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January 6, 2017

VIA E-MAIL

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

Dear Ms. Walli:

Re: EB-2016-0276 – Hydro One Networks Inc. / Orillia Power Distribution Corporation
MADD Application – Purchase of Orillia Power Distribution Corporation
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Hydro One Networks Inc. (regulatory@hydroone.com)
Orillia Power Distribution Corporation (ghipgrave@orilliapower.ca)

REQUESTOR NAME	**VECC**
TO:	**Hydro One Inc. (HOI) / Hydro One Networks Inc. (HONI) & Orillia Power Distribution Corp. (OPDC)**
DATE:	**January 6, 2017**
CASE NO:	**EB-2016-0276**
APPLICATION NAME	**MADD Application – HOI Purchase of OPDC**

VECC-1

Reference: Exhibit A/T1/S1, page 3 (lines 15-16) and page 6 (lines 17-18)
Exhibit A/T2/S1, page 8 (lines 1-4)
Attachment 5, page 38 of 84 (Section 6.3)

a) With respect to the planned Advisory Committee, please provide the terms of reference for the Advisory Committee.
b) If one has not been drafted, please provide the terms of reference for the comparable advisory committee established as a part of the Norfolk purchase (EB-2013-0187, Exhibit A/Tab 1/Schedule 1, page 3).
c) In order to illustrate the function/ role of the planned Advisory Committee, please indicate how frequently the Norfolk Advisory Committee has met since the purchase closed, what types of issues have been discussed and any specific initiatives HOI/HONI has undertaken as a result of the Committee's input.

VECC-2

Reference: Exhibit A/T1/S1, page 3 (line 17)
Attachment 5, page 38 of 84 (Section 6.2) & Schedule 6.2

a) What community events/programs has OPDC supported over the past two years and how does this compare with the list of community events/programs that Hydro One Networks proposes to sponsor/support?

VECC-3

Reference: Exhibit A/T1/S1, page 6 (lines 14-16)
Exhibit A/T2/S1, page 14 (lines 12-22)
Attachment 5, page 39 of 84 (Section 6.8)

Preamble: While the January 2016 OEB Handbook (page 10) indicates that no evidence is required regarding public policy requirements such as CDM, the Application asserts that OPDC customers will benefit from provincial programs that are not currently included in OPDC's CDM Plan.

a) Please provide a schedule that compares the CDM programs (by sector) that OPDC has offered in 2015-2016 with those that HONI has offered over the same time period.
b) Please provide a schedule that compares the CDM programs OPDC currently proposes to offer in the future under its 2015-2020 CDM Plan with those proposed in HONI's 2015-2020 CDM Plan.

VECC-4

Reference: Exhibit A/T2/S1, page 14 (lines 20-22)
Exhibit A/T2/S1, page 5 (lines 12-18)

a) What is the annual level of LEAP funding that OPDC has provided in 2015 and 2016?
b) Were OPDC's LEAP funds fully utilized in either 2015 or 2016 such that funds were not available to assist potentially eligible customers? If yes, please indicate for which years and when (during the year) funds were depleted.
c) Were HONI's LEAP funds (including top-ups provided by the Corporation) fully utilized in either 2015 or 2016 such that funds were not available to assist potentially eligible customers? If yes, please indicate for which years and when (during the year) funds were depleted.
d) The Application indicates that OPDC customers will be eligible for LEAP funding under HONI's LEAP. Will this impact the potential availability of LEAP funds to HONI's legacy customers? If yes, please indicate how. If not, please explain why not.

VECC-5

Reference: Exhibit A/T1/S1, page 5 (lines 18-20)
Exhibit A/T2/S1, page 17 (lines 1-2)
Attachment 12, page 22, Note 11

Preamble: The Application states that the OPDC regulatory assets currently approved by the OEB will continue to be tracked in their respective accounts and disposition will be sought at a later date.

a) Please provide a schedule listing OPDC's currently approved regulatory asset accounts; provide the balance in each as of December 31, 2015 and reconcile the total with the balance reported in Attachment 12 (page 22-Note 11). Please also provide the (unaudited balances) as of December 31, 2016 – if available.
b) Which of these regulatory asset accounts does HONI plan on continuing to make additions to (when warranted) after the transaction is completed?
c) In particular, does HONI propose to continue to track variances (post the transaction) for Accounts #1550, #1580, #1584, #1586, #1588 and #1589? If yes, please explain how HONI will ensure the requisite information for the current OPDC service area is available.
d) HONI indicates that disposition for these accounts will be sought at a later date. At the time of disposition, will HONI propose to refund/recover the balances just to/from customers in OPDC's current service area or also to/from HONI's legacy customers such that the latter will be impacted?

