EB-2017-0049

ONTARIO ENERGY BOARD

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

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

COMPENDIUM OF THE SCHOOL ENERGY COALITION
(Panel 7 – Acquired Utilities)

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Vulnerable Energy Consumers Coalition Interrogatory # 92

Issue:

Issue 46: Is the load forecast methodology including the forecast of CDM savings appropriate?

Reference:

G1-03-01 Page: 6-7
A-07-01 Page 11 Lines 5-14
2021 CAM
B1-01-01 Appendix A Pages 6-11

Interrogatory:

a) Please provide a schedule that sets out the gross fixed assets, accumulated depreciation and net fixed assets for each acquired utility as of January 1, 2021 that was added to the opening balances per page 11?

b) Please reconcile the values reported in part (a) with the Net Plant for each acquired utility reported in Appendix A.

c) Please provide a schedule that sets out the Net Plant allocated to each of the six acquired utility rate classes per the 2021 CAM.

d) Please provide schedules that contrast:
   i. The Net Plant allocated to the Acq. UR, Acq. UGSe, and Acq. UGSd classes per the 2021 CAM with the total Net Plant attributable to Woodstock in 2021 (per Appendix A)
   ii. The Net Plant allocated to the Acq. Res, Acq. GSe, and Acq. GSd classes per the 2021 CAM with the total Net Plant attributable to Haldimand and Norfolk in 2021 (per Appendix A)

Response:

a) Please see Exhibit I-53-CCC-71

b) Please see Exhibit I-53-CCC-71

Witness: ANDRE Henry

c) The Table below provides the Net Plant allocated to each of the six acquired rate classes in 2021:

	AUR	AUGe	AUGd	AR	AGSe	AGSd
Net Plant Allocated to Acquired Rate Classes in 2021 ($M)	$26.5	$7.1	$8.3	$95.1	$24.0	$26.6

d) i. & ii. The Table below compares the total Net Plant allocated to the acquired customers in the 2021 CAM and that provided in B1-01-01 Appendix A:

	Net Plant Allocated per CAM 2021 ($M)	Average Net Plant per B1-01-01, Appendix A
Woodstock	$41.9	$31.7
Norfolk+Haldimand	$145.7	$121.7

Vulnerable Energy Consumers Coalition Interrogatory # 95

Issue:

Issue 46: Is the load forecast methodology including the forecast of CDM savings appropriate?

Reference:

Previous Proceeding
EB-2009-0265 (Haldimand), Cost Allocation Model
EB-2011-0272 (Norfolk), Cost Allocation Model
EB-2010-0145 (Woodstock) Cost Allocation Model
EB-2016-0276, Hydro One Networks Final Argument, page 4

Interrogatory:

a) Please provide schedules that for each of Haldimand, Woodstock and Norfolk sets out the values and the percentage of total OM&A attributed their Residential GS<50 and GS>50 customer classes in the last Cost Allocation used for rate setting prior to acquisition.

b) Please provide a schedule setting out the total OM&A attributed to each of the acquired customer classes per the 2021 CAM.

c) Please provide a schedule that sets out, for each of the three acquired utilities, the total OM&A added to the Hydro One Networks' 2021 revenue requirement/2021 CAM.

Response:

a) Table below provides the requested information:

	OM&A	Residential	GS < 50 kW	GS 50-4,999 kW*	Total OM&A for all Rate Classes
Woodstock (EB-2010-0145)	**($)**	$2,627,287	$560,751	$572,009	$4,169,207
	(%)	63.0%	13.4%	13.7%	
Norfolk (EB-2011-0272)	**($)**	$3,817,789	$865,723	$821,213	$5,651,555
	(%)	67.6%	15.3%	14.5%	
Haldimand (EB-2013-0134)	**($)**	$5,758,497	$1,032,520	$747,013	$8,217,075
	(%)	70.1%	12.6%	9.1%	

* For Woodstock, this columns shows data for the GS 50-999kW.

b) The Table below provides the requested information:

HONI - 2021 OMA ($)	AUR	AUGe	AUGd	AR	AGSe	AGSd
	$2,871,657	$512,840	$935,312	$8,811,860	$1,847,606	$1,428,178

c) The schedule below shows incremental OM&A for each of the acquired utilities that will be added to Hydro One's revenue requirement in 2021. See part a) above the the OM&A allocated to each acquired utility.

Acquired Utilities OM&A	2021
Haldimand	5.3
Norfolk	3.2
Woodstock	2.2
Total	**10.7**

OEB Staff Interrogatory # 242

Issue:

Issue 49: Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?

Reference:

GFA Adjustment Factors
G1-03-01 Page: 7
Q-01-01 Page: 15
G1-03-01-04 Cost Allocation Model for 2021, Tab E2 Allocators
Q1-01-01_20171221, Tab E2 Allocators

Interrogatory:

Hydro One is proposing GFA adjustment factors ranging from 0.177 to 0.667 for the acquired rate classes.

a) Please confirm that these adjustment factors serve to reduce the fixed assets allocated to the acquired rate classes.

b) Please confirm that the amount reduced from the acquired rate classes, is then re-allocated back to the existing Hydro One rate classes, and this effectively gives the existing rate classes GFA adjustment factors in excess of 1.00.

c) Please provide calculations underpinning the GFA adjustment factors chosen.

d) Does Hydro One intend to continue to update the GFA adjustment factors in future rate applications? If so, what measures is Hydro One taking to keep the values current. If not, why not?

Response:

a) Confirmed.

b) Hydro One confirms that the amount reduced from the acquired rate classes has been reallocated to the existing Hydro One rate classes, however, no GFA adjustment factors were used for the existing Hydro One rate classes.

Witness: ANDRE Henry and LI Clement

c) The calculations underpinning the GFA adjustment factors described in Exhibit Q1-01-01 are provided in sheet "5. Determine Alloc for Acq" of the attached excel file: I-49-Staff-242-01.xlsx.

d) Hydro One does not intend to update these adjustment factors unless at some future date another acquired utility is harmonized into these new rate classes. Once the rate freeze period ends for the acquired utilities and their rates are harmonized into Hydro One's rate structure, Hydro One will no longer separately track the costs associated with the acquired utilities. After the acquired utilities' rates are harmonized, the acquired rate classes will share in any growth, or savings, associated with future OM&A and Capital programs consistent with the methodology underlying the cost allocation model.

Table 1 - Distribution Rates over the 5-Year Customer IR Period Updated for I-52-SEC-088-01

Rate Class*	2018			2019			2020			2021			2022		
	Service Charge ($/month)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)	Service Charge ($/month)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)	Service Charge ($/month)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)	Service Charge ($/month)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)	Service Charge ($/month)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)
UR	27.85	0.0081		31.46	0.0048		36.06	0.0000		36.79	0.0000		37.61	0.0000	
R1	37.90	0.0225		42.38	0.0197		47.28	0.0162		52.60	0.0118		58.60	0.0067	
R2	88.87	0.0371		98.12	0.0327		108.23	0.0271		119.30	0.0200		131.81	0.0114	
Seasonal	40.65	0.0620		45.29	0.0539		50.32	0.0443		55.72	0.0322		61.79	0.0183	
GSe	29.92	0.0596		30.46	0.0618		31.06	0.0637		31.47	0.0654		31.91	0.0669	
UGe	24.16	0.0282		24.68	0.0292		25.24	0.0301		25.63	0.0309		26.05	0.0316	
GSd	103.74		16.9679	105.11		17.5410	106.81		18.0367	107.87		18.4875	109.07		18.8963
UGd	101.92		9.7364	103.63		10.0677	105.63		10.3530	106.95		10.6206	108.37		10.8566
St Lgt	4.12	0.0987		4.24	0.102		4.36	0.1049		4.78	0.1072		4.88	0.1095	
Sen Lgt	3.19	0.1213		3.39	0.1289		3.57	0.1355		3.71	0.1379		3.84	0.1428	
USL	35.07	0.0287		35.70	0.0292		36.76	0.0299		37.40	0.0303		38.25	0.0309	
DGen	195.97		6.3708	195.97		9.7618	195.97		10.5005	195.97		11.1684	195.97		11.8061
AUR	N/A	N/A		N/A	N/A		N/A	N/A		30.68	0.0000		31.36	0.0000	
AUGe	N/A	N/A		N/A	N/A		N/A	N/A		28.60	0.0165		29.21	0.0168	
AUGd	N/A		N/A	N/A		N/A	N/A		N/A	185.05		3.4905	189.32		3.5631
AR	N/A	N/A		N/A	N/A		N/A	N/A		37.75	0.0000		38.59	0.0000	
AGSe	N/A	N/A		N/A	N/A		N/A	N/A		38.53	0.0177		39.17	0.0182	
AGSd	N/A		N/A	N/A		N/A	N/A		N/A	196.78		4.9338	198.44		5.0566

* Refer to Table 2 for ST Rates

Table 2 - Current and Proposed ST Rates - 2017 to 2022 Updated for I-52-SEC-088-01

		Current	Proposed				
	Unit	2017	2018	2019	2020	2021	2022
Fixed Service Charge	$	492.55	537.29	548.33	560.96	565.56	576.64
Meter Charge	$/meter	764.01	676.21	686.47	702.29	708.05	721.92
Common Line	$/kW	1.2052	1.3167	1.3684	1.4120	1.4429	1.4783
Specific ST Line	$/km	812.8973	649.6911	649.6911	649.6911	722.8731	722.8731
HVDS-high	$/kW	1.8088	2.1374	2.1374	2.1374	2.1748	2.1748
HVDS-low	$/kW	3.3552	3.6449	3.6584	3.6588	3.9640	3.9628
LVDS-low	$/kW	1.5464	1.5075	1.5210	1.5214	1.7892	1.7880

Consumers Council of Canada Interrogatory # 71

Issue:

Issue 53: Are the proposed Retail Transmission Service Rates appropriate?

Reference:

A-07-01 Page 11

Interrogatory:

Please explain how the $150.9 million increase in the opening balance of net fixed was derived.

Please explain how the $14.9 million of working capital related to the Acquired Utilities was derived.

Response:

For each of the Acquired utilities, Hydro One started with the December 31, 2016 net book value of their assets and increased plant by the forecast capital additions (Exhibit A-3-1, Attachment 1, Page 25) less accumulated depreciation to reach the net fixed asset amounts as shown in Exhibit B1-1-1, Appendix A, Tables 1-6.

$ Million	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
NORFOLK						
Utility Plant		59.0	61.6	63.7	65.7	67.8
Plus Additions		2.6	2.1	2.1	2.1	3.2
Gross Plant	**59.0**	**61.6**	**63.7**	**65.7**	**67.8**	**70.9**
Less Accumulated Depreciation	(4.3)	(5.7)	(7.1)	(8.5)	(10.0)	(11.5)
Net Plant Year End	**54.7**	**55.9**	**56.5**	**57.2**	**57.8**	**59.5**
HALDIMAND						
Utility Plant		56.1	59.5	62.9	66.8	70.8
Plus Additions		3.4	3.4	3.9	4.0	4.0
Gross Plant	**56.1**	**59.5**	**62.9**	**66.8**	**70.8**	**74.8**
Less: Accumulated Depreciation	(2.8)	(4.2)	(5.7)	(7.3)	(8.9)	(10.5)
Net Plant Year End	**53.3**	**55.3**	**57.2**	**59.5**	**61.9**	**64.2**
WOODSTOCK						
Utility Plant		28.6	30.8	33.1	34.9	37.0
Plus Additions		2.2	2.3	1.8	2.1	2.2
Gross Plant	**28.6**	**30.8**	**33.1**	**34.9**	**37.0**	**39.2**
Less Accumulated Depreciation	(1.4)	(2.5)	(3.6)	(4.7)	(5.8)	(6.9)
Net Plant at Year End	**27.2**	**28.3**	**29.6**	**30.3**	**31.2**	**32.3**

Witness: D'ANDREA Frank

Working Capital

A breakdown of working capital for each acquired utility service area is included in the table below.

2021 Working Capital ($million)	
Norfolk	4.3
Haldimand	5.6
Woodstock	5.0
Total	14.9

Please refer to Exhibit D1, Tab 1, Schedule 1, for details regarding Hydro One's calculation of, and assumptions behind, the cash working capital forecast.

