

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

BOMA's COMPENDIUM

December 12, 2016

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1 **Consumers Council of Canada (CCC) INTERROGATORY #025**

2
3 **Reference:**

4 C2/T2/S1/pp. 1-2

5
6 **Interrogatory:**

7 Please recast the Schedule – Comparison of OM&A Expense by Major Category to include
8 forecasts amounts.

9
10 **Response:**

11 Please refer to the following table.

2

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 Tab 13
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<u>Transmission OM&A (\$millions)</u>	<u>Actual</u> <u>2012</u>	<u>Approved</u> <u>2012</u>	<u>Actual</u> <u>2013</u>	<u>Approved</u> <u>2013</u>	<u>Actual</u> <u>2014</u>	<u>Approved</u> <u>2014</u>	<u>Actual</u> <u>2015</u>	<u>Approved</u> <u>2015</u>	<u>Bridge</u> <u>2016</u>	<u>Approved</u> <u>2016</u>
Sustaining OM&A										
<u>Transmission Stations</u>										
Land Assessment and Remediation	1.9	1.1	3.1	2.4	3.1	3.3	3.6	3.1	3.0	2.9
Environment Management	11.3	15.4	11.9	13.2	10.7	15.3	9.8	14.9	10.4	16.0
Power Equipment	55.7	66.6	60.2	61.2	61.4	63.2	64.5	60.7	54.3	59.7
Ancillary System Maintenance	10.1	16.5	10.1	11.6	10.0	12.0	9.2	10.0	10.8	10.0
Protection, Control, Monitoring, Metering and Telecommunications	44.9	45.8	49.4	50.9	52.1	52.2	63.9	51.7	61.2	53.7
Site Infrastructure Maintenance	22.7	25.8	25.2	28.8	24.5	30.6	24.0	28.5	25.1	29.3
Total Transmission Stations OM&A	146.5	171.2	159.9	168.0	161.9	176.7	175.0	169.0	164.8	171.6
<u>Transmission Lines</u>										
Rights of Way	27.1	28.0	31.1	29.1	35.5	29.5	32.6	32.8	35.8	33.2
Overhead Lines	17.9	22.7	15.7	21.2	17.6	22.9	15.9	20.3	18.0	20.7
Underground Cables	3.6	3.9	3.6	4.8	4.0	4.9	4.1	4.8	5.0	4.9
Total Transmission Lines OM&A	48.6	54.6	50.4	55.1	57.1	57.4	52.6	57.8	58.8	58.8
Engineering & Environmental Support	9.5	11.7	10.7	12.6	9.6	12.5	6.0	11.9	4.0	10.8
Total Sustaining OM&A	204.7	237.5	221.0	235.7	228.6	246.5	233.6	238.7	227.5	241.1

Witness: Glenn Scott

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Transmission OM&A (\$millions)	Actual 2012	Approved 2012	Actual 2013	Approved 2013	Actual 2014	Approved 2014	Actual 2015	Approved 2015	Bridge 2016	Approved 2016
Technical	2.5	14.8	3.1	6.3	3.3	7.7	2.8	5.6	3.0	6.0
Research Development and Demonstration	-	-	-	-	-	-	-	-	2.1	-
Customer Power Quality	-	-	-	-	-	-	-	-	0.2	-
Technology Studies	3.5	-	3.2	3.6	2.8	3.6	3.0	3.7	-	3.8
Smart Grid	2.4	4.0	2.2	3.3	1.4	3.3	0.3	3.6	-	3.6
Total Development OM&A	8.4	18.8	8.6	13.2	7.5	14.7	6.1	12.9	5.3	13.4
Operations OM&A										
Operations Contracts	21.4	25.6	21.3	24.4	20.9	25.1	22.4	22.9	22.9	23.1
Environmental, Health and Safety Operators	1.3	3.4	1.5	2.4	1.1	2.3	1.1	2.4	1.6	2.6
Total Operations OM&A	54.8	62.4	56.7	57.7	56.6	58.0	59.0	58.5	60.0	59.1
Customer Service OM&A	4.4	6.7	5.3	4.9	5.4	4.7	5.1	5.5	4.1	5.5
OM&A Common Corporate Costs and Other Costs										
Asset Management	32.3	39.1	31.8	35.2	32.6	34.1	31.0	37.2	36.6	35.7
Common Corporate Functions & Services	80.5	83.9	87.7	85.0	93.1	85.6	95.7	96.9	98.9	96.4
Information Technology (including Cornerstone)	60.7	48.7	61.1	61.2	55.2	60.3	55.1	63.5	61.4	63.5
Cost of Sales	11.4	8.5	13.9	10.7	11.1	10.6	8.8	6.7	5.0	6.8
Other	(104.2)	(150.7)	(118.6)	(129.8)	(154.8)	-131.6	(116.8)	(134.0)	(129.6)	(131.1)
Total OM&A Common Corporate Costs and Other Costs	80.7	29.4	75.8	62.3	37.2	59.0	73.9	70.2	72.3	71.3

