

October 26, 2021

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

Dear Ms Long:

**EB-2021-0110 – Hydro One Networks Inc. – Joint Transmission and Distribution Rate Application – 2023-2027**

Please find, attached, interrogatories for Hydro One Networks Inc. from the Consumers Council of Canada for the above-referenced proceeding. Please feel free to contact me if you have any questions regarding the interrogatories.

Yours truly,

**Julie E. Girvan**

Julie E. Girvan

CC: HON, Regulatory Affairs  
C. Keizer, Torys  
All parties

**INTERROGATORIES FOR HYDRO ONE NETWORKS INC.**

**FROM THE CONSUMERS COUNCIL OF CANADA**

**RE: JOINT DISTRIBUTION AND TRANSMISSION RATE APPLICATION – 2023-2027**

**EB-2021-0110**

**EXHIBIT A – ADMINISTRATION**

**A-CCC-1**

Please provide all materials provided to HON's Board of Directors related to this Application.

**A-CCC-2**

**Re: Ex. A/T2**

Please describe, in detail the overall planning process that HON undertook in developing its rate plan and the underlying budgets. Please include a timeline. Please provide all directives and budget guidelines provided to employees as part of that process.

**A-CCC-3**

**Re: Ex. A/T2/S3**

HON Distribution has updated its Conditions of Service. A Summary of Key Changes has been filed. Please indicate where the changes have been substantial and could result in significant cost impacts for customers relative to the previous Conditions of Service. To what extent did HON undertake customer engagement regarding its proposed changes. How is HON communicating these changes to its distribution customers?

**A-CCC-4**

**Re: Ex. A/T3/S1/p. 7**

Do the bill impacts include the disposition of the deferral and variance accounts?

Please provide the distribution only rate impacts for both all of the residential classes including the Seasonal Rate Class. Please provide these impacts with and without deferral and variance recoveries.

**A-CCC-5**

**Ex. A/T3/S1/p. 14**

The evidence states - "Past and continuing productivity savings are embedded I the 2023-2027 plan. Hydro One's current productivity plan is expected to achieve approximately \$315M of savings in 2022 between Transmission and Distribution based on the current measurement approach. This is the equivalent of reducing the revenue requirement by \$52M and \$115m in 2023, for each of Transmission and Distribution, respectively. In other words, had Hydro One not implemented these productivity initiatives, while holding output constant, 2023 revenue requirement would be greater by these amounts. Ratepayers will continue to receive the

benefit of these initiatives as planning at this level of efficiency has become part of normal business practice”:

- a. Please indicate how the \$315 million was calculated. Please provide a complete list of the productivity initiatives that contributed to the savings and the level of savings for each of those initiatives;
- b. Please indicate how the \$52 M and \$115 M reductions in the revenue requirement were calculated;
- c. Please explain what has become “normal business practice”.

**A-CCC-6**

**Re: Ex. A/T3/S1/pp. 22-23**

“Hydro One employs a methodical asset management process to monitor its assets and determine the appropriate timing for asset maintenance and capital investments throughout the asset life cycle. The output of the asset management process is a key component of the investment planning process.

The development of candidate investments is underpinned by a needs assessment which considers different dimensions including (i) asset-specific investment needs (particularly condition). (ii) customer needs and preferences, and (iii) system needs (including regional planning considerations.)”

- a. Please indicate if the same asset management approach is used for both Transmission and Distribution. If they differ, please explain in what ways;
- b. Please indicate to what extent HON has made changes to its asset management process since the 2020-2022 Transmission proceeding (EB-2019-0082) and the 2018-2022 Distribution proceeding (EB-2017-0049);
- c. When were the current processes first initiated?;
- d. Has HON undertaken analyses through external consultants to assess its asset management approach and determine whether they represent best practices? If not why not?

**A-CCC-7**

**Ex. A/T3/p. 28**

Please explain how the \$61.0 progressive productivity amount was derived.

