EB-2016-0160

Hydro One Networks Inc. Transmission Application for electricity transmission revenue requirement and related changes to the Uniform Transmission Rates beginning January 1, 2017 and January 1, 2018

VULNERABLE ENERGY CONSUMERS COALITION

("VECC")
CROSS-EXAMINATION
COMPENDIUM PANEL 8
FINANCE PANEL

December 8, 2016

TAB 1

London Property Management Association (LPMA) INTERROGATORY #006

Reference:

Exhibit C1, Tab 2, Schedule 1

Interrogatory:

Please provide a table that shows the transmission OM&A expenditures both before and after capitalization for the 2012 through 2018 years. In particular, please show the total OM&A as reported in Table 1, followed by a line that shows the total transmission related OM&A that was calculated and then a third line showing the sum of the two, the gross transmission OM&A before capitalization.

Response:

Please see table below:

				Historic	**Bridge**	**Test**	**Test**
Description	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Sustainment	204.7	221.0	228.6	233.6	227.5	241.2	238.5
Development	8.4	8.6	7.5	6.1	5.3	4.8	5.0
Operations	54.8	56.7	56.6	59.0	60.0	61.3	62.1
Customer Care	4.4	5.3	5.4	5.1	4.1	4.0	3.9
Common Corporate Costs and Other OM&A	80.7	75.8	37.2	73.9	72.3	49.9	47.5
Taxes Other Than Income Taxes	62.1	21.2	64.1	63.9	62.9	63.6	64.3
Pension Adjustment*	-	-	-	-	-	-11.0	-8.0
B2M LP Adjustment*	-	-	-	-	-	-0.8	-2.1
Total	**415.2**	**388.4**	**399.5**	**441.6**	**432.1**	**413.1**	**411.2**
Capitalization	106.9	109.3	124.3	116.9	122.0	133.2	134.7
Gross OM&A, pre-capitalization	**522.1**	**497.7**	**523.8**	**558.5**	**554.1**	**546.3**	**545.9**

Witness: Glenn Scott

appropriate talent in the present and is positioned properly in the market to attract the talent required in the future.

Progress has been made in attaining the appropriate number and mix of staff required to complete the Company's planned work programs. However, Hydro One's highly skilled jobs require long learning curves, so it is essential that the Company hire well in advance of forecasted retirements.

6. HEADCOUNT

Hydro One recognizes the concerns expressed in previous OEB Decisions with respect to headcount. Figure 5 illustrates the actual year end regular employee complement (2013-2015) and the forecasted year end regular employee complement (2016-2018). Total Regular employees in 2018 are expected to be 2.7% lower than in 2013.

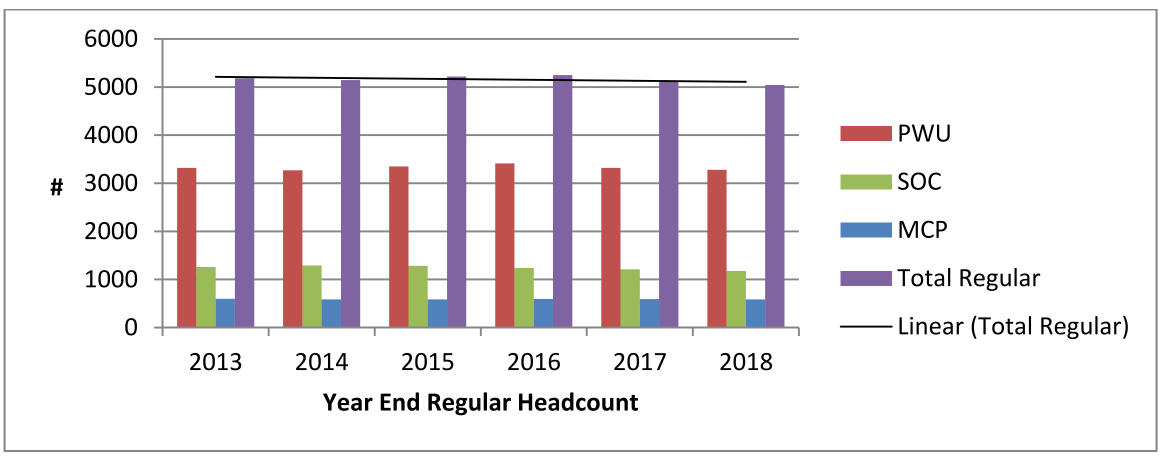


Figure 5: Regular Employees – Year End 2013-2018

Figure 6 illustrates that Hydro One employs a large number of non–regular casual employees (PWU Hiring Hall and Construction Hiring Hall) and temporary employees to assist with its various work programs. The use of non-regular resources reduces overall

