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Our File No. 339583-00264

**By electronic filing**

July 3, 2019

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli

**Re: Hydro One Networks Inc. (“Hydro One”)  
Application for 2020-2022 Transmission Rates  
Board File No.: EB-2019-0082**

Pursuant to Procedural Order No. 1 dated May 30, 2019, please find attached the Interrogatories of Canadian Manufacturers & Exporters (“CME”) to the Applicant, Hydro One Networks Inc. (“Hydro One”), in the above-noted proceeding.

Yours very truly

**Borden Ladner Gervais LLP**

A handwritten signature in blue ink, appearing to read 'Scott Pollock', is written over a horizontal line.

Scott Pollock

Encl.

c. Linda Gibbons and Frank D’Andrea (Hydro One)  
Charles Keizer and Arlen Sternberg (Torys LLP)  
EB-2019-0082 Intervenors  
Alex Greco (CME)

OTT01: 9831738: v1

**Hydro One Networks Inc.**

Application for electricity transmission rates for the period from January 1, 2020 to December 31, 2022

**INTERROGATORIES OF  
CANADIAN MANUFACTURERS & EXPORTERS ("CME")  
TO HYDRO ONE NETWORKS INC. ("Hydro One")**

**CME # 1**

**Ref: Exhibit A, Tab 2, Schedule 4, Attachment 1, page 3 of 10**

At Exhibit A, Tab 2, Schedule 4, Attachment 1, page 3, Hydro One states that "As Hydro One's external engineering resources are trained to become more familiar with the company's approach and processes, internal engineers will transition from reviewing external work for quality control to reviewing work for quality assurance with a view to having them ultimately operate in the role of owner engineer."

- (a) In the context of external engineering, what is the difference between reviewing work for quality control, and reviewing work for quality assurance?
- (b) What benefits does Hydro One expect to achieve as the result of the creation of the backlog, and the transition of internal resources to owners/managers?
- (c) Are the benefits in part (b) above going to manifest during the application term? If so, please quantify them.

**CME # 2**

**Ref: Exhibit A, Tab 2, Schedule 4, Attachment 1, page 7 of 10**

At Exhibit A, Tab 2, Schedule 4, Attachment 1, page 7, Hydro One states that "The TCB study combined Hydro One's planned corrective maintenance and demand corrective maintenance into a single "corrective maintenance" category. The TCB study did not investigate the different definitions of corrective maintenance used by Hydro One and the peer group."

- (a) Did Hydro One discuss the TCB study's approach regarding corrective and preventative maintenance with the authors of the report? If so, please provide their rationale for categorizing the maintenance programs. If not, why not?
- (b) Does planned corrective maintenance (Hydro One's definition) generally cost more than Hydro One's planned maintenance for the maintenance of comparable units/equipment?
- (c) What percentage of Hydro One's planned corrective maintenance would be considered preventative maintenance under INPO's definition?

**CME # 3****Ref: Exhibit A, Tab 2, Schedule 4, Attachment 1, page 9 of 10**

At Exhibit A, Tab 2, Schedule 4, Attachment 1, page 9, Hydro One states: "The TCB study recommended that Hydro One: (i) develop parameters and business rules for a two-year rolling authorisation process; then (ii) reinstitute its earned value analysis to measure project progress, establish performance metrics that use the forecasted monthly cash flow and earned value analysis."

- (a) When and why did Hydro One remove the earned value analysis in measuring project progress?

**CME # 4****Ref: Exhibit A, Tab 4, Schedule 1, page 1 of 13**

At Exhibit A, Tab 4, Schedule 1, page 1, Hydro One States: "The RCI also includes a Custom Capital Factor ("C") that is designed to recover revenue related to new capital investments that are placed in-service in each test year, as further described in this Exhibit."

- (a) Please confirm whether the capital factor will be applied to Hydro One's working cash amounts.

