



BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

July 3, 2019
Our File: EB20190082

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2019-0082 – Hydro One Transmission 2020-2022 – SEC Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 1, please find interrogatories on behalf of SEC.

Yours very truly,
Shepherd Rubenstein P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and interested parties (by email)

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*, S.O.1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Hydro One Networks Inc. for an order or orders made pursuant to section 78 of the *Ontario Energy Board Act, 1998* approving rates for the transmission of electricity.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

A-SEC-1

[A] Please explain how approval of this will contribute to the Government of Ontario's goal of reducing electricity rates by an additional 12%.

A-SEC-2

[A] Please provide all materials provided to the Board of Directors for the approval of this application and the associated 2020-22 budgets.

A-SEC-3

[A] Please provide a copy of all budget guidance documents that were issued regarding the budget that underlies the application.

A-SEC-4

[A] Please provide a copy of each of Hydro One's 2017 and 2018 corporate scorecards.

A-SEC-5

[A] Please provide a copy of all benchmarking analysis, reports, opinions and/or assessments, undertaken by, for, or that includes Hydro One, since 2017, regarding any aspect that directly or indirectly relates to a material aspect of its transmission business that is not already included in this application.

A-SEC-6

[A] Please provide summaries of all internal audit reports conducted since 2017, related to any aspect that directly or indirectly relates to Hydro One's transmission business, their findings, recommendations, and the status of any actions that are to be taken.

A-SEC-7

[EB-2016-0160, J8.1, Attachment 1-2] Please provide a detailed chronology of material events in Hydro One’s transmission planning process for the capital plan included in this application similar as to provide in Undertaking J8.1 in EB-2016-0160.

B-SEC-8

[B-1-1] Please provide a step-by-step explanation of how Hydro One forecasts the costs of the capital projects and programs included in the application. Please include illustrative examples for both projects and programs.

B-SEC-9

[B-1-1] Please explain the process Hydro One took after receiving the EB-2016-0160 decision to revise its 2017 and 2018 capital plan.

B-SEC-10

[B-1-1] Please explain the process Hydro One will take if the Board determines that it will not approved Hydro One’s proposed 2020 to 2022 capital budget in a similar fashion as it did in the EB-2016-0160 decision.

B-SEC-11

[B-1-1] In its EB-2016-0160 application, Hydro One categorized its capital spending into the sustaining, operations, development and common corporate costs category. Please revise the 2016 to 2024 total capital expenditure information to allow for a comparison.

- a. Sustaining – Lines
- b. Sustaining – Stations
- c. Development
- d. Operations
- e. Common Corporate Costs

B-SEC-12

[B-1-1, TSP Section 1.3] With respect to customer engagement:

- a. What percentage of the proposed 2020-22 revenue requirement is expected to be recovered from, i) LDCs, ii) transmission connected end-use customers, iii) generators, iv) others.
- b. The Board in its EB-2016-0160 Decision stated that “Hydro One should have discussions with LDCs to determine practical ways to seek some input from their end users to inform Hydro One’s application.” (p.24). Please explain how Hydro One has met this direction.
- c. Please explain why Hydro One did not engage with non-transmission connect end-use customers (i.e. customers of LDCs).

B-SEC-13

[B1-1-1, TSP Section 1.4, Attachment 13] With respect to the METSCO, Review of HONI’s Capabilities in Transmission Asset Analytics and Reliability Risk Modelling – Final Report & Conclusions:

- a. Please provide a copy of the retainer agreement between METSCO and Hydro One.
- b. Please provide a copy of the METSCO work plan (or similar document).
- c. Please provide a summary of all *other* work METSCO has done for Hydro One in the last 5 years and the total cost of that work.
- d. [p.16] At each level of review, what information or documents did METSCO review.

