

LONDON PROPERTY MANAGEMENT ASSOCIATION INTERROGATORIES

M1-LPMA-1

Reference: Exhibit M1, pages 14-15

Preamble:

Based on the Hydro One evidence PEG states that the C-factor would average about 3.84% during the two indexing years of the plan, and the RCI growth rate would average 5.24%.

Interrogatory:

If the Ontario Energy Board were to accept all of the recommendations in the PEG Report, what would be the average RCI growth rate over the two indexing years of the plan?

Response to LPMA-1: The following response was provided by PEG.

Please see the response to Energy Probe-9 (Exhibit L1/Tab 2/Schedule 9).

M1-LPMA-2

References: Exhibit M1, page 10

Interrogatory:

- a) Please provide a list of jurisdictions where PEG is aware that the regulator has approved a negative base productivity trend.
- b) Please provide a list of jurisdictions where PEG is aware that the regulator has approved a base productivity trend of 0 despite historical evidence of negative productivity.

Response to LPMA-2: The following response was provided by PEG.

- a) PEG is aware of one jurisdiction, Massachusetts, where a regulator has in recent years twice approved a negative base productivity trend for revenue cap indexes of power distributors.¹ PEG is also aware of several jurisdictions where regulators have approved negative X factors, including Australia, Britain, the Netherlands, New Zealand, and Northern Ireland. Most of the Australian, British, and Irish precedents have involved X factors that were not expressly designed to reflect industry productivity trends, but instead to bring the I-X indexes for allowed revenue (or rates) into conformance with approved revenue requirements. X factors may also reflect expected differences between utility input price inflation and the growth of the inflation measure used in a revenue (or price) cap index formula. This consideration played a prominent role in a 2009 X factor decision in the Northern Territory of Australia.
- b) PEG knows of two jurisdictions where regulators approved a base productivity trend of 0 despite a consensus that utility productivity trends were negative on average. In Ontario, this occurred in the 4GIRM and Hydro One Sault Ste. Marie proceedings. In New Zealand, this occurred in the most recent power distributor price-quality path decision.² The Australian Energy Regulator has found operation, maintenance, and administrative (“OM&A”) productivity trends to be negative on several occasions. It nevertheless proposed an OM&A productivity trend of 0 be reflected in

¹ The subject power distributors are owned by Eversource Energy and National Grid.

² New Zealand Commerce Commission, Default price-quality path for electricity distributors from 1 April 2015 to 31 March 2020, Main Policy Paper, November 28, 2014.

the forecasted/proposed costs of TasNetworks, which the Company agreed to use in its submission.