**CME # 5****Ref: Exhibit A, Tab 3, Schedule 1, page 22 of 24**

At Exhibit A, Tab 3, Schedule 1, page 22, Hydro One provided the Evolved Transmission Regulatory Scorecard Results and targets. With regard to the scorecard:

- (a) Will Hydro One transmission's line clearing cost per kilometer benefit from the adoption of the new vegetation management strategy brought forward by Hydro One distribution? If so, please describe the impact. If not, why not?

**CME # 6****Ref: Exhibit A, Tab 4, Schedule 1, page 9 of 13**

At Exhibit A, Tab 4, Schedule 1, page 9, Hydro One states: "Hydro One proposes to share with customers 50% of any earnings that exceed the OEB allowed regulatory ROE by more than 100 basis points in any year of the Custom IR term."

- (a) Will the ROE used to calculate the earnings sharing be the 2019 ROE, or will it be the OEB's allowed ROE for the year in question?
- (b) Is Hydro One proposing to normalize revenues in any way in the calculation of ROE? If so, how?
- (c) Why is Hydro One not proposing to clear any amounts owed to ratepayers through the ESM as part of the annual update process?

- (d) What interest rate does Hydro One propose will accrue to amounts owed to ratepayers by virtue of the ESM?

**CME # 7**

**Ref: Exhibit A, Tab 4, Schedule 1, page 12 of 13**

At Exhibit A, Tab 4, Schedule 1, page 12, Hydro One states: "Hydro One is proposing, consistent with the Handbook, that the OEB's Z-factor mechanism be available over the term of this Custom IR Application."

- (a) Please confirm the dollar value of Hydro One's proposed materiality threshold.

**CME # 8**

**Ref: Exhibit B, Tab 1, Schedule 1, page 7 of 58**

At Exhibit B, Tab 1, Schedule 1, page 7, Hydro One states that "All original internal audit items are now complete; Follow up internal audit shows lower overall risk level".

- (a) Please provide the original audits and follow up audits to the extent that they are not already part of the evidence.

**CME # 9**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.3 page 29 of 33**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.3, page 29, Hydro One states: "Hydro One asked LDCs to identify whether their responses to the survey were informed by their own customer engagement activities for the purposes of their own rate applications, or by any other customer research. Of the 28 respondents, 11 answered "yes" to this question."

- (a) How does Hydro One define a transmission customer?
- (b) Please confirm that the quoted paragraph means that a majority of LDCs (17 of 28) did not indicate that their answers were informed by customer engagement activities or by any other customer research.
- (c) In the same paragraph, Hydro One describes how price is the highest priority among residential customers, small business customers, and mid-market customers. How did this impact Hydro One's spending proposal? Please be as specific as possible regarding what choices/decisions regarding spending were made or not as the result of LDC end-user preference.
- (d) Please confirm that Hydro One chose not to directly solicit end-user preferences.

**CME # 10****Ref: Exhibit B, Tab 1, Schedule 1, Section 1.3, Attachment 1, page 9 of 144**

At Exhibit B, Tab 1, Schedule 1, Section 1.3, Attachment 1, page 9, Innovative Research Group shows that 89 respondents are satisfied with Hydro One's overall performance, split into 40 that are very satisfied and 49 that are somewhat satisfied.

- (a) While respondents could answer differently (very satisfied or somewhat satisfied), Innovative Research Group discusses the results based on the number of respondents who were satisfied. Does the bifurcation of very satisfied and somewhat satisfied have any impact on the results or how they are presented?
- (b) In the course of its review of customer needs and preferences, did Hydro One take any different account of whether respondents said very satisfied or somewhat satisfied when making decisions?

**CME # 11****Ref: Exhibit B, Tab 1, Schedule 1, Section 1.3, Attachment 1, page 46 of 144**

At Exhibit B, Tab 1, Schedule 1, Section 1.3, Attachment 1, page 46, customers were provided will illustrative spending scenarios.