B-SEC-14

[B1-1-1, TSP Section 1.4, Attachment 13, p.26] With respect to the METSCO, Review of HONI’s Capabilities in Transmission Asset Analytics and Reliability Risk Modelling – Final Report & Conclusions, issue of data complete:

- a. Please provide the Data Completeness Score at the time the TSP was developed for this application. Please provide the overall Data Completeness Score as well as the score for each major asset class.
- b. Please break down the overall and asset specific Data Completeness Score requested in part(a) into the amount that is based on actual vs default data.
- c. Please provide the confidence level at the time the TSP was developed for this application.
- d. The Report notes that not all sub-indices are used in the generation of the completeness score. For each asset class, please provide the sub-indices which are and are not used.

B-SEC-15

[B1-1-1, TSP Section 1.4, Attachment 13, p.26] With respect to the METSCO, Review of HONI’s Capabilities in Transmission Asset Analytics and Reliability Risk Modelling – Final Report & Conclusions:

- a. [p.35] For all material station work Hydro One plans to undertaken between 2020 and 2022, please provide the relevant Station Assessment Document
- a. [p.37] METSCO notes that Hydro One’s staff was “cognizant of the current systems’ limitations”. What limitations did Hydro One Staff express?
- b. [p.36-37] METSCO notes there is a lack of documentation of its Asset Analytics and Asset Risk Assessment functionalities which “carries a risk of being initially misinterpreted or misunderstood when explained to.....a party in a regulatory proceeding...” METSCO recommends a comprehensive explanatory manual(s). Has Hydro One created such a manual or similar document? If so, please provide a copy.
- c. [p.37] METSCO notes that Hydro One was in the process of procuring professional services to enhance aspects of its Asset Analytics algorithm. Please provide details regarding what services were being procedure, and status of the enhancement.
- d. [p.88] METSCO notes that “level of granularity of the [RRM] model’s analytical capabilities is low relative to other industry examples known to use”. Please provide a summary of other similar reliability modelling tools that METSCO is aware of, including which utility uses them, in general how they work, and if Hydro One has the necessary underlying data to adopt them.
- e. [p.98-100] Please provide Hydro One’s views on each of METSCO’s conclusions and recommendations, including if they are going to be implemented, and if so their status.

- f. [p.4] Please provide the relevant cv for each of the listed experts including a list of previous engagements and/or relevant experience that is being relied upon for the purposes of their expertise.

B-SEC-16

[B-1-1, TSP Section 1.4, Attachment 14] With respect the BCG, Assessing Hydro One's Investment Planning Process – Final Report:

- a. Please provide a copy of the retainer agreement between BCG and Hydro One.
- b. Please provide a copy of the BGC work plan (or similar document).
- c. Please provide a summary of all *other* work BCG has done for Hydro One in the last 5 years and the total cost of that work.
- d. [p.3] Please provide a list of 'peer utilities' that BCG is comparing Hydro One to. Please provide the source o the information for these 'peer utilities'. [CHECK AGAINST APPENDIX]
- e. [p.3, Exhibit 1] Please provide the 'Benchmarked peer group performance' score for each aspect to the planning process included in the exhibit. Is the amount the average or median peer performance of the peer group.
- f. [p.9] Please explain what information BCG relied upon to review the planning processes of the peer utilities.
- g. [p.9] Who is the ISO-55000 implementation expert and 'Former Ontario Energy Board panel member' that BCG consulted and for what purpose.

B-SEC-17

[B-1-1, TSP Section 1.4, Attachment 14, p.28] The BCG, A BCG, Assessing Hydro One's Investment Planning Process – Final Report, states that : "Hydro One conducts a combination of qualitative and quantitative analysis to evaluate among different capital spending options and among capital and OM&A options. For transformers, NPV models are used to assess capital vs. OM&A tradeoffs, while for other types of stations assets, qualitative analysis is conducted to evaluate the risks and benefits of different capital and OM&A scenarios." Please provide a copy a sample analysis used for transformer assets, other station assets, and all other assets in which Hydro One conducts a quantitative tradeoff analysis. With respect to each analysis provided, please ensure the tradeoff methodology is clear within the document, and if not, please provide a separate explanation.

B-SEC-18

[B-1-1, TSP Section 1,4, p.20-23] For each study/report key finding, please provide Hydro One's view, as well as if applicable, if, when and how Hydro One will incorporate the finding into its capital planning process.

