



ONTARIO ENERGY BOARD

FILE NO.: EB-2017-0049

Hydro One Networks Inc.

VOLUME: Volume 5

DATE: June 18, 2018

BEFORE: Ken Quesnelle Presiding Member and Vice-Chair
Lynne Anderson Member
Emad Elsayed Member

THE ONTARIO ENERGY BOARD

Hydro One Networks Inc.

Application for electricity distribution rates
beginning January 1, 2018 until December 31, 2022

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Monday, June 18, 2018,
commencing at 9:43 a.m.

VOLUME 5

BEFORE:

KEN QUESNELLE	Presiding Member and Vice-Chair
LYNNE ANDERSON	Member
EMAD ELSAYED	Member

A P P E A R A N C E S

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MARTIN DAVIES KEITH RITCHIE	Board Staff
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ROBERT WOON	Ontario Sustainable Energy Association (OSEA)
RICHARD STEPHENSON BODHAN DUMKA	Society of United Professionals
MICHAEL McLEOD	Quinte Manufacturers' Association (QMA)
JAY SHEPHERD MARK RUBENSTEIN	School Energy Coalition (SEC)
RICHARD STEPHENSON	Power Workers' Union (PWU)

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1 Monday, June 18, 2018

2 --- On commencing at 9:43 a.m.

3 MR. QUESNELLE: Good morning, everyone. Please be
4 seated.

5 Good morning, Mr. Nettleton. There are a couple of
6 additions to your customer engagement panel.

7 MR. NETTLETON: We do indeed, sir. Good morning, and
8 good morning, Panel. I'm pleased to introduce the two
9 witnesses from IPSOS, Ms. Sandra Guiry and Mr. Brad Griffin
10 is our witness this morning. They are seated beside Mr.
11 Merali, and without further ado if we could have them sworn
12 the oath and --

13 MR. QUESNELLE: Certainly.

14 **HYDRO ONE NETWORKS INC. - PANEL 3, CUSTOMER**
15 **ENGAGEMENT, RESUMED**

16 **Derek Chum,**

17 **Ferio Pugliese,**

18 **Imran Merali, Previously Affirmed;**

19 **Sandra Guiry,**

20 **Brad Griffin; Affirmed.**

21 MR. QUESNELLE: Okay. We are all set. All right.

22 **EXAMINATION-IN-CHIEF BY MR. NETTLETON (CONT'D):**

23 MR. NETTLETON: Ms. Chairman, Mr. Guiry is the senior
24 vice-president of quantitative research for IPSOS. Her CV
25 was pre-filed as Exhibit A-9-2 on June 7th, and Mr. Brad
26 Griffin is senior vice-president and head of qualitative
27 research for Canada, also with IPSOS. His CV was also
28 filed as part of Exhibit A-9-2- filed on June 7th, and Ms.

1 Guiry and Mr. Griffin are responsible for the IPSOS report
2 that was filed in the application at Exhibit B01-1, section
3 1.3, which is included as part of the Distribution System
4 Plan.

5 Mr. Griffin and Ms. Guiry, I would like now to have
6 you adopt the evidence that you filed in this proceeding.
7 Can you confirm that you both jointly prepared Exhibit B-1-
8 1, 1.3, the IPSOS report?

9 MR. GRIFFIN: We did.

10 MR. NETTLETON: Ms. Guiry?

11 MR. GUIRY: I can confirm.

12 MR. NETTLETON: Thank you. And do either of you have
13 any changes or corrections to make to that evidence?

14 MR. GUIRY: We do not.

15 MS. GUIRY: No, we do not.

16 MR. NETTLETON: Thank you. And is it therefore
17 accurate to the best of your knowledge and belief, Mr.
18 Griffin?

19 MR. GRIFFIN: Yes.

20 MR. NETTLETON: And Ms. Guiry?

21 MS. GUIRY: Yes.

22 MR. NETTLETON: Thank you. And do you therefore adopt
23 that as your evidence in this proceeding, Mr. Griffin?

24 MR. GRIFFIN: I do.

25 MR. NETTLETON: Ms. Guiry.

26 MS. GUIRY: I do.

27 MR. NETTLETON: Thank you.

28 Mr. Chairman, the new members of our customer

1 engagement panel are available for cross-examination.

2 MR. QUESNELLE: Thank you, Mr. Nettleton.

3 Mr. Segel-Brown, we have you up first this morning.

4 **CROSS-EXAMINATION BY MR. SEGEL-BROWN:**

5 MR. SEGEL-BROWN: I thought Mark was ahead of me, but
6 all right. Is my mic on?

7 MR. QUESNELLE: Yes, it is.

8 MR. SEGEL-BROWN: Okay. So I just have a few
9 supplementary questions for the IPSOS panel members.
10 So with regard to the informed customer segment, those
11 customers were not informed of a counter-factual, they were
12 not told what the reliability impact would be if the
13 proposed investment was not made; is that correct?

14 MS. GUIRY: I'm sorry, could you repeat the question?

15 MR. SEGEL-BROWN: So you asked customers whether they
16 would be willing to pay the equivalent of \$2 a month more
17 increasing for the next five years in order to maintain
18 current levels of reliability; that's right, approximately?

19 MR. NETTLETON: Mr. Chairman, just before, I notice
20 that we have a technical issue, that we may not be on air.

21 MR. QUESNELLE: Fixed it. [Laughter] Thank you, Mr.
22 Nettleton.

23 MR. MERALI: Is there a specific table that you are
24 referencing? I think it would help us to --

25 MR. SEGEL-BROWN: Sure. It is question 17. It is
26 page 17 of your report, in the fine print at the bottom
27 there. So you are asking consumers whether they would
28 accept a \$2 a month rate increase compounding over the next

1 five years in order to maintain current services, current
2 levels of service reliability. Approximately that's what
3 this question comes out to?

4 MS. GUIRY: That's correct.

5 MR. SEGEL-BROWN: So I reviewed what the informed
6 customers were informed about, so they were informed about
7 Hydro One, its service territory, its performance in terms
8 of the average number and length of power outages, and why
9 outages occur; is that what these customers were informed
10 about, relative to the uninformed segment?

11 MS. GUIRY: Relative to the uninformed segment, yes,
12 and so the information that you just referenced is we --
13 included in the appendix the actual questionnaire so you
14 can see the information that was provided to informed
15 customers.

16 MR. SEGEL-BROWN: So I reviewed those materials, and
17 those materials do not indicate what the reliability impact
18 would be if the \$2 -- if the investment that you are
19 discussing in this question is not made; is that correct?

20 MR. GRIFFIN: That's correct.

21 MR. SEGEL-BROWN: Okay. And it's also not clear from
22 this question whether this is a real or a nominal change,
23 whether the 1.1 percent increase you are talking about
24 would be an increase in the nominal amount or an increase
25 in the real amount; is that correct? What do you think a
26 consumer would -- what impression would a consumer get from
27 your question?

28 [Witness panel confers]

1 MR. MERALI: Can you clarify when you say "nominal and
2 real", are you -- like, with respect to inflation or --

3 MR. SEGEL-BROWN: So with respect to inflation, is the
4 consumer expecting their bill to go up 1.1 percent
5 literally? It is 100 this year, it's 101 next year? Or
6 are they expecting it to go up 1 percent in real terms so
7 it will be up, you know, 3 percent next year?

8 MR. MERALI: I don't believe inflation was cited. I
9 mean, we can take a quick look, but I believe it was in the
10 first example you stated --

11 MR. SEGEL-BROWN: In nominal terms?

12 MR. MERALI: Yes.

13 MR. SEGEL-BROWN: Okay. And this is at page 51 of
14 your report if you want to reference it, but 33 percent of
15 residential customers indicated that Hydro One should allow
16 the average length of power outage to increase in order to
17 keep costs low, and that was the plurality of responses.
18 This is page 51?

19 MR. MERALI: Could you repeat the statistics you
20 cited. 33 percent?

21 MR. SEGEL-BROWN: Yes, so looking at the top orange
22 box that's shown on the screen there:

23 "33 percent of customers said that Hydro One
24 should allow the average length of power outages
25 to increase in order to keep the costs low."

26 And that's the plurality of respondents?

27 MS. GUIRY: That's correct.

28 MR. SEGEL-BROWN: Okay. So you asked another question

1 regarding customers' willingness to pay for reliability
2 improvements. This is on page 54. So you asked customers
3 whether they would be willing to pay 30 cents more or 60
4 cents more for a 10 percent increase in reliability. Is
5 that what this question comes out to? Over and above the
6 \$2, and it would compound over the five years.

7 MS. GUIRY: So half the sample was shown the 30 cents
8 and the other half was shown 60 cents.

9 MR. SEGEL-BROWN: Okay. And these are the number of
10 people who will be willing to pay an additional 30 cents or
11 an additional 60 cents for a 10 percent improvement in
12 reliability?

13 MS. GUIRY: Correct.

14 MR. SEGEL-BROWN: So those results indicate that only
15 20 percent of consumers, if we are counting the definitely
16 would and probably would, would be willing to pay 30 cents
17 a month more for a 10 percent increase in reliability?

18 MS. GUIRY: I believe you are referencing residential
19 customers; 6 percent definitely would, 18 percent probably
20 would.

21 MR. SEGEL-BROWN: Yes.

22 MS. GUIRY: Correct.

23 MR. SEGEL-BROWN: So obviously you are not experts in
24 the impact that Hydro One's distribution plans would have.
25 But putting it to you that the benefits from this \$2 a
26 month increase are far less than a 10 percent increase in
27 reliability, do you think -- in terms of assessing whether
28 consumers would support those investments, should we rely

1 on the question 17, where you ask whether customers are
2 willing to spend \$2 a month more compounding over the five
3 years to maintain current service levels of reliability?
4 Or should we use this question, where consumers were given
5 the counterfactual of it?

6 The point I'm trying to get at is that in the first
7 question, it doesn't seem like there was a counterfactual;
8 consumers didn't understand the reliability impact of the
9 choice they were being asked to make, whereas in this
10 latter question that choice does seem to be presented.

11 So I'm wondering which you think would be the more
12 reliable basis for determining whether consumers are
13 willing to accept the levels of investment to improve
14 reliability that Hydro One has proposed.

15 [Witness panel confers]

16 MS. GUIRY: Maybe one my colleagues can follow up if
17 they like, but I would say question 17, the purpose of that
18 question was to understand whether customers would be
19 willing to pay the additional \$2 per month, as you say
20 compounded, for -- to maintain the current level of
21 reliability.

22 The other question you referenced was about improved
23 reliability by 10 percent. So there are two different
24 questions.

25 MR. SEGEL-BROWN: Right. But the impact of the first
26 question is -- obviously, you don't have the IPSOS results.
27 But the difference between the plan C and plan B modified
28 is only 2 percent.

1 So what you'd be telling me is that consumers are
2 willing to spend \$2 a month in order to -- in order for a
3 2 percent increase in reliability, but they are not willing
4 to spend 30 cents a month for a further -- for a further 10
5 percent increase in reliability.

6 Those results seem inconsistent.

7 [Witness panel confers]

8 MR. MERALI: Sorry, you stated a 2 percent improvement
9 in reliability as part of your question there. I'm not
10 sure where that data point comes from.

11 MR. SEGEL-BROWN: So I'm -- I don't know if we want to
12 pull it up. It's Exhibit A, tab 3, schedule 1, page 17.

13 So this is looking at the difference in reliability
14 impacts between the different plans that were put before
15 the OEB, and the difference between plan C, which is
16 basically making no -- the minimum possible level of
17 investments and plan B modified, which is consistent with
18 the \$2 a month proposal. The difference between those
19 proposals is a 2 percent increase in reliability, basically
20 -- or an avoided 2 percent decrease, more accurately.

21 And if we go back a page, that's a similar result for
22 SAIDI.

23 MR. NETTLETON: Mr. Chairman, I don't mean to
24 interrupt, but I do want to make sure the record is clear
25 that these plans, and plan B modifieds and plan Cs, all
26 relate to how the Distribution System Plan was put together
27 and what was considered after the customer engagement
28 process had happened.

1 And I think we do want to establish whether or not
2 IPSOS was aware of these different plans at the time that
3 the customer engagement activity took place.

4 MR. QUESNELLE: I understood, thank you.

5 MR. STEVENS: So my point is not to show that IPSOS
6 was aware of these plans, but it seems to me that the
7 difference between -- you have two strikingly different
8 results. You have one result which suggests consumers are
9 willing to pay \$2 a month compounding in order for a very
10 marginal increase in reliability.

11 On the other hand, you have -- when consumers are
12 actually presented with the reliability impact, the 10
13 percent increase, they are not even to willing pay 30 cents
14 a month compounding over the period for that.

15 So you are trying to tell me that that difference is
16 entirely due to the fact that the \$2 a month as the initial
17 increase, and then the 30 cents a month is an increase
18 beyond that. I'm putting it to you that it's because in
19 the \$2 a month scenario, consumers did not understand the
20 reliability trade-off. They were not given a
21 counterfactual with we're going to see a 2 percent decrease
22 in reliability if we don't see this investment.

23 I'm putting it to you that the difference is more
24 likely attributable that the consumers understood the
25 reliability trade-off they were being asked to make. Would
26 you agree with that?

27 MR. NETTLETON: Mr. Chairman, I'm again concerned that
28 we're making connections where connections don't exist. I

1 think there needs to be a discussion first of whether these
2 plans where table 5 speaks to a difference in reliability
3 and, in particular, with respect to the 2 percent reference
4 of contribution to SAIFI. I believe that's what my friend
5 is referring to.

6 What I want to understand is whether these plans were
7 part of the IPSOS study, because the questions that the
8 IPSOS study looked at did not refer to these plans.

9 I just want to be absolutely clear that my friend is
10 not making connections where connections don't exist.

11 MR. QUESNELLE: Mr. Segel-Brown?

12 MR. SEGEL-BROWN: I wasn't trying to argue that --
13 like the IPSOS study says that in the -- in this question,
14 question 17, that Hydro One has determined that it needs to
15 make this \$2 a month compounded annually increase in
16 investment in order to maintain current levels of service
17 reliability.

18 So my question goes to, first, consumers didn't
19 understand what would happen if that additional investment
20 was not made, and that the other question asked regarding
21 whether consumers would be willing to pay 30 cents for a 10
22 percent improvement in reliability is, in fact, a more
23 reliable indicator of what consumers are willing to pay for
24 an increase in reliability.

25 So maybe the counterfactual is not plan C, and I'm
26 open to being corrected on that. But that was my
27 understanding.

28 MR. NETTLETON: I think my friend's points are fine.

1 But I think it's the last statement that he made about if
2 plan C was part of the IPSOS study, and I think we just
3 need to establish what relationship exists between these
4 plans and the IPSOS study.

5 So if we could establish that, I think it would help
6 clarify the concern.

7 MR. QUESNELLE: Chronologically, these weren't in
8 existence when the survey was taken?

9 MR. NETTLETON: That's what I think the witness should
10 speak to.

11 MR. QUESNELLE: But I think Mr. Segel-Brown's
12 questions is making a reference to this, but was a -- I'm
13 taking it as a way of illustrating his point. I don't
14 think you are making a direct connection to the actual
15 plans. These plans were not in existence, this chart was
16 not in existence at that time.

17 But directionally, I'm taking Mr. Segel-Brown's point.

18 MR. NETTLETON: And that's my -- I think that's it
19 precisely. I thin it's a fair question to say you didn't
20 qualify the amount of reliability that a 50 cent increase
21 would have, or you didn't qualify what the level of
22 reliability was when you say the word "maintain" in your
23 questions.

24 But I'm concerned about the tie to these specific
25 plans.

26 MR. QUESNELLE: I think we can agree, Mr. Segel-Brown,
27 that there wasn't a -- in IPSOS's performance of its
28 function and survey, there wasn't a reference or even a

1 behind-the-scenes reference to this...

2 MR. SEGEL-BROWN: No, not specifically.

3 So putting the question back to the expert, which
4 question is more reliable for the purposes of determining
5 what consumers are willing to pay for reliability.

6 Is it the \$2 a month to remain reliability where
7 consumers were not told what the reliability impact would
8 be, or is it the 30 or 60 dollars a month where consumers
9 were told that there would be a 10 percent increase in
10 reliability?

11 MR. MERALI: I don't think there is one question that
12 wins over the other. They are two separate questions. The
13 first is, what would they pay to maintain and the second is
14 above that amount to maintain would they pay more to
15 enhance. I don't think -- they are two separate questions
16 getting at two separate data points.

17 MR. SEGEL-BROWN: Could I have the expert answer the
18 question?

19 MS. GUIRY: Sorry, we were just conferring, and I said
20 that exact same thing. They are two different questions.
21 One is about maintaining the level and the other one is
22 about willing to pay for an improvement in reliability, and
23 even the scales are different, so they are not directly
24 comparable questions.

25 MR. SEGEL-BROWN: So from what consumers are willing
26 to pay for additional reliability improvements, what would
27 you infer that they were willing to accept for a decrease
28 in reliability?

1 MS. GUIRY: I don't believe we posed a question about
2 what they would be willing to pay for decreased reliability
3 among residential seasonal small business customers.

4 MR. SEGEL-BROWN: So the problem I have here is that
5 in formulating its investment plans Hydro One has relied on
6 this answer to your question that consumers are willing to
7 pay \$2 a month for an increase to maintain current levels
8 of reliability, but it appears -- but that result is
9 totally inconsistent with the question where customers were
10 actually told what the trade-off -- the reliability trade-
11 off is, where consumers were told that there would be a 10
12 percent increase in reliability and they would only have to
13 pay 3 percent (sic). That is a much better deal than \$2 to
14 maintain current levels of reliability.

15 Are you trying to dismiss that entire inconsistency as
16 attributable to the difference between maintaining and
17 increasing?

18 [Witness panel confers]

19 MR. MERALI: So one point of clarification I'd like to
20 make first off is that this is one of the inputs used to
21 formulate our business plan, so it wasn't simply question
22 17 that was used to derive our investment plan. This was
23 one of a number of different inputs that was used to
24 formulate the overall investment plan.

25 And I think the best way I can go back to sort of
26 answering your question is, there was two questions posed,
27 one on maintaining reliability and the estimated cost
28 associated with that, and the second one was increase in

1 reliability, and you can see the results, and I think more
2 customers were accepting of a rate increase to maintain
3 reliability and customers were less inclined for a greater
4 rate increase to improve reliability.

5 MR. SEGEL-BROWN: Well, I don't seem to be getting an
6 answer to my question, so I guess I'll --

7 MR. QUESNELLE: Well, I think you are getting an
8 answer. I don't think you agree with them. But I think to
9 go to argument next would be your only choice.

10 MR. SEGEL-BROWN: Thank you very much. Those are all
11 my questions.

12 MR. QUESNELLE: Okay. Mr. McLeod?

13 **CROSS-EXAMINATION BY MR. MCLEOD:**

14 MR. MCLEOD: Thank you, Mr. Chair. Good morning,
15 panel. My name is Michael McLeod. I'm with the Quinte
16 Manufacturers' Association, and we had a great discussion
17 on Friday when the panel was up earlier, and I just want to
18 carry on that conversation, and I think it focuses on the
19 work that IPSOS was doing for Hydro One in the customer
20 engagement survey component.

21 One of the areas of concerns that our members have is
22 they don't feel, rightly or wrongly, properly engaged with
23 Hydro One in expressing their concerns and issues they have
24 in dealing with them, and I'm not talking about the large
25 accounts, because I've noticed, through the evidence,
26 Norampac and IKO and everybody else are in there. I see
27 that.

28 We're talking about size, the commercial industrial

1 customers that are smaller than that, but larger than a
2 small user. And it would be very helpful to me and I think
3 for the Board, because -- if you could explain the process
4 you used, one, to engage the customers -- and I can read --
5 but there seems to be a little bit more -- which cities you
6 chose to hold the engagement in, and then I think that we
7 could carry it from there, because I think we look at this
8 as, it's a major investment -- I'll put that out there --
9 to do this work, both from our side and obviously from
10 Hydro One's side, so we just want to make sure that the
11 process you guys went through was something that would
12 engage our members.

13 MR. GRIFFIN: Certainly. I'll speak to the second
14 part of the question, where we went, which I believe you
15 are referencing per page 41 of our report, those markets.

16 MR. McLEOD: Right.

17 MR. GRIFFIN: It was a consultative process between
18 Hydro One and IPSOS to try and pick parts of the province
19 that would allow us to attract the greatest number of
20 people who indicated they were available to attend, so in
21 Quinte's particular case we -- I think at the time we
22 understood people would be coming from that region, but
23 also from further east, so we basically netted out its --
24 Kingston would sort of be middle ground.

25 Regarding exactly who was invited and how, that was
26 Hydro One who took care of that, because they obviously
27 have access to those lists.

28 MR. McLEOD: Okay. So in getting those folks out --

1 and you wouldn't necessarily know whether they are going to
2 come or not -- we did notice in there that a lot of us who
3 tend to sit around this table, these tables, were there, so
4 that's helpful, but I did notice in other areas of the
5 province, and I think particularly in the southwest, you
6 got a lot better engagement.

7 Can you give me some sense as to why -- you know, I'm
8 not sure you can actually answer that. Obviously the
9 industries are interested in attending -- but was there
10 something you did differently maybe down there that wasn't
11 quite done in eastern Ontario, or was the process the same
12 across the board?

13 MR. GRIFFIN: Yeah, I would say the process was the
14 same with the only noticeable differences -- and they are
15 outlined on page 41 -- is in some markets given their size
16 and possible attendance for the number of people available
17 in the market we were able to hold two separate sessions,
18 understanding it would be easier to conduct a session with
19 a smaller group, and then in the markets where we only did
20 one, both in terms of size and possible attendance, we did
21 that one longer session that had both LDA, LDC, and C&I
22 mixed, and did so because we anticipated the numbers would
23 facilitate that, rather than, for example, rather than
24 doing a morning session with four people and an afternoon
25 session with ten people, we combined it and did it with 14
26 people. I'm just speaking --

27 MR. McLEOD: Yeah, sure.

28 MR. GRIFFIN: -- for example. So that's really what

1 drove the decisions. You know, as far as dates, you do
2 have to pick a date at some point to do it. You try and
3 accommodate as many schedules, but the process itself was
4 identical for each region of the province.

5 MR. McLEOD: Okay. So that relationship between you
6 and Hydro One in putting the program together then was a
7 partnership in doing that, to do the outreach work?

8 MR. GRIFFIN: Correct, and specifically for selecting
9 the dates and the locations. As I said previously, the
10 actual recruiting, our term, what we would use
11 "recruiting", inviting people, was Hydro One handled that.

12 MR. McLEOD: Great. Thank you very much, Mr. Chair.
13 Those are my questions.

14 MR. QUESNELLE: Thank you, Mr. McLeod. Ms. DeMarco?

15 **CROSS-EXAMINATION BY MS. DEMARCO:**

16 MS. DeMARCO: Thank you very much, Mr. Chair. Thank
17 you very much, panel. Let me reiterate my condolences for
18 the experts.

19 My questions are largely focused on Hydro One's
20 customer engagement with indigenous customers and, in
21 particular, focused on the settlement proposal that was
22 filed by HONI and Anwaatin on Friday, which is now Exhibit
23 K4.4.

24 It is my understanding, panel, that this is the very
25 first settlement agreement of its kind; would you agree?

26 MR. PUGLIESE: I would agree, yes.

27 MS. DeMARCO: And it is the first instance of Hydro
28 One and a group of First Nations settling a regulatory

1 issue with or through the OEB. Would you agree?

2 MR. CHUM: Yes, I would agree.

3 MS. DeMARCO: And subject to check, my quick check
4 this weekend indicated it was the first time in the history
5 of the OEB that a group of First Nations and HONI had filed
6 a settlement proposal; would you agree?

7 MR. CHUM: Yes.

8 MS. DeMARCO: And one more first: The first instance
9 where distributed energy resources are being actively
10 considered and potentially implemented to solve a First
11 Nations reliability problem. Would you agree?

12 MR. CHUM: It is one of. We are looking at another
13 project with Christian Island at the moment, as well.

14 MS. DeMARCO: And certainly in that regard, four
15 firsts. It's a pretty big deal, would you agree?

16 MR. CHUM: I would agree, yes.

17 MS. DeMARCO: And potentially a very important and
18 precedent-setting manner to proceed.

19 MR. CHUM: Yes.

20 MS. DeMARCO: So this was, in part, facilitated
21 through Hydro One's customer engagement process. Would you
22 agree?

23 MR. CHUM: Yes, we came to -- became familiar with the
24 Anwaatin concerns through the engagement processes, and
25 here we are with the results.

26 MS. DeMARCO: Really almost an example of a very
27 successful customer engagement.

28 MR. CHUM: I would suggest that it's a very

1 successful engagement, yes.

2 MS. DeMARCO: So what I'm going to try to do is, in
3 the oral tradition of First Nations, attempt to walk
4 through the oral history of how this happened and what are
5 the potential impacts, and very specifically -- I tread
6 lightly, not being of First Nations descent, but very much
7 respecting the culture -- I'd like to look at what customer
8 engagement you did, what you learned, and how it impacted
9 your decisions in this application.

10 So if we can try and go through that process, let me
11 first start with the process issues. Fair to say you
12 identified the need to enhance engagement with First
13 Nations to better understand their needs and preferences?

14 MR. PUGLIESE: Yes, that's correct. We undertook a
15 new approach to how we engage with First Nations
16 communities, I would say a real change in policy and
17 approach, roughly 18 months to 24 months ago.

18 And you heard my colleague, Mr. Merali, cite this on
19 Friday, was it commenced heavily with our engagement with
20 the communities, with our "Get Local" programs, which, in
21 combination with work that we got from the survey data,
22 provided us good qualitative data around the challenges
23 that certain communities were facing, everything from
24 affordability to accessibility and reliability.

25 MS. DeMARCO: And there were -- in fact, you were
26 hired during that time period, that 18- to 24-month time
27 period, Mr. Chum. Is that right?

28 MR. CHUM: Correct. I started June 5, 2017, with

1 Hydro One as the VP of Indigenous relations.

2 MS. DeMARCO: In part to fulfill the goals that Mr.
3 Pugliese just spoke of?

4 MR. CHUM: Right, right, to help with that, yes.

5 MS. DeMARCO: And part of the process you followed
6 included the IPSOS August 2016 phone survey with 300 First
7 Nations customers, is that right?

8 MR. CHUM: That was part of the engagement before I
9 started with Hydro One, yes.

10 MS. DeMARCO: And then there were also a series of
11 face-to-face First Nations engagement sessions?

12 MR. CHUM: Correct. In 2017, February of 2017, Hydro
13 One had a meeting where it invited the leadership from the
14 88 First Nations communities it serves across the province,
15 invited them to a face-to-face session in Toronto and had
16 two days of meetings with leadership and heard all the
17 issues that First Nations have with Hydro One. And that
18 became -- has become an annual meeting.

19 We had a follow-up meeting this year in February of
20 2018, and in the meantime, I've had smaller engagement
21 sessions with First Nations, with smaller groups of First
22 Nations in those periods as well.

23 MS. DeMARCO: And that was followed up by also a May
24 2017 engagement session with the Métis Nation of Ontario?

25 MR. CHUM: That's correct.

26 MS. DeMARCO: And then I'm a little confused on this
27 point. There was a November 2017 follow-up meeting with
28 chiefs in the Treaty 3 area, is that right?

1 MR. CHUM: That's correct, and we would consider that
2 a regional engagement session. So we went out to Kenora
3 and met with a number of communities there.

4 MS. DeMARCO: And then there was a subsequent January
5 2018 session with the regional chief, Chief Day?

6 MR. PUGLIESE: Yes, that is correct, with a multitude
7 of industry stakeholders as well.

8 MS. DeMARCO: Then there was also a February 2018
9 follow-up First Nations?

10 MR. CHUM: That's correct, and that's where we invited
11 the leadership again from the 88 communities that we serve.

12 MS. DeMARCO: So this is a significant uptick in the
13 amount of consulting you are doing, and the process is
14 quite more elaborate than it has been historically?

15 MR. CHUM: Certainly more robust, yes.

16 MS. DeMARCO: So that's around what you did. Moving
17 on to the oral tradition of what you heard, if I can ask
18 you to turn to pages 30 -- sorry, 66 through 69 of our
19 compendium, what we have here is a series of pictographs.
20 Former Chief Salt is very fond of depicting things in
21 pictographic format so they are as accessible and
22 understandable by all of the communities.

23 As I understand these, there were a number of issues
24 that were raised that you heard that are reflected in these
25 pictographs; is that fair?

26 MR. CHUM: Yes, that's correct. They reflect the
27 issues raised at our engagement session.

28 MS. DeMARCO: And we see some very deep historical

1 issues. At the bottom of the first one, the need to
2 understand that you are at the table together, you need to
3 break down barriers, you need to change history and culture
4 and understand the experience. Is that fair?

5 MR. CHUM: Yes.

6 MS. DeMARCO: Then you need to change to a two-sided
7 conversation; is that fair?

8 MR. CHUM: Yes.

9 MS. DeMARCO: And in the bottom right corner, there is
10 direct -- a direct and express reflection of action, the
11 need to do more than just talk?

12 MR. CHUM: Correct.

13 MS. DeMARCO: Would you say that all three of those
14 elements are reflected in the settlement proposal?

15 MR. CHUM: I would suggest they are, yes.

16 MS. DeMARCO: And if we go down to the next
17 pictograph, it speaks of the complexity of the system,
18 bottom left corner; is that fair?

19 MR. CHUM: Yes.

20 MS. DeMARCO: It speaks to indirectly reliability,
21 keeping the lights on; is that fair?

22 MR. CHUM: Yes.

23 MS. DeMARCO: Moving down to the next pictograph,
24 there is a portion reflecting the central role that the OEB
25 plays. It's at the centre of that pictograph; is that
26 fair?

