

**Hydro One Networks Inc.**  
7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5393  
Fax: (416) 345-6833  
Joanne.Richardson@HydroOne.com



**Joanne Richardson**  
Director – Major Projects and Partnerships  
Regulatory Affairs

BY COURIER

June 21, 2019

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-2019-0120 - Hydro One Networks Inc., Application for Approval of the Allocation of Construction Costs of the Supply to Essex County Transmission Reinforcement Project – Interrogatory Responses**

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Please find attached Hydro One Networks Inc.'s (Hydro One) responses to interrogatories received in the above-noted proceeding as part of Procedural Order No.1 dated May 24 , 2019. The interrogatory responses have been organized by party as indicated below:

Tab 1	OEB Staff
Tab 2	London Property Management Association (LPMA)
Tab 3	School Energy Coalition (SEC)
Tab 4	Entegrus Powerlines
Tab 5	Essex Powerlines Corporation (EPLC)

An electronic copy of this has been filed through the Ontario Energy Board's Regulatory Electronic Submission System (RESS).

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson



1 **Response:**

2 As Staff correctly notes, HONI is proposing to use the proportional costs as a proxy for  
3 the proportional benefits. The relative benefits between Hydro One Distribution and all  
4 ratepayers is therefore strictly a function of the relative costs. The costs have been  
5 updated since the time of the EB-2013-0421 proceeding to reflect the best information  
6 available at this time for purposes of this proceeding.

7  
8 HONI agrees that the cost inputs for determining proportional benefits should not  
9 normally be updated at this late stage. However, HONI notes that SECTR is an  
10 exceptional case where most of the actual costs are already known prior to the Board's  
11 review and approval of the cost attribution required under the Transmission System  
12 Code.<sup>2</sup> This is not expected to be the normal process.

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<sup>2</sup> In the OEB's Decision and Order on Phase 1 of the SECTR Leave to Construct proceeding (EB-2013-0421), dated July 16, 2015, the Board determined that "the cost allocation matters in respect of the SECTR Project can be dealt with subsequent to the commencement of the construction of the project." The SECTR project was placed into service in 2018.

1 **OEB STAFF INTERROGATORY # 2**

2  
3 **Reference:**

4 2019 HONI Application, page 2

5 2013 HONI Application, EB-2013-0421, OPA Supporting Evidence, page 9

6 HONI response to SEC interrogatory #3, EB-2013-0421, Exh I-P2-6-3

7  
8 **Interrogatory:**

9 The application notes that, in determining the proportional benefit and the related  
10 attribution of costs, the methodology is based on a scenario whereby the network need  
11 and triggering customer need are addressed by individual investments to ascertain the  
12 proportion each contributes to the aggregate cost of those investments. The table then  
13 shows how the relative proportions are applied to the total cost of the integrated solution  
14 — “HONI SECTR Project “— that addresses both needs in order to allocate the costs.

15  
16 According to a HONI interrogatory response to SEC (#3) in the initial SECTR  
17 proceeding, the costs associated with the avoided network need investments were  
18 provided by HONI to the OPA. HONI noted that their cost estimates were “not based on  
19 detailed engineering but on past experience with such projects.”

- 20  
21 • In HONI’s 2013 application, the *estimated* cost of the investment that would  
22 address the *customer* need was \$77.4 million. In HONI’s current application, the  
23 *actual* cost of \$54.3 million was used for cost allocation purposes.  
24  
25 • Investments to address the *network* need included upgrading the J3E/J4E circuits  
26 to 1,600 amps (from Keith TS to Essex 1 TS) and installing 50 MVar of reactive  
27 support (in the Windsor-Essex area). In HONI’s initial EB-2013-0421 application,  
28 the *estimated* cost associated with those two investments was \$20.5 million. In the  
29 current EB-2019-0120 application, HONI has used the same *estimated* cost –  
30 \$20.5 million – for cost allocation purposes.

