EB-2017-0049

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, *1998*, S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2018 to December 31, 2022.

INTERROGATORIES TO PACIFIC ECONOMICS GROUP

ON BEHALF OF THE

SCHOOL ENERGY COALITION

[Given the nature of the PEG evidence, interrogatories have not been assigned to individual issues.]

PEG-SEC-1
[p. 5] Please provide a copy of the cited paper for Lawrence Berkeley National Laboratory..

PEG-SEC-2
[p. 6] Please explain why it is reasonable to exclude productivity gains from a capital pass-through mechanism. Please identify the risks to the customers of this proposal.

PEG**-SEC-3**
[p. 11] Please discuss the pros and cons of using average weekly earnings vs. fixed weighted average hourly earnings to measure labour inputs in Canadian productivity research.

PEG-SEC-4
[p. 12] Please describe any academic or technical work that has been published that seeks to explain or quantify the lag between CDM-driven declines in volumes or peak demand, and the decline of OM&A or capital costs of wires companies.

PEG-SEC-5
[p. 13] Please confirm that, while price cap indices are commonly used, revenue cap or revenue cap per customer indices are a closer match to cost escalation of wires companies, because the costs of those companies are driven more by customer numbers than by throughput or peak in the short and medium term. Please comment on whether the move in Ontario to fixed residential prices results in price cap more closely tracking cost inputs.

PEG-SEC-6
[p. 15, 34] Please explain why it is not appropriate to use the 0.61% productivity factor for OM&A to escalate OM&A expenditures during the Hydro One IRM period (i.e. I - 0.61% - 0.45%). Please explain why TFP is relevant at all in a proposed structure where capital is “determined on a cost of service basis”. Why is PFP for OM&A not more appropriate?

PEG-SEC-7
[p. 18] Is it reasonable and methodologically sound to compare Table 1 and Table 2, and conclude that Hydro One has 192 basis points worse (slower) productivity than the Ontario industry on OM&A (but improving strongly), and 268 basis points worse productivity than the Ontario industry on capital (and getting worse)? If the answer is yes, with or without qualifications, are there steps the Board can take to identify the reasons for that relatively poor productivity performance relative to peers?

PEG-SEC-8
[p. 29] Is it possible to develop a program benchmarking peer group for Hydro One that has similar peers? Alternatively, is it possible to use econometric approaches to compare the cost components with other distributors that are not sufficiently similar to be peers?

PEG-SEC-9
[p. 31] Please advise whether it is possible, on the evidence, to identify the portion of the proposed C factor that is capturing the cost of system expansion, as proposed by Hydro One. If it is possible to identify that component, please compare the impacts of that approach to using an express growth factor as proposed by PEG.

PEG-SEC-10
[p. 32] Please explain why the growth factor would not be reduced for the relative impact of growth on OM&A costs, as estimated by PEG in the Oshawa Custom IR proceeding (i.e. 1% growth equals 0.44% increase in OM&A).

PEG-SEC-11
[p. 35] Please confirm that the capital productivity factor identified in past spending, if applied in the IRM either separately or as part of TFP, implicitly assumes that future capital spending will be at the same relative levels as the capital spending during the productivity measurement period. Please confirm that an additional C factor is only justified if capital spending, relative to outputs, is expected to be higher in the future than in the past.

PEG-SEC-12
[p. 37] Please advise whether rebasing plus 4th Generation IRM with an ACM would approximate the rate trajectory that PEG has proposed. If there are material differences, please advise.

PEG-SEC-13
[p. 38] If the Board does not end the pension and OPEBs DVAs, is it possible to calculate an appropriate adjustment to the IRM formula to reflect the fact that this is a pass-through? If so, how would that be done?

PEG-SEC-14
[p. 42] After a period of high replacement capex, is it generally true that, in addition to capital productivity improving because of depreciation, etc., OM&A productivity also improves as the newer capital reduces operating costs?.

Respectfully submitted on behalf of the School Energy Coalition this April 25th , 2018.

Jay Shepherd
Counsel for the School Energy Coalition