



BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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June 26, 2020
Our File: EB20190261

Attn: Christine Long, Registrar & Board Secretary

Dear Ms. Long:

Re: EB-2019-0261 – Hydro Ottawa Limited 2021-2025 – SEC Interrogatories to OEB Staff

We are counsel to the School Energy Coalition (“SEC”). Attached, please find a copy of SEC’s interrogatories direct to Ontario Energy Board Staff’s expert witness, the Pacific Economics Group.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

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

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Hydro Ottawa Limited to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity effective January 1, 2021.

INTERROGATORIES TO OEB STAFF

ON BEHALF OF THE

SCHOOL ENERGY COALITION

SEC-OEBStaff-1

[Ex.M, p.8-9] PEG states: “If, alternatively, the Board opts for a Capital-factor (C factor) approach, similar to what the OEB has approved for Custom IR plans for Hydro One distribution and Toronto Hydro, our recommended CPEF formula is Inflation – 0.3% + growth Customers, where the X factor is the sum of a 0% base TFP growth trend and a 0.3% stretch factor.” Please explain why PEG believes an additional amount to represent customer growth should be applied to the C-Factor in a Revenue Cap Index, where presumably growth related capital needs are included in the proposed capital plan, and changes in load are incorporated into the annual load forecast.

SEC-OEBStaff-2

[Ex.M, p.19] PEG notes that Hydro Ottawa’s previous Hydro Ottawa Custom IR plan included an ‘Efficiency Adjustment Mechanism’. Under that approach, Hydro Ottawa used the annual OEB stretch factor assignments to determine if an entry into the account was required. If the OEB approves either the Clearspring or PEG stretch factor, based on either consultants customer benchmarking model, is it possible for a similar mechanism to be implemented for 2021-2025, without the need for Hydro Ottawa (or the OEB) to retain either Clearspring or PEG to re-run their customer benchmarking model each year based on actuals? Is there a simple way that Hydro Ottawa’s annual cost performance could be calculated and able to be compared to either the Clearspring or PEG results? If so, please explain.

SEC-OEBStaff-3

[Ex.1-1-10, p.20-24] Hydro Ottawa has proposed to use a custom weightings for its OM&A inflation calculation that represents its own non-labour/labour split, as opposed to the OEB’s standard 70%/30% weightings. In PEG’s view, should the non-labour/labour weightings for the purpose of determining the inflation amount in a custom index be based on a utility’s own actual or forecast split, or based on an industry weighting? Please explain your answer.

SEC-OEBStaff-4

[Ex.43-44] Please provide a copy of the referenced Berkeley Lab report and the testimony for the Massachusetts Attorney General’s office.

SEC-OEBStaff-5

Hydro Ottawa has proposed a Growth Factor for its OM&A index formula. SEC understands this formula to reflect the additional OM&A required for the forecast increase in customer additions. In its formula, Hydro Ottawa has proposed a scaling factor of 0.35% (i.e. for every 1% increase in customer, OM&A should increase by 0.35%).

- a. Please confirm that this is PEG's understanding of the Growth Factor.
- b. Does PEG believe that the scaling factor should be based on a utility specific amount or an external industry benchmarking amount?
- c. Please provide PEG's view on a scaling factor generally.
- d. Please provide PEG's view on the proposed 0.35% scaling factor.

SEC-OEBStaff-6

[Ex. M, p.67] PEG states: "Note also that no consideration has been paid, in the Company's past or current plan, to any special *advantages* Hydro Ottawa has in managing its costs. These advantages have included in the past, and may in the future continue to include, comparatively brisk customer growth that increases opportunities to realize scale economies. The OEB's 0% base productivity trend applies to all Ontario utilities and is effectively an industry standard." Please elaborate.

SEC-OEBStaff-7

[Ex.M, p.74-75] PEG notes that a higher S-factor "merits contemplation" and lists of several reasons for why this is the case. What is the specific S-factor that PEG would recommend?

SEC-OEBStaff-8

[Ex. M, p.85] Please further explain the Alberta 'K-Bar' approach to supplemental capital funding. Using Hydro Ottawa's proposed application as an example, please explain what this would look like if the OEB were to apply the approach.

SEC-OEBStaff-9

[Ex.1-1-10] Please provide PEG's view on what is a more preferable Custom IR structure, a revenue cap index, as proposed by Hydro Ottawa, or a price cap index, as have been proposed and approved for Toronto Hydro.

Respectfully submitted on behalf of the School Energy Coalition, this June 26, 2020.

Mark Rubenstein
Counsel for the School Energy Coalition