B-SEC-19

[B-1-1 TSP Section 1.5, p.11] Please confirm that Hydro One did not develop a performance indicator that better reflected the satisfaction level of the ultimate end-use customer as directed by the Board in its EB-2016-0160 decision.

B-SEC-20

[B-1-1 TSP Section 1.5, p.17] Please update table 6 to include 2018 actual information and forecast 2019 to 2022 information.

B-SEC-21

[B-1-1 TSP Section 1.5, p.18] With respect to the proposed End-of-Life Right-Sizing Assessment Expectation measure:

- a. Please provide further details regarding what is considered a right-sizing decision and an opportunity.
- b. How many right-sizing opportunities occur annually, and a forecast to occur during the plan term.
- c. Please explain why the measure is not simply a ratio of decisions to opportunities?

B-SEC-22

[B-1-1, TSP Section 1.5, p.4; EB-2016-0160 B2-1-1, p.18, Table 3] Please revise Table 3 to include unit cost information for years 2016 to 2018, and forecast information for 2019 to 2022.

B-SEC-23

[B-1-1, TSP Section 1.5, Attachment 1] With respect to the Performance Reporting Governance Framework:

- a. Is a team scorecard the same as the corporate scorecard? If not, please explain the difference.
- b. Please provide the most recent Operational Scorecard.

B-SEC-24

[B-1-1, TSP Section 1.6, p.2] Please provide a copy of an internal productivity framework, guide or similar document outlining how productivity savings should be calculated and/or tracked.

B-SEC-25

[B-1-1, TSP Section 1.6, p.3] Hydro One states, “To ensure continuity in the planning process, rate filing applications, and tracking methodology, Hydro One’s productivity initiatives are considered using 2015 as the baseline year for evaluating savings of legacy initiatives”. Please explain what is meant by this and provide an illustrative example to show the calculation of a legacy initiative.

B-SEC-26

[B-1-1, TSP Section 1.6, p.7] With respect to ‘defined’ savings:

- a. Please provide a table that breaks all actual and forecast productivity savings beginning in 2017 (or earlier if tracked) to 2024, by initiative.
- b. Please explain how the savings for each initiative was calculated.

B-SEC-27

[B-1-1, TSP Section 2.1] Please provide a table that shows both the total, and for each category of capital expenditures (i.e. system renewal, system service etc), the number of candidate investments considered/included in each stage of the investment planning process.

B-SEC-28

[B-1-1, TSP Section 2.1] Please provide a table that shows both the total, and for each category of capital expenditures (i.e. system renewal, system service etc), the capital expenditure budget at each stage of the investment planning process. (Note: For reference to a similar chart from the previous proceeding, see Undertaking J8.1, Attachment)

B-SEC-29

[B-1-1 TSP Section 2.1] Please explain what overall budget constraints were included in the investment planning process.

B-SEC-30

[B-1-1 TSP Section 2.1] Please explain where rate impact is considered within the investment planning process.

B-SEC-31

[B-1-1, TSP Section 2.1, p.39] Please provide a copy of any rubrics, guides, or similar documents that set out how the probability and consequence scores are defined.

B-SEC-32

[B-1-1, TSP Section 2.1, p.39] Hydro One states: “Based on the risk scores and cost estimates associated with each investment, candidate investments (broken into mandatory versus discretionary groups) are ranked according to risk mitigation achieved per dollar”.

- a. Please provide a copy of the described ranking.
- b. Please indicate which projects are included in the final investment plan that are part of this application.

B-SEC-33

[B-1-1, TSP Section 2.2, p.1] Hydro One states that Expected Service Life (ESL) is determined based on manufacturer guidelines historical asset retirement data:

- a. Please explain why Hydro One used manufacturer guidelines versus historic data.
- b. Please provide a list of assets and their ESL. Please indicate which assets are not based on wholly historical data.
- c. Is the historic asset retirement data that Hydro One uses based on the Fosters Report that has been previously filed in the EB-2016-0160 proceeding or the version filed in this application (F-6-1, Attachment 1)? If not, what is the source?

