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**Frank D'Andrea**
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BY COURIER

July 03, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli,

**EB-2017-0049 Hydro One Networks Inc. 2018-2022 Distribution Custom IR Application – Undertakings**

Please find enclosed responses to undertakings J 3.2, J 3.4, J 3.7, J 3.10, J 8.1, J 8.4, J 9.1, J 9.2, J 9.4, J 9.5, J 9.7, J 10.2, J 10.3 and J 10.4 from the Oral Hearing in regards to the above noted proceeding.

This filing has been submitted electronically using the Board's Regulatory Electronic Submission System and two (2) hard copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Enc.

# ***UNDERTAKING – J 3.2***

***Reference***

I-40-SEC-083

***Undertaking***

To clarify the method used to calculate STI in Attachment 6 for future years.

***Response***

Please refer to undertaking J 3.3.

# ***UNDERTAKING – J 3.4***

***Reference***

I-40-AMPCO-047-01

***Undertaking***

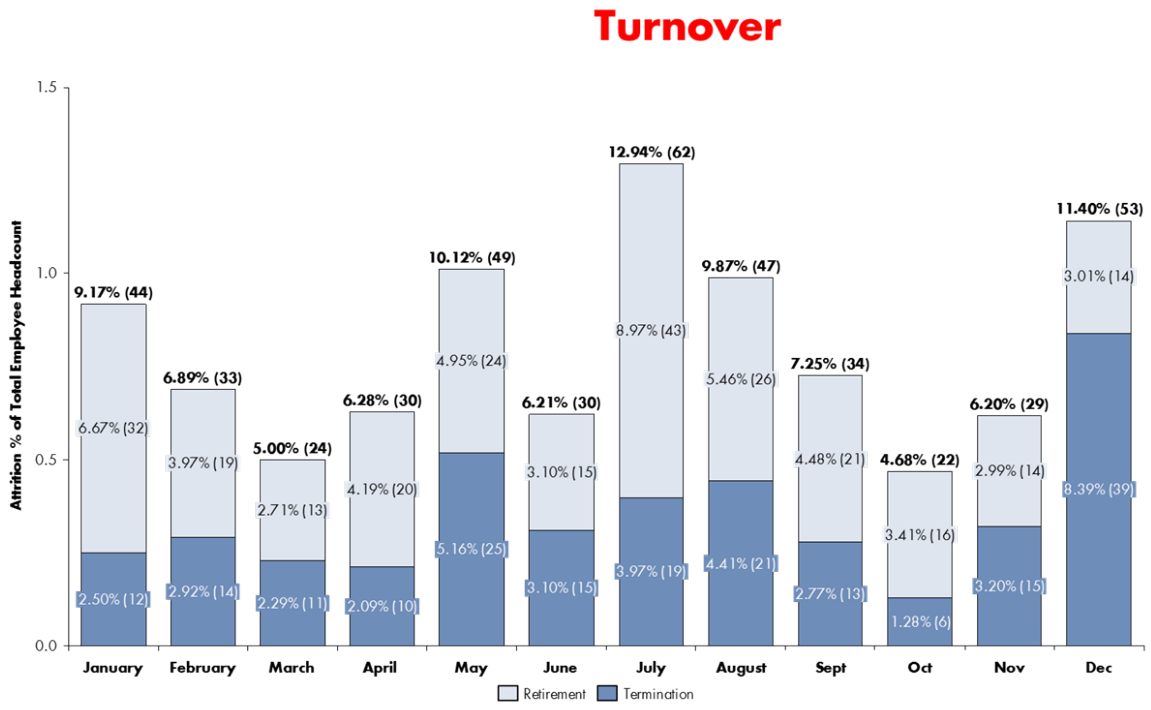
To provide the head count number used to create the Table at C1, Tab 2, Schedule 1, Page 8.

***Response***

This undertaking relates to the headcount number to derive the turnover chart at Exhibit I-40-AMPCO-47 Attachment 1 page 2. There was an error in that original 2017 turnover calculation. A corrected turnover chart is provided in this undertaking response.

The monthly turnover rate is presented as an annualized rate with attrition occurring throughout the month but presented as a month-end total. The rate is determined by taking the month-end terminations and retirements, and dividing by the month-end headcount, multiplied by 12. For January 2017: (44/5761) x 12 x 100 = 9.17%. The average regular headcount in 2017 was 5711.