VECC-6

Reference: Exhibit A/T2/S1, page2 (line 11) – page 3 (line 2)
Attachments 2 & 4
OEB 2015 Yearbook

a) It is noted the OPDC customer count in Attachment 4 reconciles with the OEB's 2015 Yearbook. However, the HONI customer count in Attachment 2 does not. What is the source/basis for the reported HONI customer counts?
b) Please confirm that the 2015 HONI OM&A costs and customer counts used to derive the $173/customer cost for high density (UR) residential class are forecast values whereas the 2015 OM&A costs and customer counts for OPDC are actual values.
c) Please provide a schedule that compares the HONI's total forecast versus actual 2015 OM&A costs and that also compares the customer/connection counts as used in the Cost Allocation Model submitted with the 2015 DRO (EB-2013-0416) with the actual 2015 customer counts. (Note: Please include the individual

forecast and actual customer/connection count for all HONI's customer classes).

VECC-7

Reference: Exhibit A/T2/S1, page2 (line 11) – page 3 (line 2)
OEB 2015 Yearbook

a) Please confirm that the derivation of the $173/customer cost for HONI's UR class is based on the results of a Cost Allocation model that allocates OM&A costs to all of HONI's customer classes.
b) Please confirm that, in contrast, the derivation of the $362/customer for OPDC uses total OM&A costs but only includes the Residential, GS<50 and GS>50 customer counts (and not the counts for the Street Lighting, Sentinel Lighting and USL classes) in the denominator.
c) Based on HONI's 2015 DRO what are the OM&A costs per customer to serve the UG_e and UG_d customer classes
d) Based on the last Cost Allocation model submitted by OPDC to the Board, what percentage of total OM&A costs were allocated to the Residential, GS<50 and GS>50 customer classes?

VECC-8

Reference: Exhibit A/T2/S1, page2 (line 11) – page 3 (line 2)

a) The Application indicates that the customer density for OPDC is roughly 58 customers per km. Please confirm that, based on this value, the customers would not qualify for treatment as HONI high density customers.
b) For those areas that HONI has currently designated as "high density", what is the average number of customers per km?
c) Please provide a schedule, based on the Cost Allocation provided with HONI's 2015 DRO, that sets out the per customer OM&A costs for the R1, GS_e and GS_d customer classes.

VECC-9

Reference: Exhibit A/T2/S1, page2 (line 11) – page 3 (line 2)
OEB 2015 Yearbook

a) Please provide a schedule that contrasts the depreciation per customer for OPDC (based on the 2015 Yearbook) versus that for HONI's UR and R1 classes (based on the 2015 DRO).
b) Please provide a schedule that contrasts the NBV per customer for OPDC (based on the 2015 Yearbook) versus that for HONI's UR and R1 classes (based on the 2015 DRO).

VECC-10

Reference: Exhibit A/T2/S1, page 2 (lines 1-10) and page 9 (lines 10-16)

a) What were OPDC's actual total OM&A costs for 2015? If materially different (10%) from the forecast Year 1 Status Quo Forecast costs please explain why.
b) What portion of the OM&A reduction shown in Table 1 is due to the proposed elimination of 29 local positions (per page 9)? What are the sources for the balance of the assumed savings?
c) Please confirm that the Hydro One Forecast OM&A in Table 1 does not include any costs associated with administration or support services (e.g. back-office services, customer service, finance, human resources, distribution system planning& design, executive & governance, etc.).
d) It is noted that OPDC is just one of a number of recent acquisitions by HONI which also include Norfolk Power Distribution, Haldimand County Hydro and Woodstock Hydro. Cumulatively, have/will these acquisitions require HONI to add additional staff or retain additional contract services in order to provide administration and support services.

VECC-11

Reference: Exhibit A/T2/S1, pages 2 and 8

a) What is the anticipated annual cost of the five-year lease HONI is planning for the current OPDC Operating Centre (per page 8) and are these costs included in the Hydro One Forecast OM&A costs in Table 1? If not, how/where are they accounted for the determination of projected savings?
b) Will any of the lease costs be included in CIR Application HONI plans to file in 2017 (per page 5)?

VECC-12

Reference: Exhibit A/T2/S1, pages 8-11 and page 15

a) Please confirm that apart from the increase in the local complement of direct staff positions (per pages 9 & 15) HONI is not forecasting any increase in HONI's staff or contracted services will be required due to the acquisition of OPDC in order to provide administration or support services.
b) Page 9 states that OPDC's direct staff will be integrated into Hydro One's local operations servicing the larger Hydro One service area, which encompasses OPDC's current service area.
    i. Is this "larger Hydro One service area" serviced entirely out of Hydro One's Orillia Operating Centre referenced on page 8? If not what service centres are involved?
    ii. What is the number of direct staff currently employed by Hydro One at these service centres?
    iii. Please explain how Hydro determined that the direct staff required locally could be reduced by 6 positions following the transaction without affecting service quality/reliability.

