Advance questions for Hydro One Panel 7 from VECC

1. In response to 43-VECC-71 your provided an excel spreadsheet setting out the derivation of the customer counts for the different Residential classes – including Seasonal.
    a. Can you confirm that the forecast for the overall annual increase in the total number of Residential customer in your existing Retail class for 2018-2022 was determined by calculating the ratio of the 2017 increase in HON's residential customer count versus the total increase in Ontario households for 2017 and applying the result to the annual forecasted increase in Ontario household for 2018 through 2022?
    b. For each of the acquired utilities, can you confirm that the forecast annual change in Residential customers is based on a fraction of the annual change in provincial households – approximately 0.003 in the case of Norfolk and Woodstock and 0.0015 for Haldimand?
    c. How were the fractions for the acquired utilities derived?
2. In response to 46-Staff-219 you have revised your overall Residential customer count forecast and it is now somewhat lower. For example, in 2022 the initial application called for a total of 1,183,932 customer in your four "Residential" classes (this can be seen from the VECC-71 attachment, Cell G42 and from totalling the values in Table E.4 of the original application) whereas in the updated forecast provided in Staff-219 – Table E.4 the total for these same four Residential classes is 1,179,997. However, the total number of starts in the revised forecast is 433,200 over the period 2017-2022 where as in the initial application the total number of forecast housing starts for the same period was 423,000.
    a. Why is the updated Residential customer count forecast lower when the forecast for the underlying driver – housing starts – has increased in your update?
    b. Can H1 provide an updated version of the attachment to 43-VECC-71 – based on your updated customer count forecast?
3. According to Exhibit G1/Tab 2/Schedule 1, page 2 (Table 1)the results of customer classification review were to:
    a. Increase UR by 8,296 (i.e., 8,250+46)
    b. Decrease R1 by 4,363 (net impact of 8,250-3,887)
    c. Decrease R2 by 3,887
    d. Shift 227 from GSe to UGe, and
    e. Shift 22 from GSd to UGd.

    However, in the attachment provided by H1 in your response to JT3.18-6, I see:
    a. UR increasing 9,296 not 8,296
    b. R1 decreasing by 5,343 not 4,363
    c. R2 decreasing by 3,933 not 3,887
    d. A shift between GSe and UGe of 317 not 227 and
    e. A shift between GSd and UGd of 29 not 22

    Can you explain these differences?

4. With reference to the attachment to JT3.18-6, can you explain why the number of customers shifted between classes increase throughout the forecast period for all classes except R2?
5. Looking at the text provided in the Attachment to 43-VECC-71, would I be correct that the economic outlook (e.g. forecast growth in GDP) is one of the factors you look at in developing the aggregate forecast for the number of Retail General Service Customers?
6. in response to 46-Staff-219 you have revised your overall General Service customer count forecast and it is now somewhat lower. For example, in 2022 the initial application called for a total of 114,411 customers in your four "General" classes (this can be seen from the VECC-71 attachment, Cell G88 and from totalling the values in Table E.4 of the original application) whereas in the updated forecast provided in Staff-219 – Table E.4 the total for these same four Residential classes is 113,025. However, if I look at the revised GDP forecast provided in Staff-219 (Table E.3) – I see that the GDP increases to $780,618 M (2007$) for 2022 where as in the initial application the GDP forecast for 2022 was $770,631 M (2017$) (per the original Table E.3).
    a. Can you explain why the General Service customer count forecast is lower when the forecast for the underlying driver – GDP- has increased in your update?
7. At JT3.18-1 c), VECC asked for a reconciliation of the 2,765 GWh of end-use CDM savings for 2016 reported in Table E.9 of the Application with the 1,866.7 GWh shown in the Attachment 1to 43-VECC-75. Your explanation was that the 1,866.7 GWh was for Hydro One Retail customers. Now if you turn to your response to 43-VECC-73 – here you provide a break out for the Retail customers contribution to the 2,765 GWh and the value is 1,678 GWh – not 1,8667.7 GWh. Can you explain the difference?
8. At 43-VECC-75 a). We'd asked you to provide a breakdown of Hydro One's CDM results reported by the IESO for purposes of its 2016 Ontario Planning Outlook and you indicated that the information was not available in the 2016 OPO or other available information.
    a. Did Hydro One approach the IESO to determine whether they had Hydro One's CDM results for the purposes of its 2016 Ontario Planning Outlook (as distinct from the outlook itself) and could provide it to you? If not, why not?
    b. Can you confirm that historical values for the impact of energy efficiency programs that you used in your load forecast methodology are estimated based as a percentage of the total province wide energy efficiency programs savings reported by the IESO for the period 2006 to 2016 rather than based on actual values – as set out in 43-VECC-75, Attachment 1 (Cells A34 – N56)?
9. In JT 3.18-2, Hydro One indicates that the definition of the EE programs savings reported by Hydro One is same as the historical EE savings reported in the OPO.
10. At Tab VECC has set out the historical annual values for the impact of CDM programs on HON's retail load as calculated in 43-VECC-75 – Attachment 1 and used in your load forecast modelling. We have also set out the impact of HON's 2011-2016 CDM programs as verified by the IESO per JT 3.18.2 b) and calculated the residual.
    a. Since you've confirmed that both references use the same definition for EE programs - is it fair to consider this "residual" as representing the persisting impact of the 2006-2010 CDM programs on HON's load?