31  
32 Given the above, please clarify the following:

- 33  
34 1. Why did the estimated cost of the two proxy investments that would have addressed  
35 the *network* need remain exactly the same after about five years, while the investment  
36 that addresses the customer need declined by about 30%?

- 1 2. Please provide any documents to support the cost estimate of \$20.5 million and  
2 identify the similar projects that were used as benchmarks to reflect past experience.  
3
- 4 3. Did HONI re-estimate the costs associated with the two avoided network investments  
5 and arrive at the same figure of \$20.5 million?  
6
- 7 4. If the response to (3) above is no, please provide an updated cost estimate and explain  
8 how it was determined, including identifying any similar projects that were used that  
9 are *incremental* to those that were used to arrive at the estimate in the initial case.  
10

11 **Response:**

- 12 1. HONI updated the costs based on the best information available for purposes of this  
13 proceeding. While most of the actual costs for the investment that addresses the  
14 customer need have since become available, no corresponding better information has  
15 become available for the investment that would have addressed the network need.  
16

17 HONI would like to take this opportunity to clarify that the \$54.3M cost noted in the  
18 February 28, 2019 letter represented only the actual cost to date. Some additional  
19 costs still remain to be finalized, including amounts that may still need to be incurred  
20 due to a proximity to gas line issue. The final cost for the SECTR project is  
21 forecasted to be \$57.5M.  
22

- 23 2. Line projects similar to J3E/J4E (12.2 km) include D10S/D9HS (7.1 km) and  
24 D1A/D3A (4.2 km), which cost \$6.8M and \$5.4M, respectively. Similar projects  
25 involving dual capacitor banks include Midhurst TS and Orillia TS, which cost  
26 approx. \$2.6M each.  
27
- 28 3. The costs were not re-estimated.  
29
- 30 4. Based on the benchmark examples in #2 above, the cost estimate is updated to  
31 \$18.1M (i.e., \$15.5M + \$2.6M).

1 **OEB STAFF INTERROGATORY # 3**

2  
3 **Reference:**

4 IESO's April 26th letter

5  
6 **Interrogatory:**

7 In the IESO's April 26th letter, a concern was raised related to using new actual  
8 construction cost information that results in a different cost allocation relative to the  
9 original cost allocation that existed at the time of the LTC determination. Section 6.3.18A  
10 of the TSC states "Where section 6.3.18 applies, the transmitter shall apply to the Board  
11 for approval of the attribution of costs between the triggering customer(s) and the  
12 network pool." As such, on a go forward basis, the cost estimates related to addressing  
13 both the network need and customer need that exist when the application for leave to  
14 construct is approved will be used for cost allocation purposes. Unlike provisions in the  
15 TSC related to economic evaluations, neither section 6.3.18 nor 6.3.18A refers to true ups  
16 to actuals. Within that context, why does HONI believe it is appropriate to calculate the  
17 proportional benefit (i.e., % allocations) based on the actual SECTR cost, rather than the  
18 initial cost estimate, in this case?

19  
20 **Response:**

21 Please see response to Board Staff Interrogatory #1 (Exhibit I-01-01).



1 **LPMA INTERROGATORY # 1**

2  
3 **Reference:**

4 Letter from Hydro One Networks Inc. related to EB-2013-0421 – Hydro One Networks  
5 Inc.’s Section 92 – Request for Approval on Attribution of Cost dated February 28, 2019,  
6 the IESO’s letter to the Ontario Energy Board dated April 26, 2019 related to IESO  
7 confirmation and the EB-2013-0421 application and Decision and Order dated July 16,  
8 2015.

9  
10 **Interrogatory:**

11 Please file tables, similar to that found in Tables 1 & 2 of Exhibit B, Tab 4, Schedule 2  
12 that shows a break down of the total cumulative costs of \$74.8 in the same level of detail  
13 as shown in the above noted tables.