School Energy Coalition Interrogatory # 90

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

A-07-01 Page: 2

Attached as Schedule **1** to these interrogatories is a table from page 4 of the Final Argument of the Hydro One in EB-2016-0276 dated May 5, 2017. This table sets out the Hydro One's claimed savings at that time for the Woodstock, Norfolk and Haldimand service territories as a result of consolidation. With respect to these figures:

Interrogatory:

a. Please confirm that this table represents the Hydro One's current forecasts of OM&A and capital costs and savings for the three acquired service territories.

b. Please confirm that the OM&A cost to serve the Woodstock customers in 2021 is forecast to be $2.2 million, and the OM&A cost to serve the Norfolk and Haldimand customers in 2021 is forecast to be $8.5 million.

c. Please confirm that from 2015 to 2020 inclusive, the Hydro One expects to have saved $2.2 million in capital additions in the Woodstock service territory relative to status quo. Please estimate the rate base impact of those savings as of January 1, 2021. Please confirm that those savings have been reflected in the rate base transferred into the Hydro One rate base on January 1, 2021.

d. Please confirm that from 2015 to 2020 inclusive, the Hydro One expects to have saved $23.5 million in capital additions in the Norfolk and Haldimand service territories relative to status quo. Please estimate the rate base impact of those savings as of January 1, 2021. Please confirm that those savings have been reflected in the rate base transferred into the Hydro One rate base on January 1, 2021.

e. Please confirm that, in the 2021 cost allocation model filed with the current Application, the Hydro One allocated $18.1 million of OM&A to the Acquired rate classes, and an additional amount to the four existing Hydro One rate classes into which customers of the Acquired territories are proposed to be added (Street Lights, Sentinel Lights, USL, and

Subtransmission – collectively referred to as the "Combined Classes"). Please estimate the amount of OM&A allocated in the original 2021 cost allocation model to the Combined Classes attributable to the customers of the Acquired utilities. Please reconcile the estimate of $10.7 million of OM&A in 2021 with the allocated total of $18.1 plus this additional estimate.

f. Please confirm that, in the 2021 cost allocation model filed with the current Application, the Hydro One allocated $366.3 million in rate base to the Acquired rate classes, and an additional amount to the Combined Classes for the customers of the Acquired utilities. Please estimate the amount of rate base allocated in the original 2021 cost allocation model to the Combined Classes attributable to the customers of the Acquired utilities.

Response:

a. Please see Attachment 1 for a revision of "Table 1- Total Savings from Consolidation" reference as Schedule 1. These costs represent Hydro One's current forecast of incremental OM&A and capital expenditures for the three acquired service territories. The attached revisions to Table 1 reflect the 2016 actual costs as provided in the June 7, 2017 update and the 2021 and 2022 capital expenditures as provided in the Distribution System Plan filed as Exhibit B1, Tab 1, Schedule 1, Appendix A.

b. Confirmed, these are the incremental costs to serve the acquired customers of Woodstock, Norfolk and Haldimand.

c. The forecast capital addition savings over 2015 to 2020 total $1.7 million for the Woodstock area.

The forecast capital expenditure savings have been reflected in the rate base transferred to Hydro One in 2021. The estimated rate base saving is $0.2 million with a revenue requirement savings of $2.5 million, including OM&A to serve the Woodstock service territory.

d. Confirmed, the forecast capital addition savings for Norfolk and Haldimand from 2015 to 2020 is $23.5 million.

The forecast capital expenditure savings have been reflected in the rate base transferred to Hydro One in 2021. The estimated rate base saving is $1.4 million with a revenue requirement savings of $8.8 million, including OM&A.

e. The 2021 cost allocation model filed with the OEB on December 21, 2017 allocated $16.4 million of OM&A to the six Acquired rate classes. Based on forecast 2021 number of customers and electricity usage of the Street lights, Sentinel lights, USL and Subtransmission customers from the acquired utilities, Hydro One estimates that these customers contribute $0.6 million of OM&A to the 2021 cost allocation model. Therefore the estimated total OM&A allocated to the acquired utilities customers (six acquired rate classes and the "combined classes") in the 2021 cost allocation model is $17.0 million.

$10.7 million is the forecast incremental OM&A required to serve the three acquired utilities. The $17.0 million estimated total OM&A required to serve these acquired customers includes the incremental OM&A of $10.7 million plus an allocated share of common corporate costs (asset management, finance and information technology) and a share of customer service related costs.

f. Hydro One confirms that summing cells Q63 to V63 in the "O1 Revenue to cost|RR" tab of the 2021 cost allocation model (filed with the OEB on December 21, 2017) results in a rate base amount of $361.5 million for the six acquired rate classes. However, these cells do not reflect the rate base allocated to the acquired rate classes for the purpose of allocating any rate base related costs such as net income, interest expense or PILS. For the purpose of allocating rate base related costs, the distribution plant NFA assigned to the acquired classes is $173.6 million[1]. Including the general plant NFA of $13.9 million[1] and the working capital of $14.1 million assigned to the acquired rate classes (Q63 to V63 in the "O1 Revenue to cost|RR" tab) results in a rate base amount of $201.6 million.

Based on forecast 2021 electricity usage of the Street lights, Sentinel lights, USL and Subtransmission customers from the acquired utilities, Hydro One estimated that these customers contributed $7.8 million of rate base.

[1] Total NFA = distribution plant NFA + general plant NFA

- Distribution plant NFA is shown in cells Q516 to V516 of the E2 Allocators tab of the CAM
- General plant NFA = General plant GFA + General plant Accumulated Depreciation + General plant Capital Contribution
- General plant GFA is shown in cells Q48 to V48 of the O1 Revenue to cost|RR tab of the CAM
- General plant Accumulated Depreciation is shown in cells CG96 to CL96 of the O5 Details by Class & Accounts tab of the CAM
- General plant Capital Contribution is shown in cells BT93 to CL93 of the O5 Details by Class & Accounts tab of the CAM

inflation 1.30%

Table 1 - Total Savings From Consolidation ($M)

NPDI

		2015	2016	2017	2018	2019	2020	2021	2022
OMA	Status Quo	5.8	5.9	6.0	6.1	6.2	6.2	6.2	6.2
	Actual + Forecast	5.9	2.7	3.1	3.1	3.1	3.2	3.2	3.3
	$ Savings	(0.1)	3.2	2.9	3.0	3.1	3.0	3.0	2.9
Capital	Status Quo	4.7	4.6	4.4	4.5	4.6	4.6	4.6	4.6
	Actual + Forecast	2.1	0.9	2.6	2.1	2.1	2.1	3.2	3.2
	$ Savings	2.6	3.7	1.8	2.4	2.5	2.5	1.4	1.4

HCHI

		2015	2016	2017	2018	2019	2020	2021	2022
OMA	Status Quo	8.2	8.3	8.5	8.6	8.8	8.9	9.1	9.3
	Actual + Forecast	7.7	6.0	5.0	5.1	5.2	5.2	5.3	5.4
	$ Savings	0.5	2.3	3.5	3.5	3.6	3.7	3.8	3.9
Capital	Status Quo	6.4	6.1	5.4	5.6	5.3	5.4	5.5	5.5
	Actual + Forecast	6.9	4.6	3.4	3.4	3.9	4.0	4.0	4.0
	$ Savings	(0.5)	1.5	2.0	2.2	1.4	1.4	1.5	1.5

WHSI

		2015	2016	2017	2018	2019	2020	2021	2022
OMA	Status Quo	3.9	4.6	4.0	4.1	4.2	4.3	4.4	4.8
	Actual + Forecast	4.2	3.8	2.1	2.1	2.1	2.2	2.2	2.2
	$ Savings	(0.3)	0.8	1.9	2.0	2.1	2.1	2.2	2.6
Capital	Status Quo	2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8
	Actual + Forecast	2.2	3.1	2.2	2.3	1.8	2.0	2.2	2.3
	$ Savings	0.2	-0.6	0.3	0.3	0.8	0.7	0.6	0.5

TOTAL of HCHI + WHSI + NPDI

TOTAL		2015	2016	2017	2018	2019	2020	2021	2022
OMA	Status Quo	17.9	18.8	18.5	18.8	19.2	19.4	19.7	20.3
	Actual + Forecast	17.8	12.5	10.2	10.3	10.4	10.6	10.7	10.8
	$ Savings	0.1	6.3	8.3	8.5	8.8	8.8	9.0	9.5
Capital	Status Quo	13.5	13.2	12.3	12.7	12.5	12.7	12.9	12.9
	Actual + Forecast	11.2	8.6	8.2	7.8	7.8	8.1	9.4	9.5
	$ Savings	2.3	4.6	4.1	4.9	4.7	4.6	3.5	3.4
Total OMA Savings		**0.1**	**6.3**	**8.3**	**8.5**	**8.8**	**8.8**	**9.0**	**9.5**
Total Capital Savings		**2.3**	**4.6**	**4.1**	**4.9**	**4.7**	**4.6**	**3.5**	**3.4**
Total Capital and OM&A Savings		**2.4**	**10.9**	**12.4**	**13.4**	**13.5**	**13.4**	**12.5**	**12.9**

Source of Table Values for:

OMA — 2015 to 2018 values are sourced from Hydro One Distribution 2018-22 Rate File Application EB-2017-0049, Exhibit A, Tab 7, Schedule 1
The 2019 to 2022 values use the 2018 values as the base and inflate by 1.3% annually

Capital — Hydro One Distribution 2018-22 Rate File Application EB-2017-0049, Exhibit B, Tab 1, Schedule 1, Appendix A

Status Quo - Hydro One MAAD Applications for the Following LDC Acquisitions: sourced from,

Norfolk — EB-EB-2013-0187/0196/0198 -Exhibit I, Tab 02, Schedule 2 - Filed February 10, 2014
Haldimand — EB-2014-0244 - Exhibit A, Tab 2, Schedule 1
Woodstock — EB-2014-0213 - Exhibit A, Tab 2, Schedule 1

School Energy Coalition Interrogatory # 94

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

G1-01-01 Page: 3
G1-02-1 Page: 8
With respect to future changes to the six new Acquired rate classes:

Interrogatory:

Please provide a breakdown (consistent with the 2021 cost allocation model) of the costs and rate base allocated to the Combined Classes as a result of the addition to those classes of the 476 customers from the Acquired utilities.

Response:

Estimated costs associated with the "Combined Classes" (consistent with 2021 CAM, updated December 21, 2017) in $ million	
Distribution Costs (di)	$0.3
Customer Related Costs (cu)	$0.1
General and Administration (ad)	$0.2
Direct Allocation	$0.0
TOTAL OM&A	$0.6
Depreciation and Amortization (dep)	$0.4
PILs (INPUT)	$0.1
Interest	$0.2
Allocated Net Income (NI)	$0.3
TOTAL "non-OM&A"	$0.9
TOTAL COST	**$1.5**
Estimated Rate base	$7.8

Witness: ANDRE Henry

School Energy Coalition Interrogatory # 96

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

G1-03-01

Attached to these interrogatories as Schedule 2 is a breakdown of the costs and rate base allocated to the six new Acquired classes in the cost allocation model filed in December (the "December CAM"), plus additional comparisons as set forth below. With respect to the allocations to the customers of the Acquired Utilities:

Interrogatory:

a. Please confirm that the figures in lines 1-4, 9-11, 13, and 16-19 accurately reflect the amounts in the December CAM allocated to these rate classes.
b. Please confirm that the figures in line 23 are a reasonable estimate of the costs allocated to the Combined Classes for 2021, or alternatively replace those estimates with the Hydro One's estimates.
c. With respect to the OM&A allocations:
    i. Please explain why the estimated OM&A costs to serve the Woodstock customers in 2021 are $2.2 million, but the allocated costs are $3.9 million.
    ii. Please explain why the estimated OM&A costs to serve the Norfolk and Haldimand customers in 2021 are $8.5 million, but the allocated costs are $11.9 million.
    iii. Please confirm that the 2021 OM&A savings of $9.0 million claimed in EB-2016-0276 were in fact not correct, and that the correct figure should be $3.9 million less the OM&A amounts allocated to the Combined Classes. Please estimate that figure.
d. With respect to the rate base allocations:
    i. Please advise the correct allocation in line 12 of the $166.0 million in transferred ate base from A/7/1, p. 11 as between the Woodstock classes and the Norfolk/Haldimand classes. Please advise the amount of that $166.0 of rate base that is reasonably allocable to the Combined Classes.
    ii. Please advise the amount of depreciation in 2021 reasonably attributable to the $151.1 million of net fixed assets transferred on January 1, 2021, and provide a breakdown by rate class. Please compare these amounts to the amounts allocated, and provide an explanation of the higher allocation.

iii. Please advise the amount of interest in 2021 reasonably attributable to the $166.0 million of rate base transferred on January 1, 2021, and provide a breakdown by rate class. Please compare these amounts to the amounts allocated, and provide an explanation of the higher allocation.

iv. Please advise the amount of ROE/net income in 2021 reasonably attributable to the $166.0 million of rate base transferred on January 1, 2021, and provide a breakdown by rate class. Please compare these amounts to the amounts allocated, and provide an explanation of the higher allocation.

v. Please advise the amount of PILs in 2021 reasonably attributable to the $166.0 million of rate base transferred on January 1, 2021, and provide a breakdown by rate class. Please compare these amounts to the amounts allocated, and provide an explanation of the higher allocation.

e. With respect to the cost savings claimed:

i. Please confirm that the actual revenues of the three Acquired Utilities in 2014, prior to the transfer to the Hydro One, totalled $33.7 million.

ii. Please confirm that, to get to the total cost to serve these customers in 2021, $41.9 million, the Acquired revenue requirement would have had to increase by 24.6%, a compound annual growth rate of 3.2% per year. Please confirm that, had those utilities kept their increases to an amount equal to or less than that, no cost savings would have occurred.

Response:

a) It is confirmed that the figures in lines 1-3, 10, 13 and 16-19 in SEC's Schedule 2 accurately reflect the amounts in the Cost Allocation Model filed on December 21, 2017 ("December CAM") allocated to the acquired rate classes.