Ontario Energy Board (Board Staff) INTERROGATORY #125

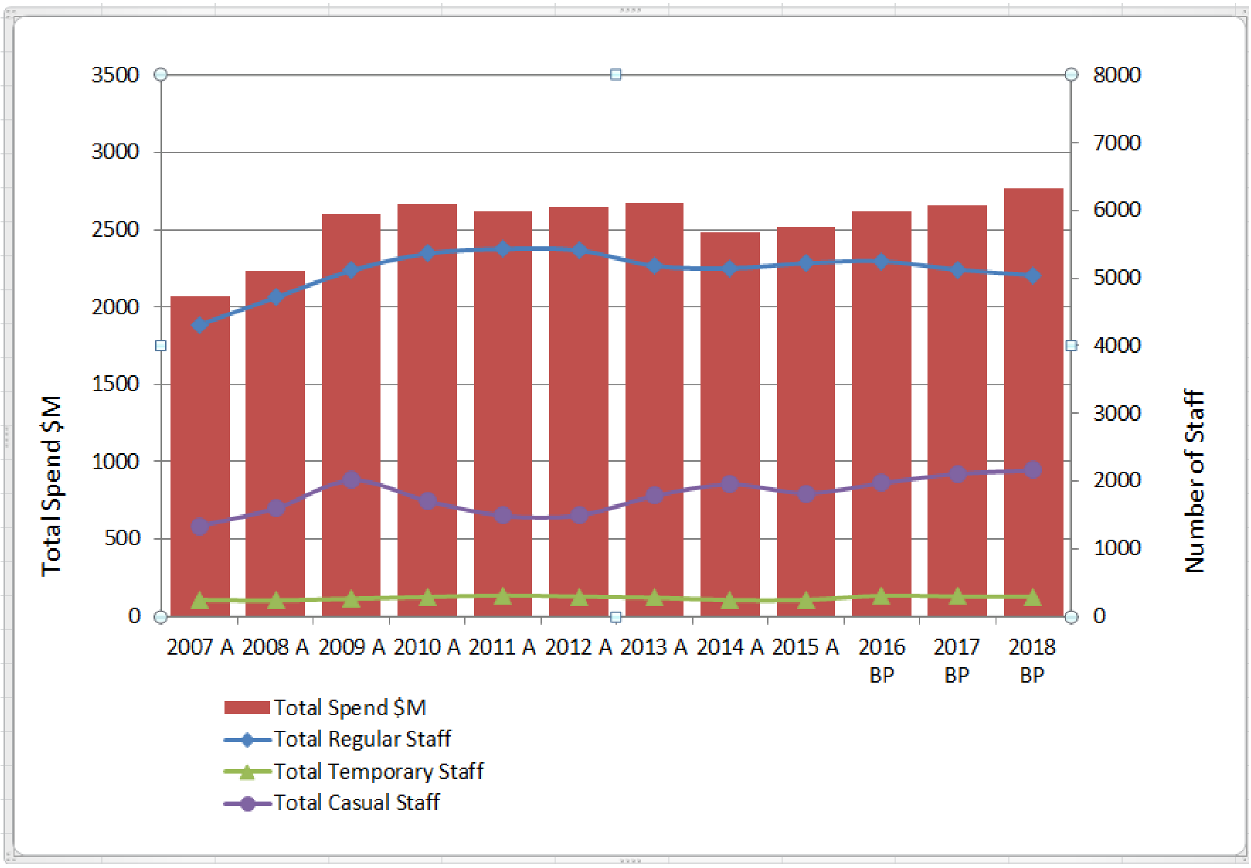
Reference:

Exhibit C1/Tab 4/Sch1, p. 7 and Figure 4

Interrogatory:

Please provide a similar graph which expands to include separate lines for regular, temporary and casual employees. In addition, please define the term, “Total Spend”.

Response:



Total spend is the total capital and OM&A spend for both Transmission and Distribution work program in a year.

Witness: Keith McDonell

Filed: 2016-05-31
EB-2016-0160
Exhibit C1
Tab 4
Schedule 1
Attachment 1

2015

REPRESENTATION	TOTAL NO. EMPLOYEES	TOTAL WAGES	Base Pay	Overtime (Incl. Premium)	Incentive	Other Allowances	Average Base Pay
PWU Reg	3,350	368,449,119	293,565,741	57,001,053	14,000	17,868,324	87,632
SOCIETY Reg	1,285	148,539,224	137,568,561	6,732,360	2,000	4,236,303	107,057
MCP Reg	585	84,289,003	71,950,517	66,188	8,326,449	3,945,849	122,992
Total Reg	**5,220**	**601,277,346**	**503,084,819**	**63,799,601**	**8,342,449**	**26,050,477**	**96,376**
PWU Temp	154	4,604,443	4,379,175	142,105	0	83,162	28,436
Society Temp	56	3,370,167	3,185,769	30,148	0	154,250	56,889
MCP Temp	34	1,858,713	1,780,187	28,392	0	50,134	52,358
Total Temp	**244**	**9,833,322**	**9,345,132**	**200,645**	**0**	**287,546**	**38,300**
CASUAL	1,819	140,242,277	109,059,885	15,359,842	0	15,822,550	59,956
TOTAL	**7,283**	**751,352,945**	**621,489,835**	**79,360,089**	**8,342,449**	**42,160,572**	**85,334**

