Shepherd Rubenstein

BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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January 24, 2021
Our File: EB20210110

Attn: Christine Long, Registrar

Dear Ms. Long:

Re: EB-2021-0110 – Hydro One Joint Rate Application – SEC Interrogatories to PEG

We are counsel to the School Energy Coalition ("SEC"). Attached, please find a copy of SEC's interrogatories to OEB Staff's expert Pacific Economics Group ("PEG").

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein
2022.01.24 12:24:55-05'00'

Mark Rubenstein

cc: Ted Doherty, SEC (by email)
Applicant and intervenors (by email)

EB-2021-0110

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order or orders made pursuant to section 78 of the *Ontario Energy Board Act, 1998*, approving or fixing just and reasonable rates for the transmission and distribution of electricity.

INTERROGATORIES TO PACIFIC ECONOMICS GROUP ON BEHALF OF THE SCHOOL ENERGY COALITION

M-SEC-1
[Ex. M, p.19, A-SEC-18] SEC is seeking to understand the various possible sample periods, and the implications of each. Please advise if there is a long record (perhaps 40 years or more) of U.S. transmission productivity trend data that can be used to identify empirically the ebbs and flows of external factors influencing industry productivity as a whole. If there is any such record, please provide it, along with any information in the expert's possession explaining the external factors at play and how they influenced each change in the trends. Please describe any mathematical methods that can be used to identify/select a sample period that is properly representative of past trends.

M-SEC-2
[Ex. M, p.20] Please provide the expert's reasons for believing that the -0.62% base productivity trend of U.S. transmitters for 1996-2019 is reflective of the underlying cost pressures on Hydro One over the period 2023-2027.

M-SEC-3
[Ex. M, p.22] Please confirm that, to the best of the expert's knowledge, there have been no past periods in which peak demand for a transmitter declined on a permanent (as opposed to temporary) basis. If there have been examples of permanent declines in peak demand, please describe the reasons why that occurred. Please comment on the extent, if any, to which the decentralization of generation and load in Ontario, for example through distributed energy resources, can reasonably be expected to result in structural declines in transmission peak demand in the future.

M-SEC-4
[Ex. M, p.30] Can the non-linear relationship of cost to the two scale variables be expressed in a curve, either together or for each variable? If so, please provide a graphic illustration of that curve or curves.

M-SEC-5
[Ex. M, p.34] Please calculate the X-factor for the period 2023-27 that would result in Hydro One's

cost being 7% above the PEG benchmark in 2027.

M-SEC-6
[Ex. M, p.37] Please recalculate the Cost Benchmark Score for each of 2023-2027 on the assumption that the proposed C-factor is not approved, and therefore capital cost is limited to the proposed cost of service in 2023, and I-X escalator for each of 2024-2027.

M-SEC-7
[Ex. M, p.38, Technical Conference Transcript, December 16 2021, p.102-3] Please confirm that the Board's actions in approving larger or small increases in opex, whether on cost of service or by formula, can be expected to have a direct result that opex efficiency either improves or declines in response.

M-SEC-8
[Ex. M, p.41] Please explain why the expert believes the Board should, at this time, move away from its practice of setting the base productivity trend in multi-year rate plans at no less than zero.

M-SEC-9
[Ex. M, p.49] Please explain the reason for concluding that transmission line length is "highly correlated" with distribution service territory.

M-SEC-10
[Ex. M, p. 51] Please confirm that the assumption of no trend variable means either a) the business condition variables explain all of the changes in costs, or b) the various factors underlying the trend variable, however large, offset each other so that the net impact is zero.

M-SEC-11
[Ex. M, p.51, 53] Can the non-linear relationship of capital cost to the three output variables, and of opex to the three scale variables, be expressed in a curve, either together or for each variable? If so, please provide a graphic illustration of that curve or curves.

M-SEC-12
[Ex. M, p. 59, 64-5] Please describe the relationship, if any, between the unfavourable capital cost benchmarking scores of Hydro One and the availability of CIR plans, ICMs, Z-factors, and other capital cost increments in the Board's regulatory structures applicable to Hydro One.

M-SEC-14
[Ex. M, A-SEC-35, A-Staff-355, and Technical Conference Transcript, December 16 2021, p. 92-95] Please confirm that utilities with different system age are expected to have different capital cost requirements, which can affect their future productivity trends, and their current econometric cost benchmarking. Please explain how, both for transmission and distribution, the expert has dealt with system age of Hydro One relative to the utilities in the external samples, and compare the treatment of system age by PEG and by Clearspring.

M-SEC-14
[Ex. M, p.63; Ex. G-1-2, p.16,33] Hydro One has proposed two new variance accounts: the Externally Driven Transmission Projects Variance Account and Externally Driven Distribution Projects Variance Account. Please provide the expert's view on these two proposed accounts,

including views on how it may impacts Hydro One's cost control incentives, and the forecast benchmarking results of both PSE and PEG.

M-SEC-15
[Ex.M, p.10] Please provide a copy of the study referenced in footnote 4.

Respectfully submitted on behalf of the School Energy Coalition this January 24, 2022.

Mark Rubenstein
Counsel for the School Energy Coalition