Line 4: The total OM&A should include the costs that are being directly allocated to the acquired rate classes. Below are the updated OM&A costs for the acquired rate classes:

Table 1

	AUR	AUGe	AUGd	Woodstock	AR	AGe	AGd	Norfolk/ Haldimand	Total Acquired
OM&A									
Distribution Costs	$1,113,873	$217,669	$231,905	$1,563,446	$3,914,134	$860,710	$760,909	$5,535,752	$7,099,199
Customer Related Costs	$990,150	$155,982	$49,672	$1,195,805	$2,529,476	$486,762	$109,147	$3,125,384	$4,321,189
General and Administration	$767,634	$139,189	$197,548	$1,104,370	$2,368,250	$500,134	$372,797	$3,241,182	$4,345,552
Directly Allocated Costs	$0	$0	$456,187	$456,187	$0	$0	$185,326	$185,326	$641,513
Totals	$2,871,657	$512,840	$935,312	$4,319,809	$8,811,860	$1,847,606	$1,428,178	$12,087,644	$16,407,453

The information on Lines 9 & 11 is not correct. Below is the updated rate base for the acquired rate classes, as discussed in the response to Exhibit I-56-SEC-90 part f).

Table 2

	AUR	AUGe	AUGd	Woodstock	AR	AGe	AGd	Norfolk/ Haldimand	Total Acquired
Rate Base									
Net Plant	$26,507,933	$7,053,375	$8,329,435	$41,890,744	$95,097,168	$23,989,153	$26,565,144	$145,651,465	$187,542,209
Working Capital	$1,536,699	$651,895	$2,083,880	$4,272,474	$4,750,287	$1,607,713	$3,446,235	$9,804,236	$14,076,710
Total Rate Base	$28,044,632	$7,705,270	$10,413,315	$46,163,218	$99,847,455	$25,596,867	$30,011,379	$155,455,701	$201,618,919

b) Hydro One does not confirm the figures in line 23 in SEC's Schedule 2. Table below provides Hydro One's estimates of the total costs allocated to the Combined Classes:

Table 3

	Woodstock	Norfolk/ Haldimand	Total Acquired
Total Allocated Costs to the Combined Classes	$431,727	$1,109,316	$1,541,043

c)

i) The $2.2M estimated cost to serve Woodstock customers represents the incremental cost added to revenue requirement as a result of the acquisition. The $4.3M allocated cost, includes an allocated share of common corporate costs (asset management, finance and information technology) and a share of customer service related costs.

ii) The allocated OM&A costs to serve Norfolk and Haldimand are $12.1M. These costs are higher than the estimated $8.5M in incremental for the same reasons as detailed in the response to part i) above.

iii) This is not confirmed. The incremental OM&A cost to serve the three acquired utility's customers is $10.7M, as compared to the $19.7M provided in Schedule 1. As shown in Exhibit A, Tab 3, Schedule 1, Table 2, Hydro One's legacy 2020 OM&A cost of $601.9M has only been increased in 2021 and 2022 by the inflation less productivity factor (1.45%). Added to that is the $10.7 million incremental cost to serve the three acquired utilities in 2021, with that amount inflated by 1.45% in 2022. Therefore, the OM&A cost savings claimed in EB-2016-0276 are correct and are in fact $9M. The combined Hydro One and Acquired Utilities' revenue requirement is $9M less than it would have been in absence of the transaction.

d)

i) The allocation of the $166 million in transferred rate base between the three acquired utilities is as follows.

Table 4

$/M	Net Plant	Working Capital	Rate Base
Norfolk	57.8	4.3	62.1
Haldimand	61.9	5.6	67.5
Woodstock	31.2	5	36.2
TOTAL	$150.9	$14.9	$165.8

For the purposes of financial reporting, there is no information by rate class and so a "combined classes" share of the rate base is not identified, however, in the response to I-56-SEC-94 Hydro One has provided an estimate of the amount of rate base allocated to the combined classes for the purposes of cost allocation.

ii) The amount of depreciation attributed to the acquired customers, included in Hydro One's total revenue requirement in 2021 is $4.3 million. It is not possible to break down this amount by class.

The amount of depreciation allocated to the acquired classes is $11.5M plus an estimated $0.4M of "combined" classes depreciation. This is higher than the value noted above because it includes the deprecation associated with non-local distribution assets and common general plant used to serve the Acquired Utilities' customers, and it also includes a share of Hydro One's total deprecation based on the Acquired Utilities' calculated GBV as a share of Hydro One's total GBV. This approach to allocating depreciation is different than the basis for the depreciation amount included in Hydro One's revenue requirement, which calculates depreciation based on GBV of assets for the Acquired Utilities *that was reset* to their NBV of assets at the time the acquisition was completed.

iii) The amount of interest attributable to the acquired customers, included in Hydro One's total revenue requirement in 2021 is $4.3M. It is not possible to break down this amount by class.

The amount of interest allocated to the acquired classes is $4.9M plus an estimated $0.2M of "combined" classes interest. This is higher than the amount above because it

Costs and Rate Base Allocated to Norfolk, Haldimand and Woodstock - 2021

		AUR	AUGe	AUGd	Woodstock	AR	AGe	AGd	Norfolk/ Haldimand	Total Acquired
		a	b	c	d	e	f	g	h	i
	OM&A									
1	Distribution Costs	$1,113,873	$217,669	$231,905	$1,563,446	$3,914,134	$860,710	$760,909	$5,535,752	$7,099,199
2	Customer Related Costs	$990,150	$155,982	$49,672	$1,195,805	$2,529,476	$486,762	$109,147	$3,125,384	$4,321,189
3	General and Administration	$767,634	$139,189	$197,548	$1,104,370	$2,368,250	$500,134	$372,797	$3,241,182	$4,345,552
4	Totals	$2,871,657	$512,840	$479,125	$3,863,622	$8,811,860	$1,847,606	$1,242,852	$11,902,318	$15,765,940
5	Forecast (EB-2016-0276)				$2,200,000				$8,500,000	$10,700,000
6	Excess Allocation				$1,663,622				$3,402,318	$5,065,940
7	Status Quo (EB-2016-0276)				$4,400,000				$15,300,000	$19,700,000
8	Revised Cost Savings				$536,378				$3,397,682	$3,934,060
	Rate Base									
9	Net Plant	$49,835,251	$18,124,521	$37,945,941	$105,905,713	$141,805,500	$34,693,126	$65,024,822	$241,523,448	$347,429,161
10	Working Capital	$1,536,699	$651,895	$2,083,880	$4,272,474	$4,750,287	$1,607,713	$3,446,235	$9,804,236	$14,076,710
11	Total Rate Base	$51,371,950	$18,776,416	$40,029,821	$110,178,187	$146,555,787	$36,300,839	$68,471,057	$251,327,684	$361,505,870
12	A/7/1, p. 11 Rate Base amount				$50,592,758				$115,407,242	$166,000,000
	Depreciation									
13	Cost Alloc. Model	$1,575,648	$491,136	$779,211	$2,845,995	$5,388,124	$1,399,257	$1,822,062	$8,609,443	$11,455,438
14	Equiv. on Lower Rate Base				$1,306,853				$3,953,373	$5,260,226
15	Excess Dep'n Allocation				$1,539,141				$4,656,070	$6,195,211
	Cost of Capital									
16	Interest	$692,133	$184,350	$217,657	$1,094,140	$2,482,724	$627,090	$694,147	$3,803,961	$4,898,101
17	ROE/Net Income	$973,171	$259,205	$306,036	$1,538,412	$3,490,826	$881,718	$976,004	$5,348,548	$6,886,960
18	PILs	$222,906	$59,371	$70,098	$352,375	$799,578	$201,959	$223,555	$1,225,091	$1,577,467
19	Total Cost of Capital	$1,888,210	$502,926	$593,792	$2,984,927	$6,773,127	$1,710,767	$1,893,706	$10,377,600	$13,362,528
20	Equiv. on Lower Rate Base				$1,370,650				$4,765,294	$6,135,944
21	Excess COC Allocation				$1,614,278				$5,612,307	$7,226,584
22	**Subtotal Allocated Costs**	$6,335,515	$1,506,902	$1,852,127	$9,694,544	$20,973,111	$4,957,631	$4,958,620	$30,889,362	$40,583,905
23	**Plus Combined Classes**				$908,217				$450,119	$1,358,337
24	**Total Allocated Costs**				$10,602,761				$31,339,481	$41,942,242
25	**Expected Actual Costs**				$4,877,503				$17,218,667	$22,096,170
26	**Status Quo Actual Costs**				$7,077,503				$24,018,667	$31,096,170
27	**Revenues in 2014**				$8,508,516				$25,143,851	$33,652,367
28	**Escalated to 2021 @ 1.3%**				$9,313,677				$27,523,214	$36,836,890
29	**Excess Costs**				$1,289,084				$3,816,267	$5,105,352

School Energy Coalition Interrogatory # 98

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

H1-05-01

SEC seeks to understand how changes to loss factors will affect the customers of the Acquired Utilities.

Interrogatory:

a) With respect to the Woodstock customers:
   i. Please confirm that the 2014 loss factor for Woodstock was 1.0286, and the loss factor proposed for 2021 is 1.0431.
   ii. Please provide the detailed calculation of the 1.0431 loss factor.
   iii. Please provide a detailed calculation by rate class of the increase in the bills of the Woodstock customers as a result of the proposed increase in the loss factors.

b) With respect to the Norfolk customers:
   i. Please confirm that the 2014 loss factor for Norfolk was 1.0592, and the loss factor proposed for 2021 is 1.0564.
   ii. Please provide the detailed calculation of the 1.0564 loss factor.
   iii. Please provide a detailed calculation by rate class of the decrease in the bills of the Norfolk customers as a result of the proposed increase in the loss factors.

c) With respect to the Haldimand customers:
   i. Please confirm that the 2014 loss factor for Haldimand was 1.0569, and the loss factor proposed for 2021 is 1.0655.
   ii. Please provide the detailed calculation of the 1.0655 loss factor.
   iii. Please provide a detailed calculation by rate class of the increase in the bills of the Haldimand customers as a result of the proposed increase in the loss factors

d) With respect to the customers of the Acquired Utilities in the Combined Classes, please provide a calculation showing the impact on their bills, by rate class, arising out of the use of the Hydro One's existing loss factors for those customers.

Witness: ANDRE Henry

e) Please provide all memos, presentations, emails, reports, and other documentation that refers to any plans or proposals or options (whether or not proposed in this Application) to apply the existing loss factors of the Hydro One at any time in the future to the six new classes created for the customers of the Acquired Utilities.

Response:

a) With respect to the Woodstock customers:

i. Hydro One confirms that the 2014 OEB approved total loss factor (secondary metered customer < 5,000 kW) for Woodstock was 1.0431, and the loss factor proposed for 2021 is 1.057.

ii. As discussed in Exhibit H1, Tab 5, Schedule 1, section 2, the Total Loss Factor ("TLF") can be broken into bulk, primary and secondary components. Hydro One does not have the specific percentages for each loss component for Woodstock Hydro. As such, it uses the readily available Hydro One percentage of 46.6%[1] to derive the Woodstock bulk component percentage. To illustrate:

- Existing Woodstock TLF (as per rate schedule) = 4.31%
- Existing "Bulk" loss = 4.31% x 46.6% = 2.01%
- Secondary loss – The current Board approved secondary losses = 1.05%
- Primary loss = 4.31% (current TLF) - 2.01% (estimated bulk) – 1.05% (current secondary) = 1.25%
- Replacing the existing "bulk" loss of 2.01% by the Hydro One bulk loss factor of 3.4%, the proposed TLF can be calculated as:
  3.4% (new Hydro One bulk) + 1.25% (existing primary) + 1.05% (existing secondary) = 5.7%

iii. The calculation by rate class of the proposed increase in the bills of the Woodstock customers as a result of the proposed increase in the loss factors is provided in Attachment 1.

b) With respect to the Norfolk and Haldimand customers:

i. Hydro One confirms that the 2014 OEB approved total loss factor (secondary metered customer < 5,000 kW) for Norfolk was 1.0564 and for Haldimand was 1.0655. The loss factor proposed for the combined utilities in 2021 is 1.067, not 1.0564 as stated in the question.

[1] For current Hydro One customers, the bulk loss factor of 3.4% represents 46.6% of the "average" Hydro One loss factor of 7.3% for all rate classes (This value is referenced in the Line Loss Study that was submitted in EB-20130-0416, Exhibit. G1-8-2, Attach. 1)..

ii. As discussed in Exhibit G1-02-01, section 3, Hydro One proposes that customers from former Norfolk Power and Haldimand County Hydro merge into the same rate classes (AR, AGSe and AGSd) in 2021. Using a "weighted average[2]" approach, an average TLF for these two utilities was estimated to be 1.0612. Using the same approach as described in part a, Hydro One calculated the TLF for the new combined acquired rate classes as illustrated below:

- Existing Weighted Average TLF for Norfolk and Haldimand = 6.12%
- Existing "Bulk" loss = 6.12% x 46.6% = 2.85%
- Secondary loss = "Weighted average[3]" current OEB approved secondary losses = 1.04%
- Primary loss = 6.12% (average TLF) - 2.85% (estimated bulk) – 1.04% (average secondary) = 2.23%
- Replacing the existing "bulk" loss of 2.85% by the Hydro One bulk loss factor of 3.4%, the proposed TLF can be calculated as:
  3.4% (new Hydro One bulk) + 2.23% (existing primary) + 1.04% (existing secondary) = 6.67%

iii. The calculation by rate class of the proposed increase in the bills of the Norfolk and Haldimand customers as a result of the proposed increase in the loss factors is provided in Attachment 1.

c) Please see response to part b).

d) A calculation showing the impact on their bills, by rate class, arising out of the use of the Hydro One's existing loss factors for those the customers in the Combined Classes is provided in Attachment 1.

e) There are currently no plans or proposals or options (whether or not proposed in this Application) to apply Hydro One's existing loss factors at any time in the future to the six new acquired rate classes. Therefore, there are no related memos, presentations, emails, reports, and other documentation. Additionally, please see Hydro One's response to Exhibit I-56-SEC-97, part d).