B-SEC-34

[B1-1-1, TSP Section 2.2] Please update all the forced outage frequency and duration figures in this section to include 2018 actual information.

B-SEC-35

[B-1-1, TSP] For each year between 2015 and 2022, and for each spending category, please provide what percentage of transmission capital spending is undertaken by external contractors as compared to internal resources.

B-SEC-36

[B1-1, TSP] Please complete the attached excel spreadsheet.

B-SEC-37

[B-1-1, TSP Section 3.3, ISDs] SEC understands from previous Hydro One proceedings that for various programs that involve high volumes of similar work, Hydro One can enter multiple ‘alternatives’ which represent differing levels of work (e.g differing numbers of asset replacements) into its Copperleaf program. Which programs did Hydro One provided alternative level of spending/asset work, and what each of those alternatives were. Please also explain how the reference alternatives relate to the alternative provided in the various Investment Summary Documents.

B-SEC-38

[B-1-1, TSP Section 3.3, ISD GP-01] With respect to the Integrated System Operations Centre (ISOC):

- a. Please explain the increase in total forecast cost as compared to what was presented in the EB-2017-0049 application.
- b. Please provide an up-to-date project schedule on a similar basis as provided in EB-2017-0049 (Exhibit I, Tab 30, Schedule Staff-174). Please explain all variances.
- a. Has the full bossiness case been completed? If so, please provide a copy.

B-SEC-39

[B-1-1, TSP Section 3.3, ISD GP-10] With respect to the Accommodation & Improvements Service Centres & Admin program:

- a. Please provide a version of Table 1 and 2 that include total costs not just costs allocated to transmission.
- b. Which is the equivalent ISD in the EB-2017-0049 application?

B-SEC-40

[B-1-1, TSP Section 3.3, ISD GP-12] With respect to Transport & Work Equipment:

- a. Please provide a version of Table 1 and 2 that include total costs not just costs allocated to transmission.
- b. With respect to the costs for 2018 to 2022, please explain the variance, if one exists, from the total costs that would have underpinned the distribution allocation in ISD GP-01 in EB-2017-0049)

B-SEC-41

[B-1-1 TSP Section 3.3, ISD SA-07] With respect to the Secondary Land Use program, please explain what types of costs are not recoverable through a CCRA.

C-SEC-42

[C] Please provide a table that shows the capex to in-service addition rate for each project/program (by ISD).

C-SEC-43

[C-2-1 Attachment 1, Table 17, 18 and 38] Please provide the referenced tables in excel format.

D-SEC-44

[D] For each year between 2012 and 2018, please provide a table that shows:

- a. T-SAIDI for the single circuit system broken down by cause code.
- b. T-SAIFI for the double circuit system broken down by cause code.
- c. T-SAIDI for the double circuit system broken down by cause code.
- d. T-SAIFI for the double circuit system broken down by cause code.

D-SEC-45

[D-2-1, p.5-8] For each of the figures 1a through 4, please provide the CEA values.

D-SEC-46

[D-2-1] Does Hydro One still participate in the NATF Transmission Reliability Reports, reliability assessments, or similar NATF initiatives? If so, please provide Hydro One's performance as compared to its peers for all years between to 2012 to 2018.

F-SEC-47

[F, Appendix 2-JC] Please add a column to the table showing year-to-date actuals for 2019.

F-SEC-48

[F-1,p.3] Please discuss Hydro One's ability to utilize its new distribution vegetation management program discussed as part of the EB-2017-0049 proceeding for any of its lower voltage transmission lines.

F-SEC-49

[F-1, p.3] Hydro One states that its 2019 budget for 'Overhead Lines Maintenance' program are not sustainable over the long-term. Please provide a detailed explanation for why the 2019 amount is not sustainable and provide any necessary supporting data.

F-SEC-50

[F-4-1, p.13, Table 2] Please revise table 2 to remove FTE who are part of the now repatriated customer contract centre.

F-SEC-51

[F-1-1, p.2-3] With respect to vacancy rate:

- a. Please provide the actual Hydro One vacancy rate for each year between 2014 and 2018.
- b. Please provide a forecast vacancy rate for each year between 2019 and 2022.
- c. Please provide the actual vacancy rate included in the 2020-2022 test period budget.
- d. For the purposes of your response to part (a) to (c), please explain the methodology used to calculate vacancy rate.