**A-CCC-8**

**Ex. A/T3/S1/p. 37**

Please provide a schedule that sets out historical General Plant Expenditures for the period 2015-2021 in the same format as Table 10. Please include Board approved amounts.

**A-CCC-9**

**Re: Ex. A/T3/S1/p. 37**

Please provide all previous Transmission and Distribution scorecards. Please provide all targets for the test period.

**A-CCC-10**

**Re: Ex. A/T3/S1/pp. 43-47 – Table 11**

Does Table 11 represent a complete list of all third-party studies and reports undertaken in support of this Application? If not, please provide a complete list. Please indicate whether the work was subject to an RFP process and if not, indicate why it was sole sourced. Please provide the cost of the work (including costs related to the hearing process). Please indicate how those costs are to be recovered.

**A-CCC-11**

**Re: Ex. A/T3/S1/p. 49**

The evidence states the requested 2023 total Distribution revenue requirement of \$1.632.4MM represents a decrease of about 2.5% (or \$42.2M) compared to the 2022 forecast. This decrease is predominantly driven by certain benefits expected in 2023 such as reduced cost of debt and incremental productivity gains. How much of the decrease is attributable to the reduced cost of debt and how much is attributable to productivity?

**A-CCC-12**

**Re: Ex. A/T3/S1/p. 52**

Please provide the Board Approved and Actual ROE for Transmission and Distribution for the years 2015-2020.

**Custom IR Application**

**A-CCC-13**

**Re: Ex. A/T4/S2/p. 5**

What is the total reduction in the Transmission revenue requirement over the period 2023-2027 related to the Supplemental Stretch factor of .15%? What would be the total reduction if the Supplemental Stretch factor was .30%?

**A-CCC-14**

**Re: Ex. A/T4/S3/p. 5**

What is the total reduction in the Distribution revenue requirement over the period 2023-2027 related to the Supplemental Stretch factor of .15%? What would be the total reduction if the Supplemental Stretch factor was .30%?

**EXHIBIT C – RATE BASE**

**C-CCC-15**

**EX. C/T2/S1/p. 2 – Table 1**

Please update the Transmission In-Service Additions to include the most recent forecast for 2021.

**C-CCC-16**

**EX. C/T2/S2/p. 2 – Table 1**

Please update the Distribution In-Service Additions to include the most recent forecast for 2021.

**EXHIBIT B – SYSTEM PLANS**

**B-CCC-17**

**Ex. B/T1/S1/Section 1.4**

Please provide the Terms of Reference for the Concentric work – Hydro One Productivity Framework Review.

**B-CCC-18**

**Re: Ex. A/T3/S1/p. 37 and EX. B/T4/S1/Section 4.1**

Please provide copies of all policies regarding the management of HON's Fleet, Facilities and Real Estate, Information Solutions and System Operations.

**B-CCC-19**

**Ex. B/T4/S1/Section 4.1/p. 3 – Table 1**

Please provide a schedule setting out Transport and Work Equipment in the same format as Table 1 – TWE quantities by equipment type for each year 2018-2021. Please include forecast and actual.

**B-CCC-20**

**Ex. B/T4/S1/Section 4.1/p. 8**

Please provide a schedule in the same format as Table 2 – Planned net capital expenditures for General Plan by function from 2023-2027 that includes the years 2018-2022. Please provide Board approved and actual where applicable. Please explain why HON is not, going forward pacing the General Plant Expenditures rather than "front loading" them during the rate plan.

**B-CCC-21**

**Ex. B/T4/S1/Section 4.1/. p 16**

HON is gradually transitioning to low or zero emission technology, increasing the rate of electric vehicles from an estimate of 5% in 2021 to 50% by 2030. How will HON determine the pace of this transition?

**B-CCC-22**

**Ex. B/T4/S1/Section 4.1/p. 18**

What would be the impact on the annual capital factors for Transmission and Distribution if HON was required to pace these expenditures with an annual budget of \$290 per year? How would it impact each of the annual revenue requirements? What is the most recent updated forecast for General Plan for 2021?