[2] Weighted average is based on forecast 2021 kWh and 2014 approved TLFs of Norfolk and Haldimand residential and general service rate classes.
[3] OEB approved secondary losses for Norfolk and Haldimand are 1.00% and 1.07%, respectively.

Service Area	Rate Class	2017 Total Bill with Current TLF ($)	2017 Total Bill with Porposed TLF ($)	Change in Total Bill ($)	Change in Total Bill (%)
Woodstock	Residential	$113.41	$114.48	$1.07	0.9%
	GS < 50 kW	$289.40	$292.23	$2.83	1.0%
	GS 50-999 kW	$10,453.47	$10,480.29	$26.82	0.3%
	GS > 1,000 kW	$166,073.04	$166,260.12	$187.08	0.1%
	Street Lights	$11,940.06	$12,306.80	$366.73	3.1%
	USL	$210.82	$219.12	$8.30	3.9%
Norfolk	Residential	$119.24	$120.01	$0.77	0.6%
	GS < 50 kW	$310.18	$312.23	$2.04	0.7%
	GS > kW	$9,970.12	$9,969.38	-$0.74	0.0%
	Street Lights	$228.50	$233.25	$4.75	2.1%
	Sentinel Lights	$29.69	$30.07	$0.38	1.3%
	USL	$206.54	$214.65	$8.11	3.9%
Haldimand	Residential	$110.38	$110.47	$0.09	0.1%
	GS < 50 kW	$275.01	$275.25	$0.24	0.1%
	GS >50 kW	$8,254.80	$8,194.46	-$60.34	-0.7%
	Street Lights	$26,261.53	$26,534.74	$273.21	1.0%
	Sentinel Lights	$39.12	$39.41	$0.29	0.7%
	USL	$89.17	$89.40	$0.22	0.3%

School Energy Coalition Interrogatory # 99

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

Q-01-01 Page: 20-25
With respect to the proposed rate increases for the Acquired customers:

Interrogatory:

a) Please provide the full calculations behind Table 12 on page 22 and Table 13 on page 24, in live Excel format.

b) Please provide all supporting information related to any assumptions made.

c) To the extent that any of the assumptions are different from the assumptions contained in the Affidavit of Joanne Richardson dated November 1, 2017, filed by the Hydro One in EB-2017-0320, please provide details of and rationale for those changes in assumptions.

d) Please confirm that, based on Table 12, the Hydro One is proposing the following 2021 rate increases for the customers in the six new rate classes for the Acquired customers:

Woodstock	***2014***	***2021***	***Increase***	***Percent***
Residential	$29.97	$30.78	$0.81	2.70%
GS<50	$57.43	$61.22	$3.79	6.60%
GS>50	$461.41	$795.26	$333.85	72.35%

Norfolk	***2014***	***2021***	***Increase***	***Percent***
Residential	$38.78	$37.70	-$1.08	-2.78%
GS<50	$86.73	$74.05	-$12.68	-14.62%
GS>50	$780.99	$980.44	$199.45	25.54%

Haldimand	***2014***	***2021***	***Increase***	***Percent***
Residential	$35.46	$37.70	$2.24	6.32%
GS<50	$63.94	$74.05	$10.11	15.81%
GS>50	$741.13	$893.84	$152.71	20.61%

e) Please restate the above table using the average billing determinants for each class as of the most recent information available to the Hydro One.

Witness: ANDRE Henry

f) In addition, please restate the above table to compare the forecast distribution bills in 2020 with the proposed distribution bills for 2021, and calculate the one year increases and percentages.

Response:

a) Hydro One has updated Table 12 and Table 13 in the response to OEB staff IR I-56-Staff-264. Full calculations behind the updated Table 12 and Table 13 are provided in live Excel format as attachments to this interrogatory response. Table below lists the attached files and their contents.

File Name	Contents
I-56-SEC-099-01.xlsx	Derivation of 2021 and 2022 escalated distribution rates for Woodstock, Norfolk and Haldimand
I-56-SEC-099-02.xlsx	2021 Bill comparisons for Woodstock
I-56-SEC-099-03.xlsx	2021 Bill comparisons for Norfolk
I-56-SEC-099-04.xlsx	2021 Bill comparisons for Haldimand
I-56-SEC-099-05.xlsx	2022 Bill comparisons for Woodstock
I-56-SEC-099-06.xlsx	2022 Bill comparisons for Norfolk
I-56-SEC-099-07.xlsx	2022 Bill comparisons for Haldimand

b) All assumptions and data sources are described on page 21 of Exhibit Q-01-01, and shown in the bill impact detailed calculations provided in Attachment 7 to Exhibit Q-01-01.

c) Below are the difference in assumptions used in the referenced tables and those used in the Affidavit of Joanne Richardson dated November 1, 2017 in EB-2017-0320:

- Hydro One's response to undertaking JT1.2 in proceeding EB-2017-0320 stated that if the rate increases in 2015 over 2014 were included, the combined average Cost of Service increase would go up marginally. The referenced tables (Table 12 and Table 13) use 6.3% as the average increase in a Cost of Service year as opposed to the 6.0% figure used in the referenced affidavit.
- In the calculations shown in the Affidavit of Joanne Richardson (EB-2017-0320), RTSR were held constant at Orillia's 2016 rates throughout the analysis period. Information provided in the referenced Table 12 and Table 13 reflects the Board-

approved or Hydro One proposed changes in RTSR for the acquired utilities, as appropriate.

- In the calculations shown in the Affidavit of Joanne Richardson (EB-2017-0320), Commodity and Regulatory charges effective November 1, 2016 have been used for 2016 and those effective July 1, 2017 have been used for 2017 onwards. Bill impacts shown in the referenced Table 12 and Table 13 used Commodity and Regulatory charges effective July 1, 2017 throughout the analysis.

d) The changes in the distribution portion of the bill for acquired customers as shown in the table provided in part d) of this interrogatory are confirmed.
Hydro One would like to note that the year of "current" distribution bill for Norfolk should be 2013, instead of 2014.

e) Hydro One has included average billing determinants for the six new acquired rate classes in the table provided in Exhibit H1, Tab 4, Schedule 1, Attachment 4, page 1. These are the most recent billing determinants readily available, they are based on 2016 year-end data and are not expected to have changed significantly.

The Table below provides the change in distribution portion of the bill for acquired customers using average billing determinants based on the most recent information available.

Woodstock	**Average Billing Determinant (kWh/kW)**	**2014 (DX Bill)**	**2021 (DX Bill)**	**Change ($)**	**Change (%)**
Residential	600	$26.70	$30.78	$4.08	15.28%
GS < 50	2,695	$67.16	$72.62	$5.46	8.13%
GS > 50	61,239/177	$461.41	$795.26	$333.85	72.35%
Norfolk	**Average Billing Determinant (kWh/kW)**	**2013 (DX Bill)**	**2021 (DX Bill)**	**Change ($)**	**Change (%)**
Residential	570	$34.72	$37.70	$2.98	8.57%
GS < 50	2,182	$89.69	$77.28	-$12.41	-13.83%
GS > 50	57,223/161	$780.99	$980.44	$199.45	25.54%

Haldimand	Average Billing Determinant (kWh/kW)	2014 (DX Bill)	2021 (DX Bill)	Change ($)	Change (%)
Residential	694	$34.08	$37.70	$3.62	10.61%
GS < 50	1,819	$60.60	$70.85	$10.25	16.92%
GS > 50	50,917/143	$741.13	$893.84	$152.72	20.61%

f) The Table below provides the change in distribution portion of the bill for the six new rate classes for the acquired customers between "2020 Escalated Acquired Utility Charges" and "2021 Hydro One Proposed Charges". The calculations use the most recent average billing determinants available to Hydro One.

Woodstock	Average Billing Determinant (kWh/kW)	Forecast 2020 (DX Bill)	2021 (DX Bill)	Change ($)	Change (%)
Residential	600	$35.41	$30.78	-$4.63	-13.08%
GS < 50	2,695	$75.57	$72.62	-$2.95	-3.90%
GS > 50	61,239/177	$704.17	$795.26	$91.09	12.94%
Norfolk	**Average Billing Determinant (kWh/kW)**	**Forecast 2020 (DX Bill)**	**2021 (DX Bill)**	**Change ($)**	**Change (%)**
Residential	570	$42.43	$37.70	-$4.73	-11.15%
GS < 50	2,182	$97.76	$77.28	-$20.48	-20.95%
GS > 50	57,223/161	$1,055.30	$980.44	-$74.87	-7.09%
Haldimand	**Average Billing Determinant (kWh/kW)**	**Forecast 2020 (DX Bill)**	**2021 (DX Bill)**	**Change ($)**	**Change (%)**
Residential	694	$40.97	$37.70	-$3.27	-7.98%
GS < 50	1,819	$70.99	$70.85	-$0.14	-0.19%
GS > 50	50,917/143	$769.00	$893.84	$124.84	16.23%

OEB Staff Interrogatory # 264

Issue:

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

Reference:

Q-01-01 Page: 20-25 Escalated Acquired Utility Rates

Interrogatory:

Hydro One, in its update, has provided comparisons to Escalated Acquired Utility rates.

a) Please provide a derivation of the escalated 2021 rates.

b) Please provide a derivation of the escalated 2022 rates.

Response:

a) & b)

The tables below provide the derivation of escalated 2021 and 2022 rates for all three acquired service areas. Please note that the derivation of the "Assumed Growth in Rates Over Prior Years" is as described on page 21 and detailed in Attachment 6 of Exhibit Q, Tab 1, Schedule 1 filed on December 21, 2017.

Woodstock - Residential									
	2014	**2015**	**2016***	**2017***	**2018***	**2019***	**2020***	**2021**	**2022**
Fixed Charge ($/month)	$12.98	$13.80	$17.67	$21.64	$25.54	$29.52	$35.41	$35.68	$35.95
Volumetric Charge ($/kWh)	$0.0222	$0.0236	$0.0192	$0.0145	$0.0098	$0.0048	$0.0000	$0.0000	$0.0000
Assumed Growth in Rates Over Prior Year		6.30%	1.50%	1.45%	0.75%	0.75%	6.30%	0.75%	0.75%

* For 2016-2020, the fixed and volumetric rates incorporate the growth rates shown above, and are further adjusted to account for the move to fully-fixed distribution rates for the residential class as mandated by the Board.

Woodstock - GS < 50 kW									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$25.19	$26.78	$27.18	$27.57	$27.78	$27.99	$29.75	$29.97	$30.19
Volumetric Charge ($/kWh)	$0.0145	$0.0154	$0.0156	$0.0158	$0.0159	$0.0160	$0.0170	$0.0171	$0.0172
Assumed Growth in Rates Over Prior Year		6.30%	1.50%	1.45%	0.75%	0.75%	6.30%	0.75%	0.75%

Woodstock - GS 50-999 kW									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$139.96	$148.78	$151.01	$153.20	$154.35	$155.51	$165.31	$166.55	$167.80
Volumetric Charge ($/kW)	$2.5777	$2.7401	$2.7812	$2.8215	$2.8427	$2.8640	$3.0444	$3.0672	$3.0902
Assumed Growth in Rates Over Prior Year		6.30%	1.50%	1.45%	0.75%	0.75%	6.30%	0.75%	0.75%

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Norfolk - Residential										
	2013	**2014**	**2015**	**2016***	**2017***	**2018***	**2019***	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$20.87	$21.16	$21.44	$27.14	$31.96	$36.71	$41.55	$41.92	$44.56	$44.96
Volumetric Charge ($/kWh)	$0.0218	$0.0221	$0.0224	$0.0180	$0.0122	$0.0063	$0.0000	$0.0000	$0.0000	$0.0000
Assumed Growth in Rates Over Prior Year		1.40%	1.30%	6.30%	1.60%	0.90%	0.90%	0.90%	6.30%	0.90%

* For 2016-2019, the fixed and volumetric rates incorporate the growth rates shown above, and are further adjusted to account for the move to fully-fixed distribution rates for the residential class as mandated by the Board.

