



PUBLIC INTEREST ADVOCACY CENTRE  
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November 21, 2018

VIA E-MAIL

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Toronto, ON

Dear Ms. Walli:

**Re: EB-2018-0218 – Hydro One Sault Ste. Marie (HOSSM) 2019 Rates  
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

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Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

A handwritten signature in black ink, appearing to read 'M Garner', is written in a cursive style.

Mark Garner  
Consultants for VECC/PIAC

Ms. Linda Gibbons, Senior Regulatory Coordinator – Regulatory Affairs Hydro One Networks Inc.  
[regulatory@HydroOne.com](mailto:regulatory@HydroOne.com)

For interrogatory clarifications please contact Mark Garner at 647-408-4501 or [markgarner@rogers.com](mailto:markgarner@rogers.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>TO:</b>	<b>HOSSM</b>
<b>DATE:</b>	<b>November 20, 2018</b>
<b>CASE NO:</b>	<b>EB-2018-0218</b>
<b>APPLICATION NAME</b>	<b>2019 COS Application</b>

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VECC-1

Reference: Exhibit B1/Tab1/Schedule 1/pgs. 18, 96

- a) At the above reference with respect to Table 2-2 (Plan Period System Renewal) *HOSSM* states “*However, since the scope of work within a number of projects calls for replacement or modification of other line and station equipment, the breakdown should not be interpreted as a forecast of capital additions by asset class.*”

A similar proviso is made with respect to Table 4-1 at page 96.

Please clarify what distinction is being made with respect to the system renewal investment forecasts shown in Table 2-2/4-1. Specifically are the total forecast amounts indicative of system renewal investments forecast for the years 2018 – 2026? If yes, are there differences what type of adjustments is contemplated if one were reviewing the same totals if done by asset class.

VECC-2

Reference: Exhibit B1/Tab1/Schedule 1, pg.111/ Exhibit B2, Tab 1, Schedule 1, pg.1

Preamble: From B2/T1/S1/pg.1 “*The expenditures in 2013 and 2014 were lower than in subsequent years due to a strategic decision made by the parent company at that time. It was a planned cut back of capital spending, and not based on issues with operations.*”

- a) In Hydro One’s (HOSSM) assessment, did the Utility suffered from under investment in any of the assets categories/classes under the previous ownership? If yes, please describe the general areas and costs for those assets found to be in need of extensive and immediate remedial investment.
- b) If prior ownership underinvestment was recognized please explain how this is being addressed as part of the DSP.

VECC-3

Reference: Exhibit B-1-1-1/ Appendix B/ METSCO Asset Condition Assessment/pgs. 13, 29

Preamble: At page 29 of the Study it states: *METSCO used a five point grading system (Very Good/Good/Fair/Poor/Very Poor), which represents an industry best practice for capturing incremental degradation over shorter periods of time, and as such, enables asset managers to derive more granular insights as to the relative health of utility plant. While METSCO discussed the relative benefits of the two approaches with HOSSM staff, the visual inspection results underlying our calculated Health Indices are based on HOSSM's inspection data.*

- a) Please explain how HOSSM's 3 point data collection is converted to a five point analysis by METSCO as shown by Figure 2.2.

VECC-4

Reference: Exhibit B2, Tab 2, Schedule 1, pgs.11, 16-17

**Table 4 - Projects Removed from the Plan Due to Investment Prioritization (in C\$ in thousands)**

Investment	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
New Generation Network	-	(510.0)	(520.2)	-	-	-	-	-	-	-	<b>(1,030.2)</b>
Mackay Transmission Station Relay Replacements	-	-	-	(193.9)	(298.8)	-	-	-	-	-	<b>(492.7)</b>
Security Camera Upgrades at Transmission Stations	-	-	-	-	(541.2)	-	-	-	-	-	<b>(541.2)</b>
W23K Line ROW Expansion	-	(153.0)	(156.1)	-	-	-	-	-	-	-	<b>(309.1)</b>
<b>Total</b>	-	<b>(663.0)</b>	<b>(676.3)</b>	<b>(193.9)</b>	<b>(840.0)</b>	-	-	-	-	-	<b>(2,373.2)</b>

- a) With respect to the projects shown in Table 4 please provide the risk analysis that was undertaken as part of the decision to remove each project.