Please note that the HR metrics reflected in Attachment 1 to Exhibit I-40-AMPCO-47 are enterprise-level metrics. The attrition and headcount data includes Hydro One Networks, Hydro One Telecom and Hydro One Remotes.




- *Data is transactional, any backdated terminations/retirements not reported in the previous month is included in the following months report*
- *Turnover calculated by number of retirements and terminations in the calendar month*
- *Percentages represents an annualized turnover rate, against total Regular and Temp headcount at the end of each month*

| % | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retirement | 6.66551 | 3.96798 | 2.70927 | 4.18848 | 4.95441 | 3.10452 | 8.97391 | 5.46123 | 4.47602 | 3.40546 | 2.99092 | 3.01129 |
| Termination | 2.49957 | 2.92377 | 2.29246 | 2.09424 | 5.16085 | 3.10452 | 3.96522 | 4.41099 | 2.77087 | 1.27705 | 3.20456 | 8.3886 |
| **Total** | **9.16508** | **6.89175** | **5.00173** | **6.28272** | **10.11526** | **6.20904** | **12.93913** | **9.87222** | **7.24689** | **4.68251** | **6.19548** | **11.39989** |

**Figure 1: 2017 Turnover Monthly Percentages**

# ***UNDERTAKING – J 3.7***

***Reference***

K3.5 page 16

***Undertaking***

To provide some data as to the increase in FTES in 2016 and 2017; to confirm whether the 2017 FTES in the table are forecast or actual figures.

***Response***

The main driver in the total increase in FTE's in 2016 is due to the increase in the PWU Hiring Hall (+195 from 2015). Of this total, 188 Hiring Hall FTE's are dedicated to the Forestry work program. In 2015, the forestry work program was reduced resulting in the standing down of forestry hiring hall resources. In 2016, the forestry work program was at full complement, therefore, requiring more hiring hall resources. The casual construction FTE's increased by 44, reflecting an increase in the transmission work program.

The 2017 FTE figures in the referenced table are forecast FTEs. Forecasted 2017 FTEs increase relative to 2016 actual FTEs in order to resource the increasing Distribution and Transmission work programs throughout the test years. The casual construction FTE's increased by 26 reflecting an increase in the transmission work program. PWU Hiring Hall and non-regular FTEs slightly decrease.

Forecasted regular FTE's increased by 265 FTEs in 2017. For the transmission business, the main drivers include forecasted increases for Protection and Control resources (greater field resources), Technical Services (conversion of some non-regular resources to regular to reflect ongoing work), Engineering Services (transfer of Hydro One Telecom engineering resources to Hydro One Networks) and Construction Services (increasing management resources to provide greater oversight of the growing transmission capital work program and additional clerical support to better utilize manager and supervisor time). For the Distribution business, Distribution Lines forecasted increased skilled field resources to resource a growing work program. Additional Area Distribution Technicians trainees were recruited to address demographic challenges. Within the Quality Assurance and Operations Support group, increased management and society resources were forecasted to provide greater oversight of the growing distribution work program.

Support groups for both the transmission and distribution businesses, such as shared services, human resources and audit also had forecasted FTE increases to resource the growing work programs.

# ***UNDERTAKING – J 3.10***

***Reference***

Updated Compensation Study

***Undertaking***

To explain the 5,440 number

***Response***

The 5,440 number referenced in the 2017 Mercer Compensation Cost Study report represents the number of full-time employees within Hydro One (as of October 1, 2017, as provided by Hydro One). These employees span across the Non-Represented, Energy Professionals and Trades and Technical groups.

Mercer has historically (for previous studies dating back to 2008) used the number of full-time employees at Hydro One when determining the representation of the survey benchmark jobs. It is common practice to excluded non-full-time employees when performing this calculation due to the atypical pay practices associated with non-full-time employees in comparison to those that are full-time.

# ***UNDERTAKING – J 8.1***

***Reference***

B1-01-01 Section 1.3-A01

***Undertaking***

Ms. Bradley to consult with her colleagues and provide better information about the steps taken to prepare the illustrative examples at page 33 of the CME compendium for panel 5

***Response***

Please refer to I-23-Staff-079, (b) for how the additional scenarios were developed.

# ***UNDERTAKING – J 8.4***

***Reference***

B1-01-01 Section 1.5

***Undertaking***

Mr. Bowness to consult and inquire with other panels, in particular panel 1, about reporting expectations associated with the methodology before the board.