27 MR. CHUM: Yes.

28 MS. DeMARCO: And it talks about system investments

1 and operational excellence, and safe, reliable power in the
2 bottom left corner of that pictograph?

3 MR. CHUM: Correct.

4 MS. DeMARCO: It speaks to maintaining reliability in
5 the middle bottom?

6 MR. CHUM: Yes.

7 MS. DeMARCO: And there are a few more pictographs
8 reflecting a number of the same comments; is that fair?

9 MR. CHUM: Yes.

10 MS. DeMARCO: I'm going to ask you to turn now to page
11 30 of our compendium, and that's a form of presentation
12 that you submitted to the First Nations.

13 And one of the elements that's very prominent in the
14 commitment that you make in this presentation is that you
15 will listen and advocate to First Nations, advocate on
16 their behalf. Is that fair?

17 MR. CHUM: Yes.

18 MS. DeMARCO: And you will partner and respond; is
19 that fair?

20 MR. CHUM: Yes.

21 MS. DeMARCO: Moving on to page 34, if you look very
22 specifically to a number of the results and where you were
23 going and what you heard, and you heard about keeping costs
24 low; is that fair?

25 MR. CHUM: Yes.

26 MS. DeMARCO: You heard about reducing the number of
27 power outages?

28 MR. CHUM: That's correct.

1 MS. DeMARCO: And shortening the length of power
2 outages?

3 MR. CHUM: Right.

4 MS. DeMARCO: And you also heard about distributed
5 energy resources, one below, upgrading the system to
6 connect new customers, including those producing renewable
7 energy or using energy storage, such as wind, solar, and
8 electric vehicles. Is that fair?

9 MR. CHUM: Yes, we heard that.

10 MS. DeMARCO: So just on the numbers side, maybe
11 Ms. Guiry and Mr. Griffin, you can help me with this.
12 These are the results of your telephone survey; is that
13 right?

14 MS. GUIRY: Yes, that's correct.

15 MS. DeMARCO: So we had 36 percent speak of keeping
16 costs as low as possible. And then if I total the next
17 three categories, 21, 13, 16 percent, we've got about 51
18 percent speaking to reliability issues and distributed
19 energy resources; is that fair?

20 MS. GUIRY: So I want to be clear on the way to
21 interpret this pair choice analysis. I understand it can
22 be misleading potentially. The percentages there are not
23 meant to be summed, so what the percentages represent is a
24 ratio, so the ratio of one option versus the other options,
25 so if I can take, in this example, the 36 percent, keeping
26 costs as low as possible, compared to reducing the number
27 of power outages through activities such as tree-trimming
28 and replacing equipment at 21 percent, you would divide 21

1 from 35 to get the ratio, and that's how much more
2 preference there is for keeping costs as low as possible.

3 MS. DeMARCO: And certainly fair to say that these
4 issues were each and all important to the respondents?

5 MS. GUIRY: The exercise is not meant to -- the
6 exercise is meant to trade off, have people -- the customer
7 trade off how important one option is versus the other, and
8 so the exercise we'll go through offering pairs, every
9 possible pair, and having them choose which one is more
10 important. And from that choice exercise we can derive the
11 ratio of one option versus another in terms of preference.

12 MS. DeMARCO: And so just grounding that study, that
13 associated telephone survey study, in reality, Mr. Chum,
14 Mr. Pugliese, does it have to be a trade-off?

15 MR. PUGLIESE: I would suggest it doesn't have to be a
16 trade-off. I mean, I think the test is a very valid test
17 in querying customers, I think in all segments, on varying
18 and trading off different assets, but, you know, I think in
19 a general interpretation we look at this data, we aggregate
20 it, and I would say it doesn't have to be viewed that way.

21 MR. CHUM: And just a follow-up point on that, you
22 know, at the time this survey was taken, cost really was a
23 big issue for the First Nation. This was prior to the
24 introduction of the Fair Hydro Plan.

25 Since the introduction of the Fair Hydro Plan, the
26 cost of electricity has come down for the on-reserve
27 customers, and cost remains an issue for some First Nations
28 with respect to their -- to the property they own on

1 reserve, like the band-owned buildings, like a school or a
2 band office, but for the customers, you know, we're able to
3 have other conversations around reliability and so forth.

4 MS. DeMARCO: And in fact, at page 310 of our
5 compendium you have the summary of the outcome of some of
6 the First Nations key messages.

7 MR. CHUM: Right.

8 MS. DeMARCO: And that summary includes the cost and
9 unique First Nation rates which are now in place?

10 MR. CHUM: Yes.

11 MS. DeMARCO: Benefit of resources that are in First
12 Nations territories?

13 MR. CHUM: Yes.

14 MS. DeMARCO: And cooperation with Hydro One to move
15 forward; is that fair?

16 MR. CHUM: Yes.

17 MS. DeMARCO: And if you look through the associated
18 comments of specific Chiefs, a number of them, in fact,
19 discuss distributed energy resources; is that fair?

20 MR. CHUM: Can you point out some examples here?

21 MS. DeMARCO: Yes, I believe it is...

22 MR. CHUM: And, sorry, and what year is this from? Is
23 this 2017 or 2018?

24 MS. DeMARCO: This is the 2017 summary, starting at
25 page 309. It is Exhibit B-1-1, section 1.3, attachment 4.
26 It's dated Thursday, February 9th, 2019 (sic). And it was
27 the Chief from BZA who spoke of reliability factors. I'm
28 just trying to find very specifically in response...

1 MR. QUESNELLE: Just for the transcript, Ms. DeMarco,
2 you just misspoke. It's 2017, right? I think you
3 mentioned two-19 --

4 MS. DeMARCO: Oh, I'm sorry. 2017, for the record.
5 That's my error. My apologies.

6 And I'm just -- in response to your question, I'm just
7 finding the BZA Chief's name.

8 If you'll just give me a second in response to your
9 question.

10 I'll have to get you specifics on terms of those two
11 chiefs, but fair to say that you did hear issues regarding
12 reliability; is that fair?

13 MR. CHUM: Yes, and it was not the overriding concern
14 at that time. Cost was, but, sure, we did hear one or two
15 comments about other sources.

16 MS. DeMARCO: And subject to check, one of the
17 specific chiefs mentioned solar generation as a
18 possibility?

19 MR. CHUM: I believe I read that somewhere in the
20 transcript, yes.

21 MS. DeMARCO: Thank you.

22 Also in relation to what you heard, can I ask you to
23 turn to page 693 of our compendium. And this is the
24 Anwaatin response to HONI Interrogatory No. 1. And if you
25 scroll down into page 2 of that, very specifically from
26 Anwaatin you heard about poor system reliability and the
27 negative impact on First Nations; is that fair?

28 MR. CHUM: Yes, we heard that from Mr. Salt at the

1 engagement session; that's right.

2 MS. DeMARCO: And then you heard concerns about the
3 high frequency and duration of outages, particularly in
4 northern Ontario and the First Nations communities there?

5 MR. CHUM: We heard that from Mr. Salt, yes.

6 MS. DeMARCO: And again distributed energy resources?

7 MR. CHUM: Yes, from Mr. Salt we heard that.

8 MS. DeMARCO: Thank you.

9 And now moving on to page 149 of our compendium. Is
10 this a fair summary? This is a report from one of your
11 engagement sessions. I believe it's 2017. Is this a fair
12 sum of all of the issues that you generally heard?

13 MR. CHUM: I wouldn't say all the issues, but, you
14 know, the top five or so issues that were raised at that
15 meeting are reflected there.

16 MS. DeMARCO: Those include affordability?

17 MR. CHUM: Yes.

18 MS. DeMARCO: Reliability?

19 MR. CHUM: Yes.

20 MS. DeMARCO: Reliability and access?

21 MR. CHUM: Yes.

22 MS. DeMARCO: Moving down the line, partnership?

23 MR. CHUM: Yes.

24 MS. DeMARCO: And employment.

25 MR. CHUM: Correct.

26 MS. DeMARCO: And do you believe that the settlement
27 proposal reflects each and all of those priority elements?

28 MR. CHUM: Yes, I think it goes some way to doing

1 that, fortunately.

2 MS. DeMARCO: So that's what you heard. Now I'm going
3 to ask you how it impacted your decision and particularly
4 this application.

5 So I've got in our compendium, pages 361 to 680, the
6 portions of your application that are in and around section
7 3.8 of the DSP. And I have it in there for the sole
8 purpose of indicating that this solution, this cooperative
9 partnership between First Nations and Hydro One, looking at
10 alternate non-wire solutions wasn't in the original
11 evidence. Is that fair?

12 MR. CHUM: Sorry, can you repeat that?

13 MS. DeMARCO: In the original portion of the DSP, the
14 cooperative non-wire solution between Hydro One and First
15 Nations looking at alternatives wasn't in that evidence?

16 MR. CHUM: Yes. You will note the date on that
17 submission goes to March 31 of 2017. At that time, it was
18 not considered; you are right.

19 MS. DeMARCO: Is it fair to say with your update to
20 the Interrogatory No. 6 in Anwaatin, which is at tab 2 of
21 our compendium, it is now reflected?

22 MR. CHUM: Yes, that interrogatory was updated to
23 reflect the recent settlement and path forward with
24 Anwaatin.

25 MS. DeMARCO: And fair to say, going through in First
26 Nations tradition, what you did was you established a
27 process, a very elaborate process; fair?

28 MR. CHUM: Yes, we established a path forward to work

1 with Anwaatin on this particular pilot and we hope it's
2 successful, yes.

3 MS. DeMARCO: Broader than that, you established a
4 very robust First Nations engagement process.

5 MR. CHUM: I would suggest that was a very successful
6 engagement, yes.

7 MS. DeMARCO: And then what you heard was there were
8 five main priority issues, which included affordability,
9 which included -- is that correct?

10 MR. CHUM: Yes.

11 MS. DeMARCO: Which included reliability, which
12 included a number of concerns related to how alternatives
13 and partnerships might work. Is that fair?

14 MR. CHUM: Yes.

15 MS. DeMARCO: And then what you did was you acted on
16 what you'd heard?

17 MR. CHUM: That's correct.

18 MS. DeMARCO: You didn't wait for a subsequent
19 application; is that fair?

20 MR. CHUM: That's right. Really, the opportunity
21 presented itself, we worked through it, did an analysis,
22 and there and there appeared to be a solution that we could
23 work with in front of us.

24 MS. DeMARCO: And certainly that was successful. It
25 resulted in an outcome that was good?

26 MR. CHUM: Yes, I would suggest it's a good outcome.

27 MS. DeMARCO: I am going to ask you one last series of
28 questions around not how or what you did, but who did this.

1 And it struck me, over the course of thinking about this,
2 that both of you are fairly new to Hydro One; is that fair?

3 MR. PUGLIESE: I am newer than Derek, yes.

4 MS. DeMARCO: Mr. Chum, you are fairly new to Hydro
5 One?

6 MR. PUGLIESE: Not much older than Derek.

7 MS. DeMARCO: And I was struck with a comment by one
8 of our former energy colleagues that we are all a small
9 coterie of narrow-minded energy nerds.

10 Is it fair to say, Mr. Pugliese, that you wouldn't
11 have fallen within that classification a year ago?

12 MR. PUGLIESE: No. That might suggest I am now. I'm
13 not sure.

14 MS. DeMARCO: Mr. Chum, just going through your
15 background, you came at this from a past as an Aboriginal
16 lawyer at one of the leading national Aboriginal law firms;
17 is that fair?

18 MR. CHUM: Yes, it is.

19 MS. DeMARCO: You didn't come at this from a
20 traditional utility perspective?

21 MR. CHUM: No, I did not.

22 MS. DeMARCO: And, Mr. Pugliese, looking at your CV,
23 your background is customer care, customer focus, human
24 resources; is that fair?

25 MR. PUGLIESE: That's correct.

26 MS. DeMARCO: In fact you came from the airline
27 industry?

28 MR. PUGLIESE: I did.

1 MS. DeMARCO: And so your approach was very customer-
2 focused going into this process?

3 MR. PUGLIESE: Absolutely. And the reason I joined
4 the company, actually.

5 MS. DeMARCO: And fair to say that you played a very
6 significant role in achieving...

7 MR. CHUM: It was a collaborative process, you know,
8 internally at Hydro One and with the Anwaatin communities.

9 MS. DeMARCO: And perhaps the rhetorical question: We
10 as a small coterie of energy insiders could learn something
11 from both of you; is that fair?

12 MR. CHUM: I think so. I think that's fair to say.

13 MS. DeMARCO: Those are my questions.

14 MR. QUESNELLE: Thank you, Ms. DeMarco.

15 MR. SIDLOFSKY: Sorry to interrupt, Mr. Chair, but we
16 should probably mark Ms. DeMarco's compendium was an
17 exhibit. The Anwaatin compendium would be Exhibit K5.1.

18 **EXHIBIT NO. K5.1: ANWAATIN CROSS-EXAMINATION**

19 **COMPENDIUM FOR HONI PANEL 3**

20 MS. DeMARCO: Apologies, Mr. Chair. I should have
21 done that initially.

22 MR. QUESNELLE: All right, thank you very much. Ms.
23 Durant?

24 **CROSS-EXAMINATION BY MS. DURANT:**

25 MS. DURANT: I always forget to turn on my microphone.
26 Thank you. I'm going to have questions both for Hydro One
27 and IPSOS, and I circulated this morning a compendium
28 entitled "Canadian Manufacturers & Exporters compendium,

1 witness panel 3", which we should mark was an exhibit.

2 I would also ask that the parties have available the
3 CME compendium for witness panel number 1.

4 MR. SIDLOFSKY: So the new compendium will be exhibit
5 K5.2.

6 **EXHIBIT NO. K5.2: CME CROSS-EXAMINATION COMPENDIUM**
7 **FOR HONI PANEL 3, ENTITLED "CANADIAN MANUFACTURERS &**
8 **EXPORTERS COMPENDIUM, WITNESS PANEL 3"**

9 MS. DURANT: I'm going to start with some questions
10 for the Hydro One witnesses, and I'm following up on
11 questions that were asked by Ms. Emma Blanchard to panel 1.
12 And she was told that this perhaps would be a better panel
13 to answer a question that she had.

14 So I'm going to start with page 2 of my compendium for
15 panel 3, and this contains the distribution OEB scorecard,
16 updated.

17 Ms. Blanchard had a question for panel 1 that was
18 deferred to this panel. If we were to zoom in to the
19 column on the left-hand side, customer satisfaction, and we
20 see here various metrics related to customer satisfaction.
21 And in particular, the percentages that are here, where are
22 these percentages derived from typically? Which surveys do
23 these come from?

24 MR. MERALI: There's several different surveys that
25 comprise the four metrics here. Perhaps I can speak to
26 each briefly, if that's suitable.

27 MS. DURANT: Absolutely.

28 MR. MERALI: So the first is a perception survey for

1 our distribution customers. I believe it's an IPSOS
2 survey, but I can check that IPSOS survey.

3 The others are what we call transactional surveys. So
4 after a customer interacts with Hydro One for specific
5 transactions, they call the call centre, they visit our
6 website, or they have an outage, we survey customers after
7 those transactions to determine their level of satisfaction
8 with that particular transaction.

9 MS. DURANT: Okay. And if we can go to the CME
10 compendium from panel 1, and we're going to page 18 of that
11 compendium, again I'd like to zoom into the columns on the
12 left-hand side, service quality. And if we can scroll over
13 so we can see some of the percentages there -- oh, too far.
14 That's good.

15 These are other customer service metrics that are
16 reported on the electricity distributor scorecard, and --
17 if you can scroll over a bit more to the left, please;
18 thank you.

19 There is one metric here that Emma had a question
20 about and it was the one -- sorry, I think if you can
21 scroll further. This one is difficult to see. Can you go
22 actually to page 17? Sorry, I'm having trouble. Yes,
23 this is the page there, page 18 of the compendium, and
24 we'll just need to rotate it and zoom into "customer
25 satisfaction."

26 Emma's question was there is a heading here, "Customer
27 satisfaction" and then there is a subheading under
28 "Measures", "Customer satisfaction survey results." And if

1 you scroll over to see the results, there's percentages
2 here which range from 87 percent in 2013 to 84.9 percent in
3 2017. Which survey results are those?

4 MR. MERALI: So this score that is reported here is a
5 composite measure of seven transactional customer surveys
6 that we do, so the composite measure includes satisfaction
7 with outage handling, agent-handled call satisfaction,
8 forestry, new connection or upgrade, satisfaction with "My
9 Account", which is our website, large distribution account
10 satisfaction, and distributed generation percentage of
11 milestones met, so it's -- I think it might be -- sorry,
12 seven -- a composite measure of seven.

13 MS. DURANT: Okay. And not all of those customer
14 satisfaction surveys are reported on the scorecard. You
15 use those percentages to generate that percentage that we
16 see here?

17 MR. MERALI: Correct, we display the composite measure
18 here.

19 MS. DURANT: Okay. Thank you.

20 So now to my questions, if we can go back to the
21 panel 3 compendium, and if we jump forward to page 4, this
22 is a customer experience -- I think is a survey that's done
23 also by IPSOS, and it's titled "Residential and small
24 business customer satisfaction study."

25 Is this one of the studies that goes into that metric
26 we just discussed?

27 MR. MERALI: No.

28 MS. DURANT: Okay. What's the purpose of this study?

1 MR. MERALI: So this study is -- I mean, we like to
2 call it overall perception, but it ultimately -- the
3 headline question is it asks customers: Overall how
4 satisfied are you with Hydro One? So it is not after a
5 specific transaction, but it is to sort of gauge people's
6 overall satisfaction with the company, and there's a number
7 of sub-questions that follow that get into, you know,
8 brand, price, quality, number of underlying factors that
9 drive the result here.

10 MS. DURANT: Okay. If we can go to the next page,
11 which is page 4 of the CME compendium, I see that you've
12 done this study over time?

13 MR. MERALI: That is correct.

14 MS. DURANT: And the trend up to 2016 at least was it
15 was trending down?

16 MR. MERALI: That is correct.

17 MS. DURANT: And if you go to the next page, you
18 mentioned just now that there are several questions and
19 metrics that are tracked, and these metrics are shown on
20 this page? Or some of them are?

21 MR. MERALI: A subset, correct.

22 MS. DURANT: Okay. Are the IPSOS witnesses on this
23 panel the same IPSOS people that do the survey, by chance?

24 MS. GUIRY: Unfortunately not.

25 MS. DURANT: That's okay.

26 My next topic is primarily and are exclusively for the
27 Hydro One witnesses, and we heard in your opening statement
28 for this panel about the new service guarantee program, and

1 I've read about it in a few places in the evidence as well.

2 And if we go to page 7 of my compendium, OEB Staff
3 asked the question about the service guarantees and for
4 more information, and the response was that:

5 "Hydro One will credit an affected customer's
6 accounts \$75 for the following three activities."

7 One was missing an appointment with a customer. Two
8 was failing to connect the new service within five business
9 days after all connection requirements are met. And third
10 is if there is a failure to return a customer's phone calls
11 within one business day. That's when this program kicks
12 in?

13 MR. PUGLIESE: That's correct. I think for the sake
14 of this hearing I believe this is now out of scope; is that
15 correct?

16 MR. NETTLETON: Mr. Chairman, I'm not sure I can -- I
17 don't know what Mr. Pugliese is saying in terms of "out of
18 scope." I believe the opening statement made reference to
19 the rate treatment of the service guarantee, if that's what
20 your --

21 MS. DURANT: I took the evidence that I have read and
22 that I've heard to illustrate that this was being shown as
23 something new and positive that Hydro One was doing for
24 customers, but that they weren't looking to recoup the cost
25 of this from this proceeding; is that right?

26 MR. PUGLIESE: That's right.

27 MS. DURANT: But it's still being shown as something
28 that Hydro One is doing for customers that's outside of

1 what they're trying to recover from us; is that right?

2 MR. PUGLIESE: That's correct.

3 MS. DURANT: Okay. And I just wanted to understand
4 this a bit more. So if we go to the next page, it explains
5 in a bit more detail, you know, the three metrics, but if
6 you scroll down, it shows that the budgeted cost of this
7 program is \$25,000 for one year?

8 MR. PUGLIESE: That's correct.

9 MS. DURANT: And I just did some quick math. 75
10 divided into 25,000 estimates about 333 customers; would
11 you agree with that, subject to check?

12 MR. PUGLIESE: I'll go with that.

13 MS. DURANT: All right, and if we go back to page 2 of
14 my compendium -- oh, sorry, it is not 2 of my compendium,
15 it is back to page 18 of CME compendium on panel 1. And I
16 think it's best to start on the left-hand side, where we
17 show the metrics. Under "service quality" there are some
18 metrics reported on here that seem to overlap with when the
19 service guarantee is going to be paid out. One is "new
20 residential small business services connected on time", and
21 the second is "scheduled appointments met on time".

22 Are those similar to the service guarantee metrics in
23 terms of when they would kick in?

24 MR. PUGLIESE: I believe they are, yes.

25 MS. DURANT: And if you scroll across you would agree
26 with me that in both of those metrics Hydro One is already
27 experiencing 98 or 99 percent? Is that satisfaction or is
28 that meeting your goals in that regard? What do these

1 figures show?

2 We see, for example, under 2017, 98 percent for both;
3 is that the percentages of time that you are meeting these
4 goals already?

5 MR. MERALI: Correct, this is not a satisfaction
6 measure, this line in particular, it is a completion
7 measure.

8 MS. DURANT: Okay, so I'm going to turn my attention
9 now to the customer engagement process itself, and I'll
10 have a mix of questions for IPSOS and Hydro One here, but
11 we know that obviously a customer engagement process was
12 commenced with IPSOS, and I want to just get a handle of
13 the timing. And if we start at page 9 of my compendium for
14 panel 3, this appears to be a PowerPoint, and was this
15 PowerPoint prepared by IPSOS or by Hydro One?

16 MS. GUIRY: This was prepared by IPSOS, I believe.

17 MS. DURANT: This typically with the IPSOS stamp in
18 the bottom right-hand corner would indicate it's IPSOS?

19 MS. GUIRY: Correct.

20 MS. DURANT: Okay. And the date of this was May 18th,
21 2016. Would that be a date where IPSOS did a presentation
22 to Hydro One?

23 MS. GUIRY: I don't believe it was a presentation in
24 person. We emailed this document, I think, around that
25 date.

26 MS. DURANT: And the purpose of this document is to
27 set out, from what I can tell from reading it, sort of the
28 scope of work between what IPSOS is going to be doing and

1 what Hydro One is going to be doing; is that fair? And if
2 you scroll to the next page, that may assist. It breaks
3 out the different -- I don't have the entire document here,
4 but it breaks out what is going to happen next, and in
5 certain parts it shows what Hydro One is going to be
6 responsible for and in others what IPSOS is going to be
7 responsible for, or do you know offhand?

8 MS. GUIRY: I believe this is the one slide out of the
9 larger deck that was about large customers.

10 MS. DURANT: Yeah. Yeah, there is a much larger deck
11 which I've only extracted a few things from.

12 MS. GUIRY: Correct.

13 MS. DURANT: Okay. So this slide in particular that
14 we're on now, it's talking about what's referred to in the
15 IPSOS report as the large customer segments; is that
16 correct?

17 MR. GRIFFIN: That's correct.

18 MS. DURANT: Okay, and it's talking about group
19 workshops, and under the detail section it is outlining ten
20 in-person workshops and locations of workshops, right?
21 That's what it's showing?

22 MR. GRIFFIN: That's correct.

23 MS. DURANT: And I've noticed that in some workshops,
24 for example, Essex, commercial and industrial, the plan was
25 to do that as only commercial industrial customers and
26 leaving out the CDA, LDC customers; is that right?

27 MR. GRIFFIN: Umm... yeah, as outlined here, yes, that
28 was the plan.

1 MS. DURANT: Yes.

2 MR. GRIFFIN: At the end we did a combined workshop
3 that did include LDCs and LDAs per page 41 of our report.

4 MS. DURANT: That's right. And right now I am just --
5 I am focusing sort of on the plan and what the --

6 MR. GRIFFIN: Sure.

7 MS. DURANT: -- the original idea was. And initially
8 if we use London and Hamilton for an example as well, there
9 was going to be a co-location but separate sessions for C&I
10 and LDA, LDC. That was the original plan, right?

11 MR. GRIFFIN: That's correct.

12 MS. DeMARCO: And in the discussions with Hydro One,
13 what was the thinking behind having separate sessions for
14 C&I versus LDA and LDC? Was there a rationale for having
15 different sessions for those customer groups?

16 MR. GRIFFIN: It was mostly a combination of available
17 attendees and potential interest, and the numbers of that
18 would warrant. As I had mentioned earlier to a similar
19 question, if we were anticipating large groups within those
20 sub-categories, we he would have one separate session
21 versus fewer number of people we felt it prudent, just both
22 from a timing and logistics point of view, to combine them.

23 MS. DURANT: Okay, thank you. If we go to the next
24 page, this just outlines the timeline. So this, at the
25 beginning stage, at least, was the steps that were going to
26 be involved in the consultation process, the surveying, and
27 when the interim and final reports were going to be
28 complete; is that correct?

1 MR. GRIFFIN: Correct, yes, the critical path, if you
2 will, of the initiative.

3 MS. DURANT: So the design of the questions and the
4 finalizing of the questionnaire and workbook, and the plan
5 was to have that done between May the 2nd and May the 22nd,
6 is that correct?

7 MR. GRIFFIN: That was the plan at this time, yes.

8 MS. DURANT: And how close were you to the planned
9 timeline, if you could tell me? Is it fair to say that the
10 questions in particular were finished before the beginning
11 of June?

12 MS. GUIRY: The telephone survey, I believe, subject
13 to check, launched June 2nd. So the questionnaire would
14 have been final before then.

15 MS. DURANT: Perfect. I'll turn my attention to the
16 Hydro One witnesses. Who was most involved in directing
17 IPSOS on this project?

18 MR. MERALI: There was a few individuals from the
19 customer service team, Warren Lister, our vice-president of
20 customer service, and I believe he was -- he was leading
21 the effort.

22 MS. DURANT: Okay. And in terms of coming up with the
23 questions that IPSOS asked, tell me a bit about Hydro One's
24 role in identifying the areas of questioning for the
25 customers.

26 And I think it's -- I'd like to hear from Hydro One
27 in terms of their role in developing the questions, but you
28 may not have had personal involvement in that.

1 MR. MERALI: Correct.

2 MS. DURANT: So IPSOS then, either of you, tell me
3 about Hydro One's role in instructing you regarding the
4 question design in terms of what they were trying to get
5 out of the questions.

6 MR. GRIFFIN: Well, Sandra and I can maybe share
7 responsibility for this question. I'll speak to the
8 workshop questions because that's sort of my area, and then
9 Sandra can speak probably to the survey questions, although
10 there was a lot of overlap between those two.

11 But at a very high level, it is a consultative
12 process. So in this particular case, and in most cases of
13 our work, we receive the objectives of the study. We go
14 away, design a first draft of questions and then, through a
15 back and forth consultative process, we arrive at an
16 agreed-upon set of questions that we will ask, with input
17 from Hydro One being what they need to sort of derive, and
18 then we obviously formulate those into the best way to ask
19 those kind of questions to get those kind of responses.

20 MS. DURANT: And in this case, the first draft of the
21 actual questions, would they have been drafted by IPSOS or
22 by Hydro One?

23 MS. GUIRY: By IPSOS.

24 MS. DURANT: And then Hydro One would have made
25 modifications to those questions?

26 MS. GUIRY: Well, they would propose edits for our
27 review and we would acquiesce or not.

28 In terms of content, like whether it was going to be

1 posed as \$2 what the rate increase amount, that was content
2 that was provided to us. And then we formulated the
3 questions around content.

4 MS. DURANT: Thank you. And if we go to page 14 of my
5 compendium, this document is dated July 19, 2016, and I
6 understand this is the interim results of your survey; is
7 that right?

8 MS. GUIRY: That's correct.

9 MS. DURANT: And I just want to run through some of
10 the interim results. At the bottom of the same page, in
11 green, the title is "Satisfaction is generally consistent
12 across segments, C&I is directionally lower.".

13 What do you mean when you use the phrase
14 "directionally"? I understand that's a word that's used
15 often in surveys. What does "directionally" mean in your
16 world?

17 MS. GUIRY: So we -- as was outlined, I believe, in
18 the glossary of terms at the start of the report, it is
19 used to reference differences between segments of customers
20 where that difference doesn't meet the threshold for
21 statistical significance, but it is acknowledged.

22 MS. DURANT: So you acknowledge that that segment is
23 lower, but it may not have a statistical difference?

24 MS. GUIRY: Or the gap isn't large enough to be
25 considered statistically significant, but we want to
26 acknowledge that there is a gap there. So we used the word
27 "directional" to characterize the difference.

28 MS. DURANT: Okay. If we go to page 15 of this

1 document, the CME compendium, under "Themes cost", the box,
2 which is the white box, summarizes -- are these preliminary
3 findings based on the survey?

4 MS. GRICE: These are from the what we would call the
5 qualitative research that we did which is, in this case,
6 online focus groups and...

7 MS. DURANT: Would this include the online focus
8 groups and the in-person meetings with the larger
9 customers?

10 MR. GRIFFIN: That's correct.

11 MS. DURANT: Okay. So some of the finding -- and I'm
12 primarily concerned about larger customers because that's
13 the clientele I represent.

14 MR. GRIFFIN: Yes.

15 MS. DURANT: So in this case, a finding was that for
16 some large business customers, they stated that the
17 continued rise in Hydro prices is a direct threat to the
18 viability and competitiveness of their businesses. It is
19 an expense that they state as one of their highest after
20 labour.

21 So you got that finding from the meetings and from
22 the online workshops?

23 MR. GRIFFIN: Correct, in some cases. There was a
24 qualitatively, unlike Sandra's world where there is an
25 element of statistical reliability, when you are having
26 conversations with people, is you thematically bucket what
27 people say and there was enough people that said this that
28 it warranted notation in our work.