- (a) Why wasn't a scenario provided that had a net reliability risk of 0%, that is to say, neither increase risk nor decreasing risk?
- (b) Page 46 states that participants in the survey were provided with a preamble on the four illustrative investment scenarios. It then states that each scenario was described in detail, and the table at page 46 was provided.

Please confirm whether any information other than that found at Appendix 1.2 and 1.3 were provided to participants. If so, please indicate the material's location in the evidence for EB-2019-0082. To the extent it has not yet been provided, please provide it.

**CME # 12****Ref: Exhibit B, Tab 1, Schedule 1, Section 1.3, Attachment 1**

- (a) Please provide Innovative Research Group's terms of reference or work plan.
- (b) Please provide Innovative Research Group's retainer agreement with respect to the scope of work completed in this application.

**CME # 13****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 8 of 32**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 8 Hydro One states that: "Hydro One's transformer condition assessment practices are aligned with industry best practices. More particularly, 80.5% of the asset condition assessments for Hydro One's transmission transformer

fleet aligned with EPRI's PTX analysis based on dissolved gas in oil content and oil quality data. For the remaining 19.5% of assessments, the results of which were not well aligned, the majority of the differences are attributed to data issues such as oil cross contamination between tap changer and main tank oil. Hydro One depends on the subject matter experts to account for these issues. Therefore, Hydro One will continue its current practices and will track and monitor future test results."

- (a) What are the consequences of Hydro One's analysis not aligning with EPRI's PTX analysis?
- (b) What will the subject matter experts do to ameliorate this non-alignment? Have they done that previously, or will this be a new activity?
- (c) How do the 19.5% of assessments that are not aligned interact with the condition data availability found by Metsco in its Review of Hydro One's Capabilities in Transmission Asset Analytics & Reliability Risk Modelling in Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, p. 40 of 106? Do the non-alignments overlap with instances where there is no condition data, or are they in addition to those instances?

**CME # 14**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 10 of 32**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 10 of 32, Hydro One states that the EPRI report does not include certain replacement criteria, which caused Hydro One's replacement rate to be higher than anticipated by the model.

- (a) Does the 'historical removal' methodology used by EPRI not take into account previous periods where circuit breakers had to be removed for obsolescent or regulatory reasons?

**CME # 15**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 14 of 32**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 14 of 32, Hydro One discusses the removal from service of the Air Blast Circuit Breakers.

- (a) What percentage of the respondents indicated that they have already replaced their ABCBs?
- (b) How many respondents will not have ABCBs by the end of the plan term?
- (c) What are the forecast O&M savings from the removal of the ABCBs?

**CME # 16**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 15 of 32**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, page 15 of 32, Hydro One states that "OCB technology has generally performed well over decades of service". Hydro One goes on to state in

the next paragraph that "utilities are also replacing their OCBs due to poor performance and associated high costs for any maintenance".

- (a) Please reconcile the statement that OCBs have generally performed well, with the statement that they have poor performance.

#### **CME # 17**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, p. 26 of 106**

- (a) How are the standard default values derived by Hydro One? Please fully describe the process.
- (b) How does the system deal with "missing" flags? For instance, are the remaining criteria that do have values adjusted to make up the whole of the composite risk index? Is there a 'missing value' that is applied?
- (c) Please describe the additional judgment that Hydro One staff use when there are gaps in available data.

#### **CME # 18**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 1, page 37 of 62**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 1, page 37, EPRI reports that 16 115 kV transformers are at 'risk', and 15 115 kV transformers are at 'high risk' in the long term.

- (a) Please explain Hydro One's risk taxonomies, and what relationship they have, if any, to EPRI's 'abnormal' markers.
- (b) Was does EPRI (and Hydro One) consider to be a long-term risk versus a short term risk?

#### **CME # 19**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 1, page 51 of 62**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 1, page 51 and on, EPRI has a table of transformers, and various scores related to them.

