OEB Staff

CROSS-EXAMINATION COMPENDIUM

Panel 6

OEB Staff Interrogatory # 4

Issue:

Issue 2: Has Hydro One adequately responded to the customer concerns expressed in the Community Meetings held for this application?

Reference:

Executive Presentation Day Transcript, page 42-43

At this reference, Mr. Pugliese indicated that Hydro One had changed its collections process from 4 stages to 8 stages. He also indicated that in 2014 accounts receivable were $194 million, which were reduced to $86 million in the most recent quarter of 2016.

Interrogatory:

a) Please provide an update to reflect the most recent quarterly amount.

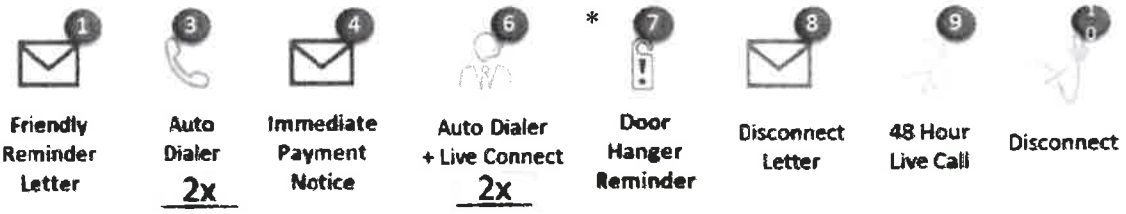
b) Please provide a more detailed account of how the collections process was changed, what the additional stages are and why this has resulted in lower levels of overdue accounts.

c) Please provide a more detailed accounting of the reduction in accounts receivable balances with a table which shows the trend of the reductions.

Response:

a) 2014 accounts receivable were $194 million, which were reduced to $86 million in the third quarter of 2017.

b) The Distribution System Code requires a utility to send a customer a disconnection notice and telephone call 48 hours prior to disconnection. Hydro One has found that more frequent contact with customers results in a reduction in overdue accounts receivable. Hydro One also reaches out to customers soon after they miss a payment, which provides customers more time to manage their arrears or arrange an affordable payment plan. Hydro One's residential collections process is outlined in the diagram below.



** Step 7 is completed in certain circumstances*

c) Hydro One's historical overdue accounts receivable is provided below.

	2014				2015				2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
A/R ($M)	$158	$179	$194	$181	$194	$184	$158	$148	$152	$132	$114	$117	$116	$104	$86

OEB Staff Interrogatory # 77

Issue:

Issue 23: Was the customer consultation adequate and does the Distribution System Plan adequately address customer needs and preferences?

Reference:

B1-01-01 Section 1.3 (5.2.2) Page: 1450

Coordinated Planning with Third Parties - Customer Engagement, Section 1.3.3 SUMMARY OF CUSTOMER NEEDS AND PREFERENCES

The Ipsos Report showed the following:

- *"Large Customers want improved outage customer communications with more accurate estimates of power restoration."*

Interrogatory:

a) Please identify if any of the proposed projects or changes in operating practices are intended to address this customer preference.

b) If so, are costs related to those projects or changes assigned to large customer classes or is Hydro One proposing that they be allocated to all customers?

c) If those costs would be allocated to all customers, please explain the rational for that approach.

Response:

a) Customers can receive information on outages through a variety of mechanisms. Hydro One's outage map provides details on any planned and unplanned outages in its service territory. Some large customers also have direct access to Hydro One's Ontario Grid Control Centre should an outage occur.

To improve outage communication, Operating developed an alert system within the Outage Response Management System ("ORMS") that sends a direct notification to the local Customer Operations Manager if a large customer is affected by an outage. This enables the Customer Operations Manager to have direct contact with their large customers.

Witness: MERALI Imran and ANDRE Henry

To improve the accuracy of estimated timing of power restoration ("ETR"), Operating is exploring ORMS enhancements that will enable the field to update outage restoration information in real-time via mobile devices, which will provide customers real-time information that is more reflective of dynamic field conditions.