Norfolk - GS < 50 kW										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$49.98	$50.68	$51.34	$54.57	$55.44	$55.94	$56.44	$56.95	$60.54	$61.08
Volumetric Charge ($/kWh)	$0.0156	$0.0158	$0.0160	$0.0170	$0.0173	$0.0175	$0.0177	$0.0179	$0.0190	$0.0192
Assumed Growth in Rates Over Prior Year		1.40%	1.30%	6.30%	1.60%	0.90%	0.90%	0.90%	6.30%	0.90%

Norfolk - GS 50-4,999 kW										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$245.55	$248.99	$252.23	$268.12	$272.41	$274.86	$277.33	$279.83	$297.46	$300.14
Volumetric Charge ($/kW)	$3.9602	$4.0156	$4.0678	$4.3241	$4.3933	$4.4328	$4.4727	$4.5130	$4.7973	$4.8405
Assumed Growth in Rates Over Prior Year		1.40%	1.30%	6.30%	1.60%	0.90%	0.90%	0.90%	6.30%	0.90%

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Haldimand - Residential									
	2014	**2015**	**2016***	**2017***	**2018***	**2019***	**2020***	**2021**	**2022**
Fixed Charge ($/month)	$17.01	$17.26	$21.45	$25.75	$31.55	$36.10	$40.69	$41.12	$41.55
Volumetric Charge ($/kWh)	$0.0248	$0.0252	$0.0205	$0.0157	$0.0111	$0.0056	$0.0000	$0.0000	$0.0000
Assumed Growth in Rates Over Prior Year		1.45%	1.95%	1.75%	6.30%	1.05%	1.05%	1.05%	1.05%

* For 2016-2020, the fixed and volumetric rates incorporate the growth rates shown above, and are further adjusted to account for the move to fully-fixed distribution rates for the residential class as mandated by the Board.

Haldimand - GS < 50 kW									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$26.94	$27.33	$27.86	$28.35	$30.14	$30.46	$30.78	$31.10	$31.43
Volumetric Charge ($/kWh)	$0.0190	$0.0193	$0.0197	$0.0200	$0.0213	$0.0215	$0.0217	$0.0219	$0.0221
Assumed Growth in Rates Over Prior Year		1.45%	1.95%	1.75%	6.30%	1.05%	1.05%	1.05%	1.05%

Haldimand - GS 50-4,999 kW									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fixed Charge ($/month)	$83.61	$84.82	$86.47	$87.98	$93.52	$94.50	$95.49	$96.49	$97.50
Volumetric Charge ($/kW)	$3.9339	$3.9909	$4.0687	$4.1399	$4.4007	$4.4469	$4.4936	$4.5408	$4.5885
Assumed Growth in Rates Over Prior Year		1.45%	1.95%	1.75%	6.30%	1.05%	1.05%	1.05%	1.05%

In preparing the response to this interrogatory, Hydro One noticed that the volumetric rate for 2017 was incorrectly rounded to two decimals instead of four for the General Service rate classes. This led to an error in the derivation of escalated rates and the calculation of bill impacts. This has been corrected and the tables above reflect the updated rates. The bill impacts shown in Table 12 and Table 13 of Exhibit Q, Tab 1, Schedule 1 submitted on December 21, 2017[1] have also been updated to reflect the corrected rates and updated tables are provided below.

[1] Exhibit Q, Tab 1, Schedule 1, Pages 23 and 25, EB-2017-0049.

Updated Table 12

Hydro One proposed 2021 charges compared against 2021 escalated acquired utility charges

Service Area	Rate Class	Monthly Consumption (kWh/kW)	Acquired Utility Charges at the time of Acquisition		2021 Escalated Acquired Utility Charges		2021 Hydro One Propsoed Charges		2021 Hydro One Proposed VS Escalated Acquired Utility Charges	
			DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill (%)	Total Bill (%)
Woodstock	Residential	750	$29.97	$112.72	$35.68	$118.58	$30.78	$115.13	-13.7%	-2.9%
	GS < 50 kW	2,000	$57.43	$287.80	$64.17	$294.59	$61.22	$290.83	-4.6%	-1.3%
	GS 50-999 kW	61,239/177	$461.41	$10,254.36	$709.44	$10,523.14	$795.26	$10,312.47	12.1%	-2.0%
Norfolk	Residential	750	$38.78	$120.43	$45.24	$127.56	$37.70	$122.75	-16.7%	-3.8%
	GS < 50 kW	2,000	$86.73	$314.60	$100.14	$329.20	$74.05	$305.00	-26.1%	-7.3%
	GS 50-4,999 kW	57,223/161	$780.99	$9,778.33	$1,118.69	$10,192.42	$980.44	$9,958.07	-12.4%	-2.3%
Haldimand	Residential	750	$35.46	$119.41	$41.42	$125.52	$37.70	$122.75	-9.0%	-2.2%
	GS < 50 kW	2,000	$63.94	$296.91	$75.70	$309.14	$74.05	$305.00	-2.2%	-1.3%
	GS 50-4,999 kW	50,917/143	$741.13	$8,979.21	$769.00	$9,008.53	$893.84	$8,884.92	16.2%	-1.4%

Updated Table 13

Hydro One proposed 2022 charges compared against 2022 escalated acquired utility charges

Service Area	Rate Class	Monthly Consumption (kWh/kW)	Acquired Utility Charges at the time of Acquisition		2022 Escalated Acquired Utility Charges		2022 Hydro One Propsoed Charges		2022 Hydro One Proposed VS Escalated Acquired Utility Charges	
			DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill ($)	Total Bill ($)	DX Bill (%)	Total Bill (%)
Woodstock	Residential	750	$29.97	$112.72	$35.95	$118.86	$31.59	$115.97	-12.1%	-2.4%
	GS < 50 kW	2,000	$57.43	$287.80	$64.59	$295.02	$62.74	$292.41	-2.9%	-0.9%
	GS 50-999 kW	61,239/177	$461.41	$10,254.36	$714.77	$10,529.15	$815.24	$10,335.06	14.1%	-1.8%
Norfolk	Residential	750	$38.78	$120.43	$45.64	$127.98	$38.69	$123.78	-15.2%	-3.3%
	GS < 50 kW	2,000	$86.73	$314.60	$101.08	$330.17	$76.04	$307.07	-24.8%	-7.0%
	GS 50-4,999 kW	57,223/161	$780.99	$9,778.33	$1,128.33	$10,203.30	$1,005.40	$9,986.27	-10.9%	-2.1%
Haldimand	Residential	750	$35.46	$119.41	$41.85	$125.97	$38.69	$123.78	-7.6%	-1.7%
	GS < 50 kW	2,000	$63.94	$296.91	$76.43	$309.90	$76.04	$307.07	-0.5%	-0.9%
	GS 50-4,999 kW	50,917/143	$741.13	$8,979.21	$776.84	$9,017.39	$916.32	$8,910.32	18.0%	-1.2%

As the updated Table 12 and Table 13 show, the correction noted above does not materially change the results for most customer classes, but does make the bill impact reductions smaller for Norfolk and Woodstock's GS < 50 kW rate classes.

Costs and Rate Base Allocated to Norfolk, Haldimand and Woodstock - 2021 - Revised as per Hydro One IR Response

		AUR	AUGe	AUGd	Woodstock	AR	AGe	AGd	Norfolk/ Haldimand	Total Acquired
		a	b	c	d	e	f	g	h	i
	OM&A									
1	Distribution Costs	$1,113,873	$217,669	$231,905	$1,563,446	$3,914,134	$860,710	$760,909	$5,535,752	$7,099,199
2	Customer Related Costs	$990,150	$155,982	$49,672	$1,195,805	$2,529,476	$486,762	$109,147	$3,125,384	$4,321,189
3	General and Administration	$767,634	$139,189	$197,548	$1,104,370	$2,368,250	$500,134	$372,797	$3,241,182	$4,345,552
	Directly Allocated			$456,187	$456,187			$185,326	$185,326	
4	Totals	$2,871,657	$512,840	$935,312	$4,319,809	$8,811,860	$1,847,606	$1,428,178	$12,087,644	$16,407,453
5	Forecast (EB-2016-0276)				$2,200,000				$8,500,000	$10,700,000
6	Excess Allocation				$2,119,809				$3,587,644	$5,707,453
7	Status Quo (EB-2016-0276)				$4,400,000				$15,300,000	$19,700,000
8	Revised Cost Savings				$80,191				$3,212,356	$3,292,547
	Rate Base									
9	Net Plant	$26,507,933	$7,053,375	$8,329,435	$41,890,743	$95,097,168	$23,989,153	$26,565,144	$145,651,465	$187,542,208
10	Working Capital	$1,536,699	$651,895	$2,083,880	$4,272,474	$4,750,287	$1,607,713	$3,446,235	$9,804,236	$14,076,710
11	Total Rate Base	$28,044,632	$7,705,270	$10,413,315	$46,163,217	$99,847,455	$25,596,866	$30,011,379	$155,455,701	$201,618,918
12	A/7/1, p. 11 Rate Base amount				$38,007,813				$127,992,187	$166,000,000
	Depreciation									
13	Cost Alloc. Model	$1,575,648	$491,136	$779,211	$2,845,995	$5,388,124	$1,399,257	$1,822,062	$8,609,443	$11,455,438
14	Equiv. on Lower Rate Base				$2,343,208				$7,088,460	$9,431,668
15	Excess Dep'n Allocation				$502,786				$1,520,983	$2,023,770
	Cost of Capital									
16	Interest	$692,133	$184,350	$217,657	$1,094,140	$2,482,724	$627,090	$694,147	$3,803,961	$4,898,101
17	ROE/Net Income	$973,171	$259,205	$306,036	$1,538,412	$3,490,826	$881,718	$976,004	$5,348,548	$6,886,960
18	PILs	$222,906	$59,371	$70,098	$352,375	$799,578	$201,959	$223,555	$1,225,091	$1,577,467
19	Total Cost of Capital	$1,888,210	$502,926	$593,792	$2,984,927	$6,773,127	$1,710,767	$1,893,706	$10,377,600	$13,362,528
20	Equiv. on Lower Rate Base				$2,457,596				$8,544,246	$11,001,843
21	Excess COC Allocation				$527,331				$1,833,354	$2,360,685
22	**Subtotal Allocated Costs**	$6,335,515	$1,506,902	$2,308,314	$10,150,731	$20,973,111	$4,957,631	$5,143,946	$31,074,688	$41,225,418
23	**Plus Combined Classes**				$431,727				$1,109,316	$1,358,337
24	**Total Allocated Costs**				$10,582,458				$32,184,004	$42,766,461
25	**Expected Actual Costs**				$7,000,805				$24,132,706	$31,133,510
26	**Status Quo Actual Costs**				$9,200,805				$30,932,706	$40,133,510
27	**Revenues in 2014**				$8,508,516				$25,143,851	$33,652,367
28	**Escalated to 2021 @ 1.3%**				$9,313,677				$27,523,214	$36,836,890
29	**Excess Costs**				$1,268,781				$4,660,790	$5,929,571

	Total GBV that should be allocated to Acq RES and GS classes							Total GBV that is being Allocated (non Adj CAM) incl Bulk						
USofA	AUR	AUGe	AUGd	AR	AGSe	AGSd	total	AUR	AUGe	AUGd	AR	AGSe	AGSd	total
1815	$ 34,785	$ 12,286	$ 24,322	$ 4,453,869	$ 1,573,077	$ 3,114,155	$ 9,212,494	$ 990,069	$ 342,654	$ 997,289	$ 3,035,452	$ 792,001	$ 1,630,937	$ 7,788,401
1820	$ 698,094	$ 395,134	$ 659,242	$ 2,746,921	$ 1,453,060	$ 2,270,891	$ 8,223,341	$ 2,425,189	$ 2,582,362	$ 8,472,375	$ 9,025,387	$ 4,560,547	$ 13,573,583	$ 40,639,443
1830	$ 9,190,170	$ 1,755,281	$ 2,398,947	$ 44,932,922	$ 10,688,872	$ 11,368,536	$ 80,334,727	$ 25,757,602	$ 8,572,979	$ 16,577,713	$ 72,783,941	$ 17,821,683	$ 26,695,666	$ 168,209,584
1835	$ 8,315,849	$ 1,125,149	$ 1,537,744	$ 35,397,029	$ 8,355,811	$ 8,753,057	$ 63,484,639	$ 15,282,392	$ 4,712,726	$ 11,036,332	$ 42,992,770	$ 10,090,316	$ 17,798,950	$ 101,913,487
1840	$ 4,616,370	$ 536,563	$ 733,324	$ 5,113,607	$ 1,286,379	$ 1,379,955	$ 13,666,198	$ 214,916	$ 62,827	$ 159,173	$ 589,966	$ 132,424	$ 255,334	$ 1,414,641
1845	$ 7,440,212	$ 864,781	$ 1,181,900	$ 13,662,158	$ 3,153,035	$ 3,182,634	$ 29,484,720	$ 3,322,371	$ 971,239	$ 2,460,640	$ 9,120,219	$ 2,047,132	$ 3,947,181	$ 21,868,782
1850	$ 6,015,250	$ 1,833,281	$ 1,970,647	$ 25,108,601	$ 5,992,733	$ 5,450,140	$ 46,370,651	$ 18,739,228	$ 8,784,036	$ 17,317,989	$ 46,222,808	$ 11,993,454	$ 32,600,752	$ 135,658,266
1855	$ -	$ -	$ -	$ 4,951,862	$ 935,443	$ 164,416	$ 6,051,720	$ 5,679,125	$ -	$ -	$ 21,012,480	$ -	$ -	$ 26,691,604
1860	$ 2,484,574	$ 3,364,379	$ 1,752,411	$ 4,935,759	$ 1,178,118	$ 479,046	$ 14,194,288	$ 4,969,870	$ 1,794,142	$ 940,560	$ 14,080,704	$ 4,484,006	$ 1,495,101	$ 27,764,381
TOTAL	$ 38,795,305	$ 9,886,854	$ 10,258,537	$ 141,302,728	$ 34,616,526	$ 36,162,829	$ 271,022,779	$ 77,380,762	$ 27,822,965	$ 57,962,070	$ 218,863,725	$ 51,921,564	$ 97,997,504	$ 531,948,590