1 MS. DURANT: Okay. And then on the next page, the
2 heading is "Cost efficiencies" and it's page 21 of the
3 PowerPoint. It says:

4 "Large customers inquired repeatedly in all
5 markets about efficiencies in operational and
6 maintenance costs, and asked if Hydro One could
7 improve in these areas in order to save money and
8 reinvest in capital expenditures instead of
9 raising rates."

10 And it also says:

11 "They expressed interest in seeing further
12 details on the historical and current efficacy of
13 maintenance programs and capital expenditures
14 already spent on improvements."

15 This is something that also came up during those
16 meetings?

17 MR. GRIFFIN: That's correct.

18 MS. DURANT: And it came up enough to warrant mention
19 in the report?

20 MR. GRIFFIN: That's correct.

21 MS. DURANT: I've gone through and the Panel can go
22 through the IPSOS report in its entirety, if it wishes.
23 But what I took from the material given to the large
24 customers was that there was nothing provided to them about
25 operational and maintenance costs at all. Is that correct?

26 MR. MERALI: Give us a minute, please.

27 There was some reference in the workbook materials to
28 capital expenditures and OM&A expenditures. I'm not sure

1 if that specifically answers your question.

2 MS. DURANT: There was nothing in there about, you
3 know, similar to what we've seen in this hearing in terms
4 of the costs spent by Hydro One on certain things, you
5 know, efficiency levels, anything like that provided to
6 customers. There was nothing about compensation costs, for
7 example, given to customers.

8 MR. MERALI: I don't believe there was anything on
9 compensation, subject to check. However, there was a slide
10 that outlined some of the -- I believe it's 20 that
11 references some of Hydro One's productivity and efficiency
12 programs.

13 MS. DURANT: Okay. Was that the only thing provided
14 to the customers on that topic, subject to check?

15 MR. MERALI: Subject to check, on productivity and
16 efficiency, I believe that would be it.

17 MS. DURANT: And IPSOS, you'd agree with me that the
18 large customers, despite what they were given, repeatedly
19 in all markets wanted more information on this subject?

20 MR. GRIFFIN: Again, in a qualitative setting I'd have
21 to go back and check all of the transcripts. I don't think
22 any one point was completely unanimous, but there would
23 have been enough people saying that that it warranted
24 putting it in the report, yes.

25 MS. DURANT: It warranted putting in the report that
26 large customers enquired repeatedly in all markets about
27 efficiencies and operational maintenance costs?

28 MR. GRIFFIN: Yes.

1 MS. DURANT: Okay, and if we go to page 17 of my
2 compendium, this is the actual cover page of the report
3 itself, and it is dated August 2016; is that right?

4 MR. GRIFFIN: Yes.

5 MS. DURANT: Okay, and we've talked a lot about this
6 survey in general terms, but we haven't really done a step
7 back to get familiarized with it, and that's what I want to
8 do now, which may be a little boring, but I think it's
9 going to be helpful to everyone.

10 So the next page, page 18, this is the table of
11 contents which outlines the structure of this report, and
12 the executive summary -- and we'll get to parts of it in a
13 minute -- that contains some of the key findings, the key
14 survey results; is that right?

15 MS. GUIRY: That's correct.

16 MS. DURANT: And the key themes when we get there show
17 some of the survey results in graphic form; is that right?

18 MS. GUIRY: Correct.

19 MS. DURANT: Okay. And then we get into -- under
20 "detailed customer engagement findings" there's four sub-
21 segments there. One is for residential senior customers,
22 one is for small business customers, one is for First
23 Nation customers, and one is for large distribution
24 customers, so that's the four ways we've segmented out the
25 report; is that right, in terms of the detailed findings?

26 MS. GUIRY: I think you misspoke. It is residential
27 and seasonal, not senior, but --

28 MS. DURANT: Oh. I have a senior's moment, I guess,

1 but, yes, that's right.

2 So if we go to -- oh, sorry, and then the appendix,
3 that contains a lot of material, basically all your notes
4 from the sessions, it contains the actual survey questions.
5 Materials like that can be found in the appendix?

6 MR. GRIFFIN: Less so the notes, because transcripts
7 would be a lot of paper, but certainly the instruments and
8 the material that was presented to participants.

9 MS. DURANT: And we can find a separate table of
10 contents at page 148 of those materials; is that right? I
11 haven't included that in my slide, but if you have your
12 report there...

13 MR. GRIFFIN: Yes, that's correct.

14 MS. DURANT: Okay. So the next page of my compendium,
15 which is the executive summary, page 19, the second
16 paragraph there states that:

17 "The report documents and summarizes the feedback
18 and insight from that engagement and will be
19 considered by Hydro One as it develops its
20 investment plan to support its distribution
21 revenue requirement and rate application."

22 So you were aware that a purpose of this customer
23 engagement survey was to be used in this application
24 involving rates; right?

25 MR. GRIFFIN: That's correct.

26 MS. DURANT: Okay. And the next page of the
27 compendium is page 20, and this was already mentioned
28 earlier, but this is the glossary of key terms; is that

1 right?

2 MS. GUIRY: Correct.

3 MS. DURANT: And I just have a few questions on this
4 page, and we will see in the report reference to "informed
5 customers" from time to time, and informed customers is
6 defined as customers who were provided with additional
7 information about Hydro One's network in business.

8 Can either of the IPSOS witnesses just let me know the
9 reason why a company would like to have informed versus
10 uninformed measures and being able to compare between them.
11 Generally speaking, why is that done?

12 MS. GUIRY: I think it's always a challenge when you
13 are drafting questions like this to make sure that you are
14 giving the customer enough information to be able to answer
15 the question but not so much information that you would be
16 exposing them to information that the average customer may
17 not know.

18 The point being we don't want to do that and we didn't
19 do that in the telephone survey so that the results can be
20 generalizable or projectible to the full population of
21 customers.

22 When you inform a customer, I'll use the word, you
23 know, "above average", give them information the average
24 customer may not be expected to know or what-have-you, then
25 we can't necessarily be comfortable or confident that those
26 results are generalizable or projectible.

27 So in this exercise we were prudent, in that we wanted
28 to do the uninformed and make sure we could project that

1 out with confidence, and we wanted to see if providing
2 additional information would produce a different result in
3 their opinion.

4 So the exercise was sort of an extra learning to
5 figure out for future work the value and -- in offering an
6 informed mechanism.

7 MS. DURANT: And when you gave -- when you say
8 informed, uninformed, we are talking about different
9 customer bases, right, or did you ask the same people a
10 question and then ask them the question again after being
11 informed?

12 MS. GUIRY: So there were two different independent
13 samples. Uninformed didn't receive the information that
14 the separate informed group received.

15 MS. DURANT: Okay, and some other definitions here.
16 The large customer term, when it's used, capitalized, it
17 includes a group of customer subsets, including commercial
18 and industrial, large distribution accounts, and large
19 distribution companies, as well as connected distributed
20 generators; is that right?

21 MR. GRIFFIN: That's correct.

22 MS. DURANT: And why were these subsets grouped under
23 "large customer"?

24 MR. GRIFFIN: Our understanding was, because IPSOS did
25 not handle recruiting, our understanding was that was the
26 way they were structured internally within Hydro One, so we
27 followed suit with those definitions.

28 MS. DURANT: Do you agree, Hydro One?

1 MR. PUGLIESE: Yes, that's correct.

2 MS. DURANT: Okay. Panel, I know that we are
3 scheduled for a break at 11:15, but I am about to get into
4 a new area. We could break now.

5 MR. QUESNELLE: How much longer do you have, Ms.
6 Durant?

7 MS. DURANT: Well, I'm scheduled for quite a bit
8 longer, so I'll probably be another half hour.

9 MR. QUESNELLE: Okay. Let's break now then. Let's
10 return at 11:30. Thank you.

11 --- Recess taken at 11:11 a.m.

12 --- On resuming at 11:34 a.m.

13 MR. QUESNELLE: Ms. Durant?

14 MS. DURANT: I'm now going to get into the context of
15 the IPSOS report and most of my questions will be for the
16 IPSOS witnesses.

17 I'm going to start on page 25 of my compendium, under
18 the heading "Overall satisfaction with Hydro One."

19 And what this result is showing is customers were
20 given six options to respond, and if you zoom in to -- so
21 we can see the fine print underneath, we see this
22 throughout the study. And my understanding is this is
23 basically a summary of the question that was asked to the
24 customer, and also the methodology in calculating the
25 response. Is that right?

26 I'm looking at the words: "As you know, Hydro One
27 builds and maintains..."

28 Would that be the text of the question asked of the

1 customer?

2 MS. GUIRY: Correct, yes.

3 MS. DURANT: And if you reading on you will see some
4 metrics. Like at the very end, for example, it says "base"
5 in the last line:

6 "All respondents post-Q change, telephone survey,
7 residential."

8 And you see certain numbers. This just kind of
9 describes the process, is that right?

10 MS. GUIRY: Those numbers represent the sample size.

11 MS. DURANT: Sample size? Okay. For this question,
12 the preamble, so the part that says, "As you know, Hydro
13 One builds and maintains power lines", and then it contains
14 a description. Would that be information that you got from
15 Hydro One?

16 MS. GUIRY: That information came from the other IPSOS
17 customer satisfaction survey that you referenced earlier,
18 which I believe did in fact come from Hydro One.

19 MS. DURANT: Okay. So this was the same language used
20 in that survey before that we saw -- I think it was the 66
21 percent customer satisfaction rate, subject to check?

22 MS. GUIRY: Subject to check, I don't know if that 66
23 percent is in fact this question. But we did make sure
24 that the wording of this question matched the wording of
25 that question -- the equivalent question in that survey.

26 MS. DURANT: Now, the wording of this question, would
27 you agree with me that it contains some language that would
28 create a positive response towards Hydro One, such as

1 safely deliveries electricity rather than just deliveries
2 electricity? Is that fair? It doesn't contain completely
3 neutral language to describe what Hydro One does.

4 [Witness panel confers]

5 MS. GUIRY: Yes. The wording is, you know, perceived
6 to be part of their mandate. That's meant to be an
7 accurate description of what their responsibility and role
8 and mandate is.

9 MS. DURANT: And when you design survey questions, is
10 it best to leave out, you know, positive -- sorry, positive
11 descriptors to avoid any, you know, influencing the results
12 in any way?

13 MS. GUIRY: I don't know if it's so much about leaving
14 out positive descriptors. It is about making sure that the
15 statement is factual.

16 MS. DURANT: So if you scroll above to the table, this
17 is the table -- and we discussed the uninformed customers
18 earlier versus informed. So this table shows uninformed
19 customers and the percentage -- the blue box, percent
20 satisfied, those are the percentages of people who are
21 satisfied with Hydro One?

22 MS. GUIRY: So in the bar chart itself, the blue at 23
23 percent under residential is the percent of residential
24 customers who said very satisfied. And then the column to
25 the right, the percent satisfied, is meant to be a
26 aggregate of percent of people who said very satisfied or
27 somewhat satisfied.

28 MS. DURANT: Perfect, that's how I read it, too. And

1 you drop off people in the calculation that respond "don't
2 know" or "refused", right? They're not included anywhere?
3 They're not included under "dissatisfied", right?

4 MS. GUIRY: They are not included in dissatisfied, no.

5 MS. DURANT: And then the next page is page 26 of the
6 compendium, and this is same question, I believe, but for
7 informed customers; is that right?

8 MS. GUIRY: That's correct.

9 MS. DURANT: And residential is repeated, as is
10 seasonal, and then LDA, LDC, DG and C&I, those are new to
11 this table, right?

12 MS. GUIRY: They are new to this table, yes.

13 MS. DURANT: And residential, the number of -- the
14 percentage of satisfied customers dropped from 66 percent
15 to 51 percent. Is that a statistically significant change,
16 a drop of 15 percent?

17 MS. GUIRY: First of all, I don't know if I'd
18 characterize it as a drop because they are two independent
19 samples, they are different. Whether or not that
20 difference between 56 and 61 means statistical difference,
21 I'd have to check.

22 MS. DURANT: But you'd agree with me that informed
23 customers, at least on the percentages here, were 15
24 percent less satisfied with Hydro One than uninformed?

25 MS. GUIRY: Correct.

26 MS. DURANT: And C&I, which is again the group where
27 my membership falls under, they were 50 percent satisfied?

28 MS. GUIRY: Correct.

1 MS. DURANT: And throughout the study, C&I is only
2 reported as an informed customer and that's because, I
3 believe, all the C&I individuals or representatives were
4 provided with information from Hydro One; is that right?

5 MS. GUIRY: That's correct.

6 MS. DURANT: Okay. Now, if we go to the next page of
7 the compendium, page 27, the heading is "Reliability
8 expectations" and these numbers are taken from the
9 telephone survey and the online workbook, is that correct?

10 MS. GUIRY: That's correct.

11 MS. DURANT: And again we're divided by uninformed and
12 informed customers, and what I want to focus in on here is
13 again the question at the bottom. And the question asked
14 -- and this was the same question for both uninformed and
15 informed customers are customers, is that right?

16 MS. GUIRY: Correct.

17 MS. DURANT: And the question is:

18 "In general, when you think about how many power
19 outages you experienced over the last 12 months,
20 how did it compare to your expectations?"

21 Is that right? That's the question that was asked?

22 MS. GUIRY: That's correct.

23 MS. DURANT: When I read that question, it makes me
24 wonder if this is sort of the right question to ask
25 customers.

26 So Hydro One customers, they may be a customer of
27 Hydro One for a number of years and they may begin to get
28 expectations just from their past history of working with

1 Hydro One. And when I read this, you know, how many power
2 outages you experienced over the last 12 months and how did
3 it compare to your expectations, if I had a history of poor
4 performance with power outages and it continued this year,
5 I might say that that complied with my expectations.

6 What do you think about how that question is worded in
7 that regard?

8 MS. GUIRY: So the intent of the question is to
9 determine whether they feel that the past 12 months' power
10 outages reflects what they expect, better than what they
11 expect, or worse than what they expect.

12 MS. DURANT: And in terms of what they expect, if you
13 have a history of power outages, you may come to expect
14 that, right?

15 The question is not asking, you know, are you
16 satisfied with the number of outages; it is asking if it's
17 what you expect.

18 MS. GUIRY: It's not meant to an be a metric of
19 satisfaction. It is meant to be whether it's better or
20 worse than your current expectation.

21 MS. DURANT: And if your current expectation of number
22 of outages is low, you might say that it's what you expect?

23 MS. GUIRY: You might say that, yes.

24 MS. DURANT: Let's go to page 28 of the compendium,
25 please. If you go to the bottom, the question number 10,
26 this contains similar language.

27 "In general, when you think about the average
28 length of power outages you experienced over the

1 last 12 months, how did it compare with your
2 expectations?"

3 So this is a similarly-worded question and it is
4 geared to gauge what the customers expected, not
5 satisfaction?

6 MS. GUIRY: Correct.

7 MS. DURANT: Okay. And page 29 of the compendium,
8 this is all customer segments, customer priorities. And
9 again, if you kind of scroll through quickly, you will see
10 that there is both uninformed and informed customers here.

11 Earlier, you gave us a little bit of an explanation
12 about the paired choice preference and how it works, and
13 it's meant to be a ratio.

14 And I read in the report there is actually a bit of a
15 summary about paired choice, and I won't give the
16 reference, but what I took from the summary is that it's a
17 fairly reliable indicator used to compare different
18 options, because you are asking customers to rank each
19 against each other; right?

20 MS. GUIRY: Yes, well, paired choice is a more tricky
21 method to interpret and explain, which is why I wanted to
22 provide in the appendix a fulsome explanation of how it
23 works, but it is arguably, you know, the gold standard in
24 terms of how you would measure customer preference for one
25 option versus another.

26 MS. DURANT: Okay, and for each customer segment, the
27 main priority for the customers was keeping costs as low as
28 possible; is that right?

1 MS. GUIRY: That's correct.

2 MS. DURANT: Okay. Now, I want to go to page 31 of my
3 compendium, and this actually jumps quite a bit further
4 ahead in the report. So this is the section of the report
5 dealing with large customers; is that right?

6 MS. GUIRY: That's correct.

7 MS. DURANT: Okay. And if we scroll down to page 32
8 of the compendium, this is the summary of customer
9 priorities for large customers, and we remember these
10 involve quite a few different segments, right, that we
11 discussed earlier, and we can find it in the definition
12 section, right?

13 MS. GUIRY: Correct.

14 MS. DURANT: And this chart on this page, page 32 of
15 the compendium and page 121 of the report, this shows the,
16 at the top, the combined aggregate of all of the large
17 customers under "combined"? That would be everybody
18 together?

19 MS. GUIRY: That's correct.

20 MS. DURANT: Okay, and 33 percent of everybody, costs
21 as low as possible, was number 1, at 33 percent, and below
22 that we segmented out between LDA, LDC/DG, and C&I, and
23 when you segment it out you see that C&I, actually keeping
24 costs as low as possible is quite a bit different. It's 46
25 percent of them responded that it was their number-one
26 concern?

27 MS. GUIRY: It is actually not 46 percent of them
28 responded --

1 MS. DURANT: Okay.

2 MS. GUIRY: -- it is the 46 percent is the metric we
3 used as a ratio against the other options.

4 MS. DURANT: That's right. So the ratio approach, I
5 forgot about that. Sorry. And when you look at C&I and
6 their responses in this table generally, you'd agree with
7 me that their responses differ quite a bit from the LDA and
8 LDC/DG responses in almost every metric; is that right?
9 Except perhaps upgrading the system?

10 MS. GUIRY: Agreed, yes.

11 MS. DURANT: Okay. And page 34 of the compendium,
12 this was an exercise where Hydro One customers were asked
13 to provide -- were provided with the opportunity to
14 allocate \$100 based on their preferences, and I understand,
15 when we look at the numbers here, those numbers are
16 supposed to be sort of dollar amounts; is that right? So
17 for C&I, for example, under "improved reliability", the
18 21.78 there, is that supposed to represent \$21.78 out of
19 \$100?

20 MS. GUIRY: Sorry, you were looking at the C&I number?

21 MS. DURANT: Yes, so when I look at the 21.78, is it
22 fair to say that C&I customers would allocate \$21.78 to the
23 improved reliability, or is that just a percentage?

24 MS. GUIRY: No, that is the average amount, dollars,
25 across C&I customers.

26 MS. DURANT: Okay. So that's the average dollar
27 amount when you look at all the C&I customers allocated to
28 that piece of investment, right? Improving reliability?

1 MS. GUIRY: Correct.

2 MS. DURANT: Okay. And C&I customers out of \$100
3 would have invested an average of \$18.61 out of \$100 to
4 hold back and not spend in order to lessen rate increases;
5 is that right?

6 MS. GUIRY: Yes, that's correct.

7 MS. DURANT: Okay. And if we could just jump back to
8 page 30 of my compendium. This is my last area, just
9 focusing on the survey itself.

10 I have a number of questions about this question. So
11 if you scroll down to where it shows the text of question
12 17, and the question says that:

13 "Hydro One has determined that in order to at
14 least maintain the level of reliability and
15 customer service..."

16 And so on. The language of this question, and in
17 particular "Hydro One has determined", was that language
18 Hydro One gave to you, or was this language that you would
19 have assisted Hydro One with?

20 MS. GUIRY: I don't remember in this particular
21 instance whether I drafted that initial wording or Hydro
22 One did, but we felt that that was an accurate and fair way
23 of articulating the question.

24 MS. DURANT: And at this point, and I think I'll
25 address this one to Hydro One, is it Hydro One's evidence
26 that as of the time these questions were drafted Hydro One
27 had already determined that these increases were reliable
28 and necessary?

1 MR. MERALI: At the time of the report the investment
2 plan had not been completed, so I don't believe the
3 specific \$2 -- we didn't have an investment plan that
4 corresponded to that.

5 MS. DURANT: But in this question the customers are
6 being asked to answer it as if this has been determined.

7 MR. MERALI: I believe it was meant to be
8 representative, not specific to the \$2, but just
9 demonstrating that increase would likely be required to
10 maintain reliability and gauge customer's responses to
11 that.

12 MS. DURANT: And the question doesn't say that it
13 would likely be required; it says that Hydro One has
14 determined that it is required; is that right, when I read
15 this question?

16 MR. MERALI: That is the way the question is worded.

17 MS. DURANT: And when customers are answering this
18 question, they have in their mind that it's already been
19 determined?

20 MR. MERALI: Yeah, I could see how a customer would
21 come to that conclusion.

22 MS. DURANT: And my last question is for the Hydro One
23 -- oh, sorry, I have one more question about that, also for
24 IPSOS, and it is just about the scaling of this question.
25 The "don't know" and "refused" are dropped off, right?
26 They are not included in the aggregate?

27 MS. GUIRY: In the aggregate, you mean the column to
28 the right?

1 MS. DURANT: Yes.

2 MS. GUIRY: That's correct.

3 MS. DURANT: And in terms of the other options, you
4 will agree with me that there's two options that are in
5 favour of an increase and one option against; right? So in
6 green we see "the increase is reasonable and I would
7 support it" and in, I think that's black, it says "I don't
8 like it but I think the increase is necessary", and then
9 only the dark pink says "the increase is unreasonable and I
10 would oppose it"; is that right?

11 MS. GUIRY: I think the colours that we are looking at
12 are different from what you just said, but I think we're
13 following the same --

14 MS. DURANT: Oh, sorry, my screen has strange colours,
15 so -- but there's two positive and one against, right?

16 MS. GUIRY: Well, I don't know if I'd coin the two as
17 both positive. I would just say one is supportive, the
18 other is accepting, and then the third one is opposing.

19 MS. DURANT: And then when you look at the combined
20 score, though, you are combining the positive and the
21 accepting, right?

22 MS. GUIRY: Yes, we are combining the positive support
23 and the accepting.

24 MS. DURANT: And, you know, if you just looked at
25 having three options in a survey and a random response, you
26 know, it would be sort of 33, 33, 33, you know. Is this
27 scaling, you know, is it biased towards a positive and
28 accepting response by not having a fourth option to oppose

1 it?

2 MS. GUIRY: No, I don't feel that having a three point
3 scale is in any way biasing the answer.

4 MS. DURANT: Okay. And my last question. If we go to
5 the last page of the compendium, this is a slide that came
6 out of the original PowerPoint that we started with in
7 terms of process, and in doing the survey and the mandate.

8 And phase 2 was listed and it was described as
9 "validate earlier results and to add any new or additional
10 customer insights," and the timeframe of winter 2016/
11 spring of 2017 was contemplated.

12 Could we just scroll down a little bit? I'm sorry, I
13 think that may be it.

14 This came out of the same slide deck that we looked at
15 from the beginning where we were discussing the mandate.
16 Do you recall talking about a phase 2 of this project?

17 MS. GUIRY: I actually don't recall discussing
18 phase 2. I think this might be an early draft of the plan.
19 There wasn't much discussion of a phase 2 once we got into
20 phase 1.

21 MS. DURANT: Okay. So you may have considered doing a
22 phase 2, earlier but going back and validating results and
23 adding additional things, it was sort of dropped off the
24 plan?

25 MS. GUIRY: Again, I don't recall actually this
26 specific deck. It could have been -- I don't know if it
27 was dated, but it could have been a very early draft. So I
28 don't recall whether we discussed or not whether or not

1 there should be a phase 2 following phase 1.

2 MS. DURANT: It was included, I believe, in the May
3 18, 2016, deck, but I may -- subject to check, you don't
4 recall a phase 2?

5 [Witness panel confers]

6 MS. GUIRY: I don't recall a phase 2, sorry.

7 MS. DURANT: And my last question is -- and I should
8 have asked this earlier. We went over the preliminary --
9 the interim results and some of the slides from July 19,
10 2016.

11 Were there any -- was there any additional data
12 collected between the July 19, 2016, preliminary results
13 and the final report that was dated August of 2016? Or had
14 all of the data been created by -- or gathered by July 19,
15 2016?

16 MS. GUIRY: If you'll just allow me a minute to check
17 because I have in my mind that potentially one of the
18 reasons why it was interim is that one element of the
19 engagement was to post the survey and promote it publicly,
20 so that as many Hydro One customers who wanted to, who
21 weren't randomly selected for a telephone survey, had the
22 benefit of being able to provide feedback.

23 MS. DURANT: That is -- on that date?

24 MS. GUIRY: That may have been going on past the
25 interim date. So if you would just bear with me.

26 MS. DURANT: Take your time.

27 MS. GUIRY: Yes, as I recall there was an expectation
28 to deliver results by a certain date and while we had

1 amassed a lot of that open link data, there wasn't
2 sufficient time to fully process it all. So we gave an
3 interim update of what had been provided -- what had been
4 collected at that point. So there would have potentially
5 been more completes that came in following the interim
6 report.

7 MS. DURANT: And then everything would have been
8 included in the final report?

9 MS. GUIRY: Correct.

10 MS. DURANT: Okay, thank you. Those are my questions.

11 MR. QUESNELLE: Thank you, Ms. Durant. Ms. Girvan?

12 **CROSS-EXAMINATION BY MS. GIRVAN:**

13 MS. GIRVAN: Thank you. Good morning, panel. My name
14 is Julie Girvan and I am a consultant to the Consumers
15 Council of Canada.

16 My first question -- if you could please turn to the
17 main evidence Exhibit A, tab 4, schedule 1, please, this is
18 in the section about customer service strategy. And if you
19 turn to page 3, at the bottom of that page there's a list
20 there, and it says:

21 "To ensure Hydro One maintains a regular view of
22 its customers' needs and preferences, Hydro One
23 performs the following activities on an ongoing
24 basis to monitor changing customer service
25 trends."

26 Is there anywhere on the record the overall costs
27 associated with those specific engagement activities? Do
28 you know?

1 MR. MERALI: I don't believe specifically aggregated.
2 There is evidence on the record for certain elements or
3 cost elements outlined here.

4 MS. GIRVAN: Is there any way that you could provide
5 that for me? I'm really looking at your annual cost for
6 your -- the annual cost of your overall customer engagement
7 activities.

8 MR. MERALI: I think we could undertake to provide
9 that.

10 MS. GIRVAN: Okay, thank you.

11 MR. SIDLOFSKY: That will be J5.1.

12 **UNDERTAKING NO. J5.1: TO PROVIDE THE ANNUAL COST OF**
13 **THE OVERALL CUSTOMER ENGAGEMENT ACTIVITIES**

14 MS. GIRVAN: So if you could please turn to page 7 of
15 that same exhibit, I'm trying to better understand the
16 first comment that the Hydro One customer strategy is in a
17 period of transformation.

18 This is probably for you, Mr. Pugliese. Could you
19 explain that to me?

20 MR. PUGLIESE: Well, it's in line with what I -- oh,
21 sorry, it's in line with some of my opening comments from
22 back in December, and even from Friday.

23 You know, when Hydro One transitioned from a Crown
24 corp. into an investor-owned utility, one of the points of
25 focus was to place a heavier degree of emphasis on customer
26 -- customer preferences, customer needs on a variety of
27 levels dealing with cost, reliability and system
28 maintenance.

1 So when we say transformation, in the early days when
2 that happened, and it still continues today, is there's a
3 constant re-evaluation of policies that a customer is
4 facing, and just the overall philosophy in terms of how we
5 broach customers is what has changed.

6 MS. GIRVAN: So it's changed, or it's going to change
7 in the future?

8 MR. PUGLIESE: It is a continuing; it is a state of
9 continuous improvement.

10 MS. GIRVAN: All right, thank you. Now, with respect
11 to the IPSOS study, was this done entirely because of the
12 requirement in the RRFE policy to engage your customers in
13 the context of developing a Distribution System Plan? Was
14 that the primary reason for the IPSOS study?

15 MR. MERALI: Yes.

16 MS. GIRVAN: So you did it because that's essentially
17 a Board requirement?

18 MR. MERALI: Correct.

19 MS. GIRVAN: Okay. Can you tell me what the overall
20 cost of the IPSOS initiative is? I think it's in the
21 record, but I'm having trouble finding it.

22 MR. MERALI: I believe it is on the record. I may
23 have some trouble finding it as well. I'm not sure if I
24 can phone a friend and ask which reference it's in.

25 MS. GIRVAN: Once you see an interrogatory answer, to
26 find it again is quite difficult.

27 MR. MERALI: I believe it's one of the BOMA responses.

28 MS. GIRVAN: If you want, you can find it over the

1 lunch break.

2 MR. MERALI: That would be great.

3 MS. GIRVAN: I don't think we need an undertaking for
4 that, but...

5 MR. QUESNELLE: Okay. Thank you, Ms. Girvan.

6 MS. GIRVAN: Thank you. So the IPSOS study was --
7 when was it? When did it actually get initiated? What was
8 the timing of that?

9 MR. MERALI: Early '16 I would say the discussion
10 started.

11 MS. GIRVAN: So early 2016. So do you plan on moving
12 forward with this and continuing this type of study
13 throughout the term of your IRM plan, or is this it? It
14 was there, it was done, it informed your plan? Are you
15 intending on continuing to update this kind of work?

16 MR. MERALI: I don't think a definitive decision has
17 been reached in terms of whether we will continue this
18 specific type of engagement on an ongoing basis. I can
19 tell you a lot of the other engagement activities which you
20 referenced earlier in the table, we are continuing to look
21 and evolve those existing surveys to derive additional
22 benefit out of them, so to try and achieve some similar
23 type of results.

24 MS. GIRVAN: I guess what I was looking at is, you are
25 talking about continuous improvement, and you've got what I
26 would call a baseline in the context of this study.

27 MR. MERALI: Yep.

28 MS. GIRVAN: And so are -- you're not going to sort

1 of, going forward, going to measure these same questions in
2 terms of seeing how you're improving?