b. There are slight anomalies in 2011 and 2012 values. However, in 2013 we see a more material increase – which is more than one would expect to see from rounding. Would you agree that these anomalies, particularly in for 2013, suggest that there are "problems" with your approach to estimating the impact of Hydro One's historic CDM programs?
c. In preparing the Application, did you perform any similar reasonableness checks regarding the results of your calculated impacts of historical CDM on HON's Retail load? If so, can you provide the results?

11. Confirm that Hydro One used three different models to forecast retail customer load and then averaged the resulting growth rates to develop a preliminary forecast and the calculations for this are set out in response to 43-VECC-76 c).
12. Confirm that these models use forecast of various economic indicators such as GDP, population and housing starts (See Exhibit E1, Tab 2, Schedule 1, page 6)
13. Confirm that for purposes of the Application this preliminary forecast was adjusted upwards as, at the time the forecast was being finalized, the economic outlook seemed to be improving. (JT 3.18-7 a))
14. In response to 46-Staff-219 you updated your economic forecast, updated your models and provided an updated Retail customer load forecast which is set out in the updated Table 7 in that response.
    a. Confirm that this updated Retail load forecast was lower than the forecast in the original Application? (Exhibit E1, Tab 2, Schedule1, Table 7).
    b. Confirm that this updated Retail load forecast was also lower than the preliminary forecast you made at the time the original Application was being prepared.
    c. Table E.3 in Staff-219 sets out the updated forecast for the various economic variables. Confirm that the updated GDP forecast for all years 2018-2022 is higher than in the initial Application? (Exhibit E1, Tab 2, Schedule 1, page 38 – Table E.3)
    d. Confirm that the updated population forecast for all years 2018-2022 is higher than in the initial Application?
    e. Confirm that the total forecast housing starts are higher in the update than in the original Application?
    f. Why is the updated load forecast is lower when the forecast values for the various economic indicators in the used in the forecast models have all increased?
15. Going back to the updated version of Table 7 in your response to 46-Staff-219 and comparing it with the Table 7 in the original Application we see that the – before CDM deduction – forecast for embedded customers is also now lower that than in the original Application's Table 7. For example in the original Application the forecast for 2020 was 17,484 GWh whereas in the update it is now 17,370 GWh. Can you explain why this is the case when the updated forecasts for provincial GDP and housing starts are both higher?