- (a) If it has not done so already as part of the evidence, please provide a table similar to the own shown at Attachment 1, page 51, showing each transformer, its Hydro One risk taxonomy designation (high risk, risk, fair, etc.), and whether Hydro One is planning on refurbishing or replacing any part of the transformer during the plan period.
- (b) To the extent that Hydro One plans to replace or refurbish a transformer with a 'fair' rating or higher, or does not intend to replace or refurbish a transformer with a 'risk' or 'high risk' rating, please explain why.
- (c) Please describe how the results of EPRI's PTX Analysis impacted Hydro One's transformer investment decisions. Please include reference to EPRI's recommendations found at page 20 of 32 in B-1-1 TSP Section 1.4.

**CME # 20****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 9, page 18 of 22**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 9, page 18 EPRI lists a series of questions related to oil circuit breakers that were asked of the survey respondents.

- (a) If it has not done so already as part of the evidence, please answer the questions posed to the survey respondents in Table 3-10 (for example, does Hydro One have dedicated crews to do internal inspections/refurbishments?).

**CME # 21****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 7 of 106**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 7, METSCO states "We opted to rely on two separate evaluation frameworks in light of the relative degree of significance between the AA/ARA and RRM capabilities within HONI's capital planning process, and certain distinct technical attributes that warrant more focused attention."

- (a) Please explain what is meant by the "relative degree of significance between the AA/ARA and RRM capabilities".
- (b) Please outline what distinct technical attributes warrant more focused attention, and why.

**CME # 22****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 9 of 106**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 9, METSCO states that "This contextual observation suggests that the RRM capability constitutes a bona fide continuous improvement step".

- (a) Please explain the statement above in light of the fact that METSCO found that the RRM tool's analytical underpinnings and functionalities trail advanced industry system reliability practices.
- (b) Please explain what METSCO means when it states that the RRM's observed gaps pose no meaningful risks from the asset planning perspective.

**CME # 23****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, pages 23 of 106**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 23, METSCO outlines that Hydro One's inclusion of customer preferences occurs at the ARA process. On page 28, METSCO states that the RRM is used after the AA and ARA process has occurred.

- (a) What does Hydro One use the RRM process for regarding customer information, if customer preferences have already been canvassed as part of the ARA process?



**CME # 24****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, pages 40 of 106**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, pages 40, METSCO reports that for transformers, the average data availability is 65.2% for condition, 46.7% for utilization, and 59.8% for criticality.

- (a) Please confirm that certain transformers could have incomplete data across multiple categories, for instance, no data about condition or utilization.
- (b) If the answer to (a) above is yes, how does having multiple missing categories impact the generation of default values and the assessment of risk?

**CME # 25****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 44 of 106**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 13, page 44, METSCO states that additional information regarding the AA sub-criteria, are reviewed at the ARA stage. The example of additional information given is the oil leakage.

- (a) Does Hydro One have additional data regarding the sub-criteria for other asset classes, or just power transformers? If so, which asset classes does Hydro One have additional data for?
- (b) Does Hydro One use the additional data only to identify further assets to be replaced, or does it use it to defer certain investments as well?
- (c) How often does the additional data added at the ARA stage alter Hydro One's investment decision making?
- (d) Why isn't the additional data incorporated into the original AA condition data such that a complete score is generated at the outset?
- (e) How does Hydro One conduct the incremental ARA analysis in instances where it does not have underlying data for the AA sub-criteria?

**CME # 26****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.5 page 20 of 55**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.5 page 20, Hydro One states: "Although, satisfaction with outage planning procedures decreased by 9 percentage points in 2018 compared to 2017, historical results are not comparable to the 2018 value."

- (a) How has Hydro One determined the drivers of the change in historical results?
- (b) Why doesn't overall customer satisfaction exhibit the same drastic shift in result if the driver of the change is the survey methodology and publication (online)?

