

July 4, 2019

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

Dear Ms. Walli:

Re: EB-2019-0082 – Hydro One Networks Inc. – Transmission – 2020-2022 Rates

Please find, attached, interrogatories on behalf of the Consumers Council of Canada for Hydro One Networks Inc. pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA
FOR HYDRO ONE NETWORKS INC. – TRANSMISSION

2020-2022 RATES

EB-2019-0082

A-CCC-1

Ex. A/T3

Please file all materials provided to HON's Board of Directors when seeking approval of this Application and the underlying budgets. Please provide a timeline regarding this approval process.

A-CCC-2

Ex. A/T3

Please provide all documents (directives, memos etc.) provided to employees regarding the development of the of this 3-year Custom IR application. Please provide a timeline and description of the process used to develop the budgets and evidence contained in this Application.

A-CCC-3

Ex. A/3

Please provide the most recent Organizational Chart for HON down to the director level – including both the Transmission and Distribution business units.

A-CCC-4

Ex. A/T3/S1/p. 1

The evidence states that, "A significant portion of Hydro One's assets are reaching the end of their useful life and have deteriorated to the point where investment is required to maintain customer reliability and meet safety and environmental sustainability requirements." In the last proceeding (EB-2016-0160) the evidence stated that "based on HON's assessment of its transmission system, a significant portion of its assets have deteriorated to the point where they pose a risk to its business objectives of maintaining current levels of reliability and improving customer satisfaction" (EB-2016-0160 Ex. A/T3/S1/p. 5)

1. Please describe what HON has done since the last proceeding to address the fact that assets are reaching the end of their useful life and have deteriorated to the point where investment is required;
2. What portion of the assets were reaching the end of their life at the time of the last Application?;

3. What portion of HON's assets today have deteriorated to the point where they pose a risk to its business objectives of maintaining current level of reliability and improving customer satisfaction?

A-CCC-5

Ex. A/T3/S1/p. 2

The evidence states that almost half of the proposed increase is attributable to load decline due to government conservation initiatives and lower consumption. Please set out specifically what the balance of the proposed increase is related to.

A-CCC-6

Ex. A/T3/S1/p. 3

The evidence states that, "Hydro One's Transmission customers have told Hydro One that safety and reliability are the outcomes that they care most about. Please confirm that these customers are generators, distributors and directly connected customers.

A-CCC-7

Ex. A/T3/S1/p. 3

The evidence states that HON has implemented improvements to its planning process to ensure that it's spending is targeting to the assets that are most critical and where the funding will have the greatest impact. Please describe, in detail, the improvements to the planning process. Please provide all documentation and directives to employees regarding this new planning process.

A-CCC-8

Ex. A/T3/S1/p. 3

Please explain how HON arrived at its goal of improving reliability performance by 13%.

A-CCC-9

Ex. A/T3/S1/p. 7

The customer satisfaction score for 2018 is 90%. Please confirm that this does not include residential customers, but rather those directly connected (generators, LDCs and Large Industrial). Please explain why, from HON's perspective the score has increased.

A-CCC-10

Ex. A/T3/S1/p. 7

Hydro One has developed and implemented a governance framework for the internal monitoring and reporting of performance measures within Hydro One. Please provide all documentation related to that new framework. Please provide all correspondence and directives provided to employees regarding this framework.

A-CCC-11

Ex. A/T3/S1/p. 8

HON expects to achieve \$370 million in productivity savings over the 3-year test period. Please provide a detailed explanation as to how this amount was arrived at. HON Transmission achieved \$95.9 million in savings in the 2016-2018 period. Please provide a detailed explanation as to how this amount was arrived at.

A-CCC-12

Ex. A/T3/S1/p. 8

HON has provided an overview of its Transmission business. Please describe in detail the following:

1. With respect to capital planning how does the Transmission business and the Distribution business interact?
2. With respect to capital work execution how does the Transmission business and the Distribution business interact?
3. If the OEB approves funding for Transmission or Distribution is that funding always kept separate or does HON merge that funding?
4. What proportion of the overall HON FTEs are allocated to Transmission?
5. What proportion of the overall HON FTEs are allocated to Distribution?
6. What proportion of the overall HON FTEs work on both Transmission and Distribution activities?

A-CCC-13

Ex. A/T3/S1/p. 9

HON has proposed a Custom Revenue Cap Index for the period 2020-2022. Please describe the alternatives considered and why those alternatives were rejected.

A-CCC-14

Ex. A/T3/S1/p. 10

With respect to an earnings sharing mechanism did HON consider alternative approaches? If so, why were those rejected? Would HON be adverse to an approach that shared earnings above the allowed return with its customers without a deadband? If so, please explain why this approach is not acceptable to HON given its objective to improving customer satisfaction. In any of its customer engagement activities has HON provided its customers with information regarding its allowed and achieved ROEs? If not, why not?

A-CCC-15

Ex. A/T3/S1/p. 11

Please indicate HON's proposed Z-factor materiality threshold for this Application.

A-CCC-16

Ex. A/T3/S1/p. 11

HON has provided its Transmission Business Plan for the period 2019-2024. Please set out a specific timeline regarding the development of that Business Plan. Please provide the Consolidated Business Plan for the 2019-2014 period.