3 MR. PUGLIESE: Yeah, I can't see at this point that we
4 would not. You raise a good point; it is a baseline. I
5 think baselines are important, but I want to highlight what
6 Mr. Merali has said, is the IPSOS report is a very solid
7 undertaking. It gets into, as you can see, a high -- quite
8 a level of detail, and gives instruct (sic) to some
9 customer preferences and so on, so midway through this
10 application it may not be out of the realm of possibilities
11 for us to go in and measure again, but I don't want to
12 understate the value of the other measures in that list
13 that you had described and the quality of the data that
14 comes from that, because what that does is it allows us to
15 spot-check on a regular basis with continuous improvements
16 against these baselines. But, you know, midway through
17 this, we may look at it and say it may be time to go out
18 and measure this with our customers again. I'm not saying
19 that's a firm commitment, but there is a possibility that
20 could fold into our decision-making.

21 MS. GIRVAN: And the other question I had related to
22 the cost of the IPSOS work. Is that in your 2008 (sic)
23 base rates or forecast for 2018, or is it -- are these
24 costs that were incurred in 2017?

25 MR. MERALI: There is -- subject to check, I don't
26 believe that was budgeted for in our existing rates, so it
27 was a variance --

28 MS. GIRVAN: So it is a historical cost.

1 MR. MERALI: Correct.

2 MS. GIRVAN: Okay. All right. Thank you.

3 So another question -- series of questions I have are
4 regarding the Fair Hydro Plan, and this is for you, Mr.
5 Pugliese, I think. I'm just trying to understand how you
6 take the tools that you've talked about before that list of
7 regular consultations with customers, regular surveys, and
8 use those as baselines and a check on your performance.

9 How is this -- how are you going to do this in the
10 context of the Fair Hydro Plan? I mean, if rates and bills
11 are the primary concerns -- concern for most of your
12 customers, that concern's essentially been addressed. I'm
13 just wondering how you are going to move forward in
14 discussions with your customers in the context of the Fair
15 Hydro Plan.

16 MR. PUGLIESE: Well, I think that the Fair Hydro Plan
17 addresses one aspect of affordability for one large
18 customer segment. We have many other customer segments,
19 several others, that the Fair Hydro Plan doesn't address.
20 And the Fair Hydro Plan got heavily at affordability, but
21 we do have issues we want to test with all customer
22 segments on matters related to affordability, as well as
23 reliability, so I think the need to continue to go forward
24 and test and ask customers for feedback only gives us more
25 information to ensure that these applications are fine-
26 tuned and that investments -- as investment dollars are
27 being allocated appropriately against customer needs.

28 MS. GIRVAN: So when I look at the group that are the

1 beneficiaries, I guess I would call them, of the Fair Hydro
2 Plan, which is largely residential customers --

3 MR. PUGLIESE: Right.

4 MS. GIRVAN: -- how are you explaining to them the
5 Fair Hydro Plan and how are you doing that in the context
6 of your own costs? What are you telling your customers
7 about the Fair Hydro Plan?

8 MR. PUGLIESE: Exactly what the plan describes and
9 which customer segments it serves.

10 MS. GIRVAN: Okay, so your -- I guess I'm struggling a
11 little bit with this. Do you have regular communication
12 with your customers about the Fair Hydro Plan?

13 MR. PUGLIESE: Not with the Fair Hydro Plan, I would
14 say in particular, but if we field questions that come from
15 customers on the other customer segments related to Fair
16 Hydro Plan, we certainly will respond to them, describing
17 where the plan -- what the plan covers and what the plan
18 does not cover.

19 MS. GIRVAN: So when you get customers calling into
20 your call centre, are your call-centre employees talking
21 about the Fair Hydro Plan?

22 MR. PUGLIESE: I'll let Mr. Merali answer that one.

23 MR. MERALI: If I can just augment Mr. Pugliese's
24 response, when the Fair Hydro Plan was first rolled out, we
25 did inform customers about some of the changes. We had a
26 website that provided additional information, call-centre
27 scripting, and education to our call-centre staff as well,
28 so kind of at the time it was rolled out people were

1 notified and informed about what, you know, what it
2 entailed.

3 On an ongoing basis I'm not sure too many questions
4 would come up specifically about the Fair Hydro Plan now a
5 year later, but certainly out of a million and a half, you
6 know, two million agent-answered calls, it probably does
7 come up now and then.

8 MS. GIRVAN: And when is the Fair Hydro Plan expected
9 to end? Can you remind me of that?

10 MR. MERALI: I'm not the regulatory expert, but I can
11 give you my understanding. There are certain elements that
12 are permanent. I believe the First Nations delivery
13 credit, and I believe distribution rate protection, I
14 think, has a four-year life, and the commodity reduction, I
15 don't believe there is an end date currently set for that.

16 MS. GIRVAN: Okay, so do you have plans in terms of
17 informing your customers about the end of the Fair Hydro
18 Plan?

19 MR. MERALI: Any change to customer rates prior to
20 rolling -- those rates taking effect, we do notify our
21 customers through a number of channels.

22 MS. GIRVAN: So that's something you are going to be
23 particularly focused on?

24 MR. MERALI: Correct, so if the Fair Hydro Plan were
25 to come to an end or portions were to come to an end, we
26 would determine the impact, the customer segments that are
27 impacted, and then put together an appropriate
28 communications plan to roll that out in advance of the

1 changes.

2 MS. GIRVAN: Okay. Thank you.

3 Could you please turn to -- it's CCC number 37, and
4 that is under tab 38. So this is a question that -- it was
5 actually answered by the office of the Ombudsman, and it
6 explains sort of what they do.

7 Can you, at a high level, tell me your relationship
8 with the Ombudsman's office and how that works?

9 MR. PUGLIESE: It's an arm's-length relationship. The
10 Ombudsman reports to the board of directors. It is a, as
11 you know, a mandated legislated role.

12 The response and the interaction between the
13 Ombudsman's office and our customer service, customer care
14 group, is one largely on issue resolution. So what is --
15 and the trend that we've noticed in the last year has been
16 as issues come across that might be more, say, endemic in
17 nature where you are getting a pattern of issues from the
18 customers, the Ombudsman office will contact and reach out
19 to us for data or information with respect to customer
20 issues, but only in answering specific questions that they
21 might have, and they have separate interactions with the
22 customers themselves.

23 MS. GIRVAN: So do they -- they don't interact with
24 you in terms of helping you develop your customer
25 communications?

26 MR. PUGLIESE: They help inform us, right? They don't
27 help draft the communications, but I can tell that you
28 there may be issues that come from certain customer groups

1 that they'll share with us.

2 We can give you examples. I mean, you know, one most
3 recently would be dealing with claims, whereby we have
4 surges of electricity impacting equipment, and they can
5 give us insight in terms of what customers are saying or
6 what their concerns or questions are or where they might
7 have questions that are not being filled out by way of
8 information via the call centre, our website, our digital
9 channels, or even collateral we're issuing, so we'll take
10 that information, and we use it to adopt and change how we
11 are communicating; again, part of the spirit of continuous
12 improvement and adjustments to how we are dealing with our
13 customers directly.

14 MS. GIRVAN: Okay, thank you.

15 Now, Mr. Pugliese, is your group responsible for
16 informing your customers about CDM?

17 MR. PUGLIESE: Yes, it is.

18 MS. GIRVAN: It is, okay. And I know that the overall
19 cost -- and I think it is somewhere on the record -- of the
20 whole CDM activities is about \$15 million; is that correct?

21 MR. PUGLIESE: That sounds correct, subject to
22 checking.

23 MS. GIRVAN: Does that \$15 million include a portion
24 of your staff, or is that completely separate?

25 MR. MERALI: I believe the annual cost is in excess of
26 \$15 million, if you include the incentives and rebates that
27 are provided to participants.

28 On the public record is our CDM plan that was filed as

1 part of the Conservation First framework. I believe it is
2 300-and-some-odd million dollars over a five-year period.

3 With respect to staffing and labour costs, there is a
4 team within Mr. Pugliese's organization dedicated to
5 conservation demand management, and their time is charged
6 back as part of that program.

7 MS. GIRVAN: Okay. So is any of the time, in the
8 context of your group, allocated to CDM and removed from
9 the revenue requirement?

10 MR. MERALI: When you say your group, could you just
11 clarify?

12 MS. GIRVAN: Mr. Pugliese was saying there is a role
13 within the context of his group to inform customers about
14 CDM. I'm wondering if those costs are excluded from the
15 revenue requirement.

16 MR. MERALI: Correct. So the dedicated staff that
17 work on the conservation program, their costs are excluded
18 from the revenue requirement.

19 MS. GIRVAN: And does that include the cost and the
20 communications area?

21 MR. MERALI: Communications?

22 MS. GIRVAN: Your group.

23 MR. MERALI: Maybe I can provide a high-level overview
24 of the structure.

25 MS. GIRVAN: Sure. I guess I'm just trying to make
26 sure that the costs associated with CDM are excluded from
27 revenue requirement.

28 MR. MERALI: They are excluded.

1 MS. GIRVAN: All of them are?

2 MR. MERALI: Correct.

3 MS. GIRVAN: Okay, thank you. And Mr. Pugliese, you
4 spoke briefly on Friday about communicating with your
5 customers via text and email. Can you explain that to me?

6 MR. PUGLIESE: I can, and Mr. Merali can give you the
7 specifics out of the call centre that largely comes through
8 a group in our contact centre.

9 We're trying to encourage more customers to use the
10 digital channel for a few reasons. It does help us with
11 costs. It also, we believe, makes the communication lines
12 with customers more efficient and timely.

13 And so text, as an example, is used and is being used
14 more readily with outages, so texting outages alerts in
15 terms of when power will be restored. And then we use the
16 term email ballast, that we can get information out to
17 customers to which we have email address or contact
18 information available to get messages out on time, high
19 utilization alerts, alerts with respect to their service,
20 et cetera.

21 MS. GIRVAN: Was that a large expense to actually
22 implement those initiatives?

23 MR. PUGLIESE: I don't believe so, but I'll let Mr.
24 Merali comment on it.

25 MR. MERALI: There was an expense associated with
26 deploying those services. And just to build on Mr.
27 Pugliese's comments, there's two real services, I guess, if
28 I could call it that.

1 The first is we provide e-billing to customers and as
2 part of that sort of suite, customers also get, if they
3 select, notifications that their bill is due, that their
4 bill is past due, and also what we call high usage alerts.
5 So high usage alerts are about 15 days within the billing
6 window, so about halfway through the month.

7 We analyze the customers' relative to historical
8 trends, relative to weather patterns, and then notify a
9 customer in advance of getting their bill, Mr. Customer,
10 your bill is trending high, and it allows them to adjust
11 their consumption, should they so choose, prior to getting
12 the invoice -- or at a minimum, it helps them prepare for
13 that invoice from a budgetary perspective and from an
14 expectations perspective.

15 So we have that suite of services that provides those
16 tools to customers. We also have a suite of services that
17 provides outage-related communications via text message or
18 email to customers should their power be out, and provides
19 regular what we'll call ETRs, estimated time of
20 restoration, updates to customers, so that they can plan
21 their lives accordingly should their power be out.

22 MS. GIRVAN: Is that something that the customers sign
23 up for?

24 MR. MERALI: Correct. Yes, they do.

25 MS. GIRVAN: So this is just a quick question for the
26 IPSOS folks.

27 You have \$1.3 million, Hydro One, and you had 20,000
28 customers participating in your customer engagement

1 process. Is that a small sample, a large sample, an
2 adequate sample from your perspective?

3 MS. GUIRY: It is a very robust sample.

4 So from a telephone standpoint, which is the survey we
5 rely on to be projectable to that 1.3 million customer
6 base, it's more than adequate because the sample and the
7 population give you the margin of error. So it gives you
8 the measure by which you can feel that the result are
9 reliable.

10 It gives you context that can tell you that for a
11 population of 35 million for Canada, we tend to use surveys
12 of a thousand sample because it has margin of error plus or
13 minus 3.1, which is reasonable level of reliability and
14 confidence.

15 So I feel very comfortable that this was a very
16 robust engagement from a -- from the amount of customers
17 who provided feedback.

18 MS. GIRVAN: Okay, thank you. And just quickly, one
19 last area.

20 Hydro One's undertaken -- and once again you have to
21 remind me where it is in the evidence. But you've
22 undertaken a bill redesign, is that correct? And do we
23 have the cost of that bill redesign in the record?

24 MR. PUGLIESE: Yes, it's contained in the material. I
25 don't know offhand where.

26 MR. MERALI: I believe it was provided as part of an
27 IR response. I can direct you to it as well. I can look
28 for it now, or if lunch works.

1 MS. GIRVAN: Lunch would work. I guess my question
2 is: Are the costs associated with a bill redesign in your
3 2018 revenue requirement forecast?

4 MR. MERALI: The work associated with our bill
5 redesign was largely done in '16 and '17. Therefore, I
6 wouldn't expect the cost associated with that initiative to
7 be captured here.

8 MS. GIRVAN: Okay. Can you just confirm that with me,
9 maybe after lunch when you find the amount? That would be
10 great.

11 MR. MERALI: Sure. And for clarity, our bills were
12 updated for our mass market customers, residential and
13 small business. We have not undertaken a bill redesign for
14 our commercial/industrial customers and as part of the
15 engagement process, we actually heard from that customer
16 segment that they find the existing bills very confusing,
17 understanding the global adjustment and everything else.
18 So there is dollars set aside, I believe, in 2022 -- '21 or
19 '22, for a redesign or an update of our billing for our
20 commercial and our industrial customers.

21 MS. GIRVAN: Okay, great. Thank you. Those are my
22 questions.

23 MR. QUESNELLE: Thank you, Ms. Girvan.

24 MR. NETTLETON: Mr. Chairman, just to help Ms. Girvan,
25 the interrogatory that she was looking for regarding costs
26 of the IPSOS program was in Exhibit I-23 OSEA 16.

27 MR. QUESNELLE: Thank you.

28 MR. NETTLETON: It's an amount of \$395,000.

1 MS. GIRVAN: Thank you very much.

2 MR. NETTLETON: The other thing, Mr. Chairman,
3 listening to Ms. Girvan's cross-examination, I notice that
4 in this proceeding, the Board asked that Staff's summary of
5 community meetings be filed on the record in this
6 proceeding. And in that report, there is discussion about
7 Fair Hydro Plan and that whole community engagement process
8 was really related to the topic of Fair Hydro Plan and how
9 it related to this application. So that may also be an
10 area of help for Ms. Girvan and others who were wondering
11 how the Fair Hydro Plan has been built into this
12 application.

13 MR. QUESNELLE: Okay, thank you. Mr. Brett?

14 **CROSS-EXAMINATION BY MR. BRETT:**

15 MR. BRETT: Thank you, Mr. Chairman. Good morning,
16 panel.

17 Ms. Guiry, you were talking this morning with one of
18 the other questioners about the fact when you were
19 initiating the project, the survey project, you received
20 some information from Hydro One as to what the objectives
21 of the study were from their point of view, and what
22 information they wanted to obtain from ratepayers by doing
23 this study.

24 Did you receive any of this information in writing?
25 Were there any written guidelines provided to you?

26 MS. GUIRY: I'm sure there would have been. If not,
27 we would have taken any oral information and submitted it
28 back to them to confirm we understood the remit properly,

1 so there would be a communique, at least, from us to them.

2 MR. BRETT: Would you be able to file that material,
3 please?

4 MS. GUIRY: Yes.

5 MR. BRETT: Undertaking?

6 MR. SIDLOFSKY: That will be J5.2.

7 **UNDERTAKING NO. J5.2: TO FILE WRITTEN MATERIAL**
8 **REGARDING THE STUDY OBJECTIVES AND INFORMATION HONI**
9 **WANTED TO OBTAIN FROM RATEPAYERS, OR ANY WRITTEN**
10 **GUIDELINES**

11 MR. BRETT: Could you -- thank you. Could you turn up
12 briefly the -- this is just a brief question, but it's
13 Exhibit A, tab 3, schedule 1. Exhibit A, tab 3, schedule
14 1, page 14 of 36. That's the executive summary of the
15 application.

16 Could you just turn that up for a moment?

17 Yeah, and just stop it right there. It's fine. And I
18 guess this is for Hydro One, but I just wanted to deal for
19 a moment with the -- this is your summary, Hydro One's
20 summary, of the results of the initiative, and this has
21 been talked about a bit by earlier questioners, but you say
22 here specifically the results indicated that:

23 "Controlling costs is the top priority for
24 customers."

25 And then the second bullet is:

26 "Customers want to see Hydro One demonstrate
27 greater fiscal management and operational
28 efficiency before", I emphasize before,

1 "considering rate increases."

2 So my question is, would you agree with me that what
3 seems to be the point of your first and second bullets, if
4 you put them together, is that customers want to see action
5 by Hydro One in the form of greater fiscal management and
6 operational efficiency, and that would presumably mean --
7 and I'm asking you this -- such factors as ensuring that
8 your salaries are gradually becoming lesser amount over
9 your comparators and that you have a significant set of
10 productivity initiatives underway that are measurable and
11 for which you can state results before you ask for any rate
12 increases. Is that a fair paraphrase of that?

13 MR. MERALI: I can agree with your characterization on
14 a macro level. With reference to salaries, I don't think I
15 can speak to that as a result of this evidence, but I
16 believe Mr. Lopez, who was on a prior panel, spoke quite
17 in-depth about productivity and the lengths Hydro One is
18 taking to improve our productivity and overall fiscal
19 management.

20 MR. BRETT: Right. And you have no comment on the
21 salaries issue?

22 MR. MERALI: I wouldn't be the appropriate witness to
23 speak to that.

24 MR. BRETT: All right. I wanted to then ask you just
25 a few high-level questions about the contents of the survey
26 and the -- I'm not speaking here about the structure of the
27 survey. I'm quite comfortable with the various components
28 of it and how you organize it. I've read all of that

1 and -- but in the -- but in your survey, and Ms. Guiry,
2 perhaps I'd start with you on this: You do not have any
3 questions, as I understand it, as far as I could see, along
4 the lines of what concessions would ratepayers be willing
5 to make on reliability? In other words, what reductions in
6 reliability would ratepayers entertain if Hydro One were
7 able to propose to them zero rate increase, say in the next
8 two years, followed by increase in rates at the level of --
9 at the rate of inflation over the latter three years.

10 Could you confirm that you don't have questions of
11 that nature in the study where you ask -- and Ms. Guiry,
12 perhaps if you wouldn't mind -- and I'd appreciate if you
13 wouldn't mind answering my question first without
14 consulting with Mr. Merali. Mr. Merali, of course, is free
15 to add whatever he wishes to add, but I just -- I would be
16 more comfortable if you could answer the question from your
17 point of view and then Mr. Merali can follow up.

18 MS. GUIRY: So just to make sure I understand your
19 question, you are asking whether we pose to customers
20 whether they would be willing to accept a degradation (sic)
21 of reliability?

22 MR. BRETT: In return for certain -- in return for,
23 say, a freezing of rates.

24 MS. GUIRY: So we did ask that as part of one of the
25 scenarios, as I understand correctly, to large customers.
26 That question wasn't posed to residential seasonal small-
27 business customers.

28 MR. BRETT: Right. And do you recall how the question

1 was posed to large customers?

2 MS. GUIRY: It would be in the appendix. We can refer
3 to it.

4 MR. BRETT: If you can give me a page reference.

5 MS. GUIRY: Sure. So it's in the IPSOS report, page
6 243.

7 MR. BRETT: Sorry. Page...

8 MS. GUIRY: 243.

9 MR. NETTLETON: We'll get it on the screen.

10 MR. BRETT: I have it. I've got it.

11 I don't see a question here. Is this a --

12 MR. QUESNELLE: We're just going to bring it up on the
13 screen there, Mr. Brett.

14 MR. BRETT: Okay. Thank you. Okay. So I'm at page
15 243. All right. That's on the screen, and I don't --
16 there is not a question there. But could I turn you to
17 page 128?

18 MS. GUIRY: Sorry --

19 MR. QUESNELLE: Mr. Brett, you asked the question, and
20 this has been brought up in response to it. Perhaps the
21 witness could speak to it.

22 MR. BRETT: Yes, sure.

23 MS. GUIRY: No, sorry, I was just going to say these
24 pages I'm referring to for the large customer were part of
25 the survey booklet. So the presenter from Hydro One
26 explained the scenarios, scenario 1 being maintain,
27 scenario 2 and 3 being one decline, one improve, and then
28 they were asked, if you go to page 252, they were asked at

1 question 14: Would you be willing to accept a two-and-a-
2 half percent distribution delivery rate increase for
3 reliability and service performance declines, which was
4 scenario 2.

5 MR. BRETT: I see. And then the earlier reference you
6 gave me is the -- are the results, is that it? I'm sorry,
7 you gave me a -- there are a lot of charts on here a moment
8 ago. Those are the results, the answer to that question?

9 MS. GUIRY: No, the results -- I could find the
10 results for you. They are on a different page.

11 MR. BRETT: Well, you could -- maybe for speed, you
12 could simply give us -- you could take it as an undertaking
13 if you like. If you can find them easily, that would be
14 helpful.

15 MS. GUIRY: So I believe the results for that are on
16 page 128.

17 MR. BRETT: Okay.

18 MS. GUIRY: Would you be willing. It's question 15:
19 "Would you be able willing to accept a two-and-a-
20 half percent distribution delivery rate increase
21 for reliability in-service performance decline,
22 scenario 2?"

23 MR. NETTLETON: Ms. Guiry, we are just waiting for the
24 document to come on the screen.

25 MR. BRETT: Right. So is that -- is there anything
26 else you're adding --

27 MS. GUIRY: So the results would be in the top chart.

28 MR. BRETT: Yes, I see, and the question in there --

1 did the question include the amount of deterioration in
2 reliability?

3 The question you pointed out to me at page 252 said
4 would you be willing to accept a 2.5 distribution delivery
5 rate increase where reliability and service performance
6 declines.

7 What reliability and service decline are you speaking
8 of there, or did you qualify that?

9 MR. MERALI: Just so I understand your question, did
10 we specifically state how much reliability would degrade?

11 MR. BRETT: Yes. Did the question say are you willing
12 to accept the two and a half percent distribution delivery
13 rate increase where reliability and service performance
14 would decline by so much, such and such a percentage. I
15 don't think you did, did you?

16 MR. NETTLETON: Mr. Chairman, I mean, the question is
17 what it is. It reads the way it is. It is not -- there
18 aren't any other words.

19 MR. BRETT: Well, Mr. Chairman, whether or not -- let
20 me put it this way. Whatever this question says, is there
21 anywhere else in your record a statement about what the
22 decline -- the reliability decline would be, that you think
23 would be associated with a 2.5 percent distribution
24 delivery rate? I think what you are telling me is there
25 isn't.

26 MR. GRIFFIN: It's per the slides presented on page
27 243 of the report. That is all the information they were
28 given in relation to this particular question.

1 MR. BRETT: All right. Well, that's -- that's my
2 answer, then.

3 So the 2.5 percent increase in rate would be -- I'm
4 going a bit by memory here, but correct me if I'm wrong.
5 It would be about -- well, it would be less than the
6 increase in rates that you are proposing on an annual basis
7 in your Q evidence, your updated evidence, Mr. Merali. I
8 can give you a reference if you wish, but if my memory
9 serves, it's an annual increase of 3.4 percent in that
10 evidence over the five years, and an increase from 17 to 18
11 of in something of the order of 6.2 percent. Does that
12 sound familiar?

13 MR. BRETT: It sounds familiar.

14 MR. MERALI: I'll just do that for context. I want to
15 shape a picture here.

16 Now, I think you are also telling me that you did not
17 then -- apart from that question which we just discussed,
18 did you have any other questions in your in your IPSOS
19 survey that deals with scenarios in which the reliability
20 would decline in the event that, for example -- let's take
21 as a first example you froze rates for a five-year period;
22 do you have that? Anything on that? No.

23 I'm just going to ask two or three variations on a
24 theme. They all amount to pretty much the same thing, but
25 Ms. Guiry, maybe you could focus in on this.

26 There was no question that said effectively if we, or
27 was there, any question that said if we allow increases in
28 rates at the rate of inflation, the Board's most recent

1 assessment of inflation, then what the reliability decline
2 would be?

3 MS. GUIRY: We didn't ask that of residential,
4 seasonal, small business customers. All of the questions
5 we asked are in the appendix.

6 MR. BRETT: So all of your questions that you asked
7 really started from -- if I can put it this way as one way
8 of looking at it, is that you really -- you were looking at
9 -- well, your plan B modified basically, as I understood
10 it, said to keep reliability constant, not up or not down,
11 then we need to have an increase of such and such. That
12 was -- all of your questions that were asked in this area
13 were premised on the proposition that you -- that
14 reliability would stay the same or increase, correct?
15 Other than the one question we just asked talked about?

16 MS. GUIRY: I'm not familiar with the plans. IPSOS
17 wasn't privy to the...

18 MR. BRETT: I'm sorry. That's probably better for Mr.
19 Merali. Do you agree?

20 MR. MERALI: Plan B modified was the outcome of the
21 engagement process and other inputs that Hydro One used.
22 So I think it was an outcome of this.

23 It wasn't used -- plan B modified wasn't used to
24 formulate the question.

25 MR. BRETT: The end result?

26 MR. MERALI: Correct.

27 MR. BRETT: No, understood. I'm just slicing pieces
28 off as I go through, because a number of the questions were

1 covered.

2 If you could look at Exhibit B.1.1.1, attachment 1,
3 that's the report, the IPSOS report. I'm looking -- I am
4 really going to focus for a moment on the executive
5 summary. That would be pages -- the beginning of the
6 report, particularly pages 7 through 11.

7 MR. NETTLETON: We'll just get that up, Mr. Brett.

8 MR. BRETT: A lot of these -- and you discussed this a
9 fair amount here.

10 At page 8, if we look at page 8 of the summary, and we
11 look at the paragraph -- scroll down to the paragraph at
12 the bottom there on the left-hand side under "customer
13 priorities", it says:

14 "Customer service improvements, while desired
15 particularly among the large customers, are not
16 something for which customers are willing to pay
17 higher rates."

18 And then you go on to say:

19 "However, it is clear that customer service
20 issues for C&I and small business customers need
21 to be better addressed for these customers to
22 feel heard."

23 Now, that is your material, your work, Ms. Guiry. Is
24 there a contradiction there?

25 On the one hand, you are saying that customers don't
26 want to pay for additional service. Then you go on
27 immediately and you say that you need to spend more money
28 to address them so that they feel they've been heard.

1 MR. GRIFFIN: But I'm not seeing, in the second
2 sentence of that paragraph, where they then contradict
3 themselves that more money needs to be spent to be heard.

4 MR. BRETT: But do you not agree that you say:

5 "However, it is clear that customer service
6 issues for C&I and small business customers need
7 be better addressed."

8 Are you suggesting that you can better address those
9 concerns without spending more money? And how?

10 MR. MERALI: That was, I think, their implication in
11 what they were saying.

12 MR. BRETT: Well, were you actually making a judgment
13 about that, or is that a judgment that the company would
14 have to make?

15 MR. GRIFFIN: No. Per the first sentence,
16 "While desired, particularly among large
17 customers are not something which customers are
18 willing to pay higher rates for."

19 MR. BRETT: Right. I see that and I understand that.
20 I'm asking about the next sentence.

21 Having said that, having said that large customers
22 don't want to pay higher rates for more service, you then
23 go on to say in the next sentence that C&I, which is one of
24 your large customer groups, need to be better addressed for
25 these customers to feel heard.

26 I'm just asking if you plan to do that by spending
27 more money or raising rates. Mr. Merali?

28 MR. MERALI: May I answer that one? So I think on

1 Friday, when we talked about some of the changes we've
2 made, in particular about how we serve our large customers,
3 we've been able to make those improvements without
4 significant investments.

5 So a few examples, I'll just recap them briefly here,
6 is accountability for serving our large customers was
7 distributed across different groups within the
8 organization. It is has now been centralized within the
9 customer service group. We have much better planning and
10 engagement and dialogue with our planning groups on a
11 regular basis, so I believe we have been able to find a
12 number of ways to improve our service to our large
13 customers without investments.

14 MR. BRETT: All right. If you could turn to page 10,
15 please, in the same document, and look down at the bottom
16 on the left-hand side. Yeah, you've got it there. Thank
17 you. The last paragraph:

18 "Hydro One's large customers generally accept
19 that investments are needed to address the
20 company's aging infrastructure. However, they
21 expect Hydro One to exhaust all operational
22 efficiencies before raising rates. At present --
23 as such, at present there is limited acceptance
24 of any of the illustrative rate impacts, even to
25 maintain the current levels of reliability and
26 service."

27 So I'm reading that to say that the large -- I'm
28 reading that, Ms. Guiry, for you to be saying that your

1 findings are that large customers, until they're persuaded
2 that Hydro One has taken the steps that it needs to take in
3 terms of productivity and efficiency, they don't want to
4 see higher rates even to maintain reliability, let alone to
5 increase it. In other words, they'd rather see a decline
6 in reliability and have the rates raised unless Hydro One
7 first demonstrates to them that it has taken the
8 appropriate actions to, for want of a better word, I guess,
9 clean up its own act. Well, no, that's not a good phrase.
10 They want to see Hydro One take steps, verifiable steps, to
11 -- to lower its cost structure and show proven productivity
12 improvements. Is that your -- would you concur with that
13 interpretation?

14 MR. GRIFFIN: I'll speak from the face-to-face, what
15 we would call in our business the qualitative sessions.
16 The focus was on efficiencies, finding operational
17 efficiencies, and once that was demonstrated to them and we
18 didn't necessarily get into all of the details surrounding
19 that, that would be a first step prior to them feeling
20 comfortable with rate increases.

21 MR. BRETT: Fair enough. I think those are my
22 questions.

23 MR. QUESNELLE: Thank you, Mr. Brett.

24 MR. NETTLETON: Mr. Chairman, I have been able to find
25 another of the references that Ms. Girvan was looking for.
26 The reference relating to the cost of the bill redesign was
27 addressed in Exhibit I-2, Staff 9, part D.