	Total NBV that should be allocated to Acq RES and GS classes							Total NBV that is being Allocated (non Adj CAM) incl Bulk						
USofA	AUR	AUGe	AUGd	AR	AGSe	AGSd	total	AUR	AUGe	AUGd	AR	AGSe	AGSd	total
1815	$ 20,836.02	$ 7,540.47	$ 15,018.93	$ 2,648,304.91	$ 960,983.66	$ 1,924,070.07	$ 5,576,754.07	$ 593,044.12	$ 210,304.30	$ 615,834.04	$ 1,804,903.03	$ 483,828.62	$ 1,007,668.64	$ 4,715,582.75
1820	$ 418,153.11	$ 242,513.94	$ 407,087.31	$ 1,633,340.54	$ 887,665.91	$ 1,403,062.05	$ 4,991,822.85	$ 1,452,670.31	$ 1,584,928.79	$ 5,231,762.79	$ 5,366,564.80	$ 2,786,012.38	$ 8,386,391.93	$ 24,808,331.00
1830	$ 5,504,843.20	$ 1,077,306.37	$ 1,481,370.18	$ 26,717,461.56	$ 6,529,770.62	$ 7,024,011.14	$ 48,334,763.07	$ 15,428,611.47	$ 5,261,680.45	$ 10,236,876.98	$ 43,277,891.96	$ 10,887,164.47	$ 16,493,826.62	$ 101,586,051.94
1835	$ 4,981,131.63	$ 690,562.12	$ 949,569.83	$ 21,047,346.05	$ 5,104,517.34	$ 5,408,046.44	$ 38,181,173.42	$ 9,154,038.84	$ 2,892,443.49	$ 6,815,027.81	$ 25,563,832.29	$ 6,164,116.73	$ 10,997,020.81	$ 61,586,479.96
1840	$ 2,765,171.14	$ 329,316.65	$ 452,833.58	$ 3,040,590.13	$ 785,841.40	$ 852,600.41	$ 8,226,353.31	$ 128,733.37	$ 38,560.32	$ 98,290.74	$ 350,798.25	$ 80,897.23	$ 157,757.25	$ 855,037.15
1845	$ 4,456,631.67	$ 530,760.64	$ 729,833.25	$ 8,123,624.16	$ 1,926,171.10	$ 1,966,379.80	$ 17,733,400.63	$ 1,990,075.23	$ 596,099.84	$ 1,519,465.96	$ 5,422,952.29	$ 1,250,581.55	$ 2,438,752.25	$ 13,217,927.12
1850	$ 3,603,089.73	$ 1,125,179.40	$ 1,216,890.83	$ 14,929,767.76	$ 3,660,926.27	$ 3,367,350.22	$ 27,903,204.20	$ 11,224,657.48	$ 5,391,216.56	$ 10,694,003.72	$ 27,484,437.55	$ 7,326,732.44	$ 20,142,264.01	$ 82,263,311.77
1855	$ -	$ -	$ -	$ 2,944,415.28	$ 571,456.53	$ 101,583.61	$ 3,617,455.43	$ 3,401,753.36	$ -	$ -	$ 12,494,182.29	$ -	$ -	$ 15,895,935.65
1860	$ 1,488,241.29	$ 2,064,893.46	$ 1,082,128.81	$ 2,934,840.56	$ 719,705.51	$ 295,977.13	$ 8,585,786.75	$ 2,976,914.73	$ 1,101,157.43	$ 580,803.55	$ 8,372,495.01	$ 2,739,253.47	$ 923,743.01	$ 16,694,367.20
TOTAL	$ 23,238,097.79	$ 6,068,073.05	$ 6,334,732.72	$ 84,019,690.95	$ 21,147,038.34	$ 22,343,080.88	$ 163,150,713.73	$ 46,350,498.91	$ 17,076,391.17	$ 35,792,065.59	$ 130,138,057.47	$ 31,718,586.90	$ 60,547,424.51	$ 321,623,024.54

Total 2021 NFA (O6 CAM)	$ 47,645,555	$ 17,542,733	$ 37,172,352	$ 134,120,306	$ 32,799,221	$ 62,808,902
NBV being allocated that is NOT associated with 1815-1860	$ 1,295,056	$ 466,342	$ 1,380,286	$ 3,982,248	$ 1,080,634	$ 2,261,478
Total NBV that should be allocated for 1815-1860	$ 23,238,098	$ 6,068,073	$ 6,334,733	$ 84,019,691	$ 21,147,038	$ 22,343,081
Total	$ 24,533,154	$ 6,534,415	$ 7,715,019	$ 88,001,939	$ 22,227,673	$ 24,604,559
NFA Adjustment Factor	51.49%	37.25%	20.75%	65.61%	67.77%	39.17%

total allocated

	Total NBV ECC that should be allocated to Acq RES and GS classes							Total NBV ECC that is being Allocated (non Adj CAM) incl Bulk						
USofA	AUR	AUGe	AUGd	AR	AGSe	AGSd	total	AUR	AUGe	AUGd	AR	AGSe	AGSd	total
1815	$ 23,270	$ 8,309	$ 16,595	$ 2,962,457	$ 1,056,598	$ 2,127,165	$ 6,194,394	$ 662,311	$ 231,732	$ 680,454	$ 2,019,008	$ 531,968	$ 1,114,033	$ 5,239,506
1820	$ 466,993	$ 267,223	$ 449,804	$ 1,827,094	$ 975,986	$ 1,551,162	$ 5,538,262	$ 1,622,341	$ 1,746,415	$ 5,780,740	$ 6,003,168	$ 3,063,211	$ 9,271,615	$ 27,487,491
1830	$ 6,147,806	$ 1,187,072	$ 1,636,813	$ 29,886,794	$ 7,179,461	$ 7,765,428	$ 53,803,373	$ 17,230,665	$ 5,797,787	$ 11,311,049	$ 48,411,689	$ 11,970,401	$ 18,234,827	$ 112,956,417
1835	$ 5,562,925	$ 760,923	$ 1,049,210	$ 23,544,066	$ 5,612,400	$ 5,978,891	$ 42,508,415	$ 10,223,226	$ 3,187,151	$ 7,530,140	$ 28,596,316	$ 6,777,426	$ 12,157,808	$ 68,472,066
1840	$ 3,088,142	$ 362,870	$ 500,350	$ 3,401,277	$ 864,030	$ 942,596	$ 9,159,265	$ 143,769	$ 42,489	$ 108,605	$ 392,411	$ 88,946	$ 174,409	$ 950,630
1845	$ 4,977,164	$ 584,839	$ 806,416	$ 9,087,281	$ 2,117,819	$ 2,173,940	$ 19,747,459	$ 2,222,515	$ 656,836	$ 1,678,906	$ 6,066,245	$ 1,375,010	$ 2,696,174	$ 14,695,685
1850	$ 4,023,929	$ 1,239,823	$ 1,344,581	$ 16,700,797	$ 4,025,176	$ 3,722,790	$ 31,057,095	$ 12,535,691	$ 5,940,521	$ 11,816,143	$ 30,744,751	$ 8,055,718	$ 22,268,374	$ 91,361,198
1855	$ -	$ -	$ -	$ 3,293,694	$ 628,315	$ 112,306	$ 4,034,314	$ 3,799,076	$ -	$ -	$ 13,976,292	$ -	$ -	$ 17,775,368
1860	$ 1,662,067	$ 2,275,283	$ 1,195,678	$ 3,282,983	$ 791,314	$ 327,219	$ 9,534,544	$ 3,324,617	$ 1,213,353	$ 641,748	$ 9,365,674	$ 3,011,800	$ 1,021,248	$ 18,578,440
TOTAL	$ 25,952,295	$ 6,686,342	$ 6,999,446	$ 93,986,443	$ 23,251,098	$ 24,701,497	$ 181,577,121	$ 51,764,211	$ 18,816,284	$ 39,547,784	$ 145,575,554	$ 34,874,481	$ 66,938,488	$ 357,516,802

Total 2021 NFA ECC (O6 CAM)	$53,210,530	$19,330,140	$41,072,906	$150,030,193	$36,062,634	$69,438,675
NBV being allocated that is NOT associated with 1815-1860	$1,446,318	$513,857	$1,525,122	$4,454,639	$1,188,154	$2,500,187
Total NBV ECC that should be allocated for 1815-1860	$ 25,952,295	$ 6,686,342	$ 6,999,446	$ 93,986,443	$ 23,251,098	$ 24,701,497
Total	$27,398,613	$7,200,198	$8,524,568	$98,441,081	$24,439,252	$27,201,685
NFA ECC Adjustment Factor	51.49%	37.25%	20.75%	65.61%	67.77%	39.17%

UNDERTAKING – JT 3.18-19

Reference

56-SEC-96

Preamble:

Part (c) iii) of the response states: "The combined Hydro One and Acquired Utilities' revenue requirement is $9 M less than would have been in the absence of the transaction".

Undertaking

a) Please clarify whether the referenced quote was referring to the difference in revenue requirement, as stated in the response, or to the difference in OM&A costs.

b) If the reference was to the overall revenue requirement, please provide the 2021 forecast values for: i) Hydro One's distribution revenue requirement and ii) the Acquired Utilities' revenue requirement, in the absence of the transaction underpinning the response.

c) If the reference was actually to the difference in 2021 OM&A costs then, based on the forecasts of status quo OM&A and capital expenditures provided in the relevant acquisition proceedings, please provide a forecast of the 2021 revenue requirement for the Acquired Utilities, in the absence of the transaction.

Response

a) Hydro One confirms that the incremental OM&A cost to serve the three acquired utility's customers is $10.7M, as compared to the status quo OM&A of $19.7M.

   The response also indicated that "The combined Hydro One and Acquired Utilities' revenue requirement is $9M less than it would have been in absence of the transaction." This was incorrect, the revenue requirement savings should have said $11.3 million.

b) Not Applicable

c) The equivalent calculation for total revenue requirement is $11.3 million, where $9.0 million represents OM&A.

Acquired Utilities 2021 Revenue Requirement			
$million	Status Quo	Post-Integration	Savings
OM&A	19.7	10.7	9.0
Depreciation	5.0	4.3	0.8
Return on Debt	4.9	4.3	0.6
Return on Equity	6.8	5.9	1.0
Income Tax	0.4	0.5	0.0
Revenue Requirement	36.9	25.6	11.3

UNDERTAKING – JT 3.20

Undertaking

To provide details of the changes that caused savings to be lower than when HONI got approval.

Response

In Hydro One's MAAD applications to acquire Norfolk, Haldimand and Woodstock, filed in 2013 and 2014, "Projected LDC Acquisition OM&A and Capital Expenditures Savings" tables were provided. The tables illustrated a low-medium-and high case scenario, comparing the utilities "status quo" cost with a forecast after integration into Hydro One.

The total savings (OM&A and capital) forecast in each of these scenarios ranged from $80 million to $138 million over years 2015-2022. The savings in 2015 and 2016 were lower than expected due to delays in receipt of OEB approval and the subsequent impact on the timing of integrating each utility's distribution system into Hydro One.

The current forecast, provided in Exhibit I-56-SEC 90, is $91.3 million savings in OM&A and capital together and is within the range provided in the MAAD applications.

Hydro One has provided an OM&A 2017 and 2018 forecast to operate each of these utilities in EB-2017-0049. This forecast is based on Hydro One's current knowledge of operating each utility's distribution systems. The 2018 forecast was then adjusted by the price cap adjustment applied to all Hydro One distribution customers for 2019-2022. The capital forecast was based upon the findings in the Distribution System Plan, filed as Exhibit B1-1-1, Appendix A.

Witness: ANDRE Henry

UNDERTAKING – JT 3.21

Undertaking

To provide an explanation that shows for 1815 and 1820, or for all of them, what was allocated in March and how and what was allocated in June and how.

Response

The table below summarizes the values for USofAs 1815 and 1820 that were initially allocated to the new acquired rate classes in the 2021 CAM, compared to the adjusted values allocated to the acquired classes using the cost allocation approach described in Exhibit G1, Tab 3, Schedule 1 (March 2017 and June 2017), and Exhibit Q, Tab 1, Schedule 1 Section 2.2 (December 2017).

		Application (March 2017)		**Blue Page Update (June 2017) (Note 1)**		**Exhibit Q Update (December 2017) (Note 2)**	
USofA	**USofA Description**	**Allocated by CAM**	**After Adjustment to CAM Allocation**	**Allocated by CAM**	**After Adjustment to CAM Allocation**	**Allocated by CAM**	**After Adjustment to CAM Allocation**
1815	Transformer station equip - above 50kV	$7,335,788	$7,335,788	$7,788,401	$ 7,788,401	$7,788,401	$9,212,494
1820	Distribution station equip - below 50kV	$41,646,316	$41,646,316	$40,639,443	$40,639,443	$40,639,443	$8,223,341

MR. SHEPHERD: Thank you.

Hi. I am the lawyer for -- one of the lawyers for Schools. I want to start with VECC number 126. It's issue -- it's tab 52.

MR. ANDRE: Yes.

