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BY COURIER

October 18, 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-2018-0242 - Hydro One Networks Inc., 1937680 Ontario Inc., Peterborough Distribution Inc. and Peterborough Utilities Services Inc., MAAD s. 86 asset purchase application – Updated Interrogatory Response

Please find attached an updated response to Exhibit I, Tab 4, Schedule 19 part c).

The table in part c) includes revisions to the "Distribution Plant" and "Other Assets (excluding Fleet)" categories within the PDI Depreciation Rates. The rates have been revised to regroup the presentation of specific PDI asset types previously reported as "Other Assets" to the "Distribution Plant" classification, better aligning with the Hydro One classifications, as well as correcting an arithmetic error within the "Other Assets" grouping.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

VECC INTERROGATORY # 19

Reference:

Exhibit A/T3/S1, pages 5-8

Interrogatory:

- a) Table 1 indicates that revenues will be based on “forecast load and customer profiles”. Please provide the actual forecast used, by customer class, and fully explain how the forecast was derived.
- b) Was the forecast rate base adjusted to remove the cost of the current PDI operations and administration centre on Ashburnham Drive? If not, why not?
- c) Table 1 indicates that the annual depreciation is calculated using HONI’s OEB-approved depreciation rates. Do these depreciation rates differ from those approved for PDI? If yes, what are the differences?
- d) What is the impact of the 20% risk factor which has been applied to OM&A costs on the overall calculation of \$1.8 M of earnings sharing?

Response:

- a) Hydro One has provided the ESM Customer and Load Forecast assumptions for the ten year deferral period (2020 to 2029) and Year 11 (2030) as Attachment 1 and Attachment 2 to this exhibit.

The forecast for Customer numbers and load were developed by examining available economic / demographic and local information including The Official Plan of the City of Peterborough, dated December 31, 2017 (“the Plan”), as detailed below.

The Plan calls for 20.0% growth in population between the years 2001 and 2031 and 13.5% growth in employment during the same period. This translates into an average annual growth rate of 0.63% for population and 0.45% for employment. These two factors impact household information and suggest that the number of households would grow at a rate between 0.45% and 0.63%. The Plan also states that, going forward, intensification (e.g. multi-residential buildings) will be particularly

1 encouraged, which will result in the number of residential electricity customers
2 growing less rapidly than the number of households. As such, the number of
3 residential customers was forecast to grow at an average rate of 0.5% per year.

4
5 Based on the OEB Yearbook of Electricity Distributors, the number of GS <50kW
6 (GSe) customers has been declining at an average rate of 0.6% per year since 2007.
7 However, more recently, significantly higher levels of GS<50 sales have been
8 experienced. This is consistent with the Plan, which states that Peterborough's growth
9 will be generally driven by immigration; as this tends to increase the number of
10 businesses/self-employed. Accordingly, the forecast assumes an average growth rate
11 of 0.93% per year in the number of GS<50 customers.

12
13 Similarly, the number of GS >50kW (GSd) customers has been declining at the rate
14 of 2% per year since 2007, while more recently GS>50 sales experienced a significant
15 growth. Accordingly, the forecast assumes an average growth of 0.74% per year in
16 the number of GS>50 customers.

17
18 The forecast for the number of "Other" rate class (e.g. unmetered scattered load and
19 street lighting) was derived in relation to the growth of residential, GSe and GSd,
20 taking into account synergies due to the intensification policy noted above, which
21 reduces the growth rate. The forecast growth rate of "Other" is 0.67%.

22
23 Energy sales were forecast using an econometric model that linked energy usage,
24 gross of Conservation and Demand Management (CDM), to personal disposable
25 income in constant dollars, cooling and heating degree days, and accounting for
26 cyclical and trend components in the non-systematic part of data (through moving
27 average and autoregressive terms). The model was used to forecast the gross load
28 and, thereby, total sales net of CDM. The total sales forecast was then allocated to
29 different rate classes based on the historical relationship between them.

30
31 The peak forecast for GSe and GSd classes was derived from the sales forecast for
32 those classes, taking into account the historical relationship between sales and peak.

- 33
34 b) The operations and administration centre on Ashburnham Drive is 100% owned by
35 Peterborough Utilities Service Inc. (PUSI) and is therefore not included in any PDI
36 rate base. This is true for both prior and future period.

- c) The table below provides a comparison of the depreciation rates, as approved by the Board for each utility.

Table 1 – Asset Category Depreciation Rate Comparison

Depreciation Rate (%)	Hydro One Rate	PDI Rate
Land	0.00%	0.00%
Buildings	1.82%	1.96%
Distribution Plant	2.30%	2.39%
Other Assets (excluding Fleet)	8.73%	6.24%
Fleet	25.00%	22.73%

- d) Refer to Exhibit I, Tab 1, Schedule 18 part d) for the impact of the 20% OM&A risk factor on the ESM.