2018

REPRESENTATION	TOTAL NO. EMPLOYEES	TOTAL WAGES	Base Pay	Overtime (Incl. Premium)	Incentive	Other Allowances	Average Base Pay
PWU Reg	3,278	385,559,650	310,079,546	57,466,023	0	18,014,080	94,594
SOCIETY Reg	1,177	142,055,149	131,856,909	6,259,488	0	3,938,751	112,028
MCP Reg	587	90,434,623	77,366,637	0	8,866,303	4,201,682	131,800
Total Reg	**5,042**	**618,049,421**	**519,303,092**	**63,725,512**	**8,866,303**	**26,154,514**	**102,995**
PWU Temp	215	6,623,064	6,299,037	204,405	0	119,621	29,298
Society Temp	49	2,993,351	2,829,571	26,777	0	137,003	57,746
MCP Temp	25	1,428,199	1,389,080		0	39,119	55,563
Total Temp	**289**	**11,044,614**	**10,517,688**	**231,182**	**0**	**295,744**	**36,393**
CASUAL	2,158	171,420,129	133,305,447	18,774,553	0	19,340,128	61,773
TOTAL	**7,489**	**800,514,164**	**663,126,228**	**82,731,247**	**8,866,303**	**45,790,385**	**88,547**

Filed: 2016-08-31
EB-2016-0160
Exhibit I
Tab 12
Schedule 21

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #021

Reference:

C1/T4/S1

Interrogatory:

a) Please explain the increase in employees from 2015 (7,283) to 2018 (7,489). Please show how many positions related to overlapping due to forecast retirements and how many are new (long-term incremental) positions.

Response:

a) The increase in employees between 2015 and 2018 would be a result of an increasing work program. Due to the data limitations, it is very difficult to show a direct correlation between hires due to retirements and hires due to new incremental positions. When an employee retires, it is often the case that the vacated position is filled by internal resources and the resulting backfill may be an external hire. In an effort to monitor and control headcount, all internal and external vacancies must be approved by the Line of Business Vice President and then approved by the SVP, People and Culture, Health Safety and Environment.

Ontario Energy Board (Board Staff) INTERROGATORY #124

Reference:

Exhibit C1/Tab 4/Sch1, p. 4 and Figure 2

Interrogatory:

Hydro One indicates that from 2011 to 2015 about 20 to 25% of those employees that are eligible to retire; actually retire. Please provide a forecast for 2016 to 2018 to show projected retirements over that period. Is there any reason for Hydro One to expect a higher retirement uptake in future years?

Response:

Forecasting future retirements is challenging due to the very personal nature of this decision. Based on a 4 year average of retirement uptake, Hydro One can expect future retirements to be:

Year	**Forecasted Retirement**
2016	203
2017	209
2018	192

There is no reason at this time for Hydro One to expect the retirement percentage uptake to change in future years.

TAB 2

London Property Management Association (LPMA) INTERROGATORY #012

Reference:

Exhibit C1, Tab 6, Schedule 1 & EB-2013-0416 Exhibit C1, Tab 5, Schedule 1

Interrogatory:

Please explain the significant increase in total CCF&S costs shown in the current evidence of $201.8 for 2017 and $202.7 for 2018 in Tables 1 and 2 with the figures in Tables 3 and 4 in Exhibit C1, Tab 5, Schedule 1 in EB-2013-0416 of $175.3 (Table 3) for 2017 and $179.2 (Table 4) for 2018.

Response:

The most significant increase from the costs reflected in EB-2013-0416 is in the Corporate Management costs. A large part of this increase is due to the inclusion of $6.3 million of costs that are not recoverable from transmission or distribution customers. These costs were not included in the summaries in previous years. These are costs associated with: (a) "value growth" team engaged in acquisitions; (b) corporate donations; and (c) investor relations. The balance of the increase is largely due to increased salaries in this group. As Hydro One has been evolving, the company has hired several new senior executives at market rates. See Exhibit I, Tab 11, Schedule 23 for details.

A revised view of Table 1: CCF&S Costs ($ Millions) is provided below, isolating these costs and showing the Corporate Management costs exclusive of value growth, corporate donations, and investor relations.

Table 1: CCF&S Costs ($ Millions)

Description	Historic Years				Bridge Year	Test Years		TX Allocation	
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2017**	**2018**
Corporate Management	5.0	4.9	5.5	12.5	23.4	22.3	22.1	7.2	7.1
Value Growth					5.9	4.2	4.2	0.0	0.0
Corporate Donations					1.1	1.1	1.1	0.0	0.0
Investor Relations					1.8	1.0	1.0	0.0	0.0
Corporate Management (excluding 3 groups above)					14.5	16.0	15.7	7.2	7.1
Finance	35.2	41.9	40.0	39.1	42.1	41.0	38.6	21.9	19.4
Human Resources	9.9	11.1	12.8	13.6	16.2	14.8	14.2	7.6	7.3
Corporate Communications & Services	11.3	15.0	19.5	17.3	17.5	17.3	19.4	8.7	9.9
General Counsel and Secretariat	8.8	9.6	8.7	8.6	10.3	10.4	10.5	5.5	5.6
Regulatory Affairs	20.6	20.6	23.0	24.1	26.4	25.4	26.0	9.6	9.8
Security Management	3.1	3.4	3.5	4.2	5.1	4.7	4.8	2.2	2.3
Internal Audit	3.5	3.4	3.6	4.2	6.2	6.3	6.4	3.3	3.4
Real Estate & Facilities	54.6	54.1	53.6	60.0	60.1	59.6	60.7	32.2	32.7
Total CCF&S Costs	**152.0**	**164.0**	**170.3**	**183.6**	**207.3**	**201.8**	**202.6**	**98.3**	**97.5**