MR. SHEPHERD: So you were asked to provide the equivalent of Appendix 1 for the three acquired utilities, and Appendix 1 in that exhibit is the standard form of loss factor calculation. It's actually Appendix 2R in the application.

And you said, well, we don't have the information, and I looked at it and I thought, what information don't you have?

MR. ALAGHEBAND: It is the information at the purchase level. We have the sales figures but not at the purchase. So there is -- if you look at that appendix you see that there is a line showing how much it was purchased, and then how much it was purchased from -- and distinguishing between IESO and purchase on behalf of large users.

So we don't have that total purchase in this case. And sales figures we have, so if we had the purchase we could just deduct and calculate the loss no problem, but we don't have the purchase, because we are not running those companies in the older days, so we didn't keep track of their purchase.

MR. SHEPHERD: This is reported --

MR. ALAGHEBAND: Purchase means simply you buy something from IESO and you may buy something from embedded

generators in your area or in -- under in the city, and then you try to distribute what you purchased to the customers, so the difference -- the loss is simply difference between the purchase and the loss -- and the sales.

So if you don't have the purchase, we cannot calculate the loss, very simple.

MR. SHEPHERD: So help me understand this. You have owned these companies for several years now. You don't know how much their wholesale kilowatt-hours were?

MR. ALAGHEBAND: What we have for two of the companies, Haldimand and Woodstock, they were integrated into Hydro One in September 2016, so we don't have numbers prior to that year. And for Norfolk it was in 2015. So we have -- and the idea is that, you know, that you wanted to have a five-year, you look at the table that they needed to provide, and this was for the five-year period. We don't have the five-year period numbers.

MR. SHEPHERD: And why don't you have the records of the companies you bought for the period before you bought them?

MR. ALAGHEBAND: We didn't need that, for example, when we wanted to purchase the companies we look at their sales figures, and that was good enough for us.

MR. SHEPHERD: That's actually not what the agreement says, sir. What the agreements in each case say is that you get all their records --

MR. ALAGHEBAND: Yes, we get all their records --

MR. SHEPHERD: -- so at this point --

MR. ALAGHEBAND: -- yes, we get all their records, and we are going to follow up on that one, but because the integration into Hydro One system, integration of that information into Hydro One's system was performed recently, as I mentioned, you know, for Woodstock and Haldimand it was not September 2016, so we have a first few months of data for there.

MR. ANDRE: So Mr. Shepherd, we have -- certainly we have sales records, as Mr. Alagheband said, but information on the purchases wasn't part of the information that -- certainly that we didn't have ready access to. I don't know if it was transferred or not, but it's not part of the information data set that came to our group, so --

MR. SHEPHERD: So you don't know what the purchases were of those three compares prior to when you acquired them or when you integrated them?

MR. ALAGHEBAND: When we acquired them, we had all the sales -- it was really corset (sic) for all the sales figures that they are relevant.

MR. ANDRE: "Required".

MR. ALAGHEBAND: You know, but that was it. We don't have purchase --

MR. SHEPHERD: I am asking about the wholesale kilowatt-hours.

MR. ALAGHEBAND: Yes.

MR. ANDRE: Right. Yes. The -- from -- I assume it's from the time of integration, I would think, subject to

check.

MR. SHEPHERD: So that's later than the purchase.

MR. ALAGHEBAND: After integration, we are supposed to gather that data and somehow record it somewhere. And that process itself is not completed yet, but we have some preliminary numbers from September 2016, which means only a few -- in accordance with the table, if you want to duplicate that table, for example, for Woodstock and, you know, Haldimand, we would have only a few months of data, which is not even one full year of data.

MR. SHEPHERD: All right. I will follow up on this in the hearing, thank you.

My next question is on Exhibit I, tab 56, SEC 90. Now, in this interrogatory we actually attached a table of savings from the consolidation of these three utilities from your argument in EB-2016-0276. Now, you haven't attached that to the interrogatory response, but you have attached a revision to that; right?

MR. ANDRE: Yes, that's correct.

MR. SHEPHERD: And what the revision says is that now you have an even lower estimate of your savings from the one you had on May 5th, 2017; right?

MR. ANDRE: I don't have the information on May 5th. I do see that this currently says that the savings are -- in 2021, for example, the savings are 9 million, so I can only confirm this one. I don't have the previous version that you referred to.

MR. SHEPHERD: Why don't you have? It was in the

Haldimand, and Woodstock.

MR. NETTLETON: I must be getting my proceedings wrong. But in any event, you are asking a question about what has changed from the original forecast in the MAAD applications to today.

And today and I am saying that whatever happened in the past is not relevant with respect to this proceeding. We have provided you with the updated forecast information, and so I am instructing the witness not to answer the question.

MR. SHEPHERD: So you don't believe that the Board will think it's relevant that you didn't deliver the savings you said you were going to deliver, and you keep reducing them. Every time we ask you a question, you reduce them again.

MR. NETTLETON: If you are asking what the changes -- Mr. Andre, I don't know if you can answer this. But can you give any information to explain what has caused the change in forecast, or is that something for --

MR. ANDRE: Well, I mean I am surprised because panel 2, that developed the latest spend levels, was just up here and I am sure could have probably answered what are the programs that make up that capital spend that's there now. I certainly can't.

I mean that's why I said is what you are looking for a detail of what the new capital spend is and why the new capital spend that we are forecasting now is different than what was forecast four, five years ago.

MR. SHEPHERD: I am asking why your savings are lower than they were when you got approval. I am asking you to undertake to provide details of what changes caused them to be lower; can you do that?

MR. ANDRE: Yes, sure, we will undertake to do that.

MR. SIDLOFSKY: JT3.20.

UNDERTAKING NO. JT3.20: TO PROVIDE DETAILS OF THE CHANGES THAT CAUSED SAVINGS TO BE LOWER THAN WHEN HONI GOT APPROVAL

MR. SHEPHERD: My next question is on the same interrogatory response; this is page 3 of that response in F. So we were looking at the rate base allocated to the six acquired rate classes, and it looks like it totalled 361.5 million. And you said yes, it does, but that's not the right number.

So maybe you could just explain this answer and why the number that appears to be in the cost allocation model is not the right number for rate-making purposes.

MR. ANDRE: Right. So the $361.5 million figure comes from the 01 sheet of the cost allocation model. And what that represents is the amount of assets that would have been or were allocated to those classes prior to the application of the adjustment factors that Hydro One has adopted.

The adjustment factors, in terms of being able to incorporate it into the model, Mr. Shepherd, the easiest place to do that was in the allocaters tab. So it's in that tab where we make the adjustments -- I guess it's E 6

allocators tab. It's in that tab where we show the adjustments to the gross fixed assets after the application of the adjustment factors. And that doesn't translate into the numbers that come into the 01 sheet. It goes and gets these numbers from another tab where that adjustment wasn't reflected.

So in terms of the costs that are allocated by rate base, like net income, interest costs, PILs and all of that, that allocation is based on the 173.6 million in rate base, not the 361.

MR. SHEPHERD: Excellent, thank you. And my next question is still in the same interrogatory response. This is in attachment 1, and I have two questions on that.

The first is -- we heard the other day that you have zero capital productivity -- Hydro One has zero measured capital productivity. Did you hear that.

MR. ANDRE: No. To be honest, Mr. Shepherd, I haven't heard that testimony.

MR. SHEPHERD: Will you accept, subject to check, that your witness said that?

MR. ANDRE: Okay.

MR. SHEPHERD: I am looking at these lower capital spend for the acquired area and I am thinking, well, if this is not because of productivity, then doesn't this mean you're investing less in their systems?

And I -- there's probably a good explanation; I am just trying to understand.

MR. ANDRE: Well, like I say, you know, if that

question had been put to panel 2 -- I expect that yes, if they are spending less, Mr. Shepherd, we now had the utility's integrated for, you know, a year, a year plus, and I would imagine they have better information on the status and the performance and the state of those assets.

So I would expect that the capital reflects the latest information they have about the need of the assets in the acquired utilities.

MR. SHEPHERD: I was asking more a question, and this is presumably not you -- I am sorry, the information said all the acquired questions were of this panel, so that's why I am asking you.

MR. ANDRE: Sure, no problem, Mr. Shepherd.

MR. SHEPHERD: Otherwise I would have asked the last panel.

What I am trying to understand is whether this means that the emphasis or the prioritization of the customers in the acquired areas has been reduced if you are spending less. Or is that not a fair conclusion?

And if that's outside of your area, just tell me.

MR. ANDRE: No, like I said, this reflects what our asset management group now believes the assets in these three acquired utilities require to maintain a safe reliable system.

But, yes, it does -- it does represent a change, but this is the latest information on what we believe these assets require.

MR. SHEPHERD: All right. The next question I have is

combined classes are the ones in which the acquired customers didn't go into a special class, they went into one of your general classes; is that right?

MR. ANDRE: Yeah, correct, I agree.

MR. SHEPHERD: Okay. Have these numbers changed from the May "cam" to the -- was it May or March?

MR. ANDRE: There was a -- March was our original, and then June -- June 7th was our update.

MR. SHEPHERD: But you made a bunch of changes in December as well.

MR. ANDRE: Yes, so March, our original, June was what we call the blue-page update, affectionately referred to as such, and then the December Q exhibit update.

MR. SHEPHERD: So are these costs materially different from the ones in March?

MR. ANDRE: No, they wouldn't be, because these are allocated per the Board's -- the principles underlying the Board's cost allocation model, so these would have been affected to the extent that, you know, the normal inputs to the cost allocation model like revenue requirement -- I know there was some changes to revenue requirement from March until June, so that would have impacted it slightly, but they certainly wouldn't have been impacted by any cost allocation or changes to the approach for allocating costs to the acquireds. That wouldn't have impacted these costs at all. These are solely driven by the Board's cost allocation model principles.

MR. SHEPHERD: So the only classes that were affected

by actual cost allocation decisions were the acquired classes?

MR. ANDRE: Correct.

MR. SHEPHERD: And by reference, all the other classes were impacted by that reallocation, but --

MR. ANDRE: True.

MR. SHEPHERD: -- the impacts on the others were so small that they are not material.

MR. ANDRE: Yes, Mr. Shepherd; that's correct.

MR. SHEPHERD: Okay. Then the next -- my next question is I-56, SEC 95. And I have two questions about this. First, we asked you in A for information on discussions about reducing the number of classes. And in particular, we are concerned with the acquired classes, obviously, because they have special rates, right? And you said, no, we didn't have any discussions. But then you went on to say, please see I56-SEC-97, and SEC 97 is actually a refusal.

So I am wondering, are you refusing to answer this or is there simply no information available?

MR. ANDRE: Let me just see. Part D.

MR. SHEPHERD: D.

MR. ANDRE: Yeah, no, the one that we pointed to.

Yes, so 97D, the refusal is with respect to, you know, all e-mails, reports, and other documentation, sort of the day-to-day discussions that happen within our work group.

So let me go back here... So I guess it's saying the same things. First off, the first part of the response is

as it is, Mr. Shepherd, there are no plans and there have been no discussions about reducing the number of classes. These six classes have been created. We hope to use them in the future potentially to merge others as there's another response that says they may go into that, we may need to create new classes, so that part of it is as it is.

The reference to part D was simply, you know -- yeah, I am not sure why we even referred you to part D, because I think that first sentence gives you the full response, doesn't it?

MR. SHEPHERD: All right. You could read it as, well, we didn't look because we didn't have to. Or you could read it as, we know there were no discussions, but even if there were we wouldn't give them to you.

MR. ANDRE: Yes. So I can confirm that for this response it's the former.

MR. SHEPHERD: Okay, thanks.

And then the second question on that response is that you have said, and you have said this in other places too, in other proceedings too, that -- and indeed, other utilities have said this about harmonization, that you are going to keep these six classes separate until there's no material difference in the costs to serve those classes. And I am trying to understand, if they are integrated into your system, how is the cost to serve ever going to converge? Can you just explain how that happens?

MR. ANDRE: The -- I understand -- I understand the point that you are making, and I would agree that, you

know, given the use of the adjustment factors they will always get less of a share than -- of certain costs than other classes.

So the convergence is not likely. But I guess, I mean, you know, the Board could make decisions about -- about, you know, for example, the move to all fixed rates.

If it turns out that the all fixed residential rate for one of these new acquired classes, you know, is within a dollar or $2 of one of our other classes, is there a need to maintain two separate classes.

So it's really more of a, we don't know what policy changes may come and what they might do to the classes, so it's a catch-all to say it could happen, but I agree that I wouldn't see that happening in the foreseeable future, and I can't see what would drive -- I can't give you an example of something that would drive us to end up with the same rates.

MR. SHEPHERD: There's not a natural thing that happens that converges costs; right? This would have to be something unusual for the costs to converge?

MR. ANDRE: The only thing I can think of, I mean, you know, if all of the assets -- in 40 years, when all of the assets -- when there's been a turnover, complete turnover, of the assets that are associated with serving these acquired utilities, presumably all of these brand-new assets would have been put in at the Hydro One cost, as opposed to the cost that the acquired utilities spent in putting in those assets.

So, you know, perhaps 30 or 40 years from now there could be a convergence.

MR. SHEPHERD: Oh, I see, I see, I see, okay. That's good. I understand, thank you.