16. In VECC-75, in response to part (j) you provided the derivation of the CDM forecast for 2017-2022 that was incorporated in your initial load forecast submitted with the Application.
    a. Confirm that the forecast consists of two parts: One is the forecast contribution of codes and standards implemented since 2006 and the second is the forecast impact in the years 2017-2022 of the energy efficiency programs implemented since 2006 – correct.
    b. Confirm that with respect to energy efficiency programs – what you've done is taken the IESO's forecast of the total impact of energy efficiency programs adopted since 2006, determined the amount attributable to all Distributors by removing an amount for the impact of energy efficiency programs on transmission connected retail customers and then assumed that 13.71% of the distributors' portion was attributable to HON.
    c. So Hydro One's CDM forecast for 2017-2022 in not based on a specific forecast of HON's CDM activity but rather based on a percentage of the forecast CDM activity for all of the province's LDCs?
17. Refer to the forecast of CDM activity for LDCs overall that you used to derived the HON forecast – which is found at 43-VECC-75 – Attachment 5 (Cells A33-I39). The forecast EE program savings for 2018 are: 9,044,428 kWh.
    a. Confirm that this represents the persisting savings in 2018 from EE programs implemented over the years 2006-2018.
    b. What assumptions did the IESO make in its forecast per the 2016 Ontario Planning Outlook with respect to the contribution to this 9,044,428 kW from EE programs implemented in 2017 and 2018? Please provide these figures for 2017, 2018, 2019, and 2020, i.e. for each year the impact of EE programs implemented in 2017 and after.
18. In 43-VECC-75 i) you provide a table that you claim indicates the impact of EE programs by program year for 2015 and onward implicitly included in your load forecast.
    a. If your forecast of HON savings is based on a percentage of the EE program savings by all LDCs and, as we just discussed, how can you separate out the contribution of EE programs by implementation year for the provincial total? How were the values shown here established in a way that is consistent with your overall EE program impact forecast for HON and, as you state in the response, implicit in your total CDM forecast?
19. 46-Staff-219 contains your updated load forecast and, more specifically the updated version of Table 4 which sets out the CDM forecast used in the updated Load Forecast.
    a. The updated CDM forecast for the Retail class has changed marginally in some years from that in the original Table 4. Is this just rounding or have your changed the basis for your CDM forecast for the Retail customers for purposes of the update? If there is a change, please describe how the new forcast was developed.
20. The forecast for the Direct customers in your ST class has increased in every year of the update. Is there a particular reason for this?

21. there appears to be a material reduction in the updated CDM forecast for the LDCs included in your ST class. What is the reason for this?
22. In response to earlier cross examination (Volume 3, page 122), HON stated that they are only seeking recovery of lost revenue due to CDM from:
    a. The impact in 2018 of 2017 & 2018 energy efficiency programs
    b. The impact in 2019 from 2017 – 2019 energy efficiency programs and
    c. The impact in 2020 from 2017 -2020 energy efficiency programs.

    In JT 3.18-4 c) we asked you to confirm that Table provided in response to 55-CCC-75 included the LRAM baselines values against which you proposed any true-up of lost revenue would be made and you confirmed that "yes" they were. Looking at the Table the total CDM for 2018 is 842,605,433 kWh which appears to be more than the totals for the years 2017-2018 and indeed more than the total for the years 2015-2018.
    a. What are the total savings for the year 2018 (in kWh) that you're proposing will be used for purposes of lost revenue due to EE programs given that you will only be seeking recovery of lost revenue from the impact of 2017 and 2018 programs?
    b. Could you similarly, given me the baseline values for 2019 and 2020 that will be used for true-up purposes?
23. In JT3.18-4 g), VECC asked you to provide a breakdown of the LRAMVA threshold by customer class and explain how the values were derived. In your explanation – you state that: "The threshold is the incremental savings in 2018-2020 compared to the savings in 2016. For the energy billed customers, the share of CDM savings by rate class was applied to the incremental six year target program CDM savings in 2018-2020 vs 2016. For the demand billed customers, the share of six year target program savings of total EE savings was applied to peak savings.
    a. Can you undertake to provide the detailed calculations in the form of an functional excel spreadsheet?
    b. Since some of the classes are demand billed and some are energy billed can you, as part of the undertaking, also provide the energy values for those classes that are demand billed and show how the total across all customer classes links back to your total CDM for each year 2018-2020.
    c. Is the table provided in response to JT 3.18-4 g) is based on your original CDM forecast or the updated forecast provide in response to 46-Staff-219?
        i. If the table is based on the original CDM forecast: Refer to Exhibit E1, Tab 2, Schedule 1 – page 42 – Table E.9. Here you have set out a breakdown of your CDM forecast by rate class.
            1. Confirm that these values capture the impact of codes and standards as well as energy efficiency programs and
            2. Confirm that these values represent for each year the persisting CDM savings for codes and standards and EE programs in that year and prior years going back to 2006.
            3. For, the Residential Low Density savings and we can see that in 2018 the value is 300 GWh and in 2016 it is 256.7 GWh – with a difference of 43.3 GWh. Now if I look at your response to JT3.18-