**Table 6 - Other Adjustments (in C\$ in thousands)**

<b>Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Remove: Engineering - Transmission Lines	-	-	(498.1)	(756.5)	(634.3)	(572.6)	(440.8)	(542.7)	(468.3)	(554.9)	<b>(4,468.1)</b>
Remove: Engineering - Transmission	-	-	(641.2)	(423.2)	(569.0)	(351.2)	(433.3)	(344.3)	(431.9)	(358.7)	<b>(3,552.8)</b>
Remove: Transmission Line/Station	-	-	(171.7)	(175.1)	(178.6)	(182.2)	(180.3)	(182.9)	(185.7)	(188.4)	<b>(1,444.9)</b>
Add: Third Line TS Protection	-	-	-	-	-	-	-	-	-	500.0	<b>500.0</b>
Remove: Information Technology Refresh	-	-	(260.1)	(265.3)	(270.6)	(276.0)	(273.1)	(277.2)	(281.3)	(285.5)	<b>(2,189.1)</b>
Remove: Minor Fixed Assets	-	-	(129.0)	(130.2)	(194.8)	(198.7)	(196.7)	(199.6)	(202.5)	(205.6)	<b>(1,457.0)</b>
Remove: General	-	-	(330.3)	(212.2)	(216.5)	(220.8)	(218.5)	(221.8)	(225.1)	(228.4)	<b>(1,873.5)</b>
Add: Consolidation Capital & Minor Fixed Assets	-	-	225.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	<b>1,975.0</b>
Add: General Plant	-	-	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	<b>1,000.0</b>
Remove: Transformer Contingency Plan -	-	-	-	-	(1,226.8)	(588.8)	(2,294.3)	(1,928.4)	(2,245.0)	(428.2)	<b>(8,711.6)</b>

<b>Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Add: Echo River TS Transformer Replacement	-	-	-	-	-	-	-	1,440.0	3,360.0	-	<b>4,800.0</b>
Add: Northern Avenue TS T1	-	-	-	-	-	-	-	400.0	950.0	-	<b>1,350.0</b>
<b>Total</b>	-	-	<b>(1,680.4)</b>	<b>(1,587.5)</b>	<b>(2,915.6)</b>	<b>(2,015.3)</b>	<b>(3,661.9)</b>	<b>(1,481.9)</b>	<b>645.2</b>	<b>(1,374.7)</b>	<b>(14,072.1)</b>

- b) With respect to Table 6 please explain the rationale for the removals and provide the risk analysis that was undertaken as part of the decision to remove the projects.
- c) Please explain/describe the addition of “consolidation capital and minor fixed assets.”

VECC-5

Reference: Exhibit B2, Tab 2, Schedule 1, pg. 12

Pre-amble: At the above reference it states: “...the Clergue Transmission Station Upgrade including switchgear replacement. This project was originally scheduled to commence in 2022 and be completed in 2025 for a total of \$13,007,900. The scope included replacement of the two transformers.”

The above described project has been subsequently modified to prolong the life of the existing transformers at a cost of \$4.8 million to be completed in 2025 and 2026.

- a) Given the original replacement project was schedule to commence in 2022 what is the reason for the refurbishment project to be delayed until 2025?
- b) What is the extend life estimate of the transformers after refurbishment as compared to the expected life of a new transformer?
- c) Please provide the cost-benefit analysis that was undertaken to show that refurbishment provided a superior economic return as compared to replacement of the transformers.

