planning process has included a deadline for the Service Provider to provide a draft Unit Price Catalogue (UPC) and a deadline for the Asset Manager (Planners) to review and accept the UPC. This process and deadlines were communicated to the Director Level btw December 3 <sup>rd</sup> and 9 <sup>th</sup> , 2015.
Audit of Investment Planning #2014-29 January 30, 2015	<b>4. Investment Plan Optimization</b> 4.2 Make the AIP tool available year around to allow the planners to input and update their plans and risk assessments throughout the year. Management has indicated that plans are already underway to upgrade the AIP tool to allow this to occur in 2015.	This recommendation will be addressed upon implementation of AIP tool upgrade.		<b>COMPLETE</b> – Q3, 2015 The new version of the tool (v8.3) will provide more opportunities for sub-cost segment optimization to improve risk normalization within planning functions. However, it does not permit year round use by planners to input and update their plans throughout the year as originally envisioned. In order to have a constantly availability of the AIP, Hydro One would require two instances of the tool running in parallel. This would require two servers and a complex syncing processes and scripts that do not

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
				<p>currently exist and would be costly and difficult to implement. As such, the output of the investment planning process still requires a freeze period to tie to the financial models as part of the corporate business plan. The freeze period is between IRRC approval of the IPP and the Hydro One Board approval of the corporate business plan.</p> <p>Starting in 2016 the tool will be made available immediately after from Board approval in November, this will provide 6 additional months of availability. For the freeze period Planners are encouraged to continuously review the state of their assets, and assess system and customer needs. For projects, SAP and the ACER process is used to continuously update project/integrated program timing, expenditure projections, etc. Once AIP is available, planners can input the updated plans.</p>
Audit of Investment Planning #2014-29 January 30, 2015	4.4 Increase the enterprise engagement period to allow a detailed line by line review of unreleased work in the IPP by the project and program managers who will be executing the plan. This will allow better feedback on cash flows and in-service	Enterprise Engagement period will be revised and incorporated into the revised schedule for the 2016-2020 planning cycle.		<p><b>COMPLETE</b> – Q2, 2015</p> <p>The Enterprise Engagement period was extended as part of the 2016-20 Investment Planning Process and communicated as part of the Director Kick-off (Feb 20, 2015).</p> <p>Planning and the execution LOBs were encouraged to discuss preliminary plans,</p>

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	Ensure completeness and consistency of details within various PMO investment planning documents across all asset types such as asset strategies, planning documents, investment summary reports, scopes of work and work standard documents.	The format of planning documents will be reviewed for content consistency. Templates will be developed and posted to the Tx AM Lines SharePoint site for use by the Planners.		<b><u>ONGOING</u></b> Documents under review
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>1.2 Maintenance Planning Process</b>  Update and approve the Maintenance Planning process to ensure consistency across all asset types and ensure that appropriate maintenance planning process training and/or knowledge transfer is in place for new planners.			<b><u>ONGOING</u></b> Draft documents under review
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>2.1 Maintenance Strategies</b>  Document risk-based, asset-specific maintenance strategies that detail what maintenance tasks need to be performed and how often, criteria to identify opportunities and associated risk of delaying maintenance. This strategy can then be applied for consistent identification of risk-based investment alternatives (vulnerable, intermediate,			<b><u>ONGOING</u></b> Asset strategy documents under review

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
	optimal or accelerated).			
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>2.2 Annual Review of Maintenance Strategies</b>			
	Perform an annual review of the asset specific maintenance strategies for further optimization opportunities: <ul style="list-style-type: none"> <li>Identify, collect and analyze key asset performance and condition information to validate that maintenance plans are optimal.</li> <li>Delay or reduce maintenance of non-critical assets to determine optimal maintenance tasks and frequency.</li> <li>Identify and implement maintenance bundling opportunities with other work programs.</li> </ul>	(a) Maintenance strategy documents will be reviewed annually for further optimization opportunities as per the Asset Strategy document referred to in 2.1 above. (b) Existing collaboration with the TSOG process will be enhanced to investigate and consider outage bundling opportunities for planned PM work.	M	<b>ONGOING</b> Asset strategies under review
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>3.1 Risk-based prioritization</b>			
	Clearly document supporting data and/or planner judgments that are used for risk-based prioritization of various funding levels along with asset-specific planned accomplishments for each funding level.	AIP risk assessments will be reviewed with the intent to capture supporting data and any qualitative information used for risk assessment.	M	<b>ONGOING</b> This year, AIP training focused on risk-assessment and AIP checklist were created whereby risk assessment was mandatory. All info is in AIP.
Transmission Lines Preventive Maintenance Optimization	<b>3.2 Unit Costs</b>			
	3.2 Ensure that the unit costs being used to determine funding levels are as per current	3.2 (a) The planners will document in AIP any changes to unit prices that they have agreed with the	M	<b>ONGOING</b> Each planner is documenting and storing in SharePoint/AIP and inform Investment