Human resources costs have also increased by approximately $2 million. The period 2013 to 2015 saw an increase in training costs for: (a) a larger new graduate population; and (b) existing employees, specifically on the topic of the “craft of management”, with a focus on managers and supervisors. Some of the costs can also be attributed to on-campus recruitment and marketing.

Between 2016 and 2018, with Hydro One’s move to a more commercially-oriented culture, the People and Culture organization now requires resources and skills to meet new requirements. Examples include: (a) building and sustaining new compensation structures, such as the long-term incentive plan, the short-term incentive plan, and the employee stock option plan; (b) a renewed focus on performance management, which required building and sustaining a new talent management tool; and (c) a renewed focus on change management intended to maximize the value of corporate change initiatives.

Regulatory Affairs' costs have also increased by approximately $3.9 million in 2017 and $2.7 million in 2018 for the reasons explained in Exhibit C1, Tab 3, Schedule 3. There is a planned staffing reduction based on a computer system upgrade that will enable automatic reporting, which is currently performed manually, but this has been delayed beyond the rate period.

Internal Audit costs have also increased by $2.7 million for the reasons explained in Exhibit C1, Tab 3, Schedule 3.

TAB 3

Ontario Energy Board (Board Staff) INTERROGATORY #007

Reference:

Exhibit A/Tab3/Sch 3/pp. 5 & 6

Interrogatory:

Table 2 shows the 'Fees Payable to Hydro One Networks for Services Provided' for 2017 and 2018. Table 3 shows 'Fees Payable by Hydro One Networks for Services Received'.

Please provide similar historical information from 2012 to 2016 for both tables.

Response:

Fees Payable by Affiliates to Hydro One Networks for Services Provided by Hydro One Networks (in $ thousands)						
Services	**Year**	**HOI**	**Brampton**	**Remotes**	**Telecom**	**B2M LP**
General Counsel and Secretary Services	2012	87	174	300	87	-
	2013	83	165	329	83	-
	2014	264	202	343	101	-
	2015	285	200	317	100	0.1
	2016	930	200	335	105	0.1
Financial Services	2012	74	390	260	342	-
	2013	57	240	176	261	-
	2014	49	256	211	414	-
	2015	42	258	182	327	0.1
	2016					0.1

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Exhibit I
Tab 1
Schedule 7

		72	250	267	407	
Corporate Services	2012	-	26	184	253	-
	2013	-	22	223	251	-
	2014	2	34	297	308	-
	2015	-	34	291	273	0.1
	2016	-	32	288	316	0.1
Telecommunication Services	2012	-	-	128	279	-
	2013	-	-	124	269	-
	2014	-	-	125	272	-
	2015	-	-	148	290	-
	2016	-	-	135	331	-
Lease of HONI's IT Assets	2012	-		219	471	-
	2013	-		219	471	-
	2014	-		300	580	-
	2015	-		300	580	-
	2016	-		300	580	-
Other Services (Inergi)	2012	-	-	375	1,031	-
	2013	-	- 2	352	1,130	-
	2014	-	2	359	1,086	-

Witness: Glenn Scott

	2015	-	-	407	1,375	-
	2016	-	-	354	1,430	-
Utility Operation Services	2012	-		1,760	-	-
	2013	-		1,614	-	-
	2014	-		1,701	-	-
	2015	-		2,054	-	-
	2016	-		2,108	-	-
Operations and Maintenance	2012	-		-	-	-
	2013	-		-	-	-
	2014	-		-	-	-
	2015	-		-	-	0.7
	2016	-		-	-	0.5
Supply Chain Services	2012	-		77	200	-
	2013	-		77	200	-
	2014	-		77	200	-
	2015	-		76	200	-
	2016	-		76	200	-

Fees Payable by Networks to Affiliates for HOI, Remotes and Telecom Services (in thousands)					
Services	**2012**	**2013**	**2014**	**2015**	**2016**
HOI Services					
General Counsel and Secretary Services	882	895	799	809	905
President CEO Chair	3,395	3,423	4,793	4,815	7,205
Chief Financial Officer	788	707	710	714	542
Total	5,065	5,025	6,302	6,338	8,652
Telecom Services					
Telecom Management	12,400	14,600	14,900	15,500	16,300
Total	12,400	14,600	14,900	15,500	16,300
Remotes Services					
Metering and Line Services				148	148
Total	-	-	-	148	148

London Property Management Association (LPMA) INTERROGATORY #002

Reference:

Exhibit A, Tab 5, Schedule 3

Interrogatory:

a) Please add a column to Table 2 that shows the total costs that remain in Hydro One Networks for each of the services shown.

b) Please expand Table 2 provided in response to part (a) to include actual data for 2015 and the most recent year to date information for the 2016 bridge year along with the forecast for the remainder of 2016.