Furthermore, Operating is exploring enhancements to the customer portal, allowing large customers to directly input their own incidents or directly view restoration information in real-time of outages affecting them. This is included in the upgrade for the Network Outage Management System ("NOMS"); please refer to section 3.8 of the DSP (Exhibit B1, Tab 1, Schedule 1) ISD-GP-20.

b) Hydro One proposes that customers share the associated costs according to the cost allocation method described in Exhibit G.

c) The improvements identified in a) represent only a small incremental cost to the total cost of operating ORMS and NOMS, which provides benefits to all customers. As such, the total costs for these outage management and restorations tools are shared among all customer classes per the OEB's cost allocation principles.

1.3.3 SUMMARY OF CUSTOMER NEEDS AND PREFERENCES

As a result of the customer outreach, Ipsos analyzed the results and wrote a report detailing the results of each of the outreach methods (e.g., open link surveys, phone surveys) by segment, to guide Hydro One distribution investment decisions.

As there were several customer segments involved in the engagement sessions for Hydro distribution-connected customers, the key themes varied by customer segment. The Ipsos report showed the following:

- Cost is definitely the top priority for Residential and Small Business customers, and is one of the top priorities for Large Customers. This preference is influenced by a desire to see Hydro One demonstrate greater fiscal management and operational efficiency before considering rate increases. Many customers believe that total electricity costs are approaching an unaffordable level.

- Maintaining reliable electricity service is consistently second, in terms of priority, compared to cost. Residential and Small Business customers expressed the view that Hydro One should maintain existing levels of power reliability and quality. For Large Customers, improving power quality and reducing the number and duration of sustained outages is a top priority along with cost.

- Willingness to accept a rate increase to maintain and improve service level is limited. The majority of residential and small business customers are unwilling to accept higher rate impacts for better reliability.

- Large customers are more concerned with the reliability of service they currently receive than residential and small business customers and accept that investments are needed. However, although this group of customers is more inclined to value better reliability, it is not willing to entertain the corresponding rate impact.

- Customer service improvements above existing levels are not something for which customers are willing to pay higher rates.

- For large customers, power quality events and unplanned momentary power interruptions of less than one minute, rather than sustained interruptions of one minute or more, are the primary concern. Some customers have capacity challenges and want more access to power in order to grow their enterprises.

- All large customer segments prioritize the renewal program that focuses on replacing equipment that affects reliability ahead of other options for improving reliability. Other options include: tree-trimming, using technology to reduce the chances of losing power, strengthening the grid to better withstand severe weather, better detection of outages and/or remotely responding to outages.

- Commercial and Industrial customers welcomed the opportunity to participate in engagements and are looking for a more active relationship with Hydro One,

- Several Large Customers spoke about a need for greater capacity and want Hydro One to more strongly advocate and support their requests for capacity.

- Large Customers want improved outage customer communications with more accurate estimates of power restoration.

- There is a low awareness of Hydro One's role in the energy industry and negative views of the electrical industry and current government also perform a role.

- Large Customers wanted a greater transparency of Hydro One operations and administration, to include planned investments.[5]

5 Ipsos, Distribution Customer Engagement Report, August 2016, pp. 144-145.

OEB Staff Interrogatory # 80

Issue:

Issue 23: Was the customer consultation adequate and does the Distribution System Plan adequately address customer needs and preferences?

Reference:

B1-01-01 Section 1.4-A01 (5.2.3) Page: 1948
Performance Measurement and Outcome Measures, Section 1.4.3.1 Customer Focused Projects

"Customer Self Service Technology ISD GP 16.
This investment addresses the need to enhance customer experience through additional self-service tools and functionality. This investment is expected to improve customer engagement by providing a convenient mechanism through which customers can interact with Hydro One. This investment also provides customers with a streamlined online experience that allows them to better understand their bills. This investment is expected to improve the My Account Customer Satisfaction and Customer Satisfaction Survey Results measures."