**CME # 27****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.5 page 45 of 55**

- (a) What are the drivers of line clearing cost per kilometer? Please explain the nature of the variance in year to year costs between 2013 and 2017 as shown in Figure 17.

**CME # 28****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 4 of 13**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 4, Hydro One States: "If Finance approved the initiative and confirmed that it would have the effect of reducing a department or program budget, then the initiative was deemed to qualify for tracking and reporting against the company's Tier 1 Productivity target up to the forecast amount of the spending reduction, with further savings to be tracked as Tier 2 Productivity savings."

- (a) If the initiative ending up being more successful than forecast, are there any circumstances under which the additional productivity would cause a department not to spend their allotted budget, or would the effect always be to do more with the same amount of money?
- (b) Is there any process for reforecasting or altering the forecast amount of the spending reduction throughout the plan term?
- (c) How do tier 2 productivity gains interact with Hydro One's process of redirection? If tier 2 gains are made, does Hydro One redirect the additional money to other departments or projects?
- (d) How does Hydro One determine how much savings are forecast into tier 1 from any given productivity initiative?

**CME # 29****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 12 of 13**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 12, Hydro One describes what undefined progressive savings are, and how they were derived.

- (a) What was the basis for determining that 1-3% was the appropriate level of undefined progressive savings?
- (b) Was the 1-3% applied similarly across each component of the work program (at 2% for instance) or was 1-3% different for different departments/lines of business? If they were different, what information did Hydro One use to determine whether 1% or 3% should be levied against any individual department/line of business?
- (c) With regard to the 'common project-specific areas', how did Hydro One determine that those areas would be likely places to find undefined productivity increases?

**CME # 30****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 11 of 13**

At Exhibit B, Tab 1, Schedule 1, TSP Section 1.6, page 11, Hydro One states: "In 2017, Fleet Services started to leverage telematics data to define baseline metrics with respect to equipment utilization, non-productive idling and fuel efficiency."

- (a) Given that the telematics program was rolled out in 2016, and Fleet services started to leverage telematics data in 2017, have productivity gains been made in 2017 and 2018? If so, how much? If not, why not?
- (b) If the answer to (a) is yes, what productivity gains are left to realize during the period from 2020-2022?

**CME # 31****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 28 of 54**

At Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 28, Hydro One discusses its strategy of grouping together investments to drive efficiencies.

- (a) When grouping investments, does Hydro One only group together investments that individually are validated and would be pursued during the plan term, or are investments, which by themselves may not be needed yet or are not cost effective grouped together with investments that would individually qualify?
- (b) If the answer to (a) above is yes, how does Hydro One evaluate whether the cost savings generated by grouping investments outweighs the early triggering of investments in assets that otherwise would have remained untouched during the plan term?

**CME # 32****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 31 of 54**

At Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 31, Hydro One States: "Hydro One's risk taxonomies are based on key outcomes (safety, reliability, and environment) that customers and the OEB have identified as high priority. These outcomes are reflective of top customer priorities identified through Hydro One's customer engagement, detailed in TSP Section 1.3, and align with key regulatory and policy concerns."

- (a) Please confirm that cost is not considered one of the key outcomes identified as high priority.
- (b) If Hydro One's customer engagement were to list cost as a top customer priority, how would Hydro One's risk taxonomies and investment prioritization process change?

**CME # 33****Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 40 of 54**

At Exhibit B, Tab 1, Schedule 1, TSP Section 2.1, page 40, Hydro One states that challenge session discussion are "guided by the draft investment plan, as well as new analytic tools that enable a more holistic view of the plan's effectiveness through different lenses (e.g., comparing risk efficiency and absolute risk)."

- (a) What new analytic tools are enabling Hydro One to gain a more holistic view of the investment plan?
- (b) How does Hydro One weigh absolute risk and risk efficiency against one another? Is it a mathematical comparison, are there a set of rules about which investment should be preferred in advance?
- (c) How do non-risk related flags interact with absolute risk and risk efficiency? Are there rules set out in advance on how to deal with the different priorities that these represent?