Response:

a) and b) Please refer to the table below.

Fees Payable by Affiliates to Hydro One Networks for Services to be Provided by Hydro One Networks (in $Thousands)

Services	Hydro One Networks	Hydro One Inc.	Remotes	Telecom	B2M LP
General Counsel and Secretariat Services					
– 2015 (Historical)	31,810	285	317	100	0.1
– 2016	35,379	930	335	105	0.1
– 2017	36,499	893	331	106	0.1
– 2018	37,122	886	334	108	0.1
Financial Services					
– 2015 (Historical)	35,808	42	182	327	0.1
– 2016	34,660	72	267	407	0.1
– 2017	35,669	81	280	428	0.1
– 2018	35,556	79	279	429	0.1
Corporate Services					
– 2015 (Historical)	218,673	0	291	273	0.1
– 2016	220,996	0	288	316	0.1
– 2017	217,667	0	281	268	0.1
– 2018	216,547	0	279	254	0.1
Telecommunication Services					
– 2015 (Historical)	16,870	0	148	290	0
– 2016	18,914	0	135	331	0
– 2017	18,931	0	131	316	0
– 2018	18,969	0	131	317	0

Witness: Glenn Scott

Lease of IT Assets					
– 2015 (Historical)	N/A	0	280	660	0
– 2016	N/A	0	280	660	0
– 2017	N/A	0	280	660	0
– 2018	N/A	0	280	660	0
Other Services (Inergi)					
– 2015 (Historical)	121,193	0	407	1,375	0
– 2016	118,480	0	354	1,430	0
– 2017	117,068	0	343	1,363	0
– 2018	116,195	0	340	1,354	0
Utility Operation Services					
– 2015 (Historical)	N/A	0	2,054	0	0
– 2016	N/A	0	2,108	0	0
– 2017	N/A	0	2,036	0	0
– 2018	N/A	0	2,045	0	0
Operation and Maintenance Services					
– 2015 (Historical)	N/A	0	0	0	0.7
– 2016	N/A	0	0	0	0.5
– 2017	N/A	0	0	0	0.5
– 2018	N/A	0	0	0	1.8
Supply Chain Services					
– 2015 (Historical)	N/A	0	76	200	0
– 2016	N/A	0	76	200	0
– 2017	N/A	0	76	200	0
– 2018	N/A	0	76	200	0
Totals					
– **2015 (Historical)**	**424,354**	**327**	**3,755**	**3,225**	**1.0**
– **2016**	**428,429**	**1,001**	**3,843**	**3,449**	**0.8**
– **2017**	**425,834**	**974**	**3,758**	**3,342**	**0.8**
– **2018**	**424,390**	**965**	**3,765**	**3,322**	**2.1**

TAB 4

WORKING CAPITAL

1. INTRODUCTION

Working capital is the amount of funds required to finance the day-to-day operations of Hydro One Transmission and is included as part of rate base for ratemaking purposes. The determination of working capital relies on a lead-lag study.

In 2006, Hydro One Transmission commissioned Navigant Consulting Inc. (Navigant) to carry out a lead-lag study, the results of which were accepted by the Board in its EB-2006-0501 Decision with Reasons, dated August 16, 2007. The accepted methodology was reviewed by Navigant in 2010 and used in the Transmission rate filing EB-2010-0002. In 2015, Hydro One commissioned Navigant to conduct an updated lead-lag study which is included in Exhibit D1, Tab 1, Schedule 4, Attachment 1 (entitled "A Determination of the Working Capital Requirements of Hydro One Networks' Transmission Business – dated May 17, 2016.

2. SUMMARY

Hydro One Transmission's net cash working capital requirement for the 2017 test year is $14.7 million or 3.4% of OM&A expenses ($425.8M) or 0.14% of Rate Base ($10,554.4M). Net cash working capital for 2018 is $15.6 million, which is 3.7% of OM&A ($422.2M) expenses or 0.14% of Rate Base ($11,225.5M). Table 1 summarizes the net cash working capital requirements determined by using the lead-lag days from the Navigant study (see Exhibit D1, Tab 1, Schedule 4, Attachment 1) to reflect the 2017 and 2018 test years' revenue, expense and HST amounts (Table 2).