A-CCC-17

Ex. A/T3/S1/p. 13

HON has revised and implemented an eight-step risk-based investment planning process. Is the same process used for investment planning for the Distribution Business? If not, why not?

A-CCC-18

Ex. A/T3/S1/p. 20

Were the Boston Consulting Group and METSCO Energy Solutions Inc. engagements subject to an RFP process? If not, why not? If so, please provide those RFPs. Please provide the Terms of Reference for this work and the engagement letters.

A-CCC-19

Ex. A/T3/Attachment 1/p. 21

What would be the impact on the Revenue Requirement in 2020 if HON's Divisional Court appeals regarding pension contributions and the deferred tax asset are successful?

A-CCC-20

Ex. A/T4/S1/Attachment 1

Was the PSE work subject to an RFP process? If not, why not? Please provide the Terms of Reference for the PSE work. What is the overall cost of the PSE work and how are those costs to be recovered?

A-CCC-21

Ex. A/T6/S2

For each year 2014-2018 please provide the approved and actual Transmission Return on Equity.

A-CCC-22

Ex. A/T7/S1/p. 2

HON has set out all of its customer engagement initiatives that HON undertook to develop an understanding of the specific needs and preferences of its customers to inform its capital planning process. Please list each initiative and the associated costs related to each activity.

B-CCC-23

Ex. B/T1/S1/ - TSP Section 1.6/ p. 2

HON has indicated that on a monthly basis productivity results are provided to senior executives and the CEO. Please provide an example of these productivity reports.

B-CCC-24

Ex. B/T1/S1/ - TSP Section 1.6/p. 7

Please explain how HON developed the numbers in Table 1 – Productivity Savings Forecast Summary. Please provide a specific breakdown for each of the following categories of savings and explain how they were derived:

1. Operations - \$259 million
2. Progressive Operations (Defined Capital) - \$49 million
3. Corporate - \$45 million
4. Operations - \$45 million
5. Information Technology - \$44 million
6. Corporate - \$25 million
7. Progressive Operations (Undefined Capital) - \$237 million

B-CCC-25

Ex. B/T1/S1/ TSP Section 1.6/p. 10

The evidence states that HON forecasts over \$56 million in fleet savings over the 2020-2024 TSP period as the result of the use of telematics. The telematics project was rolled out at the end of 2016. How does the \$56 million represent incremental productivity savings if the project has already been put in place?

B-CCC-26

Ex. B/T1/S1/ TSP Section 1.7/p. 7

HON has summarized the transmission system initiatives referred to in the 2017 Long Term Energy Plan (LTEP) that form part of the 2020-2024 capital plans. Does HON have any indication from either the Government of Ontario or the IESO that the LTEP may change during the rate plan period? If so, please explain how this might impact HON's capital plans.

B-CCC-27

Ex. B/T1/S1 – TSP Section 1.5/p. 5

How did HON arrive at the target of 88% with respect to overall customer satisfaction?

B-CCC-28

Ex. B/T1/S1 – TSP Section 1.5/p. 8

HON has a scorecard measure entitled Capital Expenditures as a Percentage of Budget. Does this simply measure what portion of the Capital Expenditure budget was spent? HON also has a measure entitled OM&A Program Accomplishment. Does this simply measure what portion of the OM&A budget was spent?

E-CCC-29

Ex. E/T2/S1/p. 2

Please recast Table 1 – External Revenues to include Board approved amounts.

E-CCC-30

Ex. E/T3/S1

What would be the potential impact on HON's load forecast given the cancellation of the Conservation First Framework and the Industrial Accelerator Program?

F-CCC-31

Ex. F/T1/S1/Appendix 2-JC

Please provide a schedule in the same format as Appendix 2-JC that includes Board approved amounts for 2015 and 2016, actual 2018 amounts and Board approved amounts for 2019.

F-CCC-32

Ex. F/T1/S1/p. 3

With respect to Sustaining what was the Board approved amount for 2019? Please provide a detailed explanation as to why the 2020 Sustainment OM&A is \$13.6 million more than the 2019 Bridge Year.

F-CCC-33

Ex. F/T1/S3/p. 7

Please explain why the Stations OM&A actual expenditures were consistently less than the plan in each year 2015-2018. Please recast Table 2 – Stations Sustainment OM&A to include Board approved amounts.

F-CCC-34

Ex. F/T1/S3/p. 10

Please provide the annual budgets for the PCB retirement and Waste Management program for the years 2020-2022.

F-CCC-35

Ex. F/T1/S3/p. 44

Please recast Table 11 – Lines Sustainment OM&A to include Board approved numbers. Why have the actual amounts for Line Sustainment been consistently below the Board approved levels?

F-CCC-36

Ex. F/T2/S2/p. 2

Please recast Table 1: Summary of Total Common Corporate Functions and Services OM&A to include Board approved amounts for the years 2015-2018.

F-CCC-37

Ex. F/T2/S6/p. 3

Please explain why HON Transmission is allocated a larger portion of the overall Finance OM&A Costs than Distribution.

F-CCC-38

Ex. F/T3/S1/p. 2

Please provide a copy of the newly renegotiated Inergi Agreement. What percentage of HON Transmission's OM&A costs are paid to Inergi?

F-CCC-39

Ex. F/T3/S1/p. 7

Please provide a copy of the BGIS Agreement. What percentage of HON Transmission's OM&A costs are paid to BGIS?