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<u>Transmission OM&A (\$millions)</u>	<u>Actual</u> <u>2012</u>	<u>Approved</u> <u>2012</u>	<u>Actual</u> <u>2013</u>	<u>Approved</u> <u>2013</u>	<u>Actual</u> <u>2014</u>	<u>Approved</u> <u>2014</u>	<u>Actual</u> <u>2015</u>	<u>Approved</u> <u>2015</u>	<u>Bridge</u> <u>2016</u>	<u>Approved</u> <u>2016</u>
Property Taxes & Rights										
Payments	62.1	72.2	21.2	66.0	64.1	66.8	63.9	66.3	62.9	67.0
Less settlement/decision reduction								(20.0)		(20.0)
Exclusion of B2M								(0.9)		(0.7)
Total Transmission OM&A	415.1	427.2	388.4	440.0	399.5	449.8	441.6	431.2	432.1	436.8

Witness: Glenn Scott

COMPARISON OF OM&A EXPENSE BY MAJOR CATEGORY– HISTORIC, BRIDGE AND TEST YEARS

<u>Transmission OM&A (\$millions)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Sustaining OM&A							
<u>Transmission Stations</u>							
Land Assessment and Remediation	1.9	3.1	3.1	3.6	3.0	2.2	1.2
Environment Management	11.3	11.9	10.7	9.8	10.4	18.4	18.0
Power Equipment	55.7	60.2	61.4	64.5	54.3	60.0	57.0
Ancillary System Maintenance	10.1	10.1	10.0	9.2	10.8	11.2	11.2
Protection, Control, Monitoring, Metering and Telecommunications	44.9	49.4	52.1	63.9	61.2	60.9	62.0
Site Infrastructure Maintenance	22.7	25.2	24.5	24.0	25.1	25.7	25.3
Total Transmission Stations OM&A	146.5	159.9	161.9	175.0	164.8	178.5	174.8
<u>Transmission Lines</u>							
Rights of Way	27.1	31.1	35.5	32.6	35.8	33.8	34.8
Overhead Lines	17.9	15.7	17.6	15.9	18.0	20.9	20.8
Underground Cables	3.6	3.6	4.0	4.1	5.0	5.1	5.2
Total Transmission Lines OM&A	48.6	50.4	57.1	52.6	58.8	59.8	60.8
Engineering & Environmental Support	9.5	10.7	9.6	6.0	4.0	2.9	2.9
Total Sustaining OM&A	204.7	221.0	228.6	233.6	227.5	241.2	238.5
Development OM&A							
Technical Standards	2.5	3.1	3.3	2.8	3.0	2.5	2.6

Witness: Glenn Scott

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 Tab 2
 Schedule 1
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Transmission OM&A (\$millions)	2012	2013	2014	2015	2016	2017	2018
Research Development and Demonstration	0.0	0.0	0.0	0.0	2.1	2.1	2.2
Customer Power Quality	0.0	0.0	0.0	0.0	0.2	0.2	0.2
Technology Studies	3.5	3.2	2.8	3.0	0.0	0.0	0.0
Smart Grid	2.4	2.2	1.4	0.3	0.0	0.0	0.0
Total Development OM&A	8.4	8.6	7.5	6.1	5.3	4.8	5.0
Operations OM&A							
Operations Contracts	21.4	21.3	20.9	22.4	22.9	23.6	24.3
Environmental, Health and Safety	1.3	1.5	1.1	1.1	1.6	1.9	1.8
Operators	32.1	33.9	34.6	35.5	35.5	35.9	36.1
Total Operations OM&A	54.8	56.7	56.6	59.0	60.0	61.3	62.1
Customer Service OM&A	4.4	5.3	5.4	5.1	4.1	4.0	3.9
OM&A Common Corporate Costs and Other Costs							
Asset Management	32.3	31.8	32.6	31.0	36.6	36.5	35.8
Common Corporate Functions & Services	80.5	87.7	93.1	95.7	98.9	98.3	97.6
Information Technology (including Cornerstone)	60.7	61.1	55.2	55.1	61.4	59.8	57.6
Cost of Sales	11.4	13.9	11.1	8.8	5.0	5.0	5.0
Other	-104.2	-118.6	-154.8	-116.8	-129.6	-149.7	-148.5
Total OM&A Common Corporate Costs and Other Costs	80.7	75.8	37.2	73.9	72.3	49.9	47.5
Property Taxes & Rights Payments	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 Transmission OM&A	415.1	388.4	399.5	441.6	432.1	413.1	411.2

Witness: Glenn Scott

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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.

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

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.

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