NAVIGANT

Filed: 2016-05-31
EB-2016-0160
Exhibit D1-1-4
Attachment 1
Page 1 of 23

Working Capital Requirements of Hydro One Networks

Transmission Business

Prepared for:

hydro one

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Final Report
Reference No.: 179261
May 17, 2016

Ontario Energy Board (Board Staff) INTERROGATORY #141

Reference:

Exhibit D/Tab1/Sch4

Interrogatory:

The evidence shows that Working Capital increases in 2017 to $14.7 million, an increase of over 70% from the 2016 level, with a subsequent increase of 6% in 2018.

Please provide an itemized list of the primary factors that contribute to the increase in working capital from 2016 to 2017 and from 2017 to 2018.

Response:

The primary factor of this increase is due to the inclusion of a significant pre-payment of utility income tax in the first half of the year which was not captured in the prior study. The pre-payment of utility income tax are based on predictions of net income in which it was deemed; and in the current study, the pre-payment accurately reflects the timing of the utility income tax payment.

The 2018 increase over 2017 is due to higher interest expenses which are as a result of the increased long term debt being borrowed in 2018.

London Property Management Association (LPMA) INTERROGATORY #027

Reference:

Exhibit D1, Tab 1, Schedule 4, Attachment 1

Interrogatory:

a) Please provide all the assumptions, data and calculations used to calculate each of the expense lead times shown in Table 5, including, but not limited to, payment frequency and length of expense periods.

b) Please provide all the assumptions, data and calculations used to calculate the expense lead times for each of the items shown on page 9 of the report.

Response:

The requested response above is unreasonable, based on the immateriality of the impact on revenue requirement, and the effort involved to provide the detailed information and analysis requested within the time allowed.

London Property Management Association (LPMA) INTERROGATORY #028

Reference:

Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 4

Interrogatory:

a) A comparison of the expense lead days in Table 4 filed in this application relative to that filed in EB-2014-0140 shows a number of significant changes. Please indicate what changes have taken place that have resulted in the following changes between EB-2014-0140 to the current study:

i) property taxes: (15.47) to 23.89;
ii) corporate procurement card: 33.36 to 29.87;
iii) payments to Inergy: 44.40 to 32.82;
iv) consulting and contract staff: 80.15 to 1.91; and
v) miscellaneous OM&A: 63.60 to 49.00.

b) In the EB-2014-0140 study, miscellaneous OM&A accounted for 13% of total OM&A expenses, while in the current study it now represents 40%. At the same time the weighting of payroll & benefits and consulting and contract staff have declined from 70% of OM&A to 45%. Please explain the swing in these costs.

Response:

a) An explanation of the significant changes are outlined below:

i. The increase is due to variation in due dates and processing of payments between the two studies. A larger number of payments from the EB-2014-0140 test year occurred earlier in the year.

ii. The decrease is due to policy change.

iii. The timing of payments changed due to a new contract.

iv. The decrease was due to major projects completion between study years.

v. The decrease was primarily due to payment terms on product purchases.

b) The change in the payroll & benefits and consulting and contract as a percentage of OM&A was partially due to the completion of major projects between study years. There are over 50,000 individual transactions classified as miscellaneous OM&A in each study; a line by line review would be required in order to provide the explanation requested. A detailed review requested in this interrogatory is unreasonable based on the immateriality of the impact on revenue requirement, relative to effort involved within the time allowed.

London Property Management Association (LPMA) INTERROGATORY #029

Reference:

Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 5

Interrogatory:

A comparison of the expense lead days in Table 5 filed in this application relative to that filed in EB-2014-0140 shows a number of significant changes. Please indicate what changes have taken place that have resulted in the following changes between EB-2014-0140 to the current study:

i) pensions: (45.68) to 28.18;
ii) group life insurance: 6.56 to 0.86;
iii) group health and dental -ASO; 30.83 to 56.48;
iv) group health and dental - claims: 1.89 to 10.9;
v) payroll - basic: 18.50 to 26.70;
vi) payroll - construction: 18.50 to 11.49;
vii) payroll - management: (0.8) to 25.91;
viii) payroll - supervisor pensions: (15.13) to 25.91;
ix) payroll withholdings - management: 7.22 to 40.29; and
x) payroll withholdings - supervisor pensions: (8.50) to 40.29.

Response:

A detailed review requested in this interrogatory is unreasonable based on the immateriality of the impact to revenue requirement, relative to effort involved to conduct the review within the time allowed.

Witness: Glenn Scott

London Property Management Association (LPMA) INTERROGATORY #031

Reference:

Exhibit D1, Tab 1, Schedule 4, Attachment 1

Interrogatory:

a) With reference to the long term debt instruments shown in Exhibit D2, Tab 4, Schedule 2, page 2 for 2014, please show the calculation of the lead time of (1.33) days for interest on long term debt.

b) Using the same methodology used for 2014, please calculate the lead time of the interest on long term debt based on the debt instruments shown for each of 2017 and 2018 in Exhibit D2, Tab 4, Schedule 2, pages 5 & 6.

Response:

A detailed review requested in this interrogatory is unreasonable based on the immateriality of the impact to revenue requirement, relative to effort involved to conduct the review within the time allowed.