Interrogatory:

a) Have customers requested that Hydro One make additional capital investments to improve their self-service experience and interactions with Hydro One?

b) Please explain why this investment represents value to ratepayers.

Response:

a) Please refer to Exhibit I-23-Staff-76.

b) Please refer to Exhibit I-23-Staff-76.

OEB Staff Interrogatory # 149

Issue:

Issue 25: Does the Distribution System Plan adequately reflect productivity gains, benefit sharing and benchmarking?

Reference:

B1-01-01 Section 3.8 Page: 2733
(5.4.5.2) Attachments: Material Investments, ISD: GP-08 PCMIS Modernization and Optimization.

> *"Investment Description:*
>
> *The project will maintain and further strengthen PCMIS as the single source of record for all P&C device settings. PCMIS supports users across the enterprise as well as engineering and field personnel in external utilities, providing centralized, controlled access to cyber-sensitive data. The system ensures that the configuration of critical grid protection systems is accurate and manages approval of any settings changes, supporting numerous key business processes including planning, construction, maintenance, repair, network operating and outage management. PCMIS data is used by the Distribution Management System ("DMS") to support advanced power system application analytics."*

Interrogatory:

Please explain how these expenditures relate to the expenditures identified in GP-03 to GP-06. Are there any overlaps between these programs? Please describe in detail.

Response:

The current PCMIS solution is a custom application with significant limitations as outlined in ISD GP-08. The software is currently at its end of life, and it does not meet all of the business requirements of Hydro One. In order to fulfil operational requirements Hydro One is evaluating new solution options as well as processes and interfaces. As this would be a net new solution, its implementation would not be considered as an enhancement or upgrade funded out of investments outlined in GP-03/GP-04/GP-05/GP-06.

OEB Staff Interrogatory # 153

Issue:

Issue 25: Does the Distribution System Plan adequately reflect productivity gains, benefit sharing and benchmarking?

Reference:

B1-01-01 Section 3.8 Page: 2775
(5.4.5.2) Attachments: Material Investments, ISD: GP-17 S4 HANA for Finance

Interrogatory:

*"**Investment Need:***
IT Need SAP has announced that they will stop improving the current enterprise BI platforms immediately and vendor support for the current platform altogether will end in 2025. SAP will shift development to their new SAP S/4 HANA platform. All business functions performed on the current platform will ultimately have to migrate to the new platform."

a) Please explain how this migration project impacts the other IT Capital expenditures.

b) Could implementation of the SAP platform cause delays or cost escalation for the other listed information technology projects?

c) Does Hydro One have a critical dependency upon SAP software or services? If yes, please explain what steps Hydro One is taking to mitigate the potential cost pressures resulting from this single-source dependency.

Response:

a) Hydro One is relying on the SAP platform and suite of products, which includes ERP Central Component (ECC), Business Intelligence (BI) and Customer Information System (CIS) for its transactional processing and reporting requirements. The company intends to leverage the database that comes with the S/4HANA platform to consolidate over time the requirement for its various SAP applications (e.g. ECC, BI, CIS) and potentially the GIS Mapping software (ESRI). This project to a degree will reduce the complexity of the technical environments, albeit it may not reduce the expenditures of other IT Capital investments as investments will be required to facilitate the consolidation.

b) Evidence Update provided in Exhibit Q, Tab1, Schedule 1 - 1.2 capital forecast update for the years 2018-2022 due to adjustments made to General Plant projects takes due recognition of the impact and dependencies (if any) of other SAP-related investments. Other than these, this investment should not negatively impact the cost and schedule of other investments, outside of the normal recalibration of activities as part of IT operations.

c) Hydro One uses many applications in the process of managing the business. To mitigate potential cost pressure related to Hydro One's SAP solution the system is kept at vendor supported patch levels where standard SAP support mechanisms apply. SAP support rates are negotiated and known well in advance. Should Hydro One not maintain vendor supported levels there could be considerable application maintenance costs in procuring extended support or emergency support.