4 g). – we see an LRAMVA values for this class for 2018 of 53.2 GWh – which is meant to represent the impact on the Residential Low Density class of energy efficiency programs implemented in 2017 and 2018. We'll get similar results for the years 2019 and 2020 – where the values in JT 3.18-4 g) are greater that the increase in CDM between 2016 and those respective years set out in Table E.9. Can you tell me why, in each of the three years, the values in JT 3.18-4 are so much higher than the total impact you ascribed to the class in each of those years from all codes and standards and energy efficiency programs adopted since 2006?

ii. If the table is based on the original CDM forecast: Refer to 46-Staff-219 – Updated Table E.9. Here you have set out a breakdown of your CDM forecast by rate class.
    1. Confirm that these values capture the impact of codes and standards as well as energy efficiency programs and
    2. Confirm that these values represent for each year the persisting CDM savings for codes and standards and EE programs in that year and prior years going back to 2006.
    3. If I look at your response to JT3.18-4 g). – we see an LRAMVA value for this class for 2018 of 53.2 GWh – which is meant to represent the impact on the Residential Low Density class of energy efficiency programs implemented in 2017 and 2018. We'll get similar results for the years 2019 and 2020 – where the values in JT 3.18-4 g) are greater that the increase in CDM between 2016 and those respective years. Can you tell me why, in each of the three years, the values in JT 3.18-4 are so much higher than the total impact you ascribed to the class in each of those years from all codes and standards and energy efficiency programs adopted since 2006?

24. Refer to 49-Staff-242 – Attachment 1 – Tab 1 where you set out the gross book values by year for the acquired utilities as used in determining the Gross Fixed Asset Adjustment Factor. Here we see that as of 2020 year-end – just before integration – the Gross Book value for Norfolk is $86.7 M. Refer now to 53-CCC-71 where HON was asked for details on the costs being added to the revenue requirement as a result of integration. Looking at the response dealing with Norfolk we see a total Gross Book value of $67.8 M as of 2020 year-end – substantially less than what you used in the cost allocation for accounts 1815 to 1860 – a subset of Norfolk's total assets. Furthermore, if you look at the other two acquired utilities there are similar discrepancies between the value reported in the two IRs. Can you explain the discrepancies?
25. Refer to 46-VECC-92 Here you provide a comparison of the net plant allocated to the acquired customer classes versus that attributed to the acquired utilities for purposes of the revenue requirement adjustment in 2021.
    a. Confirm that the amount identified in the response as being allocated "per the CAM" is not all of the net plant that the CAM allocates to all the acquired

customers since some of the acquired customers – such as street lights and USL- are included in HON's existing customer classes.

b. Can you explain why – even after the application of your "adjustment factors" the CAM allocates significantly more costs to the acquired utility customers (over 30% in the one case and almost 20% in the other) than is actually associated with the acquired utilities?