F-SEC-52

[F-4-1, p.28-29] For the purposes of the budgets in this application that go to 2022, what assumptions has Hydro One made for the PWU and Society after the expiry of their current agreements in 2020 and 2019 respectively.

F-SEC-53

[F-4-1] With respect to retirement eligibility and retirements,

- a. Please provide a table that showing the number of eligible retirements for each year between 2014 and 2018, and the number of actual retirements taken in each of those years.
- b. Please provide a table showing the number of employees eligible to retire in each year between 2019 and 2022.

F-SEC-54

[F-4-1, Appendix B] With respect to the ‘PWU Base Rate Comparison’ Table:

- a. Does the ‘Hydro One Rate’ reflect the mid-point of the position salary band, actual or median base compensation for those employees, some other amount?
- b. Is the answer to part (a) the same for the peer group data?
- c. What is the source of the information or the peer group? If Hydro One sought the information directly from the peer utilities, please provide copies of the specific questions it asked them.
- d. What percentages of PWU incumbent positions are included within the positions benchmarked?
- e. Please explain what types of compensation are consider ‘base’ pay.

F-SEC-55

[F-4-1, Attach 2] With respect to the Mercer Compensation Cost Benchmarking Study:

- a. Please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its transmission business and the P50 median used in the study. Please provide the amount in 2017 (the year the study was completed) and for each year between 2020 and 2022. Please provide a step-by-step explanation of how the estimate was reached and include the supporting calculations so that calculations can be verified.
- b. Please provide a list of all types of compensation (i.e. salary, overtime, share grant, LTIP etc.) that were paid in 2017 that: i) were included in the study, and ii) were not included in the study.

- c. Please provide the percentage of total compensation in each year between 2020 and 2022 that if of a type not types not included in the study.
- d. Are there any additional types of compensation that will be paid in 2020 through 2022 that were not in 2017?

F-SEC-56

[F-4-1, Attach 1] With respect to the Willis Towers Watson Management Compensation Benchmarking Study:

- a. Please explain the methodological differences between this study, and the Willis Towers Watson Executive and Non-Executive Competitive Compensation Review filed in EB-2016-0160 (Exhibit I-06-057 Attachments 2 and 3).
- b. [p.10] Please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its transmission business and the P50 median used in the study. Please provide the amount for the year the study is representative of and for each year between 2020 and 2022. Please provide a step-by-step explanation of how the estimate was reached and include the supporting calculations so that calculations can be verified.

F-SEC-57

[F-4-1, Attach 3, p.7] With respect to the Willis Towers Watson PWU Benchmarking Study, please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its transmission business and the P50 median used in the study. Please provide the amount for the year the study is representative of and for each year between 2020 and 2022. Please provide a step-by-step explanation of how the estimate was reached and include the supporting calculations so that calculations can be verified.

F-SEC-58

[F-4-1, Attachment 5] Please provide the attachment in excel.

F-SEC-59

[F-7-1] Please update the proposed income tax amounts for 2020 to 2022 to reflect the impact of Bill C-97 implementing the Federal Government's budget 2019 budget. Please provide schedule showing the impact of the changes contained in Bill C-87.

G-SEC-60

[G-1-1] Please provide a table that shows Hydro One's allowed and actual return on equity for each year between 2012 and 2018. Please explain any the drivers of any variances between allowed and actual ROE of more than 100 basis points.

G-SEC-61

[G-1-2, p.2] Has any of the credit rating agencies listed in Table 1, changed its short-term or long-term debt credit rating for Hydro One since 2016? If so, please provide details and the implication of the change in Hydro One's actual and forecast cost of debt.

G-SEC-62

[G-1-2, p.6, Table 4] Please provide a similar table that includes actual information for 2016 to 2018.

Respectfully submitted on behalf of the School Energy Coalition this July 3, 2019.

Original signed by

Mark Rubenstein
Counsel for the School Energy Coalition