OEB Staff Interrogatory # 166

Issue:

Issue 29: Are the proposed capital expenditures resulting from the Distribution System Plan appropriate, and have they been adequately planned and paced?

Reference:

B1-01-01 Section 3.6 Page: 6, 7 and 8.
(5.4.1 B) Capital Expenditure Forecast, Table 55 – Historical and Bridge Year Capital Expenditure Breakdown by SDOC

Interrogatory:

Category	SDOC	SDOC Breakdown	Historical and Bridge (previous plan and actual $M)							
			2013	2014	2015		2016		2017	
			Actual	Actual	Plan	Actual	Plan	Actual	Plan	Forecast
	Common Corporate Costs and Other Costs	Facilities & Real Estate	10.1	20.3	19.0	18.5	15.3	27.6	15.4	19.9
		Information Technology	13.4	17.7	22.6	30.9	20.1	64.2	22.9	56.2
		Other	-2.9	1.5	0.0	0.1	0.0	0.0	0.0	4.3
		Transport and Work, and Service Equipment	43.5	49.1	43.8	52.1	49.1	47.4	44.8	45.0
General Plant Total			**115.3**	**99.9**	**94.8**	**110.1**	**103.3**	**156.3**	**90.1**	**146.3**
Grand Total			**637.0**	**647.5**	**648.9**	**678.3**	**654.7**	**703.2**	**661.4**	**633.5**

Please explain why Information Technology was significantly under forecasted three years in a row (i.e., 2015, 2016 and 2017)?

Response:

In the last distribution rate filing (EB-2013-0416), forecast spend in 2015, 2016 and 2017 for Hydro One distribution-only IT Development projects were based on the assumption that minimal investment related to Customer Experience and Regulatory Compliance would be required post implementation of the new Customer Information System (CIS) in 2014. However, post implementation of CIS, it was deemed necessary to develop an enhanced Customer Strategy as a result of Hydro One's extensive customer engagement exercise. It was Hydro One's first systematic attempt to consult customers specifically on their needs and preferences in

a manner that could inform Hydro One's investment plan related to distribution-only IT Development projects. IT project planning estimates are premised on comparable Hydro One business case for a similar size, complex SAP implementation of new functionality and enhancements. IT Development projects that caused over spending in 2015, 2016 and 2017 are detailed in the DSP B1-01-01 Section 3.6 Page: 6, 7 and 8.

OEB Staff Interrogatory # 199

Issue:

Issue 38: Are the proposed OM&A spending levels for Sustainment, Development, Operations, Customer Care, Common Corporate and Property Taxes and Rights Payments, appropriate, including consideration of factors considered in the Distribution System Plan?

Reference:

C1-01-05 Page: 3

Interrogatory:

At this reference, under Call Centre Operations, Hydro One indicates that the call center handled over 2.7 million calls from customers and responded to over 63,000 emails.

a) Please provide a table showing these statistics per year from 2012 to 2017.

b) Please comment on the trend of the cost per customer call response per year.

Response:

a) The volume of emails and calls from 2012 to 2017 are provided below:

Year	Volume of emails	Volume of Calls
2012	41,000	2.4M
2013	47,000	3.8M
2014	48,000	2.7M
2015	62,000	2.6M
2016	78,000	2.8M
2017	79,000	2.5M

b) Hydro One's contact centre operations were outsourced to a third party vendor during the period noted above. The contract with the third party vendor included a number of services including, contact centre, billing, collections, and distributed generation. The costs for all of these services were bundled together, as outlined in Exhibit C1, Tab 1, Schedule 5. As such, the cost per call ranges from $10 to $30.