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
#2015-33 April 7, 2016	Unit Price Catalogue agreed with the service providers.	service providers and inform Investment Management of these changes.  3.2 (b) Investment Management will update the UPC with newly revised unit prices when advised by either the planners or service providers.		Planning.
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	4.1 Regulatory Maintenance			
	4.1 Ensure that NERC impactful circuits and their vegetation maintenance accomplishments are tracked and reported from SAP, which is the official source for maintenance costs and accomplishments tracking.	4.1 (a) A formal report from FMS will be developed for regulatory reporting purposes replacing the manual spreadsheet based report.  4.1( b) FMS will be used instead of SAP for accomplishment reporting as FMS is the system being used by the Service Providers for accomplishment tracking.		<b>ONGOING</b> Work is continuing on developing an automated report.  <b>COMPLETE</b> – Q1, 2016 SAP and FMS accomplishments are aligned.
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	4.2 Monitoring of SAP Work Orders			
	Develop a process and clarify accountabilities to ensure that appropriate Work Orders are created in SAP to monitor the annual work accomplishments.	Tx Lines AM will document a process and accountabilities for work orders released in SAP, and monitor with monthly reporting.		<b>ONGOING</b> Process and accountabilities are being documented for all TAM.
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	5.1 Monthly Variance Review Meetings			
	Ensure that discussions and decisions resulting from monthly variance monitoring meetings are documented and action items are monitored for	Meeting minutes from quarterly meeting with the service provider will be documented.		<b>ONGOING</b> Meeting minutes are being documented and stored on SharePoint site.

Audit	Recommendation	Action Plan	Risk	Status of Action Plan
	completion. This includes changes resulting from funding reductions and ability to execute the work (maintenance unit swapping).			
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>5.2 Overhead Line Accomplishment Budget</b>			
	Ensure that Overhead Line accomplishment budget is identified in the PP-177 Report (currently missing).	Tx Lines AM will ensure that service providers report on the Statistical Key Factor (SKF) in each quarterly meeting.		<b>ONGOING</b> TxLines engaged service provider to ensure SKF is provided.
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>5.3 Planning Issue Log</b>			
	Develop and maintain a planning issue log to capture and resolve various process and data issues raised during planning and execution discussions on a timely basis.	Tx Lines AM to implement a planning issue log to identify issues and track actions to resolution.		<b>ONGOING</b> Issue logs are being implemented and centralized.
Transmission Lines Preventive Maintenance Optimization #2015-33 April 7, 2016	<b>6.1 Use of Asset Condition Reports</b>			
	Ensure consistent reporting, analysis and use of asset condition reports for asset maintenance needs and adjustment.	Review and incorporate the requirement for consistent reporting, analysis and use of asset condition reports into the asset strategy document and into the maintenance planning process (see 1.2).		<b>ONGOING</b> Discussions taking place with planners for requirement. Strategies are being reviewed and will be incorporated where applicable.
Inergi Services IT Contract Management Review #2015-35	<b>1. Service Level (SL) monitoring.</b>			
	Implement a periodic and independent validation of SL reports and supporting performance data submitted by	Our team is in the process of rolling out the VMWare IT Business Management (ITBM) tool. This tool will allow us to independently verify data provided by		<b>ON SCHEDULE</b> – Q4, 2016 Design in Progress - Validation check list template and verification rules being developed.