## **EXHIBIT E – OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS**

### **E-CCC-23**

**Re: Ex. E/T2/S1/p. 2**

The OEB reduced HON Transmission's OM&A costs by \$10.1 million in its 2020-2022 Transmission Decision (EB-2019-0082). Please explain what HON measures HON took to respond to that Decision regarding its OM&A costs.

### **E-CCC-24**

**Re: Ex. E/T2/S1/p. 3**

The evidence states that forecasted Transmission OM&A productivity savings through to the end of 2022 are reflected in the OM&A budget in 2023, by having those efficiencies become part of regular business planning and thus reducing upward pressure on future OM&A expenditures. These are largely attributable to stations scheduling efficiencies and lower ground and site maintenance costs, lower costs associated with repatriating Inergi staff, and the corporate costing initiative which significantly reduced vacancies and limited contract spending to critical functions. Please explain how reductions in vacancies contributes to cost savings. Please quantify these productivity savings and demonstrate how they are included in the 2023 budget.

### **E-CCC-25**

**Re: Ex. E/T2/S1/p. 4 – Table 2**

Please provide Transmission OM&A in the same format as Table 2 – Summary of Recoverable OM&A Expenses for the period 2015-2023. Please include the most updated forecast for 2021.

### **E-CCC-26**

**Ex. E/T2/S2/p. 2**

Please recast Table 1 – Summary of Sustainment OM&A to include the most recent OM&A forecast for 2021.

### **E-CCC-27**

**Re: Ex. E/T2/S2/p. 5 and Ex. E/T4/S4/ pp. 18-21**

Transmission Cyber Security OM&A has been significantly increasing since 2020. Please explain the extent to which Cyber Security activities are shared between Transmission and Distribution. What is the current status of the establishment of the Joint Security Operations Centre? Please discuss whether Cyber Security "insourcing" is common industry practice.

### **E-CCC-28**

**Ex. E/T3/S1**

In its EB-2017-0049 Decision the OEB reduced HON's 2018 OM&A budget by \$32.3 million. Please explain what measures HON took to respond to that Decision regarding its OM&A Costs.

### **E-CCC-29**

**Ex. E/T4/S2/p. 5**

Please recast Table 2 – Summary of Allocated Common Corporate Functions and Services OM&A to include the most recent forecast for 2021. Please indicate whether the allocation percentages between Distribution and Transmission have changed.

**E-CCC-30**

**Ex. E/T4/S2/p. 9**

Please explain the significant increase in Corporate Management Costs in 2023 as compared to 2020. Please provide the most recent forecast for 2021.

**E-CCC-31**

**Ex. E/T4/S2**

Please explain the significant increase in Facilities and Real Estate Costs in 2023 as compared to 2020. Please provide the most recent forecast for 2021.

**E-CCC-32**

**Ex. E/T4/S2/Attachment 1**

Please provide the Terms of Reference for the UMS Group work. Please indicate how the initial list of potential comparators was derived.

**E-CCC-33**

**Ex. E/T6/S1/p. 8**

Please provide a schedule setting out for the years 2018-2023 what percentage of HON employees are retained through the hiring hall. Does HON see an increased or decreased reliance on the hiring hall through the rate plan period?

**E-CCC-34**

**Ex. E/T6/S1/p. 18**

With respect to FTEs HON has planned increases to regular FTE for 2021 and 2022 attributable to the addition of approximately 250 employees into the Shared Services and Information Services LOBs to repatriation of Inergi employees. Please provide the overall cost of the addition of these employees for 2023 and identify the offsetting reduction associated with a reduction in the Inergi contract can be found.

**E-CCC-35**

**Ex. E/T6/S1/p. 20**

Please provide the revenue requirement impact on both Transmission and Distribution assuming HON is only allowed to recover compensation costs at the P50 market median, and not the premium of 9%.