***Response***

As confirmed by Mr. Chris Lopez, Senior Vice President, Finance during his testimony on Panel 1, given on June 11, 2018, Hydro One reports corporate-level productivity outcomes to all stakeholders through its annual reports. Additional reporting of productivity to the OEB has not been proposed in the application.

# ***UNDERTAKING – J 9.1***

***Reference***

I-25-EnergyProbe-037

***Undertaking***

(a) To advise whether there was a gain on the sale of the properties;
(b) To advise whether HONI was sharing or did share in the past the profit on the sale with the ratepayers.

***Response***

a)

1. Former Matheson Area Office
   Sold September 2012
   $40,000.00
   Gain/(Loss) on Sale = (14,564.15)

2. Former Bracebridge Area Office
   Sold May 2015
   $510,000.00
   Gain/(Loss) on Sale = 453,951.48

3. Former Nipigon MEU Office
   Sold October 2015
   $19,000.00
   Gain/(Loss) on Sale = (4,569.16)

b) Profits/losses on the sales went to shareholders.

# ***UNDERTAKING – J 9.2***

***Reference***

C1-06-01-01

***Undertaking***

To explain why vehicles are not listed in the depreciation rate review at exhibit C1, Tab 6, Tab 1, Schedule 1.

***Response***

The 2016 Depreciation Rate Review report only covers items that are considered major assets i.e. assets related to the transmission and distribution system. Vehicles fall under the category of minor fixed assets, which are amortized over their expected life. Minor fixed assets turn over on a regular basis, unlike major assets such as transformers and lines.

**Minor Fixed Assets:** Tangible items of property, plant and equipment that have future benefits greater than one year, are generally of comparatively low individual value, are portable and which generally contribute indirect service potential to the corporation. Minor fixed assets exclude computer software.

**Major Fixed Assets:** Comprise electrical assets owned by Hydro One, including line connection, transformation connection, or distribution facilities.

# ***UNDERTAKING – J 9.4***

***Reference***

N/A

***Undertaking***

To provide the level of transition costs included in the 44 million to bring the contact centre in-house

***Response***

Mr. Merali misspoke on the ninth day of the oral hearing of this proceeding (Oral Hearing, Vol. 9, page 177). $1.6 million was incurred in 2018 to transition contact centre services from Inergi to Hydro One on March 1, 2018. These costs were not included in the 2018 forecast of $44 million set out in Exhibit C1, Tab 1, Schedule 5 (Customer Care OM&A).

In order to deliver the services directly to customers without negatively affecting customer experience, the transition involved the set of tasks described below.

- Employee Set-Up: All existing Inergi employees transferred to Hydro One were set up in Hydro One's SAP systems to enable integrated payroll, HR, and financial management. This included system configuration and associated testing.
- Communication: Employee communication was required to ensure all employees (approximately 400) were aware of the changes to their payroll, HR functions, systems, the new management team, etc.
- Facility Changes: Both contact centres required changes to the layout to align with the newly structured team and facilitate a co-operative working environment.

# ***UNDERTAKING – J 9.5***

***Reference***

N/A

***Undertaking***

To provide the historical number of meters that still require manual readings.

***Response***

The historical numbers of customers requiring manual meter reads are provided below.

| Year | Number of Customers |
|---|---|
| 2014 | 175,000 |
| 2015 | 140,000 |
| 2016 | 120,000 |
| 2017 | 112,000 |
| 2018 YTD | 100,000 |

# ***UNDERTAKING – J 9.7***

## ***Reference***

N/A

## ***Undertaking***

To provide the timelines for notifications to residential customers, and ultimately the disconnection notice.

## ***Response***

The basic timeline for a residential disconnection is outlined below. The number of days shown is approximate and varies based on a number of factors (ie. weekends). As such, the table below depicts the quickest timeline for a residential customer who will be disconnected.

| Step | Days After Due Date |
|---|---|
| Friendly Reminder Letter | 8 |
| Auto Dialer | 17 & 19 |
| Immediate Payment Notice | 22 |
| Auto Dialer | 27 & 32 |
| Disconnect Letter | 37 |
| 48 Hour Call | 49 |
| Disconnect | 51 |

This is visually depicted in Exhibit I-2-Staff-004.