**CME # 34****Ref: ISD SR-19, page 8 of 15**

At ISD SR-19, page 8, Hydro One States: "Each project will entail an assessment of all assets along the line section and the replacement or refurbishment of all components that are deemed at or near EOL."

- (a) Is "near EOL" a defined term? If so, please provide the definition as it relates to the different asset classes.
- (b) How are near EOL assets incorporated with the risk taxonomies and investment planning process?

**CME # 35****Ref: ISD SR-20, page 1 of 11**

- (a) Please confirm if CME's understanding of this project's budgeting is correct.
  - (i) The estimated project-funding envelope (\$237.3 million) was estimated using EPRI's hazard curve and estimated service life.
  - (ii) Replacements will be based on condition assessments demonstrating that the asset is at or near EOL.
- (b) Please explain what will occur regarding the project budget if less or more line is confirmed to be at or near EOL during the plan term.

**CME # 36****Ref: ISD SR-27, page 1 of 5**

At ISD SR-27, Hydro One states: "Furthermore, there is an industry shift away from the use of oil-filled to cross-linked polyethylene ("XLPE") cable systems. This means that manufacturers have been reducing production and support for oil-filled cables. A limited number of manufacturers may lead to long delivery times and price increases."

- (a) Has Hydro One actually experienced an increased price, or longer delivery time with regard to purchasing and receiving replacements of these cable systems?
- (b) If it has, please provide how large the increase has been in price, and/or how much longer the delivery time has grown.

**CME # 37****Ref: ISD Projects**

**In the** The business cases for the capital expenditure projects, Hydro One provides qualitative alternatives that were considered before selecting the preferred undertaking. For instance, in ISD SR-01, Hydro One provides: reactive component replacement, switchyard rebuild, and planned in-situ replacements as possible alternatives.

- (a) Does Hydro One ever consider quantitative different alternatives in the business case process? For instance, comparing planned in-situ replacements but at a different rate of replacement over time?
- (b) If so, please explain for each of the ISD projects how the particular investment pacing was determined, and why that pacing is the preferred option.
- (c) If not, why not, and how was that specific pacing selected as the only viable pacing for the investment?

**CME # 38****Ref: Exhibit F, Tab 2, Schedule 2, page 15 of 37**

At Exhibit F, Tab 2, Schedule 2, page 15, Hydro One states: "Cost increases from 2015 through to 2017 were primarily due to increased costs for: (a) building and sustaining new compensation structures; (b) a renewed focus on performance management; and (c) a renewed focus on change management initiatives intended to maximize the value of corporate change initiatives."

- (a) Please elaborate on why these increases were necessary, and how they advance the modernization of HR's core processes.
- (b) Please explain what Hydro One means when it says that it has renewed its focus on "change management initiatives intended to maximize the value of corporate change initiatives..."

**CME # 39****Ref: Exhibit F, Tab 4, Schedule 1, Attachment 1, page 5 of 18**

At Exhibit F, Tab 4, Schedule 1, Attachment 1, page 5, Willis Towers Watson states that certain segments of the peer group were limited to just utility peers, for example.

- (a) With peer group segments that were not limited to utilities, such as core service (no one industry comprises more than 10% of the total sample), did Willis Towers Watson give any preference towards, or make any additional efforts to gain utilities as part of those peer groups?

**CME # 40****Ref: Exhibit F, Tab 4, Schedule 1, Attachment 1, page 13 of 18**

At Exhibit F, Tab 4, Schedule 1, Attachment 1, page 13, Willis Towers Watson shows the market 50<sup>th</sup> percentile for base salary, target total cash, and target total direct compensation measures.