28 MR. QUESNELLE: Great. Thank you.

1 Mr. Sidlofsky, you've got an allotment of time here
2 for about 30 minutes. We could break for lunch now and do
3 it all -- complete after lunch, or do you want to start
4 now, or perhaps you've reduced the amount of time you need?

5 MR. SIDLOFSKY: I've only reduced it by one question,
6 sir, but maybe if we could take the break I can see if
7 there is anything else I can take out.

8 MR. QUESNELLE: Okay. Let's take our lunch until
9 1:45. Thank you.

10 --- Luncheon recess taken at 12:49 p.m.

11 --- On resuming at 1:49 p.m.

12 MR. QUESNELLE: Any preliminary matters? No? Mr.
13 Sidlofsky?

14 **CROSS-EXAMINATION BY MR. SIDLOFSKY:**

15 MR. SIDLOFSKY: One administrative matter to get out
16 of the way.

17 The panel has copies of the Board Staff compendium,
18 and I will just mark that as Exhibit K5.3

19 **EXHIBIT NO. K5.3: BOARD STAFF CROSS-EXAMINATION**
20 **COMPENDIUM FOR HONI PANEL 3**

21 MR. SIDLOFSKY: Good afternoon, panel. I'm going to
22 ask that we take a look at page 2 of the compendium to
23 begin -- maybe we could go to page 3 -- sorry, that was
24 page 2. That's good.

25 During the December 7th presentation day, and what I
26 have on page 2 of the compendium is an extract from that,
27 there was some discussion of Hydro One's customer care.
28 And there was an exchange at page 95, line 18 of the

1 transcript between by Mr. Ladanyi and Mr. Pugliese.

2 I am not going to read that whole exchange, but I will
3 summarize it by saying that Mr. Ladanyi asks Mr. Pugliese
4 about Hydro One's customer care and Mr. Pugliese's response
5 was that:

6 "Hydro One is in the process of in-sourcing that
7 back to Hydro One for two reasons. First,
8 because it's cost-effective, and second, to
9 improve and increase the quality of service."

10 Can you confirm that that was your response, Mr.
11 Pugliese?

12 MR. PUGLIESE: Yes, I can confirm.

13 MR. SIDLOFSKY: Later during the presentation day, and
14 we can see this on compendium page 4, Ms. Girvan asked a
15 question on the same subject, beginning at line 2 of page
16 100 of the transcript.

17 And in that exchange, Ms. Girvan asked Mr. Pugliese
18 whether the in-sourcing of certain aspects of customer care
19 was included in the application.

20 And I believe your response was that it wasn't because
21 the cost is going to be flat to down, so it's factored in.

22 First of all, Mr. Pugliese, can you confirm that that
23 was your response?

24 MR. PUGLIESE: I can confirm.

25 MR. SIDLOFSKY: Okay. And does that mean that the
26 impacts of in-sourcing are excluded from the application?
27 Or to put it a different way, what exactly did you mean by
28 that comment when you said it's factored in?

1 MR. PUGLIESE: Well, it suggests that the cost of
2 operating the call centre as we bring it back would be no
3 different than the cost to operate the call centre as it is
4 outsourced, although we continue to look for improvements
5 in efficiencies. That's what I meant by factored in.

6 MR. SIDLOFSKY: So it's really a wash. There's no --
7 it is really neutral from a ratemaking perspective?

8 MR. PUGLIESE: Correct. However, what I will say,
9 based on recent experience in its early days, is that
10 bringing it back in or finding service and quality
11 improvements, that doesn't mean we're not looking for cost
12 improvements as well, as do that in inefficiencies.

13 MR. SIDLOFSKY: Okay. Now, in that same exchange, you
14 summarized a couple of reasons for the in-sourcing to be --
15 or and as I'll quote here:

16 "To give us more control of operating the call
17 centre for efficiency..."

18 And the second piece:

19 "...which we want to underscore in terms of the
20 rationale for doing it is improving the quality
21 of service we are delivering back to our
22 customers."

23 Is that correct?

24 MR. PUGLIESE: That's correct.

25 MR. SIDLOFSKY: So if the call centre is being
26 operated more efficiently, can you explain why there are no
27 cost savings coming out of that?

28 MR. PUGLIESE: I'm not suggesting there is no cost

1 savings coming out of that. What I'm saying is it's early
2 days and we're taking this back and running the call
3 centres ourselves, and as time moves on, we'll discover
4 what sort of savings and efficiencies we can glean from
5 that.

6 MR. SIDLOFSKY: You haven't found anything to date,
7 have you?

8 MR. PUGLIESE: There is some call volume coming down
9 largely due to improvements to the bill, improvements to
10 affordability initiatives. I've seen volumes come out, and
11 then moving people to digital channels is certainly showing
12 some signs of improvement.

13 But like I said, we in-sourced this on March 1st, so
14 we are less than two months or just over two months into
15 the transition.

16 MR. SIDLOFSKY: So it is still too early to see any
17 long-term impacts on staffing needs or costs?

18 MR. PUGLIESE: I would say that.

19 MR. SIDLOFSKY: Could I take you to page 7 of the
20 compendium, please? What's on that page is a copy of OEB
21 Staff Interrogatory No. 3. So that would be at Exhibit I,
22 tab 2, schedule Staff 3.

23 And in that interrogatory, Staff asked Hydro One a
24 number of questions about its approach to security
25 deposits. And in its response, Hydro One stated that with
26 respect to residential customers, and this would be at
27 paragraph B2:

28 "With respect to residential customers, the DSC

1 currently requires utilities to apply a
2 residential customer's security deposit to an
3 overdue balance prior to the issuance of a
4 disconnection notice. This requirement reduces
5 the effectiveness of security deposits as a tool
6 to mitigate bad debt for residential customers."

7 Can you tell me why Hydro One believes that that
8 requirement, to apply a residential customer security
9 deposits to overdue balances prior to the issuance of a
10 disconnection notice reduces the effectiveness of security
11 deposits?

12 MR. MERALI: I can provide some clarity on that. So
13 prior to the Distribution System Code rule changes, if a
14 residential customer had a security deposit on hand, we
15 would either release it for good payment behaviour, or we'd
16 hold it until such time as the customer's account was
17 final-billed.

18 And that's where we see a lot of our bad debt is when
19 a customer either moves out and doesn't pay the final
20 invoice, or they're disconnected for non-payment and don't
21 pay the final invoice. And having that security deposit on
22 hand at that time after the final bill is issued, we use it
23 to offset the final bill and that helps to mitigate our bad
24 debt.

25 What we saw as part of the rule changes that were
26 implemented is if a customer were to receive a
27 disconnection notice, we had to release the deposit prior
28 to that.

1 So I'll just try to make an illustrative example here.
2 If a customer had a thousand-dollar balance and was about
3 to receive a disconnection notice, and they had \$500 of
4 security deposit on hand, we'd release the \$500 for the
5 security deposit, the customer would run up their -- so the
6 customer owes \$500, and typically the behaviour we saw is
7 the customer would then build up their balance back up to
8 \$1,000, ultimately be disconnected, and we'd have no
9 security on hand to apply against that final bill debt.

10 There was also a huge administrative cost associated
11 with releasing deposits, re-requesting deposits, customers
12 calling to set-up instalment plans on deposits, the number
13 of calls and the number of escalations that we received as
14 part of our residential security deposit process were
15 significant. So it was causing a lot of operational costs
16 as well.

17 MR. SIDLOFSKY: So what would your preferred approach
18 be?

19 MR. MERALI: Ideally, I mean if the intent of a
20 security deposit is to mitigate bad debt, then holding on
21 to that deposit until such time as the customer has
22 demonstrated good payment history would be ideal. So, I
23 mean, if the objective is to mitigate bad debt expense,
24 then holding it until the customer demonstrates good
25 payment history, or is final billed and pays their final
26 bill, that would maximize the bad debt mitigation.

27 MR. SIDLOFSKY: But it also disconnects the customer
28 earlier in the process, doesn't it?

1 MR. MERALI: It could result in a customer being
2 disconnected earlier in the process. There are, as you
3 know, other programs, such as LEAP and other support
4 programs which do provide some financial assistance to
5 mitigate.

6 You're right, a customer could get disconnected
7 sooner. But strictly from a bad debt mitigation
8 perspective with the current rules in place, it was not an
9 effective tool for mitigating bad debt expense.

10 MR. SIDLOFSKY: Thank you for that. Could I take to
11 you page 9 of the compendium, please? I just have one or
12 two questions on OEB Staff Interrogatory No. 8, Exhibit I,
13 tab 2, schedule Staff 8.

14 In that interrogatory, OEB Staff asked you questions
15 about your new bill design, including the initial customer
16 feedback, if available.

17 Your response was that you were rolling out the new
18 bill in a staged manner, and that it would take until mid-
19 March of this year to be fully deployed to all customers.

20 Given that the new bill has now been fully deployed to
21 your customers for several months, are you in any position
22 at this point to offer any updates on customer reaction,
23 views on that bill?

24 MR. PUGLIESE: Maybe I'll start, and I'll get Mr.
25 Merali to give you some specifics in terms of coming
26 through the call centre and feedback. Feedback thus far
27 has been generally positive. We've seen call volumes in
28 the call centre related specifically to interpretation of

1 the bill drop off significantly. We can provide you what
2 that drop-off complete number is, but if you recall, I
3 think we had discussed this. If not I'll raise it. We've
4 spoken publicly about this -- is over 40 percent of our
5 customers had indicated they were unable to understand the
6 bill, the old bill, and so that's, hence, what led to the
7 recreation of the new bill and establishing the new bill,
8 and you can see in the interrogatory here the five key
9 elements that the bill really focuses in on.

10 And it is really those elements that we have found as
11 the general positive feedback from customers that is
12 hitting the mark on the things that they're looking for,
13 hence we're getting less questions related to
14 interpretation of the bill than we did in the past.

15 MR. SIDLOFSKY: Do you have a sense of what proportion
16 of your call volumes related to bill understanding?

17 MR. MERALI: The way we classify it with respect to
18 billing, so billing or related inquiries make up 30 to 40
19 percent. It's not specifically bill understanding. We
20 have seen some of the underlying metrics that we get
21 responses to through our various surveys that customers'
22 understanding of their bill is up from 2018 to, compared to
23 2016, 10 percentage points. Bill accuracy, or the
24 perception of bill accuracy, is up 17 percent. Bill
25 handling satisfaction is up 12 percent.

26 So on a number of the key measures we are seeing
27 noticeable improvements.

28 MR. SIDLOFSKY: But when you say 30 to 40 percent of

1 calls are billing inquiries, that could -- I imagine that
2 relates to a number of issues: The amount of the bill,
3 things that don't simply relate to "I don't know what the
4 delivery line means on my bill"; is that right?

5 MR. MERALI: Correct. From a call perspective, it is
6 hard to sort of break that apart. If someone calls in
7 about a delivery charge or they inquiring about the charge,
8 the rate, how it's depicted, so from a call perspective we
9 can't segment, you know, this customer's call is about the
10 formatting of the bill versus just a general billing
11 inquiry.

12 MR. SIDLOFSKY: So just over to you, Mr. Pugliese,
13 when you said that you could give me the numbers in terms
14 of how much of a drop-off you've had, the number you -- the
15 change in call volumes that you'd be giving me is a change
16 in that category, in that broader category of billing
17 inquiry; is that right?

18 MR. PUGLIESE: That's correct, yeah, it is not
19 delineated specifically.

20 MR. SIDLOFSKY: Understood. Do you have that number
21 handy, though, or is it -- you gave me the -- actually, you
22 didn't give me the percentage. Do you have percentages and
23 absolute numbers?

24 MR. MERALI: I believe we provided absolute numbers in
25 one of the interrogatory responses. I can look for it, and
26 -- if you give me a moment, or I can get back to you in a
27 few moments.

28 MR. SIDLOFSKY: If you have easy access to it.

1 Otherwise I can take it by way of an undertaking.

2 MR. PUGLIESE: Sure, that might be best.

3 MR. SIDLOFSKY: Okay.

4 MR. NETTLETON: Sorry, Mr. Sidlofsky, just to keep
5 this straight, there is a percentage reference in the
6 response to the interrogatory that you've referred to that
7 says Hydro One's survey results indicated that
8 approximately 40 percent of customers found the bill
9 difficult to understand. And in terms of contextualizing
10 the undertaking, what is it that you are seeking?

11 MR. SIDLOFSKY: Mr. Pugliese offered me a number in
12 terms of how much the calls have dropped off in,
13 apparently, in this broad category of billing inquiries, so
14 I'd like that number.

15 My understanding from the interrogatory is that the 40
16 percent is based on -- it's based on survey results, it is
17 not based on call volumes.

18 MR. PUGLIESE: That's correct, that's correct.

19 MR. MERALI: Okay. We'll get you the number.

20 MR. PUGLIESE: That's correct.

21 MR. SIDLOFSKY: I'd also note that the interrogatory
22 responses came out in February and the bill wasn't -- the
23 new bill wasn't launched until -- fully deployed until mid-
24 March, correct?

25 MR. PUGLIESE: Yeah, it started in December and it was
26 probably brought to fruition by late February.

27 MR. SIDLOFSKY: Okay. So Mr. Merali, you are going to
28 give me the undertaking on that anyway, so that will be

1 J5.3.

2 MR. MERALI: Yes, sir.

3 **UNDERTAKING NO. J5.3: TO PROVIDE THE PERCENTAGE**
4 **DROPOFF OF CUSTOMER CALLS IN THE AREA OF BILLING**
5 **INQUIRIES**

6 MR. SIDLOFSKY: Thank you.

7 Could I take you to page 13 of the compendium. And on
8 that page is a copy of your response to OEB Staff
9 Interrogatory number 76. That's Exhibit I, tab 23,
10 schedule staff 76. In that interrogatory Staff had noticed
11 that the IPSOS report on customer engagement had reported
12 that:

13 "Customer service improvements above existing
14 levels are not something for which customers are
15 willing to pay higher rates."

16 Correct?

17 MR. MERALI: Correct.

18 MR. SIDLOFSKY: And Staff then asked, in light of that
19 finding in the IPSOS report regarding customer preferences,
20 why Hydro One was continuing to pursue programs that are
21 intended to improve customer service but will contribute to
22 higher rates.

23 Just as a couple of examples -- and we can see those
24 in the interrogatory response -- Project GP16, customer
25 self-service technology. I believe that has a total cost
26 of \$12.9 million. Or general plant project, GP33, customer
27 service complaint management tool, with a total cost of
28 3.3 million.

1 Just to give you some context -- and it is not in the
2 compendium, but those costs are from Exhibit D-1-1, DSP
3 section 3.3, page 17, table 58. Can you confirm those
4 numbers subject to check?

5 MR. MERALI: Subject to check. Two points of
6 clarification, if I may.

7 MR. SIDLOFSKY: Sure.

8 MR. MERALI: The first is, as defined in the IPSOS
9 report, customer service is referred to as answering
10 telephone calls promptly in a timely manner or providing --
11 improving billing accuracy, so the definition of customer
12 service as outlined in the IPSOS report was narrow. It
13 wasn't a broad, you know, question of customer service in
14 general.

15 The second point of clarification is, you know, the
16 way that these ISDs were laid out in terms of these
17 investments, they're not solely for the purpose of just
18 improving customer service, and I'll provide an example
19 with the web one that you cited, the self-service
20 technology.

21 Our existing website was out of date, over -- it
22 wasn't mobile-friendly. Over 40 percent of our customers
23 visit our website through a mobile device. Our website
24 during periods of high outages could not handle the volume,
25 and customers were having a lot of trouble accessing the
26 site.

27 And with respect to self-service transactions there
28 was a limit to the number and types of transactions

1 customers could execute on the web. As more transactions
2 moved to the web, it ultimately improves customer
3 satisfaction but also reduces our costs.

4 So these investments primarily are, first, end-of-life
5 technology replacement or an investment to keep up with
6 changing technological requirements, which provide the
7 added benefit of reducing costs and ultimately do increase
8 customer service, but they are not an investment that was
9 primarily driven by an increase in CSAT.

10 MR. SIDLOFSKY: So you are dealing here with systems
11 you would have had to replace anyway; is that part of the
12 point?

13 MR. MERALI: Correct.

14 MR. SIDLOFSKY: Have -- I understand that you still
15 plan to go ahead with these projects, but have you made any
16 other changes to your planned expenditures on customer-
17 service improvements as a result of the IPSOS finding?

18 MR. MERALI: You know, our customer-service plan does
19 evolve. I'm trying to think specific to findings in IPSOS.
20 With respect to technology investments or just general
21 customer-service changes?

22 MR. SIDLOFSKY: Well, generally under customer
23 service. I mean, you told me that the IPSOS survey was
24 more general in terms of its reference to customer service,
25 so I'm assuming it's not just technology-related.

26 MR. MERALI: Correct. I'd say the primary changes
27 coming out of IPSOS were -- with respect to customer
28 service are around our large customers and how we've really

1 changed the operating model for how we serve our large
2 customers.

3 We're also starting to begin a bit of a transformation
4 on all our C&I customers, commercial/industrial customers.
5 Those customers were historically primarily served through
6 our outsourced contract with energy, and, you know, I think
7 I can safely say they were underserved, so we are now
8 starting to improve the customer service offerings in those
9 areas as well.

10 MR. SIDLOFSKY: Okay. I'll take you to compendium 15,
11 please, and on that page you will find a copy of Hydro
12 One's response to OEB Staff Interrogatory 15, at Exhibit I,
13 tab 6, schedule Staff 15.

14 In that interrogatory, Staff had asked Hydro One
15 whether it had instituted a specific scorecard that
16 measured its success in dealings with First Nations on a
17 general level, and also with regard to specific
18 initiatives.

19 Your response advised that you had received bronze
20 level certification under the Canadian Council for
21 Aboriginal Business, specifically in their progressive
22 Aboriginal relations program in August of 2017, correct?

23 MR. CHUM: Right.

24 MR. MERALI: That's correct.

25 MR. SIDLOFSKY: Where does bronze certification rank
26 in the CCAB hierarchy of certifications?

27 MR. CHUM: There are four levels. There is a par
28 interested which is, you know, you've expressed interest to

1 CCAB that you are willing to apply and look at getting a
2 higher certification.

3 Then there is bronze. Bronze is the level we're at,
4 and then we have silver and then gold. So we are at the
5 bronze level, and are looking to apply for silver in the
6 future.

7 MR. SIDLOFSKY: When you make the application, is that
8 -- do you apply based on already having implemented the
9 initiatives that you want judged for that certification?
10 Or is it again an expression of interest in moving to that
11 level?

12 MR. CHUM: Well, we will have acted on certain
13 initiatives that will support our application to obtain
14 silver standing next time around.

15 MR. SIDLOFSKY: Any sense of timing for that?

16 MR. CHUM: We will submit our application next year.

17 MR. PUGLIESE: And maybe, if I could just add colour
18 to that, when you submit the progressive applications up
19 through silver and gold, there is a requirement that you
20 delivered on the previous level of standing, so delivering
21 commitments from bronze, which also need to be validated by
22 external third parties.

23 MR. SIDLOFSKY: Okay. So it's not simply based on
24 your own application?

25 MR. PUGLIESE: No.

26 MR. SIDLOFSKY: Moving on to page 17, please, in
27 Exhibit H1, tab 2, schedule 3. Beginning on page 4, you've
28 included table 1, schedule 11 (1) specific service charges,

1 standard amounts.

2 I just want to draw your attention to a few of these
3 that same fairly -- where the changes seem fairly
4 significant.

5 On page 17 of the compendium, we see rate code 6A, an
6 easement letter, a letter request. The currently approved
7 rate is \$15. Your proposed 2018 charge is \$86.90 and will
8 move up to over \$92, as you are proposing it, by 2022.

9 I'm just going to take you to these examples and then
10 I'll get to my question. Rate code 16 on the next page,
11 "Collection of account charged, no disconnection", that is
12 moving -- that's proposed to move from \$30 to \$100.

13 On the same page, rate codes 18 and 19, collection,
14 disconnect, reconnect at meter and install/remove load
15 control device during regular hours will be moving from \$65
16 to \$120.

17 And on that same page, rate code 24, meter dispute
18 charge, that's where Measurement Canada is involved in the
19 dispute and that would move from \$30 to \$290 plus
20 Measurement Canada fees.

21 I'll stop there. I've got one more example to get to,
22 but before I leave this one, my understanding is that your
23 fee is refunded to the consumer if Measurement Canada
24 substantiates the dispute; is that correct?

25 MR. MERALI: That's my understanding.

26 MR. SIDLOFSKY: Finally on the same page, rate codes
27 25 and 26, service calls on customer-owned equipment, both
28 in the case of rate code 25, it's during regular hours,

1 code 26 is after regular hours, and those would be
2 increasing from \$30 to \$210 and from \$165 to \$775 after
3 hours.

4 My question is: For all the charges of this kind where
5 the proposed increases are significant -- and maybe I'll
6 ask you to agree with me that they're significant. Do you
7 consider them to be that?

8 MR. MERALI: I would consider the increases
9 significant.

10 MR. SIDLOFSKY: Okay. And given that, has Hydro One
11 undertaken any specific engagement with the affected
12 customers related to those proposed increases in specific
13 charges?

14 MR. MERALI: Not to my knowledge. Most of the
15 examples you've cited do fall within the customer space,
16 except 6A, which is an easement letter which, I believe,
17 our real estate folks could speak more in depth to, but I
18 can speak to the rest.

19 There was a time study completed to sort of validate
20 what the specific charges and costs were for Hydro One to
21 execute each of these activities, and that activity was
22 done, I guess, in parallel, but separate from our customer
23 engagement process. So to my knowledge, there was no
24 customer-specific engagement with respect to these charges.

25 MR. SIDLOFSKY: I can understand why you'd leave aside
26 the easement letter, because that is more of a real estate
27 transaction kind of issue.

28 But a collection charge of \$100 is going to be

1 significant to a -- potentially to a large group of your
2 customers, is it not?

3 MR. MERALI: I would agree.

4 MR. SIDLOFSKY: Disconnections and reconnections, same
5 sort of thing. Would it have been helpful to let customers
6 know that that was going to be happening in the course of
7 the outreach that you did do?

8 MR. MERALI: It may have been, and this is where I
9 might need some guidance from my counsel and regulatory
10 folks. My understanding is that we are sort of obligated
11 through OEB and rate design to charge customers for the
12 specific costs of each of these items.

13 My understanding is there wasn't a discretionary
14 element where Hydro One could decide what to charge for the
15 specific transactions.

16 MR. NETTLETON: Mr. Sidlofsky, Mr. Boldt will be
17 appearing on the rate design panel, and I believe that the
18 precise charges and the rationale for these specific
19 charges would probably best be discussed with him.

20 MR. SIDLOFSKY: Thank you for that. My concern at
21 this point was more with the -- with any outreach or
22 engagement related to them. But if there are -- if we do
23 have any questions about the derivation of those charges,
24 we will definitely raise those with the rate design panel.
25 Thank you.

26 And sorry, Mr....

27 MR. MERALI: Well, I guess there was no outreach, and
28 my understanding is there's no discretion with respect to

1 what we could charge or not charge. So doing outreach, I
2 don't know what we'd get out of it. I'm sure these
3 customers would find these increases significant and
4 ideally would not want to pay them.

5 MR. SIDLOFSKY: Thank you for that, Mr. Merali. And
6 panel, thank you; those are my questions.

7 MR. QUESNELLE: Thank you, Mr. Sidlofsky. Mr.
8 Rubenstein?

9 **CROSS-EXAMINATION BY MR. RUBENSTEIN:**

10 MR. RUBENSTEIN: Thank you very much. Panel, I would
11 ask that tab 18 of SEC 29, be put on up on the screen.

12 I just have a couple of references to look at. Could
13 we go to page 4?

14 Panel, my understanding is this is your distribution
15 OEB scorecard and it includes the planned targets for 2017
16 to 2022. Is that your understanding as well?

17 MR. MERALI: Yes.

18 MR. RUBENSTEIN: Am I correct that -- and what we see
19 is your planned targets for the customer satisfaction
20 metrics. That's the first four on that page; do you see
21 that?

22 MR. MERALI: I do.

23 MR. RUBENSTEIN: Can we turn to B1.1, DSP section 1.4,
24 page 13? If we look at table 9, this is a chart, as I
25 understand it, showing the actual numbers from 2014 to 2016
26 with respect to the outcome measures that you had proposed
27 in the last proceeding; is that your understanding as well?

28 MR. MERALI: Not familiar with this table, but that's

1 what it looks like, so, yes.

2 MR. RUBENSTEIN: If we could turn to now interrogatory
3 tab 18, SEC 31.

4 So in this interrogatory we had asked you, looking at
5 that chart that we had just -- that table that we just
6 looked at, if you could provide us the 2014 to 2016 targets
7 that you had brought before the Board in the last
8 proceeding with respect to those numbers. I was wondering
9 if we could flip over to the second page. I want to ask
10 you about the customer-service metrics that you proposed.
11 And we see that residential and small business
12 satisfaction; do you see that metric?

13 MR. PUGLIESE: I do.

14 MR. RUBENSTEIN: And I we see that for 2014 to 2016
15 your target, and then we see your 2014 to 2016 actuals, you
16 didn't meet the targets, correct? In fact, they are
17 significantly below; do you agree with me?

18 MR. MERALI: That's correct.

19 MR. RUBENSTEIN: And if we look at the handling of
20 unplanned outages satisfaction, we see from 2014 to 2016
21 and between 20 -- in 20 -- based on this table, 2014 and 20
22 -- sorry, based on this table, 2014 and 2015, the target in
23 2014 and 2015, the actuals, we see that you're below the
24 target, correct?

25 MR. MERALI: Correct, in '14 and '15.

26 MR. RUBENSTEIN: And if we look at 2016 it says you
27 are at the target, correct?

28 MR. MERALI: That's what it appears to depict.

1 MR. RUBENSTEIN: But I believe that 2016 number is
2 incorrect if we go back to 18 SEC 29, page 4. No, 18, SEC
3 24, sorry. Sorry, 29, my apologies.

4 So instead of the 83 that shows up on that
5 interrogatory response, here you have the number being 76
6 percent; do you see that? Under the handling of "unplanned
7 outage satisfaction" -- sorry, at 75 percent for 2016; do
8 you see that?

9 MR. MERALI: I do.

10 MR. RUBENSTEIN: So then for -- accepting that this
11 number is the correct one, you could take that subject to
12 check, you would agree with me then for both of those two
13 customer satisfaction metrics that you brought before this
14 Board in the last case you were below your own targets,
15 correct, for all --

16 MR. MERALI: Subject to validating the 76 for SAIDI, I
17 agree with your statement.

18 MR. RUBENSTEIN: And we know that the table only goes
19 to 2016 because that's the information you provided in the
20 evidence, but if we look at the customer satisfaction
21 number for 2017 at 72 percent, so below the targets for
22 2014, for 2016, and we see 2017, the actual being 76
23 percent, so below the targets of 83 percent in the previous
24 years -- you would agree with me that the targets were
25 likely to be higher than the 72 and 76 percent that you
26 brought forward in the last case?

27 MR. MERALI: Sorry, the actual? Can you repeat that?

28 MR. RUBENSTEIN: Yeah, so the targets in that previous

1 interrogatory only went from 2014 to 2016, since it was
2 based on that chart that you only provided the information
3 for 2014 and 2016?

4 MR. MERALI: Yep.

5 MR. RUBENSTEIN: And if we look at the 2016 actuals,
6 which are both below the 2016 targets, you would agree with
7 me that if we went back to the last proceeding it's likely
8 that the targets would have been higher than your actuals
9 for 2017?

10 MR. MERALI: Likely.

11 MR. RUBENSTEIN: So that would mean then for the 2015
12 to 2017 period of your last proceeding, you would be below
13 the targets you set for yourself in your proceeding,
14 correct?

15 MR. MERALI: Correct.

16 MR. RUBENSTEIN: So would it be fair to say then for
17 your customer service that you had -- you failed to deliver
18 what you told the Board you would in the last proceeding?

19 MR. MERALI: I'm not sure I characterized it that way,
20 for the following reason: This measure is a perception
21 measure, so it takes into account all aspects of Hydro One,
22 the electricity sector, rates, brand, community -- like,
23 it's -- whereas the transactional measures, which we had a
24 lot of discussion about previously, you know, that's more
25 indicative of things we can directly control, whereas
26 within this measure there are certain items which are
27 within Hydro One's control, absolutely, but there's other
28 items which are outside of Hydro One's control.

1 MR. RUBENSTEIN: So perception of Hydro One, that's
2 outside of your control?

3 MR. MERALI: To a certain extent.

4 MR. RUBENSTEIN: Handling of unplanned outages, that
5 is outside of Hydro One's control?

6 MR. MERALI: No, that one would be -- sorry, I was
7 speaking to the perception line item.

8 MR. RUBENSTEIN: But the second one, the handling of
9 unplanned outages.

10 MR. MERALI: Correct, that would be something that is
11 largely within Hydro One's control.

12 MR. RUBENSTEIN: And if we look at the targets on this
13 screen for those two, the same two targets and we look at
14 your actual history, really you're seeking targets on the
15 satisfaction by 2022 of 76 percent. That's actually lower
16 than you actually had in 2013, correct?

17 MR. MERALI: Correct.

18 MR. RUBENSTEIN: And for handling of unplanned outage
19 satisfaction, you are seeking at the end -- 2022, a target
20 of 79 percent. That's where you were in 2012; correct?

21 MR. MERALI: Correct.

22 MR. RUBENSTEIN: So do you think that you are setting
23 targets that are appropriate? Do you think that this plan
24 is appropriate? If the end -- you're at best getting
25 targets that you've actually achieved many years ago?

