



October 18, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: EB-2016-0160 Hydro One Networks Inc. (Hydro One) Transmission – 2017/18 Rates Application
AMPCO Letter Re: SEC Motion

Dear Ms. Walli:

On September 28, 2016, School Energy Coalition (SEC) filed a Motion for full and adequate responses relating to refusals given at the technical conference and with respect to certain interrogatory response as follows:

- 1) SEC Interrogatory #6 (Exhibit I/Tab6/Schedule 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;
- 2) Hydro One's 2016 forecast ROE (a follow-up question to BOMA Interrogatory #30 (Exhibit I/Tab2/Schedule 30));
- 3) Hydro One Business Group Business Plans; (follow up to SEC Interrogatory #2 (Exhibit I/Tab6/Schedule 2)
- 4) OEB staff Interrogatory #28 (Exhibit I/Tab1/Schedule 28) and SEC Interrogatory #29 (Exhibit I/Tab6/Schedule 29), specifically individual asset replace vs. refurbish Asset Economic Assessment graphs for assets over \$20M; and
- 5) Production of two internal audit reports: (follow-up to AMPCO Interrogatory #1 (Exhibit I/Tab3/Schedule 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).

For the reasons outlined in SEC's Motion, AMPCO fully supports SEC's request for an order requiring Hydro One to provide full and adequate responses to the identified interrogatory and technical conference questions.

AMPCO provides the following additional comments related to the above requests.

With respect to SEC request #5 and the request for Hydro One to produce two audit reports, AMPCO wishes to point out it also asked for a copy of the Investment Planning Audit Report i#2014-49¹ at the Technical

¹ Transcript Volume 1 Page 65

Conference as a follow-up to AMPCO interrogatory #1², however, the request was held for Panel #2.

In response to AMPCO interrogatory #1, part (c), Hydro One provided a summary of the key recommendations of each audit report and the status of management's actions to address the recommendations. Specifically, with respect to the Investment Planning Report, Hydro One provided 17 recommendations under the following categories: Governance and Controls; Customer, Asset and System Need Investment; Investment Alternatives; Investment Plan Optimization; and Investment Plan Approval and Release. It seems to AMPCO that the recommendations under these categories are central to this application and relevant in determining just and reasonable rates. However, the background and basis for setting these recommendations is missing; an information gap that can only be filled through Hydro One's production of the Investment Planning Audit Report.

For example, recommendation 2.3 to "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"³ is directly related to the determination of capital spending in this application and it is therefore important for parties to see the full Investment Planning Audit Report to fully understand the context and basis for this recommendation.

Another example where more details are required is recommendation 3.1 to "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 shiftable projects."⁴ It is unclear to AMPCO what the basis for this recommendation is and what it means.

AMPCO also notes that based on the numbering of the recommendations in Attachment 2, some recommendations in the Investment Planning Audit Report are not provided. For example, Under 2. Customer, Asset and System Need Assessment, the first recommendation is 2.3. Recommendations 2.1 and 2.2 are not listed.⁵ These information gaps would also be addressed through production of the Report.

SEC's Motion⁶ notes Hydro One has agreed to provide, by way of technical conference undertaking, to see if they can provide more information regarding these audits.⁷ 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 undertaking states "Hydro One has further reviewed the content of the audit reports requested by SEC. It has also considered prior Board rulings that address the production of audit reports (i.e. EB-2013-0416). Hydro One understands that it is the recommendations and the actions described in the requested audit reports that are relevant areas of inquiry in this proceeding. The summary document found in Hydro One's response to AMPCO's interrogatory #001 (Exhibit I, Tab 3, Schedule 1, Attachment 2) describes the recommendations and actions arising from the audit reports. The issues giving rise to the recommendations are self-evident from the descriptions provided. Parties seeking to ask questions about such matters may do so through the oral hearing process."

As discussed above, it is AMPCO's view that the issues that give rise to the recommendations in the Investment Planning Audit Report are not self-evident from the descriptions provided and an information gap persists. AMPCO submits this is also true for the recommendations related to the Transmission Lines Preventive

² I-3-1

³ I-3-1 (c) Attachment 2

⁴ I-3-1 (c) Attachment 2

⁵ I-3-1 (c) Attachment 2

⁶ SEC Motion Page 10

⁷ Undertaking TCK1.28; Technical Conference Transcript Day 1, p.144 [See Appendix C]



Maintenance Optimization Audit Report. AMPCO supports SEC's request for an order requiring Hydro One to produce both Audit Reports.

With respect to SEC request #4, Hydro One objected to providing individual asset replace vs. refurbish Asset Economic Assessment graphs for assets over \$20M, on the basis of granularity.⁸

Hydro One indicates it evaluates the economic risk of replacing or refurbishing assets or groups of assets when developing business cases and a graph for a sample economic analysis of a 230kV autotransformer was provided. Hydro One points to the Investment Summary Documents (ISD) as the source of the business cases for all projects listed in this filing with total costs of over \$20M.⁹ In AMPCO's view the information provided in the ISDs is limited and does not include an evaluation of economic risk. Hydro One stated the ISDs were prepared for the filing in compliance with the filing requirements.¹⁰

Hydro One indicates only major assets such as transformers, breakers, transmission lines are economically evaluated to determine if they should be replaced or refurbished.¹¹ Hydro One indicates it has all of the specific comparison charts prepared and analyzed for all of the 41 transformers that Hydro One proposes to replace.¹² AMPCO assumes this information also exists for the breakers and transmission lines proposed for replacement. In order to be able to adequately assess the investment plans put forward by Hydro One, parties need to review the economic analysis graphs for the major assets that are economically evaluated. AMPCO submits the information requested by SEC is relevant and should be produced.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(ORIGINAL SIGNED BY)

Colin Anderson
President
Association of Major Power Consumers in Ontario

Copy to: Hydro One Networks Inc.

⁸ Transcript Volume 1 Page 136

⁹ I-1-28

¹⁰ Transcript Volume 2 Page 147

¹¹ I-1-28

¹² Transcript Volume 1 Page 136