Then my next question is on Exhibit I, tab 56, SEC 96. And I just want to -- I am looking at C, all right? I am looking at the response to C in this. And in each of these components of C and D, you're breaking down the -- the costs that specifically relate to Woodstock, for example, or Haldimand and Norfolk, and the allocated costs and trying to explain the difference. And maybe you can start by explaining that concept.

MR. ANDRE: Sure. Because you are right, Mr. Shepherd. All of the questions follow more or less that same approach to the response. So let's look at the first sentence.

So the 2.2 million -- and I don't know if it's something that's sort of been picked up, but that represents the incremental cost, so the additional costs in OM&A that Hydro One has to spend in order to serve Woodstock, and so it represents the additional OM&A that was added to Hydro One's revenue requirement in 2021. But just the incremental costs.

The 4.3 million that's allocated by the cost allocation model would represent the allocated share of Hydro One's total distribution OM&A costs, total customer service OM&A costs, total A&G OM&A costs.

So once those new classes are created in the model, we

follow the Board's, you know, model allocation principles to allocate a share of the Hydro One total into each of those acquired classes.

So that's what you see there. You see the difference -- I mean, I can't guarantee you that it's actually 2.2 million in costs that are actually -- in distribution OM&A costs that are actually allocated, because the allocation goes back to Hydro One's total costs and allocates a share of those total costs.

MR. SHEPHERD: So when you earlier -- these numbers -- sorry, the 2.2 and the 4.3, they are for 2021; right?

MR. ANDRE: That's correct.

MR. SHEPHERD: So where you -- and this is Woodstock. So in 2021, where you estimate the savings from -- and this is back in SEC 90 -- the savings from the acquisition, you're comparing the incremental costs to the status quo estimate; right?

MR. ANDRE: Yes, that's correct, because they represent the additional costs that get added to Hydro One's total revenue requirement. So, you know, the savings are measured relative to what gets added to Hydro One's total budget to serve the acquireds.

MR. SHEPHERD: I understand, I understand. So from the point of view of the customers, the important number is not the 2.2 million obviously, because that's not what they are paying. They are paying the 4.3, right?

MR. ANDRE: That's the cost allocated to them. The rates actually depends on the revenue to cost ratio that's

applied to the acquired classes. But, yes, these are the costs that are allocated to that class, although none of the -- the rates don't actually reflect this full cost that's allocated to them.

MR. SHEPHERD: Understood, because they have a revenue cost ratio of less than one.

MR. ANDRE: Less than one, correct.

MR. SHEPHERD: But the point here is that it's actually costing Hydro $4.3 million to serve those customers in Woodstock, right? Otherwise, you wouldn't allocate those costs to them.

MR. ANDRE: For the purpose of setting rates, we have to run a cost allocation model and we have to divvy up the costs that Hydro One needs to run its business among all of the rate classes that it serves.

So I would say this represents the allocated cost to serve those acquired classes, yes.

MR. SHEPHERD: So if their forecast -- I am just taking Woodstock for example. Their status quo forecast was 4.4 million, and you are now allocating 4.3 million to them. That's not much of a savings. That's sort of a rounding error, right?

MR. ANDRE: The savings are to Hydro One as a whole. The savings represent the difference between how much more Hydro One needs to spend in order to be able to serve those acquired utilities. It doesn't represent the allocated cost to them. Yes, I would agree with that.

MR. SHEPHERD: See, I am looking at this and I am

thinking, well, whatever the savings were, none of them are going to these acquired customers. These acquired customers -- they are all going to your other customers, not acquired customers.

Subject to your cost revenue adjustment, I get that. But subject to that, basically the savings are going to your legacy customers, not your acquired customers. Is that fair?

MR. ANDRE: No, I don't think -- I think the acquired customers share in the savings that accrue to Hydro One in total. So I think they do get a share of the savings. And certainly when you compare the costs that we are allocating to them in 2021 and you compare that to the OM&A costs that those acquired utilities were paying when they ran their last cost allocation model, which in some cases was more than ten years ago, if you compare those OM&A costs, I would say there's definitely some savings.

But Hydro One has always been very clear that the savings it has identified for the Board relate to the savings to Hydro One has a whole.

MR. SHEPHERD: Okay, thank you. And so then my last question on this particular interrogatory, SEC 96, is on page 5. And what it says is that the total -- this is in E, little 3. It says although you have allocated $41.2 million to the acquired utility customers, you are only charging them 34.9 million in rates. Do you see that?

MR. ANDRE: Yes, I do.

MR. SHEPHERD: And then this is what you were talking

about, right, the revenue requirement?

MR. ANDRE: Yes, that's exactly right. That is exactly what I was referring to.

MR. SHEPHERD: Is it fair to then treat this as a subsidy of those customers by the rest of your customers? Is that right?

MR. ANDRE: I don't know if I would use the word subsidy. I mean, the Board in their decisions on the MAAD said, you know, when it comes time to set rates for the acquired customers, find some way to set rates that reflect the cost to serve them.

So I think the cost to serve them is 41.2. The Board has a range of acceptable revenue to cost ratios that it considers acceptable, you know, from .85 to 1.15.

This falls within that range, so to the extent that anybody that doesn't have or any class that doesn't have the revenue to cost ratio at the exact value of one is getting a subsidy, then I guess you could characterize this as a subsidy. But I would just characterize it as falling with the Board's approved revenue to rate ratio range for all classes.

MR. SHEPHERD: My next question is on I56-SEC-97, and I am looking at page, in the second bullet point where you talk about your changes to the GFA and NFA adjustment factors and you say that you -- what you were doing is expanding the assets to be treated as local assets and correcting in-service addition amounts.

So I wonder if you could just expand on that and

explain how that works and what the impacts are.

MR. ANDRE: Right. So in the March filing, we were allowing the Board's cost allocation model to identify how many station costs -- how much of station costs associated with US of A accounts 1815 and 1820, how much should flow to the new acquired classes. So that our original model both in March and in June.

But then upon further consideration, I mean, the distribution stations really are geared to serving the local customers, not unlike the poles and wires and transformers. So we took the view that distribution stations really should be -- we shouldn't be allowing the model to allocate it. Let's allow the model to allocate it, but then adjust it down to what these acquired utilities were actually spending on accounts 1815 and 1820.

MR. SHEPHERD: So are you doing that in other towns that have their own distribution stations around the province?

MR. ANDRE: No. The rest of our -- the rest of our system share the costs of stations, they share the costs of -- I mean, they 100 percent share in the costs of serving Northern Ontario. They don't pay the cost of serving Northern Ontario. They pay a blended cost that reflects serving southern Ontario, eastern Ontario, and northern Ontario.

But what's different here, Mr. Shepherd, as you well know, the Board has indicated that they would like us to make efforts to charge these acquired utilities what it

costs us to serve them. So we felt that making this adjustment aligned with what the Board asked us to do as part of that MAAD decision.

MR. SHEPHERD: So then you are treating Woodstock, for example -- from a cost allocation point of view, you are treating Woodstock quite different than Smith Falls, let's say, which is another one you acquired a long time ago, and presumably would have some local station assets -- in fact probably several, like Woodstock. But whereas for Smith's Falls, you would say you share in all the station asset costs around the province. For Woodstock, you say you pay all of the costs of the station assets that you have, generally.

MR. ANDRE: Yes, and the integration of Smith Falls and the other 80-plus acquired utilities happened in 2006, and the approach to integrating them at that point in time was reviewed with the Board, put in front of the Board, put in front of intervenors and the decision was made to integrate them in the way that it was done, which was to merge them into Hydro One else acquired classes.

The direction from the Board with respect to these three utilities was different and we're -- you know, we've tailored our application to suit what the Board has directed us to do.

MR. SHEPHERD: Have you had any discussions internally as to whether you should apply the same concept to the other towns in the province that you are serving? I mean, there's quite a lot of them that have relatively unique

costs, right?

MR. ANDRE: That's the -- you know, there is a limit to how many rate classes. You mentioned Smith Falls, but those were acquired utilities. What about towns that were Always -- have always been part of Hydro One. Should we be creating separate rate classes for them as well?

I think the principle that Hydro One, given its diverse service territory and a recognition of the fact that it can cost -- the cost can be considerably different depending on where you are in the province, I think this notion of blending and providing a postage stamp rate is the most appropriate for a utility like Hydro One. It minimizes the impacts on -- it spreads the increased cost among -- of serving rural and remote areas among all customers.

So no, there's no plans to develop special rates for other communities.

MR. SHEPHERD: So there's a -- I will leave that. Now, the second part of this is you said you corrected some of the in-service addition amounts.

MR. ANDRE: Yes. So that was -- if you go to and perhaps I can take you there. The details of the adjustment factors, developing that, the spreadsheet that details that was provided as an attachment to interrogatory I49-Staff-242, and what you see there is we start with -- I don't know if you want -- might as well take me there.

MR. SHEPHERD: I did look at it and I didn't understand it.

Tell me whether my math is right. If I just is divide 1.057 by 1.0431, I get the impact, right?

MR. ANDRE: You get which?

MR. SHEPHERD: I get the impact on the --

MR. ANDRE: Yes, you are right. Yes, that percentage change is how much the commodity would change, yes.

MR. SHEPHERD: All right. So then I want to go to Exhibit I56-SEC -- let's use 99, and I am going to the spreadsheet which is 02, okay?

MR. ANDRE: Okay. I think these were provided as spreadsheets, so you night not necessarily have it. It depends on the question Mr. Shepherd has. Should Erin pull that up?

MR. SHEPHERD: Yes, yes, 99-02. You will be happy to know that I am rapidly reaching the end.

And when it comes up, I am looking at the GS 50 to 99 tab.

MS. McKINNON: Nothing seems to be working on my computer at the moment, so I will bring it up momentarily.

MR. ANDRE: I have a hard copy of that, so I can certainly follow along with the question if no one else may be able to.

MR. SHEPHERD: I will ask the question and you may be able to answer off the top of your head anyway, if I know you.

I am looking at the Woodstock bill comparison and the distribution has gone way up, but then the transmission costs go way down. And so, for example in this customer

with 177 kilowatts of demand, the sample customer you are using, their transmission charges go down from $892 a month to $596 a month, a 33 percent reduction. And it appears to be all entirely driven by a reduction in the unit cost.

And that's true for all three of them, although the difference in the case of one of them is quite small. I wonder if you could just explain why this happens and why this is -- I looked for an explanation and couldn't find one.

MR. ANDRE: Yes, I don't know if there is an IR response that has an explanation to that, but I can certainly help you, Mr. Shepherd.

The RTSR rates that the acquired utilities were charging their customers, the last time they were sort of rebased would have been at their last cost allocation model. So Woodstock, when would that have been? 2012 or '13, somewhere around there.

MR. SHEPHERD: Yes, '11 or '12.

MR. ANDRE: And then from then on under the IRM, they just used the Board's RR, revenue requirement work form, which all it does is it looks at the change in transmission charges and then bumps up everyone's RTSR rates as necessary to recover what the forecast transmission charges are going to be in the future.

When we do it in 2021, we are now looking at and we are using data that comes from Mr. Alagheband's shop in terms of meter data for the actual customers, either smart meter data or interval meter data, and looking at the

contribution of this class to the peaks. And what we are finding with the more current data is that these general service customers are contributing less to the peak -- and remember the peak is what transmission charges are based on -- than what was assumed they were contributing to the peak back when the utilities were calculating those rates.

So I think the explanation is something as simple as they were using data from 2012, 2013, on that relative contribution to the peak. In 2021, we are now using the latest data available to us on the contribution of this class to the peak. And the reality is -- and to that I can't speak. I don't know if general service customers either had been better at implementing efficiencies, or better at avoiding the peaks for other reasons, ICI reasons for example. But for whatever the reason is, the latest data shows that they are contributing less to the peak, and therefore by contributing less to the peak they are attracting a smaller amount of the share of transmission charges.

MR. SHEPHERD: So that's what I thought. And -- but this comparison appears to imply that the rates, if they had not been acquired, would be that much higher. But what your explanation is, is in fact that the transmission costs would have gone down anyway no matter who owned them; right?

MR. ANDRE: I don't know what the approach is for these acquired utilities in terms of updating their load shapes. I mean, they seem -- you know, if they continue to

use the revenue-requirement work-form approach then it wouldn't have changed.

All we can comment on is the rates that they were paying at the time of acquisition, and if those rates were escalated, then -- and actually, in the case of Woodstock here you can see that the escalated rates for Woodstock actually dropped. We said back in 2014 they were $902, and now in 2021 the escalated rate is actually only 892, so we did show a bit of a drop, but it's not related to them having adopted different load shapes, but I can't comment on what the utility would have done with respect to the transmission charges that it applied to its customers.

MR. SHEPHERD: Would it be correct to understand this difference is as Hydro One -- I guess because you have more resources and you have more expertise in the area of rates, you took a more thorough approach to figuring out what they should pay for transmission and in effect corrected what the acquireds had been charging to a more appropriate level; is that fair?

MR. ANDRE: It's the same approach, yeah, that we use for all of our rate classes. Whenever we file a cost-of-service application we revisit the contribution to the peaks and therefore the amount that should be paid for transmission for all of our rate classes, in this case the acquireds included.

MR. SHEPHERD: All right. That's all my questions, thank you.

MR. SIDLOFSKY: Thanks, Mr. Shepherd.