26 MR. MERALI: Well, there's a number of factors that
27 contribute to that. I mean, when setting targets you
28 certainly look at historical performance, and if historical

1 performance dropped, you know, between '14, 67 percent,
2 70 percent, 66 percent over the target period here of the
3 IRM, I mean, we're looking at a 10 percent increase over
4 2016 levels when this application was filed, so I don't
5 think you can -- when setting targets you certainly need to
6 look at the recent historical results to determine what
7 those targets are.

8 MR. RUBENSTEIN: And if in the last -- if the targets
9 compare to what you presented in the last proceeding when
10 you were before the Board, you didn't make them, you didn't
11 hit them, why can we expect this time it's going to be
12 different?

13 MR. MERALI: Just building on some of Mr. Pugliese's
14 comments -- I don't know if you want to --

15 MR. PUGLIESE: Yeah, maybe I'll jump in on that one.
16 I appreciate the question, but I also think that, you know,
17 if I can just pick on the one, which is the perception
18 survey -- and I think I'm qualified to say this from my
19 several years of work in the customer-service industry --
20 is that customer perception does not change overnight, nor
21 does it change in a year or two years, so what I would
22 suggest you do is you look at what we have as a trend line
23 in terms of increases to customer service which have
24 actually seen upticks since 2016, and we are forecasting
25 for improvement to see this carry all the way through to
26 2022, based on the work that we've got in place, on the
27 feedback we receive from multitude of sources from
28 customers.

1 So although the current targets are not as good as
2 what you might see in 2013, in 2014 and '15 the company did
3 underperform in those areas, but it is improving. And
4 those improvements will take time.

5 So it's rather unrealistic to suggest that we could
6 take a target from 2016 or '17 and move a 2018 target to as
7 high as it was in 2013. You just don't recover that fast.
8 That's just the reality.

9 MR. RUBENSTEIN: That was my last question -- my
10 previous question. My question is, if the last time you
11 came in and you had target, you told the Board, this is
12 what we think we are going to achieve, this is what our
13 plan -- at least with respect, I assume, to customer-
14 service aspect was going to achieve, you didn't do it, so
15 why is this time going to be any different?

16 MR. PUGLIESE: There are significant activities that
17 are embedded in this plan and activities that have been
18 underway in the last two years that far, far outperform
19 commitments the company had made in the past on customer
20 service. So we're quite confident we'll hit these targets.

21 MR. RUBENSTEIN: Thank you very much. Those are my
22 questions.

23 MR. QUESNELLE: Thank you, Mr. Rubenstein.

24 Do you have any questions?

25 **QUESTIONS BY THE BOARD:**

26 MS. ANDERSON: I just want to make sure that it's
27 clear what we have on the record of this proceeding about
28 the distribution rate protection plan, the DRP, and it kind

1 of goes back to an exchange that you had on Friday with Mr.
2 Buonaguro. I know that many of his questions were about
3 Hydro One's proposal for something, and Mr. Pugliese, you
4 referred to 2023, and I'm -- and then earlier today there
5 was a reference to four years, and that the First Nations
6 continued on but that the DRP was for four years.

7 Can we just make sure we've got an accurate reflection
8 of the DRP that -- specifically the DRP? So this is the
9 one that affects the distribution rates that we have,
10 particularly its time period. I just want to make sure we
11 have -- is it covered beyond the five-year plan that you
12 have before us within -- and that we have the accurate
13 information.

14 I don't know if that's an undertaking or another
15 panel, as long as we get it on the record.

16 MR. NETTLETON: I think probably an undertaking would
17 be the best way to go, Ms. Anderson.

18 MR. SIDLOFSKY: That will be J5.4.

19 **UNDERTAKING NO. J5.4: TO CONFIRM THE COVERAGE PERIOD**
20 **FOR THE DRP**

21 MR. QUESNELLE: Thank you.

22 DR. ELSAYED: I have a few questions, and my first
23 question is just in terms of process for IPSOS. How do you
24 go about determining the number of participants, and how do
25 you select your participants in a survey like this?

26 MR. GRIFFIN: When you say survey, you mean the part
27 of their engagement we did that produces numbers and
28 statistics, or do you mean the workshops that we did?

1 DR. ELSAYED: No, no, either one.

2 MS. GUIRY: I'll speak to the surveys. We did three
3 different types, so I'll take them in order.

4 The first one is a telephone survey. This is the one
5 we rely upon to generalizable or projectible to the broader
6 customer base of 1.3 million customers.

7 That sample is generated a customer database that is
8 provided to IPSOS by Hydro One.

9 We stratify the category of customer we are interested
10 in surveying, and then pull a random sample. We set quotas
11 on some of the variables we feel need to be met for the
12 returning sample, those who complete the survey, to be
13 reflective of the composition of the broader customer
14 segment and, if necessary, we statistically the data to
15 match.

16 If does doesn't need weighting, it matches closely the
17 way it fell out based on the quote, then we leave it as is.

18 The second type of survey we did was the online
19 survey. There were two online surveys. The first one was
20 a representative sample of residential, seasonal, small
21 business customers that was drawn from the IPSOS panel,
22 supplemented by what we call the ampario, which is a form
23 of river sampling, so a random poll of people on the
24 internet. They opt in by identifying themselves as a Hydro
25 One customer.

26 We also statistically weight that data so that it is
27 also representative, although not generalizable because
28 that's the sample that got the informed -- the additional

1 information that made them informed.

2 The third online survey was the open link. So this
3 was the opportunity for customers who might not have been
4 randomly selected from the telephone survey, or be a part
5 of one of our panels or be pulled in from the internet at
6 large, these were people who were able to participate and
7 share their feedback. And that open link survey was
8 promoted extensively by Hydro One and that came in just
9 with people hearing about it on the radio, reading about it
10 in the newspaper; the sample was generated that way.

11 It was left untouched. So we didn't intend to weight
12 it, because we didn't expect it to be representative. It
13 is representative of whomever wanted it choose to offer
14 their feedback.

15 DR. ELSAYED: You talked about the issue of
16 reliability versus rates. Now, do you explain to the
17 people participating in the survey, or do they understand
18 that these two are not totally independent in the sense
19 that in order to maintain the current reliability, you have
20 to spend money and that would have impact on rates and vice
21 versa? That if you -- if the rates don't go up,
22 reliability will suffer. In other words, it's not one or
23 the other. Do they understand that?

24 MS. GUIRY: So I think I would refer you back to a
25 specific survey question and, subject to check, I think it
26 is question 17 where we said Hydro One has determined that
27 in order for -- to maintain the current level of
28 reliability, that a \$2 per month increase in the total bill

1 over each of the next five years would be required. And
2 that's when they were offered the opportunity to say they
3 support, accept, or oppose.

4 DR. ELSAYED: And in terms of reliability, did you go
5 to the next level in asking those participants? Because in
6 order to improve or maintain reliability, there are a
7 number of options. You can either invest capital, buy new
8 equipment, or you can increase your maintenance program or
9 a variation thereof.

10 Do you get into that level of detail?

11 MS. GUIRY: So in the large customer engagement, they
12 were offered -- we can refer back to the questionnaire.
13 They were offered options and asked to rank in order their
14 preference for improvements.

15 I can refer you to the page. So there were two
16 questions of this kind. The first was question 11, where
17 they were asked to rank reliability options in order to --
18 in the order in which they would have the greatest positive
19 impact on their organization and there were one, two,
20 three, four, five -- six options for them to rank. I can
21 read them through:

22 "Renewal program, tree trimming, Smart Grid, grid
23 strengthening, rapid response program, monitoring
24 control."

25 Those are the headings; additional information about
26 each was also offered.

27 And then question 12 was:

28 "Please rank the service items below in the order

1 in which they would have the greatest positive
2 impact on your organization."

3 And there was one, two, three, four, five, six, seven
4 options related to billing, ease of doing business, energy
5 management, power outage restoration, renewable generation,
6 electric vehicles and storage, and power quality.

7 DR. ELSAYED: One last question related to the issue
8 raised by Mr. Sidlofsky about the in-sourcing of customer
9 care.

10 What caused you to do it in the first place? Because
11 I guess your response was you are going to try to make the
12 most of out of it. But why did you do it?

13 MR. PUGLIESE: Make sure I'm on here. A good
14 question, and I appreciate the questions coming back to you
15 and I certainly want to emphasize that we are hoping to see
16 significant efficiencies coming out of this.

17 But to answer your question, the reasons for doing it
18 is we did recognize that some of the deterioration in the
19 customer service perception scores did come from a less
20 than quality experience, we think, in the call centre, the
21 manner in which agents were dealing with customers. We
22 were held to some pretty tight standards with that contract
23 on extending any improvements to customer service were --
24 had to be driven by incremental cost increases.

25 By bringing it back in, we felt that if we were going
26 to transform the organization to be very customer-centric,
27 we felt we needed to own that relationship with our call
28 centre agents, and that would further give us the

1 opportunity to create a much more team oriented culture in
2 the call centre, one that would lend itself to recognition
3 for good service, but also give us the flexibility to
4 implement changes on customer service standards when we
5 need them, which wasn't taking place with the outsourced
6 agent or the outsourced contract provider.

7 So the rationale for bringing it in was to do that.
8 Now, that said, it had to be done in a cost-neutral
9 fashion. That was our goal, and hence that was the nature
10 of our discussions with both unions, that we couldn't
11 implement this by just adopting old principles and practice
12 in the old collective agreements. We needed to add
13 flexibility for the workforce, flexibility to move to
14 different hours in the call centre, but also ask the job
15 classifications themselves to do things differently, that
16 would allow us to implement change faster.

17 Simple things like asking customers for updated
18 information, email addresses, mobile phone numbers,
19 updating their current address information, this is all
20 items that if we were to ask under the old contract, we
21 would be charged incremental cost for that because it would
22 add more time to the phone.

23 The new agreement doesn't provide for that. The new
24 agreement provides us flexibility to do that. Hence, I
25 don't want to steer away from -- there is potential for us
26 to see cost improvements here. We're hoping to see that.

27 But the rationale for it was twofold: One is at least
28 make it cost neutral, if not get costs down. But most

1 importantly, really, really use it as an opportunity to
2 improve the relationship with the customer by having these
3 people now report directly into Hydro One, and directly in
4 through our leadership team.

5 MR. MERALI: Perhaps if I may provide one example,
6 because I know this question of cost of service, I think
7 just one real-life example from the past few months --
8 historically our service provider, if we had more than
9 1,500 outage calls in a day they were relieved of any
10 service-level obligations. They couldn't be on the hook
11 for a large storm or a large event. So when we'd have a
12 large storm, they'd staff up a little bit, we'd hit the
13 1,500 call threshold, and then they wouldn't really make
14 best efforts to answer customers' calls.

15 So in April we had two large storms, and in May we had
16 the wind storm. And Hydro One now running the centre took
17 a very different approach. We wanted to provide the best
18 level of service possible to our customers. We actually
19 sent e-mails out and calls out to all 400 of our staff and
20 said we are in a significant outage. Two of them are on
21 weekends. We brought as many agents as possible into the
22 centre. On those days we answered record numbers of calls
23 for Hydro One in its history, and we've only taken over
24 since March 1st.

25 So in terms of providing improved service -- but then
26 also I know there has been a lot of questioning around the
27 cost side. Those two or three events cost us more than
28 half a million dollars.

1 So are we getting some benefits associated with in-
2 sourcing, reduced call volumes generally speaking? Yes.
3 But then our service provider under-delivered in a lot of
4 areas to provide what we'd call baseline service. If there
5 is an outage, I mean, I think we owe it to our customers to
6 make sure that someone is there to answer the phone to try
7 to provide as much information as possible, and this is
8 where we are looking at the cost service trade-off and
9 trying to provide the type of service that our customers
10 expect of us.

11 DR. ELSAYED: Was your service provider selected on a
12 competitive basis?

13 MR. MERALI: They were.

14 DR. ELSAYED: Did you have any performance targets?

15 MR. MERALI: We had performance standards. We had a
16 number of -- off the top of my head, I think it was
17 something like 50 or 60 SLAs. However, it is difficult to
18 contract for every scenario. So there were certain things,
19 absolutely, that we had contractual, you know, solid
20 provisions for that we needed to provide a certain level of
21 service, but other things were left open.

22 I'll just maybe cite one other example if I may. We
23 talked about enrolling customers for these outage alerts
24 and notifications, so to enroll a customer in that service
25 it is a different application, you have got to log into it
26 -- it takes about 60 to 90 seconds to enroll a customer in
27 these alerts. Prior to March 1st, 2018 when we took over
28 the centre, we only had 20,000 customers enrolled in this

1 service, because the service provider would not invest the
2 time to promote it to a customer and get him enrolled in
3 this service, which provides real tangible value to our
4 customers.

5 Since taking over we've more than doubled in the last
6 three months, and we ask on every single outage-related
7 call and every call, you know, Hydro One has the service.
8 Would you like to enroll? And we're investing time.

9 So there is a lot of investment that needs to be made
10 on our part to get our customers enrolled in the products
11 and services so that they can more effectively manage their
12 electricity account.

13 DR. ELSAYED: Did you look at the option of a
14 different contract?

15 MR. MERALI: Sorry, could you repeat that?

16 DR. ELSAYED: Did you look at the option of
17 contracting out to someone else?

18 MR. MERALI: So we did, so in --

19 DR. ELSAYED: With tighter performance provisions?

20 MR. MERALI: We did, so we went out to market in -- I
21 just want to get my date right here. I think it was the
22 back half of 2014, we did a competitive RFP, and three
23 service providers submitted bids. Some of the challenges
24 and complexity we ran into were the requirements for
25 Ontario workforce and unionized workforce, and there's not
26 too many outsourced companies that typically operate in
27 that space, so we did a competitive scan, and there really
28 wasn't a market for outsource providers who wanted to take

1 up unionized workers in Ontario to run a contact centre.
2 So our choices were -- we didn't really have a lot of
3 choices, candidly, other than extend with the existing
4 service provider, try to negotiate some better Ts and Cs,
5 or bring it in internally and run the operation ourselves,
6 and we felt that we could do a better job running it
7 ourselves.

8 DR. ELSAYED: What is roughly the value of this
9 contract?

10 MR. MERALI: The value of the contract is 45 million
11 per annum.

12 DR. ELSAYED: Do you have targets for -- you said you
13 were looking for cost improvements. Do you have targets
14 for those?

15 MR. PUGLIESE: We have established some targets for
16 that, yes.

17 DR. ELSAYED: Thank you.

18 MR. QUESNELLE: Thank you.

19 MR. Nettleton, any redirect?

20 MR. NETTLETON: No, I have no redirect for this panel,
21 Mr. Chairman.

22 MR. QUESNELLE: Thank you. Thank you very much to the
23 panel. You're discussed.

24 Rather than take the break, if we can just change --
25 bring your new panel up. And we'll go probably until three
26 o'clock or so.

27 MR. NETTLETON: Okay. We'll just have to get people
28 from other floors up.

1 MR. QUESNELLE: All right. I believe they're here.

2 Okay.

3 Mr. Nettleton, we weren't planning on taking a break,
4 so we'll just do a switch-up.

5 MR. QUESNELLE: Okay, Mr. Nettleton. We are set to
6 commence when you are.

7 MR. NETTLETON: Thank you. Mr. Chairman. This is the
8 panel 4. These are -- the witnesses on this panel are the
9 experts that have filed independent reports in this
10 proceeding.

11 Seated beside you or closest to the panel is Mr.
12 Steven Tankersley. Mr. Tankersley is the principal
13 consultant for Clear Path. Mr. Tankersley's report relates
14 to the vegetation management program that has assisted
15 Hydro One in the changes that they are intending to make to
16 that program. Mr. Tankersley's report has been included in
17 the evidence in this proceeding as part of the Distribution
18 System Plan.

19 Seated beside Mr. Tankersley is Mr. Benjamin Grunfeld,
20 and Mr. Grunfeld is the managing director of Navigant. You
21 will recall Mr. Grunfeld testified -- has testified
22 previously before this Board in the last transmission rate
23 case. Mr. Grunfeld's work relates to joint authorship of a
24 report with the gentleman seated beside Mr. Grunfeld, and
25 that is Mr. Ken Buckstaff, and Mr. Buckstaff is the
26 founding partner of First Quartile, and Mr. Buckstaff and
27 Mr. Grunfeld's report relates to the pole replacement and
28 station refurbishment areas, and you will recall that this

1 was a benchmarking study that the Board had requested Hydro
2 One carry out in respect of one of the conditions from the
3 last distribution rates case.

4 These gentlemen are here to discuss, obviously, their
5 reports, their evidence in this proceeding, and on that
6 note I would ask that the witnesses be administered with
7 the oath.

8 **HYDRO ONE NETWORKS INC. - PANEL 4, WORK PROGRAMS**

9 **Ben Grunfeld,**

10 **Ken Buckstaff,**

11 **Steve Tankersley; Affirmed.**

12 **EXAMINATION-IN-CHIEF BY MR. NETTLETON:**

13 MR. NETTLETON: Mr. Tankersley, if I could just start
14 with you and a few questions that I'd like to ask, so that
15 your evidence could be adopted in this proceeding.

16 Sir, do you have a copy of your report that you have
17 prepared? And it was listed -- just for the record, it was
18 listed as part of Exhibit K1.2 in this proceeding, and it's
19 in respect of Exhibit B1, tab 1, schedule 1, section 1.6,
20 attachment 1 is, I believe, your report.

21 Sorry, it's actually C1, tab 1, schedule 2, attachment
22 1.

23 MR. TANKERSLEY: Yes.

24 MR. NETTLETON: And, sir, the exhibit that you can see
25 on your screen before you is a summary of all the evidence
26 that's been filed in this proceeding, and you can see that
27 under Clear Path, there are a series of interrogatories and
28 evidence that has been filed in this proceeding.

1 Sir, was that evidence prepared by you, or under your
2 direction and control?

3 MR. TANKERSLEY: Yes, it was.

4 MR. NETTLETON: And do you have any corrections or
5 changes to make to that evidence?

6 MR. TANKERSLEY: No, I don't.

7 MR. NETTLETON: And is it accurate to the best of your
8 knowledge and belief, sir?

9 MR. TANKERSLEY: Yes.

10 MR. NETTLETON: Do you therefore adopt that evidence
11 as your evidence this proceeding?

12 MR. TANKERSLEY: I do.

13 MR. NETTLETON: Mr. Grunfeld and Mr. Buckstaff, do you
14 have Exhibit K1.2 before you, which is on the screen?

15 MR. GRUNFELD: Yes.

16 MR. BUCKSTAFF: Yes.

17 MR. NETTLETON: And just individually if I could, Mr.
18 Grunfeld, starting with you, was a portion of that report
19 prepared by you, or under your direction and control?

20 MR. GRUNFELD: Yes.

21 MR. NETTLETON: And Mr. Buckstaff, that portion of the
22 report that has your name associated with it, was that
23 prepared by you, or under your direction or control?

24 MR. BUCKSTAFF: Yes.

25 MR. NETTLETON: And, gentlemen, do either of you have
26 any changes or corrections to make to your evidence?

27 MR. BUCKSTAFF: No.

28 MR. GRUNFELD: No.

1 MR. NETTLETON: And is it accurate therefore to the
2 best of your knowledge and belief?

3 MR. BUCKSTAFF: Yes.

4 MR. GRUNFELD: Yes, it is.

5 MR. NETTLETON: And do you adopt that evidence as
6 evidence in this proceeding?

7 MR. BUCKSTAFF: Yes.

8 MR. GRUNFELD: Yes.

9 MR. NETTLETON: Mr. Chairman, Mr. Tankersley and, I
10 believe, Mr. Grunfeld have opening statements that may help
11 the Board.

12 Mr. Tankersley, if you would like to proceed with your
13 opening statement, that would be great.

14 **OPENING STATEMENT BY MR. TANKERSLEY:**

15 MR. TANKERSLEY: Good afternoon. My name is Steve
16 Tankersley. I am the president of Clear Path Utility
17 Solutions LLC.

18 I would like to take a few minutes today to introduce
19 myself, explain the work did I with Hydro One to develop a
20 new vegetation-related program, and to provide an overview
21 of my report.

22 I have been involved in electric utility work for my
23 entire career, more than forty years. The bulk of my
24 career was spent at Pacific Gas & Electric Company.

25 In the latter part of my career, I focused on
26 vegetation management program development and management.
27 I helped design a program that was first decile
28 performance, including reliability, safety and public --

1 regulatory compliance.

2 I left PG&E in 2015 and opened Clear Path Utility
3 Solutions with the intention of applying my experience to
4 help other utilities improve their vegetation management
5 programs.

6 I was retained by Hydro One in 2017 to conduct a study
7 of their service area, to help develop new vegetation
8 management program. The survey was conducted with the
9 assistance of ArborMetrics, a company that specializes in
10 forestry services and has the workforce to conduct them.
11 The details of this survey can be found in my report.

12 Based on the survey, which included an examination of
13 costs, defect rates, and reliability results, it became
14 clear that a three-year cycle would lead to significantly
15 improved public safety, reliability and cost results.

16 In order to achieve a three-year cycle, Hydro One
17 would need to switch to a defect-based program. The
18 program is more efficient, more effective as Hydro One
19 focuses on defect prevention based on an optimum cycle and
20 work skills.

21 The details of the program and the analysis we
22 performed to arrive at the three-year cycle are contained
23 in my report, and I would be happy to answer any questions
24 you may have.

25 MR. NETTLETON: Thank you. Mr. Grunfeld, would you
26 like to give an opening statement?

27 MR. GRUNFELD: Yes, thank you. Good afternoon, panel.
28 My name is Ben Grunfeld. I am a managing director of

1 Navigant. Along with Mr. Buckstaff from First Quartile
2 Consulting, we prepared the poll and station benchmarking
3 study that has been submitted as part of Hydro One's
4 application.

5 I'd like to take a few minutes to explain our report
6 and the work that we completed on behalf of Hydro One. The
7 report was intended to compare Hydro One's performance on
8 certain metrics regarding its pole and stations program to
9 its peers or to a comparator set.

10 Because we don't have the ability to compel
11 information from other companies, we had to reach out to
12 other distributors to ask for that information.

13 We approached 45 North America utilities. For a
14 complete list, I'd refer to you to your response to AMPCO
15 interrogatory 19. A total of 20 said yes in addition to
16 Hydro One, so 21 in total. Those companies that said yes
17 are listed in schedule A of our report.

18 Of the companies that did not say yes, some came out
19 and said no and gave us reasons for their decision not to
20 participate, and others just did not respond to our
21 outreach.

22 I should make it clear that not every company that
23 said yes provided data for every metric that we wanted to
24 look at. In fact, it's fair to say that for almost every
25 metric, it's a subset of the 21 companies that provided
26 data that we have in our comparisons.

27 Nonetheless, we felt that we collected enough data to
28 reach certain conclusions about Hydro One's poles and

1 stations program, and those conclusions are summarized in
2 the executive summary of our report on page I. And we also
3 made certain recommendations, which are outlined in the
4 executive summary of our report on page II.

5 I do want to provide a caution about pulling specific
6 data out of our report, because of the limitations of the
7 data that we had to work with. Our sample size, four
8 individual metrics, are small.

9 This is particularly true for some certain metrics.

10 In stations, for example, there are metrics where we
11 only had a handful of utilities to benchmark against Hydro
12 One's performance.

13 With that said, we do think we had enough data, and
14 combined with our experience in the industry, to reach the
15 conclusions and recommendations that we did.

16 Another example of the limitations of the data is in
17 regard to the pole replacement costs, which is found in
18 section 3.5 of our report. If you look there, you will see
19 that Hydro One's average three-year pole replacement costs
20 from 2012 to 2014 was \$8,266, which was 16 percent higher
21 than the mean of the comparison group, which was \$7,105.

22 The \$7,105 mean of the comparison group is based on
23 all the 11 companies that provided data for that metric,
24 including Hydro One. So nine of the 21 companies that
25 provided data for some of the metrics in our study did not
26 provide specific pole replacement cost data, which
27 includes, as an example, say BC Hydro, which would be a
28 good comparator given weather and service territory.

1 If you dive deeper into that pole replacement cost
2 data, for example, you can see that there are some issue
3 was the data that arise given the small sample size. So
4 one of the comparison group companies, which is ID number
5 39 in the report, has a three-year average pole replacement
6 cost of \$185, which frankly doesn't make a whole lot of
7 sense.

8 This value is an order magnitude than the other
9 companies that provided data in the comparison group, which
10 range from roughly 4,300 to roughly 10,900.

11 If we exclude the data for that company, ID number 39,
12 the mean of the comparison group increases from 7,105 to
13 7,797, and in which case Hydro One's three-year replacement
14 cost is 6 percent higher.

15 In either of those cases, we can't say with
16 statistical confidence that Hydro One's pole replacement
17 cost is different from the mean of the comparison group.
18 And again, this is due to the small sample size and the
19 variability within the sample results.

20 I think it would be helpful, I can provide -- I'll
21 provide some very specifics about the math that allows me
22 to make that statement, so if we -- in the case where all
23 the data is included, Hydro One's three-year pole
24 replacement cost is \$1,161 higher than the sample mean, so
25 that's the comparison of the 8,266 to the 7,105. However,
26 the standard deviation of the data within that sample is
27 3,048.

28 If we do a statistical test to see whether we can say

1 with confidence that that -- the Hydro One data is
2 different from the mean, the P value for that statistic --
3 T statistic test is .2352.

4 In the case where we exclude the data for ID number
5 39, the Hydro One's pole replacement cost is \$469 higher --
6 that's the 6 percent -- than the sample mean. The standard
7 deviation of that data set is still 2,115, so still a
8 fairly large standard deviation. The variability of the
9 data within that data set, and the P value for that test
10 statistic is .5, so in both of those cases the P values are
11 too large to conclude that there is a statistically
12 significant difference between Hydro One's value and the
13 mean value of the sample.

14 Again, a lot of that is driven by the size of the
15 sample that we have to assess against and the variability
16 within that data set, and this is just one example. We can
17 certainly talk to and answer questions around some of the
18 statistics for some of these other tests as well.

19 I think -- we think -- the message that I'm trying to
20 convey is that we don't think that the metrics within this
21 report should be sort of cherry-picked and looked at in
22 isolation. Rather, it's the combination of the metrics
23 along with our experience that supports the conclusions
24 that we made to Hydro One and that we're here to discuss.

25 And if I can, I would like to just hand it over to Mr.
26 Buckstaff, who wanted to add some colour around the
27 annualized life-cycle calculation in our report as well.

28 MR. BUCKSTAFF: All right. Thank you, good afternoon.

1 I did want to explain a little bit. One of the key metrics
2 that we have in the report is the annualized life-cycle
3 cost for poles. And in our report we have a graph that
4 shows that, and it is reasonably clear, but in reviewing
5 that in preparation for today we realized we didn't really
6 explain very completely how that thing is calculated. So
7 we wanted to go ahead and provide you a little bit of
8 background on that today.

9 The calculation for these annualized costs was built
10 around a series of cost estimates and the results of our
11 benchmarking study. We gathered a series of metrics from
12 the participating utilities, and the key things that we
13 needed from them, what is their pole installation cost,
14 what is their replacement cost when they go to replace a
15 pole, what is the refurbishment cost for a pole in the
16 event that they choose to refurbish one, and what are the
17 inspection costs for those, so we needed to have those from
18 everybody.

19 We also needed to know the average pole life, how long
20 did they expect the pole to last, the percent of poles that
21 need either replacement or refurbishment during the life
22 span following inspections, and then the frequency of
23 inspection of the poles, how often do you do them, which
24 varies depending on the inspection approach that you use.

25 So we needed to have those specifically for each of
26 the companies.

27 For the actual calculations then for this annualized
28 cost we wanted to go through and we took the actual costs

1 of installation, the actual costs of inspection and the
2 frequency of inspection from the values that each of the
3 companies provided, so we have individual company data for
4 that.

5 We also got information regarding the percent of poles
6 needing replacement and the typical pole replacement life.
7 Those, rather than taking the individual numbers, we
8 aggregated those for all the companies, so most of the
9 companies estimate a 50-year life span that they plan on
10 for their poles, so we'll use that as the primary life span
11 for the companies. In Hydro One's case, they plan a 62-
12 year life span, so it is noticeably longer than the rest of
13 the folks.

14 The average age and replacement rates for the poles
15 appears to match what we see in the data, meaning we also
16 gather data about average age of poles and the replacement
17 rates, and it seems to match those planning criteria for
18 the other companies and for Hydro One.

19 The estimates for the average annual costs then were
20 developed using an estimate that 90 percent of the poles
21 are going to have a normal life span, not need to be
22 replaced early or anything. And 10 percent of the poles
23 would need to be either replaced or refurbished at some
24 point earlier than their expected life span, and that would
25 be due to defective poles, storm damage, environmental
26 issues, rot at the base of poles, things like that.

27 So a calculation was actually used to compute the
28 average annual life-cycle cost weighted 90 percent times

1 the installation cost plus the sum of all the inspections
2 that would occur during the life span times the cost of
3 those inspections. That's one part of the calculation.

4 The other part is 10 percent weighting for those poles
5 that are not going to last the full length of time, times
6 the cost of either replacement or refurbishment and the
7 cost of the remaining inspections for the life of that pole
8 after it's been replaced or refurbished, so it is a
9 weighting of 90 versus 10, depending on whether they are
10 going to have a full life or a shortened life replacement,
11 and that's really the explanation we wanted to make at this
12 stage.

13 MR. QUESNELLE: Thank you.

14 MR. NETTLETON: Thank you, gentlemen.

15 Mr. Chairman, this panel is available for cross-
16 examination.

17 MR. QUESNELLE: Okay. Mr. Rubenstein, just going on
18 five after 3:00. I think it is a good idea to have the
19 panel take their -- it's fine for them to open it up with
20 their opening remarks, but why don't we take the break now,
21 and then you can -- you won't be interrupted then
22 subsequently. Okay? We'll return at 20 after.

23 --- Recess taken at 3:06 p.m.

24 --- On resuming at 3:30 p.m.

