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October 26, 2021

Christine Long
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

RE: EB-2021-0110 - London Property Management Association Interrogatories – Hydro One Networks Inc. – Jan. 1, 2023 to Dec. 31, 2027 Rates

Please find attached the interrogatories of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken
Aiken & Associates

c.c. Hydro One Networks Inc., Regulatory Affairs

HYDRO ONE NETWORKS INC.

**Application for electricity transmission and distribution
rates and other charges for the period from January 1,
2023 to December 31, 2027**

**INTERROGATORIES OF THE
LONDON PROPERTY MANAGEMENT ASSOCIATION**

A-LPMA-1

Ref: Exhibit A, Tab 3, Schedule 1, Table 1

- a) Please confirm that the dollar figures shown in Table 1 are monthly changes and not annual changes.
- b) Please confirm that the figures shown in Table 1 are additive, that is, for example, the R1 combined increase of \$2.78 in 2027 is on top of the combined changes shown for 2023 through 2026.
- c) Please provide a table that shows the same level of detail as Table 1 for the rate classes, but shows the annual cost in 2022 and the forecast annual cost in 2027, along with the dollar increase and percentage increase between 2022 and 2027.
- d) Please confirm that the transmission impact on residential and general service customers of other electricity distributors is likely to be similar to the transmission impacts shown for Hydro One Distribution customers. If this cannot be confirmed, please explain.

A-LPMA-2

Ref: Exhibit A, Tab 3, Schedule 1, page 47

- a) What is the impact on the transmission and distribution rate bases of proposing that the PCB program expenses be treated as OM&A funding in the revenue requirement rather than as a depreciation and amortization expense?
- b) What is the impact on the transmission and distribution revenue requirements of proposing that the PCB program expenses be treated as OM&A funding in the revenue requirement rather than as a depreciation and amortization expense?

A-LPMA-3

Ref: Exhibit A, Tab 4, Schedule 2

The Hydro One proposal for transmission has an X factor of 0 for both the custom industry total factor productivity and the custom productivity stretch factor. In EB-2019-0082, the OEB approved an X factor of 0.3 where the industry total factor productivity was set to 0 and the custom productivity stretch factor was set to 0.3.

Please provide a table that shows the difference in the total revenue requirement for Hydro One Transmission if the X-factor is set to 0.3 instead of 0.0.

A-LPMA-4

Ref: Exhibit A, Tab 4, Schedule 2, Table 1

- a) For each line in Table 1, please indicate if the figures will be fixed based on the OEB decision in this proceeding, or will be adjusted as part of an annual IR filing that is updated for the inflation rate.
- b) Please explain why line 12 appears to include the working capital related revenue requirement when it says this is excluded.
- c) Please confirm that line 17 is calculated as the ratio of line 12 to line 14 multiplied by the $I - X$ factor, in this case 2.0%. If not confirmed, please illustrate how the figures in line 17 are calculated.
- d) Please provide a version of Table 1 that maintains all of the assumptions used (e.g. inflation of 2%), but reflects an X factor of 0.3%.

A-LPMA-5

Ref: Exhibit A, Tab 4, Schedule 2, page 6

The evidence states that Hydro One has modified the application of its productivity factors so that they are applied on a cumulative basis and that this results in a significant revenue requirement reduction for customers that grows each year beginning in 2024.

- a) Please explain how these cumulative savings begin in 2024, given that Table 1 does not show any cumulative savings in line 10.
- b) Please confirm that based on the figures in Table 1, this approach results in cumulative additional revenue requirement reductions of about \$14 million by the end of 2027. If this cannot be confirmed, please provide the cumulative savings.

B2-LPMA-6

Ref: Exhibit B-2-1, Section 2.1, page 3

For each of the fleets noted at lines 5 through 8, please provide the expected life or range of lives of the assets used in the most recent depreciation study.

B4-LPMA-7

Ref: Exhibit B-4-1, Section 4.2, Table 2

Please explain the methodology used to determine the average age for the off-road and miscellaneous lines in Table 2 that show an increase in the average age of 2.4 and 2.2 years, respectively despite the change taking place over a 2-year period between January of 2021 and January of 2023.

C-LPMA-8

Ref: Exhibit C, Tab 1, Schedule 1

Please update Tables 3, 4, 5, 8, 9 & 10 to reflect the most recent actual information available for 2021. Please indicate how many months of actual data are included in the 2021 updated forecast. Please also explain any changes that result from the 2021 update in 2022 and/or subsequent years.

C-LPMA-9

Ref: Exhibit C, Tab 2, Schedule 1, Table 1

Please explain why the 2022 forecast progressive productivity is significantly less than the Board approved level for 2022 and the forecasts for 2023 through 2027.

C-LPMA-10

Ref: Exhibit C, Tab 2, Schedule 1, Table 1

Please update Table 1 to reflect the most recent actual information available for 2021. Please also explain any changes that result from the 2021 update in 2022 and/or subsequent years.

C-LPMA-11

Ref: Exhibit C, Tab 2, Schedule 2, Table 1

Please update Table 1 to reflect the most recent actual information available for 2021. Please also explain any changes that result from the 2021 update in 2022 and/or subsequent years.

C-LPMA-12

Ref: Exhibit C, Tab 4, Schedules 2 & 3

a) Hydro One has had sales of both transmission and distribution assets in each of 2018, 2019 & 2020. However, all the forecasts for 2021 through 2027 are zero. Please explain why no assets are forecast to be sold.

b) Has Hydro One sold any transmission or distribution assets to date in 2021? If yes, please quantify.

c) Please update both schedules 2 & 3 to reflect the most recent actual information available for 2021.