VECC-13

Reference: Exhibit A/T2/S1, page 2 (Table 1)

a) Please provide a schedule setting out OPDC's actual annual capital expenditures for 2013-2015. Please also include 2016 capital spending if available.
b) If the average annual spending for this period is materially different (10%) from the forecast Year 1 Status Quo Forecast costs please explain why.

VECC-14

Reference: Exhibit A/T2/S1, page 2 (Table 1) and pages 10-11

a) Would the construction of a new operations and administration building within the City of Orillia (per page 8, lines 6-11) be required if the transaction was not taking place? If yes, explain why?
b) What is the anticipated cost of the new operations and administration building and is this cost included in the Hydro One Forecast capital costs (per Table 1)? If not, why not?
c) Will any of the capital cost of the new operations and administration building be included in CIR Application HONI plans to file in 2017 (per page 5)?
d) Please explain in more detail the basis for the lower capital spending under the Hydro One Forecast versus the Status Quo and how it will be achieved without

reducing reliability or the quality of service to former OPDC customers.

VECC-15

Reference: Exhibit A/T2/S1, pages 3-5
OEB Handbook to Distributor and Transmitter Consolidations and Filing Requirements for Consolidation Applications, January 2016 (the "Handbook")

a) Does HONI expect the transaction to be completed in 2017 or 2018?
b) Please confirm that, if completed in 2017, HONI will be in the last year of its current CIR Plan (per page 5) and OPDC would have been on Price Cap IR (PCIR). If not, please clarify the existing price setting approaches in 2017 for each distributor.
c) Table 1 (page 15) of the Handbook sets out the various rate setting alternatives available to the consolidated distributor during the deferral period in such a situation (second column). None of these alternatives appear to provide for the rebasing of the distributor currently on the CIR Plan during the deferral period. Assuming the transaction is completed in 2017 please explain how HONI's plan to rebase and file for a new CIR Plan for 2018-2022 for its legacy customers is consistent with the Board policy as set out in the Handbook.
d) Given that Hydro One is requesting a 10-year deferral period, how does HONI plan to set rates for its legacy customers for the balance of the deferral period after 2022? If it does not plan to set the rates post 2022 using the PCIR approach, please explain how the proposed approach is consistent with requirements set out in Table 1 of the Handbook.

VECC-16

Reference: Exhibit A/T2/S1, page 4 (lines 15-17)

a) Please provide a schedule setting out the specific services charges currently approved for OPDC and compare them with HONI's currently approved specific service charges.
b) What would have been the impact on OPDC's 2015 revenue from specific service charges if HONI's currently approved charges were used instead of OPDC's currently 2015/currently approved charges?

VECC-17

Reference: Exhibit A/T2/S1, pages 6-7
OEB Electricity Reporting and Record Keeping Requirements (RRR)

a) If available, please update Table 3 to include 2016 (either all or as much of the year as information for both utilities is available).
b) With respect to Table 3, please provide the contribution to the reliability metrics for HONI and OPDC for the following cause codes:
    - Scheduled Outages
    - Tree Contacts
    - Defective Equipment
c) Please provide a table similar to Table 3 but that contrasts the performance of the two utilities with respect to the Service Quality metrics as reported in accordance with the Electricity RRR, Section 2.1.4.1.

VECC-18

Reference: Exhibit A/T3/S1

a) With respect to Tables 5 and 6, please indicate which elements of the ESM calculation will be based on forecast/set values (e.g., OM&A) that are known now and will not change and which elements are subject to future adjustment (e.g., Revenues based on future price cap adjustments). For those that will be subject to future adjustment, please indicate the basis for such adjustments.
b) Table 5 indicates that revenues will be based on "forecast load and customer profiles". Please indicate what the basis for these forecasts will be (e.g. is it the forecast for 2010 used in OPDC's last rebasing?).
c) Will the rate base used in the calculation include the value of OPDC's current Operating Centre on West Street?
d) Please confirm that the value for working capital used in determination of the rates base will be that approved in EB-2009-0273. If not, how will it be established?

VECC-19

Reference: Exhibit A/T1/S1, pages 4-5
Attachment 1, page 2

a) The post-acquisition Corporate Structure suggests that OPDC will be a separate subsidiary of HOI. Please clarity whether this will be the case and, if yes, whether the additional costs (e.g. separate Board of Directors, etc.) have been accounted for in Table 1 (page 2).
b) If a separate subsidiary, please reconcile with the approvals requested which would cancel OPDC's distribution license and transfer its rate order to HONI.

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