25 MR. QUESNELLE: Okay, Mr. Rubenstein, if you want to
26 get started, that would be great.

27 MR. RUBENSTEIN: Good afternoon, panel. I don't have
28 a compendium since we are just looking at a couple of the

1 individual reports that you have filed, and I think we'll
2 start with the distribution unit cost benchmarking study.
3 This is for you, Mr. Grunfeld and Mr. Buckstaff, and that's
4 at B1.1.1, section 1.6, attachment 1.

5 I'll just wait till they put that up on the screen.
6 Thank you.

7 If we turn to page 1 of the report -- and I mean
8 actually page 1, not page I, it's 2005 -- you've summarized
9 the Board's direction to Hydro One regarding benchmarking
10 of the unit cost of the pole station refurbishment program.
11 Do you see this? This is really at the beginning that you
12 are quoting from that.

13 MR. BUCKSTAFF: Yes.

14 MR. REINISCH: And you say:

15 "In the OEB's decision in EB-2013-4016-2014-0247
16 on Hydro One's distribution rates for 2015 to
17 2019, it directed Hydro One" -- and now you're
18 quoting -- "to conduct an external benchmarking
19 study on the unit cost of its pole replacement
20 and station refurbishment programs against other
21 utilities, as well as carry out an internal trend
22 analysis to show the variability of these unit
23 costs over time, year over year." Do you see
24 that?

25 MR. BUCKSTAFF: Yes.

26 MR. GRUNFELD: Yes.

27 MR. RUBENSTEIN: So that was the basis for your
28 engagement, correct?

1 MR. GRUNFELD: That was the basis for Hydro One
2 engaging us, yes.

3 MR. RUBENSTEIN: And I want to understand. Did you
4 undertake in your analysis a trend analysis to show the
5 variables of these unit costs over time, year over year?

6 MR. BUCKSTAFF: We did gather data for three year's
7 worth of data and compared that.

8 MR. RUBENSTEIN: And that is the internal trend
9 analysis that you conducted, correct?

10 MR. BUCKSTAFF: Yes.

11 MR. RUBENSTEIN: All right. And as I understand the
12 methodology of the report is you sought out utilities to
13 act as a peer group and approached them for certain
14 information for the study. Do I have that correct?

15 MR. BUCKSTAFF: Yes.

16 MR. RUBENSTEIN: If we turn to page 5 of your study,
17 am I correct that in figure 4, that's a summary of who you
18 approached, eight Canadian utilities and 21 U.S. utilities?

19 MR. BUCKSTAFF: We actually approached more. We ended
20 up with 21 who agreed to participate.

21 MR. RUBENSTEIN: All right. So this is not all who
22 you approached?

23 MR. GRUNFELD: That's correct. As I said in my
24 opening statement, there were 45 utilities that we
25 approached. Some of them did not even, sort of -- didn't
26 acknowledge the request.

27 MR. RUBENSTEIN: All right. So with respect to the
28 Canadian utilities, based on the chart -- sorry, based on

1 the map you have further down that page, I count five peer
2 utilities, the three Ontario utilities, PowerStream,
3 Veridian, Essex, and then Hydro-Québec and B.C. Hydro.

4 Are those the Canadian utilities that participated in
5 some aspect of the study?

6 MR. BUCKSTAFF: Yes.

7 MR. RUBENSTEIN: All right. So that's -- and am I
8 correct based on your response -- and you don't need to
9 turn this up -- in this point SEC 25 that you reached out
10 to three other Canadian utilities, Greater Sudbury Hydro,
11 Algoma Power, and Integris, and they didn't participate.

12 MR. BUCKSTAFF: We reached out to those three and a
13 number of others, but yes.

14 MR. RUBENSTEIN: You reached out to other Canadian
15 utilities?

16 MR. BUCKSTAFF: Yes.

17 MR. RUBENSTEIN: Maybe we should turn up SEC 25.
18 Maybe I misunderstood your response to the interrogatory.

19 MR. QUESNELLE: 25?

20 MR. RUBENSTEIN: Sorry, issue 10, SEC 25.

21 MR. BUCKSTAFF: We actually have a more complete list
22 in our response to AMPCO 19 that we can show you the full
23 list of...

24 MR. RUBENSTEIN: Well, one second. Let's stay on this
25 and then we can go to that interrogatory.

26 If you look down at -- we had asked you in part (a) to
27 please explain why Navigant did not reach out to additional
28 LDCs to take part in the study after it only obtained

1 cooperation from three its original list of utilities to
2 target for participation.

3 And your response is:

4 "In addition to the Ontario utilities that did
5 agree to take part in the study..."

6 That's the five that we first talked about a moment
7 ago:

8 "... Navigant First Quartiles reached out to the
9 following Ontario LDCs that chose not to
10 participate in the study."

11 And that's the three listed. So what other utilities
12 are there?

13 MR. BUCKSTAFF: Other utilities...

14 MR. RUBENSTEIN: In Ontario.

15 MR. BUCKSTAFF: In Ontario.

16 MR. RUBENSTEIN: Just for the record, Mr. Rubenstein,
17 in your earlier reference, maybe you misspoke, was Canadian
18 utilities?

19 MR. RUBENSTEIN: Yes, sorry.

20 MR. NETTLETON: Sorry, Mr. Buckstaff, I think the
21 clarification here is that if there were other Canadian
22 utilities that you reached out to, and if you addressed
23 those in the AMPCO IR response, then let's go to the
24 response that you referred to.

25 MR. BUONAGURO: Okay, they are. There's a whole list
26 of other Canadian utilities that we reached out to there.

27 MR. NETTLETON: Would you like to...

28 MR. BUCKSTAFF: I'll give you the...

1 MR. RUBENSTEIN: Let's just put it up on the screen.

2 MR. NETTLETON: Which IR, sir?

3 MR. BUCKSTAFF: It is AMPCO 19, and that's Exhibit 1,
4 tab 25, and it's page 4.

5 So you can see the list of additional companies that
6 we approached, who all chose not to participate for various
7 reasons.

8 MR. RUBENSTEIN: All right. So I see from that list
9 Fortis Ontario, Hydro Ottawa and Horizon, Niagara
10 Peninsula.

11 MR. BUCKSTAFF: Manitoba, New Brunswick, Nova Scotia.

12 MR. RUBENSTEIN: But of Ontario LDCs, the ones I'm
13 looking at here, just off the screen here are Fortis, Hydro
14 Ottawa and Horizon Niagara Peninsula.

15 MR. GRUNFELD: That's correct.

16 MR. RUBENSTEIN: All right. But if we can go back to
17 the question that I asked in interrogatory 10, SEC 25,
18 maybe I'm just misreading the timeline here. We asked you
19 to explain why you didn't reach out to additional Ontario
20 LDCs to take part in the study after it only obtained
21 cooperation from three of its original list -- and I assume
22 that's the original list.

23 And your response doesn't really answer the question.
24 Or are those three the additional that you reached out to?

25 MR. BUCKSTAFF: Basically, on the list, the way we
26 went about it was we identified a broad list of who we
27 would like to get to participate with us, including
28 utilities in and out of Ontario, and then we approached all

1 of the ones on our list.

2 And we did that in a time window to try to get to all
3 the ones that were on our list. And then for those that
4 agreed, while we gathered data from them for those that
5 didn't, we didn't go back and try for additional companies
6 outside of our original list.

7 So the original list was put together with the idea in
8 mind of getting a broad enough panel to be able to provide
9 peers for Hydro One.

10 MR. RUBENSTEIN: Why wouldn't you have looked at it
11 from additional utilities, considering only three Ontario
12 utilities, which would have some similarities to Hydro One,
13 just they are Ontario...

14 MR. BUCKSTAFF: They have the same geographic area and
15 they have the same regulator. But beyond that, there's not
16 a lot of similarities for most of them.

17 MR. RUBIN: You don't think geography, the terrain,
18 those are issues that obviously involve the cost of pole
19 attachments.

20 MR. BUCKSTAFF: They do, and that's why some of them
21 were there.

22 MR. RUBENSTEIN: Now, the data that you collected in
23 the study was for 2012, 2013, and 2014; do I have that
24 correct?

25 MR. BUCKSTAFF: Yes.

26 MR. RUBENSTEIN: And why was the last date of the data
27 2014? Why didn't you include, say, 2015 data if you were
28 doing the work in 2016?

1 MR. BUCKSTAFF: We actually started the study near the
2 end of 2015, and the only completed year that we could ask
3 for data from at that point was 2014. And basically you
4 always have to give companies several months after the end
5 of the year to gather data, or to summarize their
6 financials and so on.

7 So anytime up until about the first quarter of a given
8 year you have to ask for the year prior to that.

9 MR. RUBENSTEIN: And recognizing that the Board was
10 seeking to have this report for a rate application
11 beginning in -- for rates beginning in 2018, why did you
12 not start a little bit later when you were helping to
13 design the survey so we would have more recent information?

14 MR. BUCKSTAFF: That basically came from the
15 engagement that we had. We were engaged to work on the
16 thing in a time window, so we did.

17 MR. RUBENSTEIN: So that's essentially the time limit
18 Hydro One gave you?

19 MR. BUCKSTAFF: Yes, and they came out with a request
20 and said, Here's what we want you to do. How long will it
21 take? We said, We'll start here and finish there and here
22 we are.

23 MR. RUBENSTEIN: All right. And you will recognize
24 that information for 2012, 2013, and 2014 would be before
25 the Board's most recent three-year distribution rate
26 application?

27 MR. GRUNFELD: Yeah, we're aware of that. It wasn't
28 designed that way.

1 MR. RUBENSTEIN: All right, if I could ask you to turn
2 to page 14 of your report. There was some discussion about
3 this today, and I caught some of the numbers you provided
4 during your opening, but as I take a look at what -- how
5 you are summarizing the pole replacement costs, the
6 benchmarking work you've done -- and it's that last
7 sentence at the section 3.5 on the first paragraph:

8 "Across the comparison group the average cost to
9 replace a pole is \$7,105 for Hydro One. That
10 cost is 8,266 or 16 percent higher than the
11 mean."

12 I took that, at least up until an hour ago, as really
13 the sum -- how we should take away from the pole
14 replacement cost; that's a summary really of the
15 benchmarking work. Is that how you would summarize it?

16 MR. GRUNFELD: So as I mentioned in my opening
17 statement, I think, there -- it is one of the takeaways.
18 The clarity and the additional content that -- or the
19 additional clarity that I added before the break was to
20 flag how that number was calculated, so if you look on that
21 figure 18, you can see that for ID -- for ID number 39,
22 right, the pole replacement costs are lower. The next page
23 forward, yeah. If you exclude that peer company from the
24 average, the sample average goes up, and then we also ran
25 some statistical tests around the outcome to talk about the
26 statistical confidence that we have in, you know, that 16
27 percent deviation, but certainly the, you know -- looking
28 at Hydro One's results in comparison to the group is part

1 of the takeaway, yes.

2 MR. RUBENSTEIN: And so whichever -- you pull out the
3 outlier --

4 MR. GRUNFELD: Yep.

5 MR. RUBENSTEIN: -- or not, I take it from with
6 respect to pole replacement cost, the conclusion is Hydro
7 One is higher than the sample average; is that fair?

8 MR. GRUNFELD: On the surface it looks like Hydro One
9 is higher than the sample average, but you can't say with
10 statistical confidence that it's higher. And that gets to
11 the small sample size and the variability within the
12 sample, so, you know, recognizing that we don't have data
13 for the entire population, right, we can't say that with
14 statistical confidence that Hydro One's costs are higher.

15 MR. RUBENSTEIN: So if you run the test and you come
16 to that conclusion, I'm kind of confused why at that point
17 you didn't say, We probably need more data.

18 MR. GRUNFELD: Is there a question?

19 MR. RUBENSTEIN: Why at that point did you not go out
20 and seek additional companies to try to ensure that the
21 statistical significance of your results were significant?

22 MR. GRUNFELD: Um-hmm. You know, there -- it is
23 certainly a valuable question. The -- the -- we
24 unfortunately do not get to that conclusion until the end
25 of the study period, right, and so, you know, it would
26 effectively have required us to go back to square one and
27 start the study over in terms of collecting additional data
28 from customers and running it through the analysis. We

1 felt and continue to feel that we had made a considerable
2 effort to try to attract companies to participate. We
3 offered some inducements, such as access to -- you know,
4 summary statistics from the study that they could use, and
5 the response rate was the response rate that we received,
6 so we didn't feel -- we don't feel -- I don't feel that we
7 necessarily could have gone back at that point and really
8 encouraged additional participation.

9 MR. RUBENSTEIN: Can I ask if the -- this exhibit
10 could be brought up, B-1-1-1 DSP section 1.4, page 3. And
11 this is the OEB distribution scorecard. I recognize this
12 is not your evidence, obviously. Do you see that on the
13 screen?

14 MR. GRUNFELD: Yes, we can see it.

15 MR. RUBENSTEIN: And if we look at pole replacement
16 gross cost per unit in dollars. Do you see that metric
17 there?

18 MR. GRUNFELD: Yep.

19 MR. RUBENSTEIN: And that is essentially pole
20 replacement costs. That's what you are trying to
21 calculate, correct?

22 MR. BUCKSTAFF: Well, I don't know what --

23 MR. NETTLETON: Sorry, Mr. Chairman, I'm sorry, the
24 statistic is Hydro One's statistic, and I don't know if the
25 witnesses have any line of sight between what is reported
26 here on the distribution OEB scorecard when it's reported
27 as gross cost per unit of dollars versus statistics that
28 they have captured in their report. I think that would

1 have to be established first.

2 MR. RUBENSTEIN: Well, I'm asking them if that's --

3 MR. QUESNELLE: Do they know whether or not it is?

4 MR. NETTLETON: I don't know that.

5 MR. GRUNFELD: So we do not have insight into
6 specifically how the numbers in this scorecard were
7 calculated.

8 You know, what we do as part of the benchmarking study
9 is try to work with a consistent set of data from Hydro One
10 as well as the peer companies, and so the information
11 request is structured in such a way to try to collect
12 similar information broken down in similar ways between the
13 different companies to allow for comparison, but we do not
14 have -- at least I don't have -- I'll let Mr. Buckstaff
15 answer for himself -- I don't have insight into
16 specifically how this was calculated, what costs are
17 included or what are not.

18 MR. RUBENSTEIN: So if I told you that the 2012, 2013,
19 2014 numbers here are higher than the numbers that you have
20 for Hydro One, you wouldn't, for the Hydro One average cost
21 of 8,266, you wouldn't know why that's the case?

22 MR. GRUNFELD: No.

23 MR. RUBENSTEIN: I should raise that with Hydro One?

24 MR. GRUNFELD: Yeah.

25 MR. RUBENSTEIN: Now, back to -- if we can go back in
26 your report to page II, where you provide recommendations.
27 And I understand the purpose of this part is to help Hydro
28 One take some of the learnings you've got from the

1 information that you've received to help improve their
2 efficiency and their operations; is that at a high level
3 what your purpose is?

4 MR. GRUNFELD: That's correct.

5 MR. RUBENSTEIN: And if we look at the recommendations
6 for pole replacements, the first one I see modifying the
7 pole replacement program to having more complete
8 inspections and long -- and a longer cycle; do you see
9 that?

10 MR. GRUNFELD: Yes.

11 MR. RUBENSTEIN: Now, you mention in that
12 recommendation "the OEB would need to approve the change in
13 inspection cycle". Do you see that?

14 MR. GRUNFELD: Yes.

15 MR. RUBENSTEIN: What are you referring to? Does the
16 Board approve the inspection cycle?

17 MR. GRUNFELD: It's my understanding that the
18 Distribution System Code outlines requirements for the time
19 line for visual inspections of poles.

20 MR. RUBENSTEIN: And this would be longer --

21 MR. GRUNFELD: This would be longer; that's correct.

22 MR. RUBENSTEIN: And so your view is that the current
23 distribution system code, length of time that's in place, I
24 guess, for all utilities is too short for Hydro One?

25 MR. GRUNFELD: No, not specifically. Our view is that
26 there's -- that the nature of the inspection and the cycle
27 with which you carry that inspection out are linked, and
28 there could be potential trade-offs to be made there.

1 But we do not have, and were not asked to derive a
2 firm conclusion on whether one is better than the other.

3 MR. RUBENSTEIN: The second recommendation that you
4 have is you say that a centralized pole management program
5 should be expanded.

6 Could you help me understand the rationale behind
7 that? What is the benefits of a centralized pole program?

8 MR. BUCKSTAFF: The benefits of a centralized program
9 management are that simply that you can optimize across
10 your whole service territory.

11 In a non-centralized -- let's assume for the moment
12 completely decentralized, each division would make its own
13 choices as to which poles to replace on the basis of their
14 decision-making. That would absolutely lead you to a sub-
15 optimal answer.

16 The way Hydro One does it is a mix of centralized and
17 some decentralized, and what we're suggesting is that most
18 of the planning should be done in a centralized way so you
19 can optimize across the whole territory which poles are
20 going to be replaced. And then, within the regions, make
21 the choices as to exactly when will we do it and what kind
22 of crew should work on it, and so on.

23 MR. RUBENSTEIN: The fourth recommendation you have is
24 considered dedicated pole replacement crews.

25 Is that something you're seeing in the best practice
26 of other utilities, that they have centralized pole --
27 sorry, dedicated pole replacement crews?

28 MR. GRUNFELD: Sorry, this is recommendation three?

1 MR. RUBENSTEIN: Yes.

2 MR. BUCKSTAFF: That was the first question. You are
3 talking about recommendation three?

4 MR. RUBENSTEIN: Yes, sorry.

5 MR. BUCKSTAFF: And if you could repeat that?

6 MR. RUBENSTEIN: Sure. So as recommendation number 3,
7 you have consider the use of dedicated pole replacement
8 crews.

9 MR. BUCKSTAFF: Yes.

10 MR. RUBENSTEIN: And do I take it that is something
11 that other utilities are doing?

12 MR. BUCKSTAFF: Yes.

13 MR. RUBENSTEIN: Is that a wide practice?

14 MR. BUCKSTAFF: I would say more than half of the
15 utilities have that, yes, so that would be wide.

16 MR. RUBENSTEIN: And in the fourth recommendation, you
17 say, "Consider modifying the program to include a rigorous
18 pole refurbishment option when appropriate." Do you see
19 that?

20 MR. BUCKSTAFF: Yes.

21 MR. RUBENSTEIN: Do I take from that recommendation
22 that your view -- currently, at least, or at the time you
23 undertook this study -- Hydro One did not have a regular
24 pole replacement option that it considered?

25 MR. BUCKSTAFF: It is not replacement; it is
26 refurbishment. They absolutely had a replacement option.
27 At the time, they didn't have a refurbishment option. When
28 a feel pole was deemed to have failed, then they'd replace

1 it.

2 MR. RUBENSTEIN: My in ability to read my own
3 handwriting. I meant a pole refurbishment option.

4 MR. BUCKSTAFF: Okay.

5 MR. RUBENSTEIN: I take it that I assume by pointing
6 to these best practices, what you're saying is that if
7 Hydro One adopts them, then they could see better cost
8 performance?

9 MR. GRUNFELD: Not that they certainly would see
10 better cost performance, but that based on our review and,
11 you know, observations from other utilities and our work
12 across the industry, that there could be the opportunity
13 for improved cost performance.

14 MR. RUBENSTEIN: I want to ask now about substation
15 refurbishments; it is the second half of your report.

16 And what I understood what you did is for substation
17 refurbishments, you broke them down into three categories,
18 full station rebuild, substation centric projects and
19 component-based projects?

20 MR. GRUNFELD: Yes.

21 MR. RUBENSTEIN: And as I understood them -- and I
22 think you provided greater detail in interrogatory SEC 27
23 -- was that at a high-level, a full station rebuild is as
24 it sounds; you are rebuilding essentially the entire
25 substation, correct?

26 MR. BUCKSTAFF: Yes.

27 MR. RUBENSTEIN: A station centric project, as I
28 understand it, is essentially a project that is short of

1 rebuilding the entire substation. So when you replace a
2 critical component, you will look and determine if there
3 are other components that may need to be replaced and
4 replace them at the same time. Is that a fair summary?

5 MR. BUCKSTAFF: Yes.

6 MR. RUBENSTEIN: And then lastly, a component-based is
7 when you work on a specific component only at a substation?

8 MR. BUCKSTAFF: Yes. For example, if you just decided
9 you were going to go around different stations and deal
10 with the breakers in each of them.

11 MR. RUBENSTEIN: And then what I understand you took
12 from the information -- so you categorized the various
13 substation projects that other utilities and Hydro One did,
14 and then you normalized them both against MVA and a number
15 of transformer banks. Do I have that correct?

16 MR. BUCKSTAFF: Yes.

17 MR. RUBENSTEIN: At page 17 of the report, you have
18 your six key findings, and the first one is:

19 "Station refurbishment activities are varied
20 within and across utilities."

21 Do you see that?

22 MR. GRUNFELD: Yes.

23 MR. RUBENSTEIN: Can you just give a high-level
24 summary? What do you mean by that?

25 MR. BUCKSTAFF: There's something of a combination of
26 all three of those approaches in different utilities, and
27 you will find greater reliance on one in a given utility
28 than another, but they will often have all three.

1 MR. RUBENSTEIN: And in number 2 you say the second
2 finding is:

3 "Hydro One's cost for individual substation
4 refurbishments are within range observed across
5 comparison utilities."

6 Do you see that?

7 MR. BUCKSTAFF: Yes.

8 MR. RUBENSTEIN: And within a range observed, does
9 that mean Hydro One sets between best and worst?

10 MR. BUCKSTAFF: At a minimum, yes.

11 MR. RUBENSTEIN: And in finding 3, you say
12 essentially:

13 "Hydro One, like others, have projects that range
14 from first and fourth quartile."

15 MR. BUCKSTAFF: Yes.

16 MR. RUBENSTEIN: And we can see that from some of the
17 individual materials on the next couple of pages.

18 MR. BUCKSTAFF: Yes.

19 MR. RUBENSTEIN: If that's true, can we really draw
20 any conclusions from the study on the reasonableness of
21 Hydro One's substation costs compared to others?

22 MR. BUCKSTAFF: Well, the short answer is yes, I think
23 we can draw reasonable conclusions that they are within the
24 reasonable range of utilities within North America.

25 Now, there's limitations to that by the limitations of
26 the data, but there's not a circumstance where you say
27 Hydro One is routinely three times the cost of everybody
28 else. That's not what we see.

1 MR. RUBENSTEIN: So if we flip to page 18 and further
2 on, there is just not a lot of -- what I came away from --
3 and maybe you can tell me if you agree with me or tell me
4 I'm wrong -- there's just not a lot of comparators. That's
5 what I took away from the substation, both in terms of
6 actual physical substation projects in each category, as
7 well as the number of utilities. That's what I took away.

8 MR. BUCKSTAFF: Yes. That's certainly one of the
9 takeaways.

10 MR. RUBENSTEIN: For example, if I'm on page 19 here
11 looking at the substation-centric projects, I see Hydro One
12 having four of the five worst projects on that -- do you
13 see that, on figure 22? This is cost per transformer bank
14 refurbished for substation-centric projects.

15 MR. BUCKSTAFF: Um-hmm.

16 MR. RUBENSTEIN: And page 20, we have the cost per
17 substation and now using MVA as the denominator, correct?

18 MR. BUCKSTAFF: Yes.

19 MR. RUBIN: And what we see is we have one Hydro --
20 one project that's second best and then three Hydro One
21 projects in the five worst. Do you see that?

22 MR. BUCKSTAFF: Yes, before we -- before we follow
23 down that path, on the top of page 20, that figure 23, that
24 actually should be the cost per transformer, not per MVA on
25 that page.

26 Going back to the top of page 19, figure 2, that
27 should be per MVA. So the titles were swapped on those.

28 MR. RUBENSTEIN: All right. So in the cost per MVA,

1 Hydro One has four of the five worst projects?

2 MR. BUCKSTAFF: Um-hmm.

3 MR. RUBENSTEIN: And between MVA and transformer bank,
4 is there a preference?

5 MR. BUCKSTAFF: No. The reason we do both is to get a
6 sense of where companies fall on a couple of different
7 metrics.

8 One of the things you'll notice is all of the Hydro
9 One substations in these charts are one transformer
10 stations. Most of the others are two or three or four.

11 And so in doing the work in them, there are some
12 disadvantages to Hydro One and the single transformer. The
13 capacity is lower and the number of transformers is lower.
14 So as a matter of how you calculate it, those are in the
15 denominator and it puts an artificial sort of handicap for
16 Hydro One, but it is a function of the way their system is
17 designed. It is the way it is. In a broader study where
18 you've got a lot more data, the asset base is actually the
19 best predictor of cost. But again, we don't have enough
20 data to really make a difference on that, and with Hydro
21 One in particular, the reason we chose not to use that as
22 our primary denominator is many of these are really older
23 stations, they're small, and so the asset base involved is
24 really kind of biased on the low side, so it wouldn't be a
25 particularly great denominator there either, so we chose
26 not to use our favourite normalizing factor, and would use
27 these other two, and for this circumstance we think they're
28 the best, but they are still less than perfect.

1 MR. RUBENSTEIN: So regardless of which denominator,
2 the MVA or the transformer banks, when I look at the data
3 on figure 22 and 23 I see Hydro One's costs on average are
4 higher.

5 On one chart on the per MVA you have there four of the
6 five worst, and then on figure 23, while they do have one
7 that is second-best, they've got three that are on the
8 other side of the ledger.

9 So is it fair to say that when it -- if we're looking
10 at substation-centric projects, it appears Hydro One is
11 either -- on using either metric higher than average?
12 Higher than the mean?

13 MR. BUCKSTAFF: Without having done that, I'll agree
14 with you that it appears that way.

15 MR. RUBENSTEIN: If I can ask you to turn to page 26
16 of the report. And here you provide some recommendations
17 with respect to testing results and maintenance histories
18 and performance metrics; do you see that?

19 MR. BUCKSTAFF: On page 26, those are still findings.

20 MR. RUBENSTEIN: I apologize. If you go back and you
21 look at page 17 of your report, I think it's -- I am
22 referring to page 26, but you say in recommendation --
23 results 5 and 6, I read those as you are essentially
24 providing some sort of, in essence, recommendations, "use
25 of testing results and maintenance history records could be
26 improved in making replace versus repair decisions for
27 certain substation equipment", and 6, "use of performance
28 measures for tracking success of individual projects, in

1 addition to the overall refurbishment program, could be
2 enhanced."

3 These are some recommendations you're making to Hydro
4 One. Is that not fair?

5 MR. BUCKSTAFF: At that point they are still just
6 findings. The recommendations are a little bit later. The
7 recommendations are actually on page 27, and they tie to
8 those findings, but they are different.

9 MR. RUBENSTEIN: Okay, with respect to your three
10 recommendations on page 27, I take it that it's your view
11 if Hydro One implements your recommendations, the benefit
12 of that is they could see cost improvements?

13 MR. BUCKSTAFF: They will be able to have a better
14 understanding of what their systems are doing -- their
15 substations are doing, what's going on in them, and
16 understand better when they should take actions or not to
17 do refurbishment, replacement, maintenance, whatever it is.

18 MR. RUBENSTEIN: And so if Hydro One, your view, if
19 Hydro One implements these recommendations, there is a more
20 likely (sic) that they will be cost-effective in their
21 substation work?

22 MR. BUCKSTAFF: It is more likely they will be cost-
23 effective; that doesn't necessarily mean lower cost.

24 MR. RUBENSTEIN: Well, they'll be fixing the right
25 substations?

26 MR. BUCKSTAFF: That's the goal.

27 MR. RUBENSTEIN: All right. Thank you very much. If
28 I can now turn to Mr. Tankersley.

1 And I understand that you were retained, I think you
2 mentioned this in your opening, in 2017 to perform an
3 assessment of the effectiveness of Hydro One's vegetation
4 management program? Is that a high level what you were
5 retained to do?

6 MR. TANKERSLEY: Correct.

7 MR. RUBENSTEIN: And am I correct, and you mentioned
8 this in a number of places in your report, that that was at
9 least in part due to criticism from a number of sources
10 including this Board, the auditor general being another
11 one, who -- and others who have looked into the practices
12 and costs over the years of Hydro One's vegetation
13 management?

14 MR. TANKERSLEY: That was partially the reason.

15 MR. RUBENSTEIN: And I understand it, and we'll get
16 into it, you helped them to develop what they are calling
17 the optimal cycle protocol, which moves to a three-year
18 cycle and reduces the cost per kilometres --

19 MR. TANKERSLEY: That's correct.

20 MR. RUBENSTEIN: -- of vegetation management?

21 MR. TANKERSLEY: Correct. Yes, it is.

22 MR. RUBENSTEIN: And you mentioned a number of places
23 in your report -- would you agree with me that the purposes
24 of a utility undertaking vegetation management is to
25 benefit reliability and public safety?

26 MR. TANKERSLEY: The primary reason for vegetation
27 management is public safety and reliability.

28 MR. RUBENSTEIN: So you agree with me.

1 MR. TANKERSLEY: Correct.

2 MR. RUBENSTEIN: I want to start with your -- first
3 with your January 2016, two-17 report, which is located at
4 Interrogatory CCC 44, attachment 2, issue 38.

5 UNIDENTIFIED SPEAKER: 32 or 42?

6 MR. RUBENSTEIN: CCC 44, attachment 2. If you could
7 go to attachment 2. And this is your report, correct?

8 MR. TANKERSLEY: That is a preliminary report, yes.

9 MR. RUBENSTEIN: It says "final report", but I
10 understand.

11 Now --

12 MR. TANKERSLEY: One of two.

13 MR. RUBENSTEIN: -- this is dated January 16th, 2017,
14 and I think you mentioned that you were retained in 2017,
15 so when were you originally retained, or was this work done
16 in two weeks in 2017?