**E-CCC-36**

**Ex. E/T6/S1/p. 22**

When does HON expect to ratify the collective agreement with the Society of United Professionals?

## **EXHIBIT G – DEFERRAL AND VARIANCE ACCOUNTS**

### **G-CCC-37**

#### **Ex. G/T1/S1/p. 49**

Please provide all calculations related to the amounts reported for the Distribution Earnings Sharing Mechanism Deferral Account. The December 31, 2020 balance was (\$36.6M) and the expected balance as of December 31, 2022 (\$15.2M)

### **G-CCC-38**

#### **Ex. G/T1/S1/p. 59**

Why is HON not seeking to clear the COVID-19 Emergency Deferral Account through this Application? When does HON expect to apply for clearance? Please confirm that in both the Distribution and Transmission revenue requirements HON has not included any costs attributable to COVID-19.

### **G-CCC-39**

#### **Re: Ex G/T1/S2/p.18**

HON is requesting a new symmetrical variance account to record the revenue requirement impact, including tax, of variances between the in-service additions embedded on HON's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by government authorities, including directly through agencies, Crown Corporations or similar parties through regulation, policy changes or other official directives and the actual in-service additions during the 2023-2027.

- a. Please provide a complete list all categories of costs that will be captured by this account even if they have not been included in the 2023-2027 forecast;
- b. Please provide a list of all costs from the period 2018-2021 that would have been captured by this account had it been in place for that period;
- c. How does this account differ from Z-factor treatment?
- d. Is HON seeking approval to record costs in this account only for costs that exceed the \$3 million annual materiality threshold?

### **G-CCC-40**

#### **Re: Ex G/T1/S2/p.33**

HON is requesting a new symmetrical variance account to record the revenue requirement impact, including tax, of overspending and underspending relative to HON's distribution capital investment plan which underlies the proposed revenue requirement for the 2023-2027 period where overspending or underspending is for work related to third-party initiate relocation, DER connection or service upgrades which HON is required to undertake.

- e. Please provide a complete 2023-2027 forecast of the costs that will be subject to this variance account;
- f. Please provide a complete list all categories of costs that will be captured by this account even if they have not been included in the 2023-2027 forecast;



- g. Please provide a list of all costs from the period 2018-2021 that would have been captured by this account had it been in place for that period;
- h. How does this account differ from Z-factor treatment?
- i. Is HON seeking approval to record costs in this account only for costs that exceed the \$1 million annual materiality threshold?

**G-CCC-41**

**Re: Ex. G/T1/S2/pp 39-42**

HON is proposing an asymmetrical Advanced Metering Infrastructure Variance Account to record the difference between the revenue requirement associated with the planned in-service additions included in the forecast cost of the AMI 2.0 program over the 2023-2027 period and the actual in-service additions achieved.

- a. What is the current status of the AMI 2.0 project?
- b. When is Board of Director approval expected?
- c. When does HON expect to finalize the vendor contract?
- d. What is the most recent cost forecast?

**EXHIBIT L – DISTRIBUTION COST ALLOCATION AND RATE DESIGN**

**L-CCC-42**

**Ex. L/T1/S2/p. 4**

Please provide a detailed description of HON's proposed mitigation regarding the elimination of the Seasonal Rate Class. Please provide all distribution and rate impacts for the Seasonal Customers for the rate plan period. Please provide all materials related to customer notices and communication regarding the implementation of the elimination effective January 1, 2023.

**L-CCC-43**

**Ex. L/T1/S2/p. 6**

Is HON proposing to move the Orillia Power Distribution Inc. and Peterborough Distribution Inc. customers into the six new rate classes? If so, please provide all bill impacts and distribution rate impacts for these customers.

**L-CCC-44**

**Ex. L/T1/S2/p. 6**

How long does HON anticipate maintaining the six new rate classes for the acquired customers? Will all newly acquired customers be assigned to those rate classes?