London Property Management Association (LPMA) INTERROGATORY #033

Reference:
Exhibit D1, Tab 1, Schedule 4, Attachment 1, Table 7

Interrogatory:
Please provide all the assumptions, data and calculations used to calculate each of the HST lead times shown in Table 7.

Response:
A detailed review requested in this interrogatory is unreasonable based on the immateriality of the impact to revenue requirement, relative to effort involved to conduct the review within the time allowed.

London Property Management Association (LPMA) INTERROGATORY #032

Reference:

Exhibit D1, Tab 1, Schedule 4, Attachment 1

Interrogatory:

a) Please explain the significant decrease in the PILS expense lead from 114.74 days in EB-2014-0140 to 19.63 days in the current application.

b) Please provide all the assumptions, data and calculations used to calculate the 19.63 days in the current application for the PILS expense lead.

c) Please provide all the assumptions, data and calculations used to calculate the 114.74 days in EB-2014-0140 for the PILS expense lead.

d) If PILS payments are made in monthly installments, please explain why the expense lead time should not be 45.63 days, being the sum of the average monthly period of 15.21 days (365/12) and 30.42 days being the average end of the month (365/12) when payment is made for the previous month. If payments are not made at the end of the month for the previous month, please explain when payments are made.

Response:

a) PILs in the prior study reflected a significant payment in the first half of the test year for the prior year PILs expense. No such payments occurred in the test year for this study.

b) Please see table below:

Service Period Start	Service Period End	Payment Date	Payment Amount ($M)	Service Lead Time (Days)	Payment Lead Time (Days)	Total Lead Time (Days)	Weighting Factor (%)	Weighted Lead Time (Days)
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
1/1/2014	12/31/2014	1/31/2014	$5,373,546	182.50	(334.00)	(151.50)	8.67%	(13.13)
1/1/2014	12/31/2014	2/28/2014	-$2,500,000	182.50	(306.00)	(123.50)	-4.03%	4.98
1/1/2014	12/31/2014	2/28/2014	$5,373,546	182.50	(306.00)	(123.50)	8.67%	(10.71)
1/1/2014	12/31/2014	3/30/2014	$5,373,546	182.50	(276.00)	(93.50)	8.67%	(8.11)
1/1/2014	12/31/2014	4/30/2014	$5,373,546	182.50	(245.00)	(62.50)	8.67%	(5.42)
1/1/2014	12/31/2014	5/31/2014	$5,373,546	182.50	(214.00)	(31.50)	8.67%	(2.73)
1/1/2014	12/31/2014	6/29/2014	$5,373,546	182.50	(185.00)	(2.50)	8.67%	(0.22)
1/1/2014	12/31/2014	7/31/2014	$5,373,546	182.50	(153.00)	29.50	8.67%	2.56
1/1/2014	12/31/2014	8/31/2014	$5,373,546	182.50	(122.00)	60.50	8.67%	5.25
1/1/2014	12/31/2014	9/28/2014	$5,373,546	182.50	(94.00)	88.50	8.67%	7.67
1/1/2014	12/31/2014	10/31/2014	$5,373,546	182.50	(61.00)	121.50	8.67%	10.53
1/1/2014	12/31/2014	11/30/2014	$5,373,546	182.50	(31.00)	151.50	8.67%	13.13
1/1/2014	12/31/2014	12/31/2014	$5,373,546	182.50	-	182.50	8.67%	15.82
Total			**$61,982,552**				**100%**	**19.63**

$E = (B - A + 1) / 2$

$F = C - B$

$G = E + F$

$H = D / \Sigma D$

$I = G * H$

c) Please see table below:

Service Period Start	Service Period End	Payment Date	Payment Amount ($M)	Service Lead Time (Days)	Payment Lead Time (Days)	Total Lead Time (Days)	Weighting Factor (%)	Weighted Lead Time (Days)
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
1/1/2012	12/31/2012	1/31/2012	4.36	183.00	(335.00)	(152.00)	3.92%	(5.96)
1/1/2011	12/31/2011	2/28/2012	36.00	182.50	59.00	241.50	32.37%	78.16
1/1/2012	12/31/2012	2/29/2012	4.36	183.00	(306.00)	(123.00)	3.92%	(4.82)
1/1/2012	12/31/2012	3/30/2012	4.36	183.00	(276.00)	(93.00)	3.92%	(3.64)
1/1/2012	12/31/2012	4/30/2012	4.36	183.00	(245.00)	(62.00)	3.92%	(2.43)
1/1/2012	12/31/2012	5/31/2012	4.36	183.00	(214.00)	(31.00)	3.92%	(1.21)
1/1/2012	12/31/2012	6/29/2012	4.36	183.00	(185.00)	(2.00)	3.92%	(0.08)
1/1/2012	12/31/2012	7/31/2012	4.36	183.00	(153.00)	30.00	3.92%	1.18
1/1/2012	12/31/2012	8/31/2012	4.36	183.00	(122.00)	61.00	3.92%	2.39
1/1/2012	12/31/2012	9/28/2012	4.36	183.00	(94.00)	89.00	3.92%	3.49
1/1/2012	12/31/2012	10/31/2012	16.00	183.00	(61.00)	122.00	14.39%	17.55
1/1/2012	12/31/2012	11/30/2012	10.00	183.00	(31.00)	152.00	8.99%	13.67
1/1/2012	12/31/2012	12/31/2012	10.00	183.00	-	183.00	8.99%	16.45
Total			**111.23**				**100%**	**114.74**

E = (B – A + 1) / 2
F = C – B
G = E + F
H = D / Σ D
I = G * H

d) The service period associated with PILs payments is per calendar year.