*Step 7 is completed in certain circumstances*

# ***UNDERTAKING – J 10.2***

***Reference***

N/A

***Undertaking***

To provide a list of projects undertaken specifically as a result of Hydro One's customer engagement process, and how that engagement process led to the project being adopted.

***Response***

As outlined in Exhibit B1-01-01 DSP Section 1.3, Hydro One's customer engagement activities include:

a. formal customer engagement (ie. Ipsos study);
b. stakeholder engagement; and
c. other ongoing forums (ie. customer surveys, focus groups, direct personal contact, and contact centre)

As a result of these engagement activities and associated customer feedback, Hydro One introduced the following customer-related projects:

- Bill Redesign – Through Hydro One's customer satisfaction surveys, Hydro One determined that approximately 40% of customers found that the old bill confusing. As such, Hydro One redesigned the bill in order to improve customer comprehension of information presented on the bill, improve information retention by customers, and replace vendor unsupported/antiquated bill print tools and applications.

- Web Redesign – Website usability reports revealed that approximately 40% of customers attempted to access Hydro One's website on their mobile device. This number is expected to grow over the coming years as the proliferation of mobile devices increases. The new platform ensures customers can assess the website using the technology of their choice, and allow them to complete self-service transactions faster.

- High Usage Alerts – Based on feedback obtained through the contact centre and direct personal contact, customers have told Hydro One that they are concerned about the high cost of electricity. One way to support customers is through high usage alert functionality. Customers can sign up for e-mail or text messages to

alert them if their consumption is trending to exceed a certain threshold that they also are able to set. With high usage alerts, customers may be able to adjust their energy usage and potentially avoid an unusually high bill.

- Mobile App Upgrades – The formal customer engagement study conducted by Ipsos identified several requests from customers to improve outage communication. Hydro One's current mobile app provides information on power outages, including number of customers and affected estimated restoration time. The new mobile application will also allow customers to report outages directly through the mobile app as opposed to calling the contact centre. The new mobile app will potentially include other functions, including meter reading, payment options, and billing history to provide another avenue for customers to interact with Hydro One.

- Account Executives – Hydro One Account Executives were typically provided solely to transmission connected customers. Based on customer feedback obtained through the Ipsos study, large commercial and industrial customers indicated they referring to have a dedicated account person or contact within the company. As such, Hydro One has plans to offer account managers for Large Distribution Accounts that have a peak demand of 2MW or greater. Furthermore, Hydro One will begin offering account executives for large distribution accounts.

- Enhanced Web Portal for Commercial and Industrial Customers –The formal customer engagement study conducted by Ipsos identified that large customers indicated that keeping costs low was their number one priority. As such, Hydro One will implement an enhanced web portal for commercial and industrial customers that provide interactive access to energy-usage information and personalized energy savings recommendations based on usage patterns. The enhanced portal will deliver energy consumption analysis, building specific insights and savings tips that are personalized for each and every customer.

# ***UNDERTAKING – J 10.3***

***Reference***

I-38-Staff-199

***Undertaking***

To provide call centre metrics for cost per customer call response per year

***Response***

As outlined in Exhibit C1, Tab 1, Schedule 5 (Customer Care OM&A), Hydro One's 2018 forecasted costs for Contact Centre Operations is $44.5 million. Approximately 45% of these costs are associated with answering over 1.3 million calls from customers on an annual basis. The remaining costs are associated with responding to customer emails, working billing exceptions, supporting the settlements function, and third party services (including bill print, voice recording, and auto-dialer services).

Preliminary data since insourcing the Contact Centre on March 1, 2018 indicates that the average cost per customer call is approximately $15. Note: This figure fluctuates on a monthly basis due to seasonality and large power outages, which can materially alter the number of inbound calls received in any given month.

# ***UNDERTAKING – J 10.4***

***Reference***

N/A

***Undertaking***

To provide it spending similarly as provided for OM&A, showing the total non-allocated to distribution

***Response***

The table below provides the total capital spent for Information Technology for 2014-2017 historical years and 2018 forecast.

**Total (Tx + Dx) IT Capital ($ Millions)**

| Description | Historic | | | Bridge | Test |
|---|---|---|---|---|---|
| | 2014 IRM | 2015 | 2016 | 2017 | 2018 |
| | Actual | Actual | Actual | Actual | Forecast |
| Information Technology | 35.7 | 51.5 | 94.3 | 77.0 | 71.6 |