14  
15 **Response:**

16 The \$74.8M figure (updated to \$75.6M as per the updated costs in Exhibit I-01-02) is not  
17 associated with any particular project for which a breakdown of the costs exists. It is  
18 calculated solely for the exercise of apportioning benefits, by simply adding the cost of  
19 the investment to address the customer need (\$57.5M) to the cost of the investment to  
20 address the network need (\$18.1M).



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## LPMA INTERROGATORY # 2

**Reference:**

Letter from Hydro One Networks Inc. related to EB-2013-0421 – Hydro One Networks Inc.’s Section 92 – Request for Approval on Attribution of Cost dated February 28, 2019, the IESO’s letter to the Ontario Energy Board dated April 26, 2019 related to IESO confirmation and the EB-2013-0421 application and Decision and Order dated July 16, 2015.

**Interrogatory:**

- a) How has Hydro One Networks Inc. estimated the \$2 million reduction noted in footnote 1 of the February 28, 2019 letter?
- b) Did Hydro One Networks Inc. do any independent verification of the \$2 million cost that was provided by the OPA in the OPA Cost Responsibility Evidence provided at Exhibit B, Tab 4, Schedule 4 in EB-2013-0421?

**Response:**

- a) The \$2M figure represents the incremental cost between a like-for-like replacement of the end-of-life 125 MVA autotransformers at Keith TS and an upgrade to 250 MVA units.
- b) The \$2 million cost noted on page 9 in Exhibit B-04-04 in EB-2013-0421 is the same \$2 million discussed in (a) above, which was estimated by Hydro One.

1 **LPMA INTERROGATORY # 3**

2  
3 **Reference:**

4 Letter from Hydro One Networks Inc. related to EB-2013-0421 – Hydro One Networks  
5 Inc.’s Section 92 – Request for Approval on Attribution of Cost dated February 28, 2019,  
6 the IESO’s letter to the Ontario Energy Board dated April 26, 2019 related to IESO  
7 confirmation and the EB-2013-0421 application and Decision and Order dated July 16,  
8 2015.

9  
10 **Interrogatory:**

- 11 a) Please confirm that the costs shown in the table provided in the February 28, 2019  
12 letter include actual costs of \$54.3 million for the SECTR Project and an estimated  
13 cost of \$20.5 million to the network pool that would have been required. If this  
14 cannot be confirmed, please explain fully.
- 15  
16 b) Please provide a table similar to that provided in the February 28, 2019 letter that uses  
17 the costs as provided and approved in EB-2013-0421 to determine the attribution of  
18 costs between the triggering customer and the network pool.
- 19  
20 c) Please confirm that the costs requested in part (b) above were all forecasted/estimated  
21 costs. If this cannot be confirmed, please explain fully.

22  
23 **Response:**

- 24 a) The \$54.3M cost was the actual cost to date as of February 28, 2019. There still  
25 remain some additional costs to be finalized, including amounts that may still need to  
26 be incurred due to a proximity to gas line issue. For additional clarity, the table  
27 provided in (b) below includes the attribution of costs based on a forecasted final cost  
28 of \$57.5M. The \$20.5M cost has been updated to \$18.1M, as per the response to  
29 Board Staff Interrogatory #2 (Exhibit I-01-02 #4).
- 30  
31 b) As noted in (a), the table below includes the attribution of costs based on an updated  
32 cost for the avoided network investment of \$18.1M and a forecasted final cost for the  
33 SECTR project of \$57.5M.

