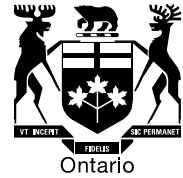


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**BY E-MAIL**

April 11, 2017

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Sault Ste. Marie LLP  
2017 Transmission Rate Application  
OEB Staff Interrogatories  
OEB File No. EB-2017-0356**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Hydro One SSM and all intervenors have been copied on this filing.

Hydro One SSM's responses to interrogatories are due by May 4, 2017.

Yours truly,

*Original Signed By*

Martha McOuat  
Project Advisor  
Attach.

Hydro One Sault Ste. Marie LLP  
EB-2016-0356  
OEB Staff Interrogatories

**1-Staff-1**

**Ref: Exhibit 1, Tab 1, Schedule 1, p. 3**

**Ref: Exhibit 2, Tab 1, Schedule 1, p. 4**

In its application at paragraph 10, Hydro One Sault Ste. Marie (Hydro One SSM), formerly GLPT, states that:

In the event GLPT encounters unforeseen events which meet the three defined eligibility criteria of Causation, Materiality and Prudence, GLPT would also seek to establish a new Z-factor deferral account in Account 1572.

- a) Please confirm that Hydro One SSM is not requesting the Z-factor deferral account in this application.

**1-Staff-2**

**Ref: Exhibit 1, Tab 1, Schedule 2, p. 2**

Hydro One SSM states that the Ontario Energy Board (OEB), in its EB-2016-0050 Decision<sup>1</sup>, determined that Hydro One SSM can continue with its existing 2016 revenue requirement and file a new rate application, proposing a revenue cap index framework for the deferral period. OEB staff notes that the application as filed does not request approval for the revenue cap index for the deferral period. Hydro One SSM further states that this application is intended to represent year two of the five year revenue cap adjustment.

- a) Is it Hydro One SSM's intention to maintain its proposed revenue cap index framework for the full ten year deferral period? If so, please provide a revised application requesting this approval.
- b) If this is not the case, please clarify Hydro One SSM's proposal regarding its revenue cap index for the remaining nine years of the deferral period.

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<sup>1</sup> EB-2016-0050 Decision and Order, Application for the acquisition of Great Lakes Power Transmission Inc. by Hydro One Inc.

### **1-Staff-3**

**Ref: Exhibit 1, Tab 2, Schedule 10, Appendix A, p. 10**

**Ref: Exhibit 1, Tab 2, Schedule 15, p. 2**

**Ref: EB-2016-0160, Exhibit B2-2-1, p. 1**

**Ref: EB-2016-0160, Exhibit B2-2-1, Attachment 1, p. 10**

Hydro One Network's (HONI) evidence in the EB-2016-0160<sup>2</sup> proceeding describes the stakeholder consultation process followed to support its Total Cost Benchmarking Study. HONI states that, in conducting the study, stakeholders would be consulted regarding the terms of reference for the study; have an opportunity to review the study proposal; and have an opportunity to review and provide comments on the preliminary results.

In its EB-2014-0238 Settlement Proposal, Hydro One SSM agreed to participate in HONI's Total Cost Benchmarking Study if it was requested to do so. Hydro One SSM states that it participated in the stakeholder consultation process, but was not selected as a comparator, and therefore did not participate. OEB staff notes that at page 10 of the HONI Total Cost Benchmarking study, the consultants state that:

A concerted effort was made, as requested by stakeholders, to include more Canadian utilities. However, because there is no requirement for them to participate, and the effort for them to participate is significant, only a few Canadian utilities agreed and provided data for the study.

- a) Which, if any, of the stakeholder sessions did Hydro One SSM attend?
- b) Please explain why Hydro One SSM was not included in the HONI study.
- c) Please describe the efforts made by Hydro One SSM to participate in the study.

### **3-Staff-4**

**Ref: Exhibit 3, Tab 1, Schedule 2**

Hydro One SSM has provided a list of improvement initiatives for its scorecard at Table 3-2-1 A.

- a) Please provide the proposed timeline for the implementation of each improvement initiative in the table.

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<sup>2</sup> EB-2016-0160 Hydro One Networks Inc. 2017 and 2018 Transmission Cost of Service Application

### **3-Staff-5**

**Ref: Exhibit 3, Tab 1, Schedule 2, Appendix A**

Hydro One SSM has provided a proposed scorecard at Appendix A.

- a) Please provide the proposed target for each measure in the scorecard.

### **3-Staff-6**

**Ref: Exhibit 3, Tab 1, Schedule 2, p. 5**

Hydro One SSM states that in 2017 and 2018, HONI and Hydro One SSM will begin to identify areas where long term operational synergies and savings may be achieved.

- a) Please describe any initiatives that Hydro One SSM is taking on its own prior to these joint efforts to achieve efficiencies and savings.

### **3-Staff-7**

**Ref: Exhibit 3, Tab 1, Schedule 4, Appendix A**

Hydro One SSM has provided its benchmarking information at Exhibit 3, Tab1, Schedule 4, Appendix A. At page 2 the consultants state that the analysis is based on actual data to 2015 and forecast data for 2016 to 2018. OEB staff notes that the graphs shown in Figures 1, 2 and 3 appear to show rising or level costs for Hydro One SSM to the end of 2015, followed by a slight downward trend for 2016 to 2018. This is in contrast to the rest of the sample, which appears to show an increase in O&M in 2016, followed by fairly level costs in 2017 and 2018.

- a) Please describe the methodology used to forecast costs for 2016 to 2018.
- b) The link to the website provided for exchange rates appears to have been updated. Please provide the exchange rates used to support the forecast.
- c) Please provide the data points underpinning the graphs shown in separate tables as shown below for each of Figures 1, 2 and 3.

Title						
	2013	2014	2015	2016	2017	2018
First Quartile						
Second Quartile						
Third Quartile						
Average						
Hydro One SSM						

- d) Please calculate the percentage difference between Hydro One SSM total costs and the average of the sample, based on the data provided in the tables in Part c), above.
- e) Please describe the factors and initiatives underlying Hydro One SSM's decreasing costs from 2015 to 2018, as shown in Figures 1, 2 and 3 of the benchmarking study.
- f) Please explain why it is appropriate for Hydro One SSM to request an inflationary increase when its costs over the period appear to be decreasing, as forecast in the benchmarking study.

## 5-Staff-8

### Ref: Exhibit 5, Tab 1, Schedule 2

Hydro One SSM has proposed disposition of four sub-accounts of Account 1508 for a total debit amount of \$101,950. The total balance reported by Hydro One SSM in its 3.1.1 filing for the 4<sup>th</sup> quarter of 2016 was a debit of \$705,019.

- a) Please reconcile the balance reported in the RRR filing to the amount proposed for disposition (Note: OEB staff acknowledges that there are some Account 1508 sub-accounts that are not proposed for disposition in this proceeding for certain reasons).