- (a) Please explain why the market 50<sup>th</sup> percentile in base salary, target total cash and target total direct compensation is higher for VP-8 than it is for VP-9. For example, the market 50<sup>th</sup> target total direct compensation for VP-8 Operations is \$492,000, while the market 50<sup>th</sup> target total direct compensation for VP-9 is \$466,000.

**CME # 41****Ref: Exhibit F, Tab 4, Schedule 1, page 21 of 46**

At Exhibit F, Tab 4, Schedule 1, page 21, Hydro One indicates that "Performance-based compensation enhances Hydro One's ability to attract, motivate and retain qualified employees in a competitive labour market".

- (a) Please provide statistical data of management attrition levels before and after the Performance-based compensation rewards program was implemented.
- (b) Please provide any studies which Hydro One conducted prior to implementing the performance-based compensation program which indicated that management-level turnover was a concern of the corporation.

**CME # 42****Ref: Exhibit F, Tab 4, Schedule 1, page 29 of 46**

At Exhibit F, Tab 4, Schedule 1, page 29, Hydro One attributes "below average base wage increases" in collective bargaining settlements with PWU and the Society to the new benefit provided to these unionized employees of being eligible to receive shares of Hydro One Limited. Hydro One also advises that the first share grant day for eligible PWU represented employees is April 1, 2017. The first share grant for Society represented employees is April 1, 2018.

- (a) Confirm whether the PWU or the Society negotiated any other monetary or benefit increases beyond those that are specifically referenced on pages 28 through to 30. If further monetary or benefit increases were negotiated, provide full particulars.
- (b) Provide a copy of the Collective Bargaining Agreements with the PWU and the Society as negotiated in the most recent round of bargaining referred to on page 28 through to 30, as well as the prior two Collective Bargaining Agreements with each union.
- (c) Please advise of the number and value of shares granted to PWU employees on April 1, 2017 through to 2019.
- (d) Please advise of the number and value of shares granted to Society employees on April 1, 2018 and 2019.
- (e) Please provide documents which provide details regarding these share plans including any policies developed regarding the share plan or documents signed between Hydro One and the unions regarding these share arrangements.

**CME # 43**

**Ref: Exhibit F, Tab 4, Schedule 1, Attachment 1, page 1 of 1**

At Exhibit F, Tab 4, Schedule 1, Attachment 4, Hydro One has produced a 2019 Hydro One Team scorecard for execution and performance which is used to provide short term incentive pay to MCP employees.

- (a) Please provide a copy of the short-term incentive program policy, and the STIP Employee Guide.
- (b) Please provide the percentage of eligible employees who received a STIP payment and the average amount of STIP payment to MCP employees.

**CME # 44**

**Ref: Exhibit F, Tab 4, Schedule 1, Page 30 of 46**

At Exhibit F, Tab 4, Schedule 1, page 30, Hydro One indicates that "Pension costs were reduced by increasing employee pension contributions and reducing future pension benefits. In addition to advancing the progression to a 50-50 cost-sharing for pension benefits, it is also significant in that the increase in pension contributions more than offsets the costs of the share grant program for both unions."

- (a) Please provide the costs calculations which supports the statement that the increase in employee pension contributions more than offsets the costs of the share grant program for both unions.
- (b) Please provide particulars of the amount of pension costs reductions and how this was achieved through collective bargaining.
- (c) Please specify the current cost sharing ratio of pension expenses for both unions.

**CME # 45**

**Ref: Exhibit B, Tab 1, Schedule 1, TSP Section 1.4, Attachment 4, page 1 of 98**

- (a) For Hydro One's definition of end of life, does Hydro One have a specific numeric threshold for "high likelihood of failure, or loss of the ability to provide the intended functionality"? If so, please provide it.
- (b) If the answer to (a) above is yes, is the risk quantification the same for every asset type, or does it vary?
- (c) How does Hydro One determine the risk threshold that it considers to be "high likelihood" of failure such that an asset is determined to be at end of life?

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