Line	Solution	Original Filed Cost	Updated Interim Cost	Forecasted Final Cost
1	Upgrading the J3E/J4e 115kV circuits from Keith TS to Essex TS to 1,600 amps and installing 50 MVAR of reactive support in the Windsor – Essex area (includes incremental cost of upgrading end-of-life 125 MVA autotransformers at Keith TS with 250 MVA units)	\$22.5M		
2	Upgrading the J3E/J4e 115kV circuits from Keith TS to Essex TS to 1,600 amps and installing 50 MVAR of reactive support in the Windsor – Essex area (does not include incremental cost of upgrading end-of-life 125 MVA autotransformers at Keith TS with 250 MVA units)		\$20.5M	\$18.1M <sup>1</sup>
3	Addressing the customer need for supply capacity in the Kingsville – Leamington area	\$77.4M	\$54.3M	\$57.5M <sup>2</sup>
4	Total cost of addressing each need separately	<b>\$99.9M</b>	<b>\$74.8M</b>	<b>\$75.6M</b>
5	Actual cost of the HONI SECTR Project	<b>\$57.5M<sup>2</sup></b>	<b>\$54.3M</b>	<b>\$57.5M<sup>2</sup></b>
6	Allocation to Transmission Ratepayers (L1/L4)	22.5%		
7	Allocation to Transmission Ratepayers (L2/L4)		27.4%	23.9%
8	Allocation to Load Customer (L3/L4)	77.5%	72.6%	76.1%
9	Allocation to Transmission Ratepayers (L5xL6)	\$12.9M		
10	Allocation to Transmission Ratepayers (L5xL7)		\$14.9M	\$13.7M
11	Allocation to Load Customer (L5xL8)	\$44.6M	\$39.4M	\$43.8M

1

2 c) Confirmed

<sup>1</sup> Updated as per Exhibit I-01-02 #4.

<sup>2</sup> Updated as per Exhibit I-01-02 #1.





Filed: 2019-06-21

EB-2019-0120

Exhibit I

Tab 3

Schedule 2

Page 2 of 2

1 contribution requirements in the DSC operate in exactly the same manner regardless of  
2 whether section 6.3.18A of the TSC—which is the subject of this proceeding—applies or  
3 not.

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## ENTEGRUS INTERROGATORY # 1

**Preface:**

*Entegrus Powerlines was an intervenor in Hydro One Network's SECTR Leave to Construct Application (EB-2013-0421). In that proceeding, Hydro One Network proposed capital contributions directly to Hydro One Distribution and embedded distributors, including an initially proposed contribution from Entegrus Powerlines of approximately \$1.0M.*

**Reference:**

Hydro One Network's Inc. letter to the OEB of February 28, 2019, entitled "*EB-2013-0421 – Hydro One Networks Inc.'s Section 92 – Request for Approval on Attribution of Cost*", page 2:

*"The OEB's expeditious approval of these allocations will ease all impacted parties' (e.g., downstream distribution-connected customers) uncertainties regarding financial obligations and enable the completion of contracts and connections among other things related to this Project as documented in HONI's submissions in EB-2016-0003."*

**Interrogatory:**

1. a) Please confirm that the EB-2019-0120 application, as filed, addresses only capital contributions sought from Hydro One Distribution and does not address proposed contributions to be sought from embedded distributors or their downstream-connected customers.

(b) If the answer to #1 (a) above is non-affirmative, please provide EB-2019-0120 evidence references describing under what basis (including the applicable code, version date, page number and article number) the capital contributions will be sought, as well as the amount of capital contributions sought from Entegrus Powerlines and any of its customers directly.

(c) If the answer to #1 (a) above is non-affirmative, please provide EB-2019-0120 evidence references which show the load amounts (and sources of such load information) for Entegrus Powerlines, Hydro One Distribution and the aggregate of other embedded distributors, upon which cost allocations are presumably based.

1 Please also advise if future true-up of such load information is anticipated and if so,  
2 provide a description of the associated true-up process and its timelines.

3

4 2. (a) If the answer to #1 (a) above is affirmative, please advise if Hydro One  
5 Transmission or Hydro One Distribution intends to propose capital contributions from  
6 embedded distributors by way of another process.

7

8 (b) If the answer to #2(a) above is affirmative, please advise under what basis  
9 (including the applicable code, version date, page number and article number) and  
10 what process such capital contributions will be sought.