C-LPMA-13

Ref: Exhibit C, Tab 5, Schedule 1, Attachment 1

a) Please provide the data used to determine an interest on debt expense lead of 11.27 days.

b) Please provide the data used to determine an income tax expense lead of 13.92 days.

c) Please provide the data/calculations used to determine the HST lead time of (46.58) shown in Table 10 for IESO revenues.

d) Does the IESO Revenue line in Table 10 include the Other Revenue shown in Table 3? If not, where is this Other Revenue taken into account in the calculation of the HST working capital amounts?

C-LPMA-14

Ref: Exhibit C, Tab 5, Schedule 1, Attachment 1, pages 5-17 & 1-18

a) Is Hydro One aware of any reasons why the payment lag from the IESO has increased by more than one full day (from 33.60 to 34.70 days) from the previous study?

b) Based on the most recent 12 months of payment dates from the IESO, has the payment lag increased or decreased from 34.70 for 2019? What is the weighted IESO payment lag based on the last 12 months of actual payment dates?

c) Please confirm that there was no top-up income tax payment made in 2019. If this cannot be confirmed, please explain why this top-up payment was not taken into account in the current study.

d) Does Hydro One usually make a top-up income tax payment?

D-LPMA-15

Ref: Exhibit D, Tab 3, Schedule 1

The evidence indicates that the transmission and load forecasts were prepared in February, 2021 based on information that was available at that time.

Please update the information provided in Appendix A and Attachment 1 to reflect the most recent information available.

D-LPMA-16

Ref: Exhibit D, Tab 3, Schedule 1

The evidence states that the forecast assumes typical weather conditions based on the average of the last 31 years. The 2020 through 2027 forecast for cooling degree days is 363 and for heating degree days is 3696 as shown in Attachment 1. What 31-year period is this forecast based on?

D-LPMA-17

Ref: Exhibit D, Tab 4, Schedule 1

Please update Table 1 to reflect the forecast based on the most recent information available as requested above in D-LPMA-15 and D-LPMA-16.

D-LPMA-18

Ref: Exhibit D, Tab 5, Schedule 1

Please update Table 3 and all other relevant tables (such as those in Appendix E) to reflect the forecast based on the most recent information available as requested above in D-LPMA-15 and D-LPMA-16.

D-LPMA-19

Ref: Exhibit D, Tab 2, Schedule 1

Please update the forecast for 2021 in Table 1 to reflect information for as many months of actuals as are available for 2021.

D-LPMA-20

Ref: Exhibit D, Tab 2, Schedule 1

Please update the forecast for 2021 in Table 2 to reflect information for as many months of actuals as are available for 2021.

E-LPMA-21

Ref: Exhibit E, Tab 2, Schedule 1

Please update Table 2 to reflect an updated forecast for 2021 that includes as many months of actual data for 2021 as are now available. Please indicate how many months of actual data are included in the updated 2021 forecast.

E-LPMA-22

Ref: Exhibit E, Tab 3, Schedule 1

Please update Table 2 to reflect an updated forecast for 2021 that includes as many months of actual data for 2021 as are now available. Please indicate how many months of actual data are included in the updated 2021 forecast.

E-LPMA-23

Ref: Exhibit E, Tab 4, Schedule 2, page 2

Please explain how a reduction in the vacancies contributed to the historical cost reductions shown for 2019 and 2020.

E-LPMA-24

Ref: Exhibit E, Tab 8, Schedule 1

- a) For each of Tables 1 & 2, please explain the large variances in under spending relative to OEB approved figures for the historical years related to asset removal costs.
- b) What changes has HONI made to its forecasting methodology with respect to asset removal costs to reduce this historical variance?

F-LPMA-25

Ref: Exhibit F, Tab 1, Schedule 1, page 1

Would any potential midterm update for cost of capital parameters for 2026 and 2027 be limited to the actual and forecasted cost of long-term debt or would it include the return on equity and/or the rate for short-term debt?

F-LPMA-26

Ref: Exhibit F, Tab 1, Schedule 4

Please provide updated long-term debt schedules for 2023 transmission and 2023 distribution that incorporate actual issuances to-date for 2021 and updated forecasted issuances for the remainder of 2021 and 2022 and 2023 based on Consensus Forecasts from September and October 2021.

G-LPMA-27

Ref: Exhibit G, Tab 1, Schedule 2, Attachment 10

- a) Please explain the different results shown for transmission (page 1) of a \$0 balance in the account at the end of the IR term and for distribution (page 2) of (\$5.3) balance in the account.
- b) What would the balance be in the transmission account if the wording of the account is not changed as proposed by Hydro One?

G-LPMA-28

Ref: Exhibit G, Tab 1, Schedule 5, Attachment 1

The line item for the LDC CDM and Demand Response Variance Account shows a 2020 year-end principal balance of \$40,285,880 and a year-end interest balance of \$2,043,333. There is a Board approved disposition of \$7,951,814 shown for 2021, all of which is a reduction to the principal balance. There is a Board approved disposition of \$7,951,814 shown for 2022, but it is a reduction in the principal balance of \$6,770,561 and a reduction in the interest balance of \$1,181,252.

a) Please explain the different methods of allocating the Board approved disposition between 2021 and 2022.

b) How did Hydro One determine the split of the \$7,951,814 between principal and interest for 2022?

c) Does the approach in 2022 of assigning part of the disposition to the interest balance instead of the principal balance result in higher interest charges for 2022 and beyond? If not, please explain why not.