VECC-6

Reference: Exhibit C, Tab 1, Schedule 1 / Tab 2, Schedule 1

- a) Please explain the relationship (if any) between the proposed scorecard metrics of T-SAIFI and T-SAIDI, system unavailability for lines and stations and the use of customer delivery point performance standards (CDPPS).
- b) Why did HOSSM not to include CDPPS as a Scorecard metric?

VECC-7

Reference: Exhibit C, Tab 2, Schedule 1

**Table 1 - Delivery Point Performance Standards<sup>2</sup>**

Performance Measures	Delivery Point Performance Standards (Based on a Delivery Point's Total Average Station Load)							
	0 to 15MW		>15 to 40MW		>40 to 80MW		>80MW	
	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance
<b>DP Frequency of Interruptions (Outages/yr)</b>	4.1	9.0	1.1	3.5	0.5	1.5	0.3	1.0
<b>DP Interruption Duration (min/yr)</b>	89	360	22	140	11	55	5	25

- a) Hydro One Network's delivery point standards are established using data for a period (1991-2000) that is at average 23 years old. All of the data collection pre-dates the Board's regulation of Hydro One (March 1999) Please explain why standards based on such an old data set remain relevant
- b) Please explain how the minimum standards were derived from the 1991-2000 data set.

VECC-8

Reference: Exhibit C, Tab 2, Schedule 1, pgs. 8-

- a) Please provide the T-SAIDI and T-SAIFI for HOSSM for the period 2013 through 2018 and including planned interruptions, customer caused interruptions and low voltage equipment caused interruptions.
- b) Which utilities are included in the CEA composite comparison shown in HOSSM's evidence?

VECC-9

Reference: Exhibit D, Tab 1, Schedule 1

- a) Please compare and contrast the PSE recommended inflation factor and the inflation factor with that is used by the Ontario Energy Board in similar incentive rate plans.
- b) Please provide the past 5 years (2015-2018) historical inflation factors based on HOSSM's proposal as compared to the CPI based (calculated on a yearly basis). Please reference the source of the CPI inflation rates.

VECC-10

Reference: Exhibit D, Tab 1, Schedule 1 & Exhibit D-1-1, Attachment 1 PSE Study

Pre-amble In the recent proceeding of the amalgamation of Union Gas Limited and Enbridge Gas Distribution the Board the Board adopted the evidence of the Pacific Economics Group stretch factor of 0.3% referencing that "...PEG noted that it was difficult to assess the appropriate stretch factor, as the stretch factor is ordinarily determined using benchmarking analysis,..."

*"In the absence of benchmarking evidence, the OEB is setting a stretch factor that is the mid-range of the stretch factors established for electricity distributors (0% to 0.6%). This is also the stretch factor approved in the decision for the hydroelectric generation business of Ontario Power Generation (OPG), where the OEB noted that it expects improved benchmarking going forward.<sup>34</sup> The mid-range is the stretch factor for an average performer."*

(EB-2017-0306/307, August 30, 2018, pg. 26 & 27)

- a) Does PSE agree that the preferred methodology for determining an appropriate stretch factor is benchmark analysis?

- b) What benchmarking analysis was performed by PSE with respect to HOSSM (as opposed to Hydro One) in coming to its conclusion of a 0% stretch factor?
- c) Given that HOSSM is not Hydro One why is it appropriate to extrapolate Hydro One's benchmarking results and apply them to a different utility?
- d) Please provide HOSSM's most recent peak demand and compare that to the list of Utilities in the Benchmarking Study shown in Tables 4 and 6 of the PSE Study.
- c) Given the Board's prior findings why is a stretch factor of 0.3% not appropriate for HOSSM?
- e) If HOSSM is comparable to Hydro One why was it not used as a Benchmarking utility in the PSE study?

VECC-11

Reference Exhibit E, Tab 1, Schedule 2

- a) What is the current balance in the IFRS Gains and Losses sub-account of 1508?
- b) Given that the amount of gains and losses are not, in HOSSM's estimation remain in the current rate base for the 10 year deferred rebasing period what is the rationale for continuation of this account?

**END OF DOCUMENT**