11

12 (c) If the answer to #2(a) above is affirmative, please advise on the amount of capital  
13 contributions that will be sought from Entegrus Powerlines, as well as any Entegrus  
14 Powerlines customers directly. If an exact amount is not available, please provide an  
15 estimate.

16

17 (d) If the answer to #2(a) above is affirmative, please provide the load amounts (and  
18 sources of load such information) for Entegrus Powerlines, Hydro One Distribution  
19 and the aggregate of other embedded distributors, upon which cost allocations are  
20 presumably based. Please also advise if future true-up of such load information is  
21 anticipated and if so, provide a description of the associated true-up process and its  
22 timelines.

23

24 **Response:**

25 1. Confirmed for (a). For (b) and (c), please see response to SEC Interrogatory #2  
26 (Exhibit I-03-02).

27

28 2. Please see response to SEC Interrogatory #2 (Exhibit I-03-02).



1 **EPLC INTERROGATORY # 1**

2  
3 **Preface:**

4 EPLC was an intervenor in Hydro One Network's SECTR Leave to Construct  
5 Application (EB-2013-0421). In that proceeding, Hydro One Network proposed capital  
6 contributions directly to Hydro One Distribution as well as embedded distributors.  
7

8 **Reference:**

9 Hydro One Network's Inc. letter to the OEB of February 28, 2019, entitled "EB-2013-  
10 0421 – Hydro One Networks Inc.'s Section 92 – Request for Approval on Attribution of  
11 Cost", page 2:  
12

13 *"The OEB's expeditious approval of these allocations will ease all impacted*  
14 *parties' (e.g., downstream distribution-connected customers) uncertainties*  
15 *regarding financial obligations and enable the completion of contracts and*  
16 *connections among other things related to this Project as documented in HONI's*  
17 *submissions in EB-2016-0003."*  
18

19 **Interrogatory:**

20 Please confirm that the EB-2019-0120 application addresses solely capital contributions  
21 sought from Hydro One Distribution and does not address capital contributions to be  
22 sought from embedded distributors, like EPLC, or any of EPLC's downstream  
23 distribution customers.  
24

25 **Response:**

26 Confirmed.

1 **EPLC INTERROGATORY # 2**

2  
3 **Preface:**

4 EPLC was an intervenor in Hydro One Network's SECTR Leave to Construct  
5 Application (EB-2013-0421). In that proceeding, Hydro One Network proposed capital  
6 contributions directly to Hydro One Distribution as well as embedded distributors.

7  
8 **Reference:**

9 Hydro One Network's Inc. letter to the OEB of February 28, 2019, entitled "EB-2013-  
10 0421 – Hydro One Networks Inc.'s Section 92 – Request for Approval on Attribution of  
11 Cost", page 2:

12  
13 *"The OEB's expeditious approval of these allocations will ease all impacted*  
14 *parties' (e.g., downstream distribution-connected customers) uncertainties*  
15 *regarding financial obligations and enable the completion of contracts and*  
16 *connections among other things related to this Project as documented in HONI's*  
17 *submissions in EB-2016-0003."*

18  
19 **Interrogatory:**

- 20 i) Please confirm whether or not Hydro One Distribution or Hydro One Transmission  
21 intends to propose capital contributions from embedded distributors, like EPLC, or  
22 any of EPLC's downstream distribution customers.
- 23
- 24 ii) Where the answer to EPLC-2 i) is confirmed, please describe the basis as well as the  
25 process that Hydro One Distribution or Hydro One Transmission intends to follow.
- 26
- 27 iii) Where the answer to EPLC-2 i) is confirmed, please provide the proposed capital  
28 contribution amounts for EPLC and/or any of its downstream distribution customers.
- 29
- 30 iv) Where the answer to EPLC-2 i) is confirmed, please provide any/all load/forecast  
31 related information by which the allocations were derived.

32  
33 **Response:**

34 Please see response to SEC Interrogatory #2 (Exhibit I-03-02).