TAB 5

London Property Management Association (LPMA) INTERROGATORY #005

Reference:

Exhibit C1, Tab 2, Schedule 1

Interrogatory:

a) Please update Table 1 to reflect the most recent year-to-date actuals available for 2016, along with the current forecast for the remainder of the bridge year.

b) Please provide the most recent year-to-date actuals available for the 2016 bridge year in the same level of detail as shown in Schedule 1, along with the figures for the corresponding period in 2015.

Response:

a) The forecast for the 2016 bridge year has not materially changed and 2016 OM&A does not impact 2017-2018 test years.

b) As reported in the audited Q2 2016 results, OM&A for the first two quarters of 2016 was $188M for the Transmission segment, including Bruce x Milton. As reported in audited Q2 2015 results, OM&A for the first two quarters of 2015 was $197M for the Transmission segment, including Bruce x Milton.

Witness: Glenn Scott

7. TAXES OTHER THAN INCOME TAXES

These expenses consist of property and proxy taxes, and indemnity payments to the Province. Details of these expenditures are provided in Exhibit C1, Tab 3, Schedule 7.

8. COMPARISON OF OM&A COSTS TO BOARD-APPROVED

Table 2 compares Hydro One Transmission's actual costs in 2015 to the 2015 OM&A expenditures approved by the Board in its Decision on Hydro One's previous transmission application (EB-2014-0140).

Table 2: 2015 Board-approved versus 2015 Actual OM&A Expenditures

OM&A Categories	2015 Board-approved ($ Million)	2015 Actual ($ Million)	Variance ($ Million)
Sustainment	238.7	233.6	-5.1
Development	12.9	6.1	-6.8
Operations	58.5	59.0	0.5
Customer Care	5.5	5.1	-0.4
Common Corporate & Other Costs	70.2	73.9	3.7
Taxes Other than Income Taxes	66.3	63.9	-2.4
Less settlement reduction	-20.0		
Exclusion of B2M	-0.9		
Total OM&A	**431.1**	**441.6**	**10.5**

*Total variance is not the sum of changes noted.

Hydro One Transmission's actual 2015 OM&A costs were $10.5 million or 2.4% above Board-approved levels. This difference is explained, in part, by the OM&A reduction prescribed by the settlement agreement (the "2015-2016 Settlement Agreement") that was accepted by the Board in proceeding EB-2014-0140. Most items were otherwise on or below target. Common Corporate costs increased by 5.3%, but this increase was offset by decreases in Sustainment (2.1%), Development (52.7%) and Taxes Other than Income Tax (3.6%).

Table 3 compares 2016 projected costs to the 2016 OM&A expenditures approved by the Board in its Decision in proceeding EB-2014-0140.

Table 3: 2016 Board-approved versus 2016 Projected OM&A Expenditures

OM&A Categories	2016 Board-approved ($ Million)	2016 Projected ($ Million)	Variance ($ Million)*
Sustainment	241.1	227.5	-13.6
Development	13.4	5.3	-8.1
Operations	59.1	60.0	0.9
Customer Care	5.5	4.1	-1.4
Common Corporate & Other Costs	71.3	72.3	1.0
Taxes other than Income Taxes	67.0	62.9	-4.1
Less settlement reduction	-20.0		
Exclusion of B2M	-0.7		
Total OM&A	**436.7**	**432.1**	**-4.6**

*Total variance is not the sum of changes noted.

Hydro One Transmission's projected 2016 OM&A costs are $4.6 million or 1.1% below the Board-approved level, which includes the $20.0 million reduction negotiated in the 2015-2016 Settlement Agreement. Otherwise, most spending areas are meaningfully below target including Sustainment (5.6%), Development (60.4%) and Taxes other than Income Tax (6.1%).

School Energy Coalition (SEC) INTERROGATORY #049

Reference:
C1/2/1, p.6-7

Interrogatory:
Please provide a similar table showing 2014 Board-approved versus 2014 OM&A actual expenditures.

Response:
Please see table below:

Description	OEB Approved 2014	Actual 2014	Variance
Sustainment	246.5	228.6	(17.9)
Development	14.7	7.5	(7.2)
Operations	58.0	56.6	(1.4)
Customer Care	4.7	5.4	0.7
Common Corporate Costs and Other OM&A	59.0	37.2	(21.8)
Taxes Other Than Income Taxes	66.8	64.1	(2.7)
Total	**449.8**	**399.5**	**(50.3)**

Witness: Glenn Scott