17 MR. TANKERSLEY: Well, yes, I -- it was actually
18 December of 2016.

19 MR. RUBENSTEIN: And what was the purpose of this
20 report?

21 MR. TANKERSLEY: As my understanding, there were
22 numerous previous reports that had come out, some that you
23 had just mentioned. And there was a recent change in
24 leadership at Hydro One, and they wanted to understand a
25 little more about what is going on in their forestry
26 vegetation management program, and based on a number of the
27 other studies that had been done, there were suggestions of
28 a shortened cycle, but no provisions on how to get there,

1 and so they wanted to get another opinion or take on the
2 entire forestry program. And so they asked me to do that
3 preliminary analysis. That was what was contained in this
4 report.

5 MR. RUBENSTEIN: And what exactly did you do? Did you
6 come and meet with Hydro One and gather data and ask
7 questions and review, go out in the field? Just give me a
8 high level of what actually the type of work you were doing
9 to get to this point.

10 MR. TANKERSLEY: For this report I spent one week in
11 the field. I spent time with various members of Hydro One
12 personnel or their team, and I reviewed much of the
13 material that had been prepared over the preceding couple
14 of years, how the system was managed. It was a very high-
15 level, very quick turnaround report.

16 MR. RUBENSTEIN: But you were actually out in the
17 field looking at the work.

18 MR. TANKERSLEY: I was out, yes.

19 MR. RUBENSTEIN: Okay. If I could ask you to turn to
20 page 5 of this report, under -- if we were go up to 1.3,
21 "key observations", and you first state:

22 "Current maintenance cycle is not aligned with
23 the work scope."

24 Do you see that?

25 MR. TANKERSLEY: That is correct.

26 MR. RUBIN: And you mention:

27 "The DX standard for achieving clearance of eight
28 years' anticipated growth and mitigating hazards

1 for the cycle duration is not achievable, as
2 demonstrated by system conditions, defects, and
3 associated performance."

4 Do you see that?

5 MR. TANKERSLEY: Yes.

6 MR. RUBENSTEIN: Can you elaborate just quickly what
7 you mean by that?

8 MR. TANKERSLEY: An appropriate cycle and work scope
9 go together, so that if you have, for example, a stated
10 cycle of eight years, which is what Hydro One had, you need
11 to be able to control vegetation for a complete eight-year
12 period until you are out on the next cycle.

13 The work scope was not adequate to do that, and over
14 an eight-year period was probably not -- well, was not
15 possible, in my opinion, that short of taking every tree
16 tall enough to hit the line to the ground, and even then
17 might not even be possible, so an eight-year cycle did not
18 have -- you did not have a work scope that was consistent
19 with that.

20 MR. RUBENSTEIN: Then the second key observation you
21 have is:

22 "Current work scope is not aligned with program
23 objectives. Between 30 percent and 50 percent of
24 the work scope is gold plating, with minimal
25 impact on the key objectives of public safety and
26 system reliability. This results in high costs
27 relative to the benefits, further contributing to
28 long cycles."

1 Do you see that?

2 MR. TANKERSLEY: Yes, I do.

3 MR. RUBENSTEIN: And if we flip to page 10, I think
4 there is just a slightly more expansive version of these
5 observations, and the second one specifically, where you
6 say:

7 "Current work scope is not aligned with program
8 objectives. Approximately 30 percent to 50
9 percent of the work performance has little or no
10 material impact on the key objectives of public
11 safety and system reliability, and considered
12 gold plating relative to typical industry
13 practices on distribution facilities. This
14 contributes to high maintenance cost which
15 exceeds 10,000 kilometres treated, limiting the
16 ability to shorten the cycle under reasonable
17 budget constraints."

18 Do you see that?

19 MR. TANKERSLEY: I do.

20 MR. RUBIN: So I read that as what you're saying is 30
21 to 50 percent of Hydro One's previous vegetation management
22 program was essentially providing little to no benefit. Is
23 that a fair summary of your observation?

24 MR. TANKERSLEY: That is a fair characterization.

25 MR. RUBENSTEIN: And you also say that it was -- this
26 is the past vegetation management practice was considered
27 gold-plating. What do you mean by gold plating?

28 MR. TANKERSLEY: Well, as I tried to describe in this

1 observation was that it was working vegetation that did not
2 have a direct impact on public safety or reliability, such
3 as treating vegetation that may never encroach the
4 facilities.

5 MR. RUBENSTEIN: And so if say, for example, I put to
6 you that Hydro One spent \$143 million spending of
7 vegetation-related management in 2016, do I read this as
8 you're saying 30 to 50 percent of that was wasted?

9 MR. TANKERSLEY: I would not say wasted. It was
10 perhaps performed for other reasons, such as access to the
11 right-of-way by maintenance crews and others for other
12 purposes.

13 MR. RUBENSTEIN: Sorry, I don't mean to interrupt.
14 You say it is essentially little to no benefit.

15 MR. TANKERSLEY: Associated with the core objectives
16 of public safety and reliability with vegetation that would
17 encroach within or contact the conductors.

18 MR. RUBENSTEIN: And at the time of this report that
19 you've provided, this January 2016-2017, had you
20 recommended an approach to Hydro One, or is this just a
21 fact finding report?

22 MR. TANKERSLEY: This was mostly a fact finding, but
23 there were some recommendations associated with it.

24 MR. RUBENSTEIN: And if we turn to page 18 of this
25 report, you begin to talk about the optimal cycle and it
26 goes on for a couple of page. And on page 19 of that
27 report, you provide transition planning. Do you see the
28 top of page 19?

1 MR. TANKERSLEY: I see it.

2 MR. RUBENSTEIN: Is that what you were proposing at
3 the time to Hydro One?

4 MR. TANKERSLEY: No, that was an illustration of a
5 potential approach.

6 MR. RUBENSTEIN: All right. If we go back to page 18,
7 you make it -- when you run some numbers, you have a number
8 of assumptions; do you see that? Do you see that,
9 assumptions?

10 MR. TANKERSLEY: I do.

11 MR. RUBENSTEIN: And you start off with a view -- is
12 it a view that the four-year cycle is optimal? What is
13 that?

14 MR. TANKERSLEY: No, that was again an illustration of
15 what a shorter cycle -- the report goes on to say in the
16 recommendations that to determine that optimal cycle, I
17 suggest a survey where we can determine the intersect
18 between costs and the occurrence of defect and reliability
19 performance.

20 MR. RUBENSTEIN: And where it says "approved budget
21 investing planning 2017, 140 million, 2018 through 2020,
22 145 million, do you see that?

23 MR. TANKERSLEY: Yes, I do.

24 MR. RUBENSTEIN: Is that Hydro One's numbers that they
25 provided to you, or is that your numbers? What is the
26 basis of those numbers?

27 MR. TANKERSLEY: That was my understanding of roughly
28 what they're operating, and again it was an illustration to

1 show how a cycle might be altered, or improved, or
2 optimized. It was not provided by any of the other
3 studies.

4 MR. RUBENSTEIN: If we can now turn to your final
5 November 20 -- sorry, November 2017 report at Q11,
6 attachment 2.

7 And in this report, as I understand, you have set out
8 an analysis. Is it what you recommended to Hydro One, or
9 your analysis of what Hydro One decided to undertake? Or
10 did they -- are they one and the same?

11 MR. TANKERSLEY: I'm not sure I understand your
12 question.

13 MR. RUBENSTEIN: Is your report a set of
14 recommendations to Hydro One that they've adopted, or is
15 your -- this report an analysis of what Hydro One
16 ultimately decided to do?

17 MR. TANKERSLEY: In the -- a little bit of both. In
18 the previous report, one of the recommendations that I
19 stated was to do a more detailed assessment. That was
20 agreed to or adopted by Hydro One, and this is the result
21 of this. But it has been -- it was modified to a certain
22 degree after it was accepted as an appropriate way to
23 proceed.

24 MR. RUBENSTEIN: Was it modified in a positive way or
25 a negative way? How would you describe in your view?

26 MR. TANKERSLEY: Oh, positive.

27 MR. RUBENSTEIN: A positive way?

28 MR. TANKERSLEY: Yes.

1 MR. RUBENSTEIN: Okay. If we could turn to page 13 of
2 the report under the section "Conclusions" -- sorry, it's
3 page 12. There's two numbers.

4 And so I read the first paragraph of your conclusion,
5 the first sentence saying:

6 "Hydro One can reasonably expect 20 to 40 percent
7 or better reliability improvements moving to a
8 shortened maintenance cycle."

9 Do you see that?

10 MR. TANKERSLEY: I do.

11 MR. RUBENSTEIN: And that's pretty impressive. I read
12 this report and it seems very impressive to me, that Hydro
13 One could increase its reliability that significantly.
14 You'd agree with that?

15 MR. TANKERSLEY: I agree that's impressive, and I
16 suggest that it is doable.

17 MR. RUBENSTEIN: And you also say -- in the next
18 paragraph there, you say:

19 "Improvements in tree-related reliability can
20 lead to significant savings in other lines of
21 business. A reduction in the number of outages
22 results and less straight-time and over-time
23 payroll for call centre staff, trouble men and
24 line crews. Additionally, there are avoided
25 costs associated with a reduced number of damaged
26 facilities."

27 Do you see that?

28 MR. TANKERSLEY: I do.

1 MR. RUBENSTEIN: So I take it that not only do we get
2 the reliability benefits of this plan, but there's cost
3 savings that may flow from that in other areas, and you
4 list those here?

5 MR. TANKERSLEY: From my experience, that is a strong
6 potential for savings.

7 MR. RUBENSTEIN: A strong potential for savings. Now,
8 on page 14, you provide -- page 14 of the report, so two
9 pages down -- you provide a set of cost projections based
10 on zone for the three-year cycle.

11 Do you see that, table 7?

12 MR. TANKERSLEY: Yes, I do.

13 MR. RUBENSTEIN: And my understanding is zone is Hydro
14 One separated out their service territory in various zones.
15 Is that what you're referring to here?

16 MR. TANKERSLEY: Not in this report.

17 MR. RUBENSTEIN: Oh, that's not -- so what are you
18 referring to as zones?

19 MR. TANKERSLEY: Climatic zones. The way that the
20 survey was stratified, which did not align with the
21 operating zones at Hydro One.

22 MR. RUBENSTEIN: So I see under the cost, annual cost
23 \$108 million roughly, and the three-year totals being
24 325 million; do you see that?

25 MR. TANKERSLEY: Yes, I do.

26 MR. RUBENSTEIN: And so, in your view -- and I think
27 you do say this in the next paragraph -- those are the
28 minimum costs to under -- Hydro One would have to undertake

1 on an annual and three-year total to implement the program
2 that they are -- that you are recommending and that they're
3 doing. Is that correct?

4 MR. TANKERSLEY: That was based on a number of
5 assumptions that were made on cost of labour, productivity,
6 some unknowns, but it was -- analysis was performed to
7 derive those numbers, which have since been refined.

8 MR. RUBENSTEIN: They've been refined by you?

9 MR. TANKERSLEY: No.

10 MR. RUBENSTEIN: Okay. And when you say they were
11 derived from a number of assumptions, I assume, accepting
12 that you would have to make some assumptions, but I assume
13 you tried to get cost data from Hydro One to come to that.

14 MR. TANKERSLEY: Certain cost data from Hydro One was
15 available, but productivity in the classes as they were
16 displayed, which is the type of work performed from
17 trimming a tree to a big removal, that information was not
18 available, and so I used historical information from my
19 experience and other resources to work with Hydro One to
20 develop what became the model of what we felt the
21 productivity ranges would be.

22 MR. RUBENSTEIN: And so since this report, I guess, is
23 -- I'm confused -- you used some assumptions based on your
24 practice before you had seen Hydro One, I guess, try this
25 out in the field; is that what you're speaking of?

26 MR. TANKERSLEY: There were a number of things that
27 went into that element. The cost -- the cost for labour
28 was unknown. The productivity, based on those classes, was

1 an unknown, and so that we had to make a set of assumptions
2 and then try to validate it, and if you'll notice I do
3 state here that those numbers do need to be validated, but
4 it was a -- at the time it was the best tool that we had
5 for modelling the cost.

6 MR. RUBENSTEIN: And so when you talk about
7 productivity, you're talking about how many trees are you
8 doing in an hour or some metric like that? Is that what
9 you are speaking of?

10 MR. TANKERSLEY: That's correct.

11 MR. RUBENSTEIN: And you use -- for this model you
12 were using your history with other utilities, in a rough
13 sense, what an average utility's productivity would be?

14 MR. TANKERSLEY: That was one element. There were
15 others, other factors as well.

16 MR. RUBENSTEIN: What were the other factors?

17 MR. TANKERSLEY: We looked specifically within Hydro
18 One's system. We had a number of sources of information,
19 and I would have to go back and take a look at that, where
20 they all came from, but we used -- we ended up using a
21 degree of magnitude of difficulty, using -- basing it on a
22 standard unit of work which, would be trimming a tree.
23 That's a pretty basic thing. And for example, a large tree
24 might be a factor of 10 on top of that, and that was -- and
25 everything in between.

26 So there were a number of iterations, a number of
27 things that we used to develop that analysis, and that's
28 partially based on experience, industry, information that I

1 have, and other -- and direct information that we gleaned
2 from Hydro One.

3 MR. RUBENSTEIN: All right. And you mentioned, you
4 were saying, that this -- your expectation is Hydro One
5 would have a -- would -- after the release of your report
6 would have done the -- would have had better information
7 seeing their own staff actually doing the vegetation
8 management program and would be able to have better data?

9 MR. TANKERSLEY: Yes, and that is continuing to
10 evolve. They are now collecting data at that level and
11 have been on that path for a number of months now.

12 MR. RUBENSTEIN: And would you say, if they are
13 forecasting out costs, recognizing that the data will
14 differ based on actual experience, that's a good way to
15 forecast out the costs that they will need to conduct the
16 program. Substituting assumptions you've made with actual
17 data in the field and using the same methodology to
18 forecast that out, that's a good way for Hydro One to go
19 about doing it?

20 MR. TANKERSLEY: That would be a good way to forecast
21 costs out, is to -- I advocate it, and you will see it
22 here, is to have unit costs developed based on their
23 operating regions by different types of work, degree of
24 difficulty, and that is something that they're proceeding
25 towards.

26 MR. RUBENSTEIN: And you don't know at least at the
27 time you did this report in November of 2017 if they had
28 done that; do you know?

1 MR. TANKERSLEY: If they had done...

2 MR. RUBENSTEIN: If they had done that?

3 MR. TANKERSLEY: To my knowledge they are collecting
4 some unit costs. That's a question for --

5 MR. RUBENSTEIN: But by the time of your November 2017
6 report they hadn't?

7 MR. TANKERSLEY: No, they had not.

8 MR. RUBENSTEIN: And do you know if they utilized your
9 -- this analysis in their forecasting?

10 MR. TANKERSLEY: I believe it was used as a starting
11 point, and then there were refinements made from there.

12 MR. RUBENSTEIN: All right. Thank you very much.
13 Those are my questions.

14 MR. QUESNELLE: Thank you, Mr. Rubenstein. Mr.
15 Ladanyi.

16 **CROSS-EXAMINATION BY MR. LADANYI:**

17 MR. LADANYI: Thank you. My name is Tom Ladanyi. I
18 am consultant to Energy Probe. I am at the end of the day,
19 so I'm mindful of the time. I know everyone wants to go
20 home, so I'll try to be as quick as I can, so can we turn
21 to the Navigant report. It's at B-1-1-1, section 1.6,
22 specifically to page 10 of that report. Okay. And let's
23 start with figure 11.

24 Now, maybe you can explain to me what this figure
25 shows. Am I to understand that all of the utilities did
26 not provide the same kind of data? Some of them seemed to
27 have a commitment cost, some have direct labour overhead,
28 some have material costs; is that right?

1 MR. BUCKSTAFF: Yes.

2 MR. LADANYI: So they are not exactly comparable,
3 you're saying, but are they are roughly comparable?

4 MR. BUCKSTAFF: Well, they are comparable. The issue
5 is for anybody who contracts that work, they may or may not
6 have any labour cost, and they may or may not even know
7 what the labour cost is for the contractor, so when you get
8 a -- contract labour and services, that will be a total,
9 but it won't necessarily show any labour cost in it.

10 MR. LADANYI: So Hydro One is utility number 29, and
11 it's showing "company direct labour and equipment cost"; is
12 that right?

13 MR. BUCKSTAFF: Yes.

14 MR. LADANYI: Okay. And I was also interested in the
15 utility outlier, utility number 39, which you just
16 mentioned few minutes ago, and it appears to have very high
17 costs. Is that what I conclude from this?

18 MR. BUCKSTAFF: For inspections, yes.

19 MR. LADANYI: Okay. Now, the same utility appears on
20 page 15. Could you turn to page 15, please. And you look
21 at figure 18 on page 18. Now, here utility figure 39
22 appears to have zero cost. What does that mean?

23 MR. BUCKSTAFF: Well, it is not zero, but that's the
24 one that we pointed out in the opening statement, that it's
25 really improbable that that would be a legitimate cost for
26 a replacement of a pole.

27 MR. LADANYI: So it is quality of data you receive
28 from 39 is not very good for this information.

1 MR. BUCKSTAFF: Certainly for this -- for the pole
2 replacement.

3 MR. LADANYI: Could you turn now to page 12. Okay.
4 Specifically the paragraph at the top of the page. And
5 here you mention that the quality of -- sorry, that the
6 average age of Hydro One's wood poles is the oldest in the
7 panel at 37 years.

8 MR. BUCKSTAFF: Yes.

9 MR. LADANYI: Can we conclude this is good or bad?
10 Reading this, I would say perhaps Hydro One had really good
11 quality poles installed compared to other utilities and is
12 getting good value out of it.

13 MR. BUCKSTAFF: There is no value judgment here. It
14 says they are older and the plant life cycle is longer.
15 The question that you are getting to is really what
16 difference does that make? Is that better or worse? And
17 there's -- there's some benefits in having your poles last
18 longer, you don't have to replace them as often, but there
19 is also the question of failure rate and what happens
20 there.

21 MR. LADANYI: So actually, Board Staff asked an
22 interrogatory about this, and it is the only interrogatory
23 I'm going to refer to in this cross-examination. It's tab
24 10, schedule -- Staff 52. If you can turn to that for a
25 moment.

26 And into question B, if you go to the bottom of that
27 page. Just go down. They ask:

28 "How has Navigant and/or Hydro One taken into

1 account the different operating characteristics,
2 including different pole types and the analysis
3 and conclusions in the study?"

4 And if you go to the next page for the answer, as I
5 gather, you really are taking all the wood poles as being
6 equivalent. There is no difference in quality between the
7 poles.

8 I'm assuming that across North America, the quality of
9 wood poles would vary, depending on the regions and the
10 suppliers. But you are currently treating them in this
11 study as they're all equivalent; is that right?

12 MR. BUCKSTAFF: I think that's a fair characterization
13 of the way they're treated for the study, yes.

14 MR. LADANYI: And also another one that kind of
15 intrigued me is the very last sentence in answer B, when
16 you say the average travel time to get to the poles, and so
17 on, was not statistically significant.

18 Because I would think that Hydro One having a very
19 large territory, travel time would be a very important
20 variable for them.

21 MR. BUCKSTAFF: And the reason we investigated that is
22 because Hydro One told us that they thought that would make
23 a big difference. But in terms of the actual statistical
24 analysis of it, we didn't see that as a big driver.

25 Any circumstance that you have depends on sort of how
26 you get the poles delivered. If your poles are being
27 delivered for you by a vendor, then you don't have to drag
28 them out there. And dependent on whether you have crews

1 that are focused only on pole change-outs or doing other
2 work, they may or may not have a long drive to them.

3 So there's a bunch of other variables that are
4 involved in the replacement of poles. The analysis that we
5 did said those variables don't make an obvious difference
6 in the outcome.

7 The chances are the companies themselves have already
8 addressed those variables in their own plans, in the way
9 that they work.

10 MR. LADANYI: Okay. Could you turn to page 13 of the
11 Navigant report now? In the paragraph at the top of the
12 page, you are discussing, for example, the fact that Hydro
13 One has experienced a lot long life for its poles is one
14 indicator of the reasonableness of this approach.

15 And the thought that I had when I read this, I thought
16 perhaps the initial installation was of higher quality on
17 Hydro One and it wasn't the issue of refurbishment, but
18 rather it was the issue of initially doing the job, let's
19 say, better than the other comparator utilities.

20 MR. BUCKSTAFF: I didn't hear a question. It sounds
21 like a statement.

22 MR. LADANYI: No, I know. Okay, correct. Let's say
23 would you disagree or agree with that? Am I wrong in
24 thinking that?

25 MR. BUCKSTAFF: We actually didn't make any evaluation
26 of the quality of the installations, so I don't have any
27 great answer for you on that.

28 MR. LADANYI: Very good. Can you turn now to page 17?

1 We're discussing here a substation refurbishment, and in
2 item 3 on top of the page, you say:

3 "As with most utilities, the cost of individual
4 Hydro One refurbishment projects ranges from
5 first to fourth quartile."

6 What am I to conclude from this? Does this mean that
7 it could be all over the place?

8 MR. BUCKSTAFF: In fact, it can be all over the place,
9 not only for Hydro One, but for other utilities.
10 Individual projects vary, and one of the difficulties in
11 doing this kind of a study is trying to find a broad enough
12 sample of projects to be able to compare them.

13 MR. LADANYI: Then if you go further down this page
14 under section 4.1, the last paragraph says:

15 "Due to Hydro One's use of less expensive lower
16 capacity equipment..."

17 What does that mean?

18 MR. BUCKSTAFF: If you look at most of the Hydro One
19 stations in comparison to the average for the other
20 utilities, they are smaller. They have less capacity. The
21 transformers are smaller. They are serving a smaller load.

22 If you are in a bigger sort of an urban environment,
23 you can serve a broader array of customers from a given
24 transformer by having a bigger transformer.

25 Given the service territory that Hydro One has, it
26 wouldn't make sense to put giant transformers out there in
27 the hinterlands. But nevertheless, that's what they have.

28 So it is cheaper to buy a transformer and put it

1 there, so you will have a lower cost and lower capacity
2 transformer.

3 MR. LADANYI: Okay, thank you for that answer. Now,
4 if you could go to page 26, and particularly to the bottom
5 of the page, in the very last item which is brackets, "the
6 advanced practices earned value", some of you here who were
7 at the technical conference might recall that I actually
8 asked a question about earned value methods and I
9 believe -- we don't have to turn to the transcript, but I
10 got the answer that Hydro One is using earned value in
11 transmission projects and is planning to use earned value
12 in distribution projects in the future.

13 Do you know anything about that?

14 MR. BUCKSTAFF: I don't.

15 MR. GRUNFELD: I don't.

16 MR. LADANYI: But earned value is a best practice. I
17 was just wondering. Are you recommending that Hydro One go
18 ahead with earned value methods?

19 MR. BUCKSTAFF: You know, that is an advance practice.
20 Most of the people that get to that have gone through less
21 advanced practices to get there first.

22 So having better ongoing reports about what you're
23 doing, better information to use, is normally the stage
24 that we see people move through before they get to an
25 earned value sort of an approach.

26 MR. LADANYI: Perhaps in that sense, could you turn to
27 page 27, the next page?

28 And the three key recommended actions for substation

1 refurbishment are -- and number 2 talks about implement a
2 formal change process.

3 So can you see that?

4 MR. BUCKSTAFF: Yes.

5 MR. LADANYI: Do I get the impression here that Hydro
6 One does not use a formal change control process now?

7 MR. BUCKSTAFF: At the time we were going and doing
8 the interviews for this and analyzing things, the reporting
9 for the projects was rudimentary. It wasn't fully
10 developed, and the change control process could be
11 characterized similarly.

12 It's there. People recognize when something has to
13 change. But it's not very formal, or it wasn't then.

14 MR. LADANYI: And just below that is number 3. I've
15 actually read that sentence numerous times and I actually
16 don't understand it.

17 Could you maybe rephrase it for me, or explain what it
18 means?

19 MR. BUCKSTAFF: The first half of it is simply saying
20 develop a better set of performance indicators about your
21 projects, the in-progress status of the projects. Are we
22 on track or not for cost, for schedule, for completion of
23 work, those kind of pieces. And then a mechanism for
24 tracking those and responding to them, saying, during the
25 course of a project, you might want to change something
26 that's going on that project which will have impact later
27 on overall costs, on whether or not you complete all the
28 work you are trying to do, not just in that station, but

1 all the stations. Because you have a program of work that
2 you are trying to do, and each project contributes to that.

3 MR. LADANYI: Thank you. Now we'll go over to Mr.
4 Tankersley. If you can turn to your report, which is at
5 Exhibit Q 1-1, attachment 2?

6 If you go to page 3, please, am I to understand that
7 the majority of utilities are outsourcing vegetation-
8 related management; Hydro One is kind of unique in doing a
9 lot of a lot of the work in-house.

10 When you did the modelling, did you do all your
11 modelling with Hydro One continuing to do the work with
12 their own crews?

13 MR. TANKERSLEY: The way the modelling was done, yes.

14 MR. LADANYI: If you turn to page 5, please, the next
15 page, perhaps this shows my lack of understanding of what
16 this is about exactly. But are you recommending that a
17 three-year cycle is the optimal cycle for the entire Hydro
18 One operating area, or just for some regions or climate
19 zones?

20 MR. TANKERSLEY: I'm suggesting, particularly for the
21 first cycle, a three-year time horizon for a number of
22 reasons listed in the report.

23 After that period of time, I believe they could do
24 further evaluation to employ different cycles in different
25 parts of the system. It may not just equate to a longer,
26 but perhaps even a shorter cycle in certain areas, so three
27 years will give him desired results on an accelerated time
28 frame and lead them into the future.

1 MR. LADANYI: If you could turn to page 6, please.
2 Yeah, there it is. So did you take into account the
3 different growth rate of different species of trees across
4 Hydro One's area?

5 MR. TANKERSLEY: Pardon me? Could you repeat that
6 question?

7 MR. LADANYI: Did you take into account in your study
8 the growth rate? How fast the agrees are growing in
9 different parts of Hydro One's area? From personal
10 knowledge, I believe that in northern Ontario, because of
11 the colder weather, the trees grow slower than they do,
12 let's say, in southern Ontario, and they probably also grow
13 slower than they would in California.

14 MR. TANKERSLEY: Yes, and that was taken into account,
15 so qualified personnel that carried out the survey who had
16 experience in tree species and growth rates and other
17 factors were looking out over a time horizon to determine
18 future work load, and so growth rates were certainly a key
19 factor in that.

20 MR. LADANYI: So the three-year cycle -- you're still
21 thinking it's appropriate through the entire area even
22 though there might be differences in growth rates?

23 MR. TANKERSLEY: That's what we determined through the
24 study, at least for the first cycle through.

25 MR. LADANYI: And I was also wondering whether you
26 took into account the different tree species.

27 MR. TANKERSLEY: Yes, absolutely. So growth rates go
28 along with tree species and also environmental factors,

1 where the tree is planted, where it is located. Like, you
2 had mentioned whether you are in northern Ontario versus
3 southern Ontario, but growth rates are only one factor.
4 Also, tree mortality is another factor, and so tree species
5 need to be taken into account.

6 MR. LADANYI: Okay. If you go to page 11, please.
7 Here in the paragraph under 4.3 you are talking about
8 looking for, as I understand it, for dead trees; is that
9 the program? Essentially, there would be an inspection
10 that would go out and look for dead trees and try to remove
11 those; is that what you we are talking about here?

12 MR. TANKERSLEY: Under 4.3?

13 MR. LADANYI: Yes. Mitigating dead trees alone and so
14 on, is that what we are discussing here?

15 MR. TANKERSLEY: So as I answered previously, the
16 purpose of vegetation management is public safety and
17 reliability, and as the tree's growing, it typically grows
18 -- trees grow into or fall into or otherwise conflict, so
19 one of the ways to evaluate the effectiveness of your
20 program is to understand what conditions are causing
21 disruptions, and these are outage investigation results.
22 That was one of my recommendations in the first report, was
23 to have a formal outage investigation process so that when
24 a service disruption occurs you can determine what type of
25 situation caused that. Was it from a grow-in? Was it from
26 a dead tree, diseased tree? Or was it a random failure?
27 And from then you can again, over time, enhance your
28 program, but understanding that is very important, so this

1 is not necessarily about dead trees, it is about the causes
2 of interruptions.

3 MR. LADANYI: So on page 13, the next page, I'm
4 particularly interested in the graph to the right. It says
5 "forecast percent reduction with three-year cycle", and I
6 understand that this was going to reach a plateau of 20
7 percent reduction in 2020. Is that what you believe, that
8 could be reached, and it would become asymptotic after
9 that, there would be no significant change after that?

10 MR. TANKERSLEY: Where are you looking?

11 MR. LADANYI: I'm looking at the graph, "forecast
12 percent reduction with three-year cycle" on the right.

13 So if we start -- let's say if Hydro One starts doing
14 what you recommend in 2018, there would be a reduction by
15 2020 of 20 percent.

16 MR. TANKERSLEY: After that entire cycle has been
17 completed, so you would experience that the year after that
18 work had been performed, or when the cycle was completed.

19 MR. LADANYI: And if you go to page 12, page 13, under
20 5.2, "cost modelling", and there you are discussing the
21 cost of Hydro One personnel doing the work.

22 In your cost analysis are these fully burdened costs
23 that include both direct costs and benefits, other post-
24 employment benefits, pension and so on?

25 MR. TANKERSLEY: That is correct.

26 MR. LADANYI: These are all my questions. Thank you.

27 MR. QUESNELLE: Thank you, Mr. Ladanyi.

28 I think it's a quarter to 5:00, so I think we will end

1 for the day. Thank you, panel, we will see you back here
2 again tomorrow morning.

3 The way the current schedule is unfolding, we should
4 be wrapping up by lunchtime tomorrow with this panel.

5 Thank you very much. Adjourned to tomorrow morning, 9:30.

6 --- Whereupon the hearing adjourned at 4:46 p.m.

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