26. Refer to 46-VECC-95. Here in part (b) you identify the OM&A costs allocated to your acquired classes in the 2021 cost allocation and in part (c) you identify the OM&A costs as added to the 2021 revenue requirement as a result of integrating the acquired utilities into HON's 2021 business.
    a. Confirm that the amounts identified in part (b) being allocated to the acquired classes totals roughly $16.4 M and that this is not all of the OM&A that the CAM allocates to the acquired customers since some of the acquired customers – such as street lights and USL- are included in HON's existing customer classes.
    b. Can you explain the discrepancy between the $16.4 M of allocated costs and the $10.7 M of additional costs added due to the integration of the acquired utilities and why adjustment factors weren't also developed and applied to the OM&A costs as was done for the capital-related costs?
27. Refer to Undertaking JT 3.18-19. Here you have a table here that compares the increase in HON's revenue requirement as a result of the integration of the 3 acquired utilities with you estimate of the status quo revenue requirement for the three utilities. Confirm that the $36.9 M you show here is your estimate of what the combined 2021 revenue requirement for the three utilities would be if they continued as stand-alone utilities.
28. Refer to 56-SEC-96.
    a. Confirm that in the response to part b) – "combined classes" refers to those acquired customers who are not segmented into a separate acquired customer class but rather included with one of Hydro One's existing customer classes – such as street lighting.
        i. If yes, confirm the total allocated to these customers is $1.5 M
29. If I go through this response and sum up the costs allocated to the 6 new acquired customer classes in 2021 I get:
    a. From Part a) - $16.4 M for OM&A. and
    b. From Part d) - $11.5 M for Depreciation, $4.9 M for Interest, $6.9 M for Return on Equity, and $1.6 M for payments in lieu of taxes – for a total of $41.3 M which is roughly equivalent to the $41.2 M total you given in response to SEC 96 – part e) iii)
30. Please turn up the 49-VECC-98, where we asked that you provide a schedule that for each year of transition demonstrates whether the change in the fixed charge meets the Board's $4 criterion. As we can see, the table provided shows the total change in fixed charges for the UR, R1, R2 and Seasonal classes. However, in our Technical Conference question JT 3.18-16 we noted that the Board's $4 criterion is based on the change in the fixed charge net of the annual rate increases and so we requested a revised schedule consistent with the Board's approach and you referred us to your response to 49-Staff-245, which provided the calculation based on the Board's approach but – as you note in

the undertaking response – the resulting fixed charges are not the ones that HON is actually proposing. Can you provide a response to JT 3.18-16 based on your proposal that shows the change in these class' fixed charges for each year – net of impact of the annual rate increase?

31. Refer to 51-VECC-110. Here we asked why the time required for an after-hours reconnection was more that for a regular hours reconnection and your response was: "The time required for an after regular hours reconnect (Table 13) is higher than the time required for a regular hours reconnect (Table 12), because after hours, the employee requires time to travel to and from the site, whereas during regular hours, the employee will already be in the vicinity of the work."
    a. Now, since I assume crews are not always in vicinity of each and every customer, one interpretation that could be taken from this response is that, when a reconnection is requested, if the customer wants to pay the regular hours charge then Hydro One waits to perform the work until there is work crew scheduled to be in the vicinity and that customers would have to wait accordingly for a reconnection. Is that a correct interpretation?
        i. If yes, how long do customers have typically wait for a regular hours reconnection?
        ii. If no, and a crew is dispatched specifically in response to the request – please explain the difference in time requirements.
32. Please turn to 49-VECC-116. Here the response indicates that there is set fee for a standard micro net-metered connection of 10 kW or under. However, in going over your listing of specific service charges (Exhibit H1, Tab 2, Schedule 3, Table 1) I could not see a charge for this service. Is it set out in your listing of specific service charges and, if so, where?
    a. If not why not?
    b. If not, are there any other services for which you charge "standard" fees that are not set out in the application for approval?
33. Starting at about page 132 of the transcript for the second day of the Technical Conference Mr. Merali explained that in those instances where changing the charges would involve material costs in terms of system changes and staff training the decision was made to keep the charges constant over the period. He also noted that keeping the charges constant was more "customer friendly". However, in looking more closely we noted that in some cases (for example Rate Code 6 a) the charge for an Easement Letter) the constant charge is based on the average cost over the period whereas in others (for example Rate Code 2 – the charge for a Statement of Account) the charge is set at less than the average cost. Can you explain the basis on which you decided which charges would be set based on average cost and which would be set below cost?