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Kathleen Burke
Director, Applications Delivery
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BY EMAIL AND RESS

January 28, 2022

Ms. Nancy Marconi
Acting Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2021-0110 – Custom IR Application (2023-2027) for Hydro One Networks Inc. Transmission and Distribution (“Hydro One”) – Updated Interrogatory and Undertaking Responses

Further to the settlement reached on January 19, 2022 in respect of motions brought by SEC and AMPCO in the above-noted proceeding, attached please find Hydro One’s updated responses to interrogatory I-03-B2-AMPCO-018 and undertakings JT 1.11, JT 2.31 and JT 4.29. Also attached is an updated response to JT 1.04.

Tables in KT 1.1 and KT 1.2, and updated responses to undertakings JT 5.10 and 5.13 are in progress and will be provided no later than February 4, 2022.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

Encls.

cc. EB-2021-0110 parties (electronic)

B2 - ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORY - 018

Reference:

EB-2019-0082, Exhibit B, TSP Section 2.2, Page 3, Ref 2

Interrogatory:

Please complete the attached excel spreadsheet (B2-AMPCO-18-01).

Response:

Please see Attachment 1.

Updated: 2022-01-28
EB-2021-0110
Exhibit I
Tab 3
Schedule B2-AMPCO-018
Page 2 of 2

1

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Witness: JABLONSKY Donna

Major Asset Condition Summary (EB-2016-0160)								
2016								
Asset Type	Very Low Risk ¹	Low Risk	Fair Risk ¹	High Risk	Very High Risk ¹	To be Assessed	Total Population	% High Risk & Very High Risk
Transformers ²	324	224	65	94	14	-	721	15%
Circuit Breakers	2,272	1,090	681	454	45	-	4,543	11%
Protection Systems	4,357	3,994	484	1,936	1,331	-	12,103	27%
Conductors (km)	-	11,748	5,874	2,643	-	9,104	29,369	9%
Wood Poles ³	-	24,218	-	4,832	-	12,950	42,000	12%
Underground Cables (km)	-	195	59	11	-	3	267	4%
Insulators								

¹ These categories are not used for all assets.

² In prior transmission applications (EB-2016-0160 and EB-2019-0082) transformer condition (i.e. five risk categories) was presented based on Asset Analytics that only took into account the main tank oil test results. The more detailed condition assessment methodology and results are described in EB-2021-0110, TSP Section 2.2.2.1 and Interrogatory Staff-040. Based on Hydro One's detailed transformer condition assessments, the number of high and very high risk (i.e. poor condition) transformers would have been 116 in 2016.

³ As per EB-2019-0082 Undertaking JT 1.22.

Major Asset Condition Summary (EB-2019-0082)								
2018								
Asset Type	Very Low Risk ¹	Low Risk	Fair Risk ¹	High Risk	Very High Risk ¹	To be Assessed	Total Population	% High Risk & Very High Risk
Transformers ²	336	163	95	99	23	-	716	17%
Circuit Breakers	2035	1475	804	293	167	-	4,774	10%
Protection Systems	4,800	3,846	497	2,387	976	-	12,506	27%
Conductors (km)	-	16,050	3,316	3,680	-	6,061	29,107	13%
Wood Poles	-	17,640	-	5,460	-	18,900	42,000	13%
Underground Cables (km)	-	179	77	8	-	-	264	3%
Insulators								

¹ These categories are not used for all assets.

² In prior transmission applications (EB-2016-0160 and EB-2019-0082) transformer condition (i.e. five risk categories) was presented based on Asset Analytics that only took into account the main tank oil test results. The more detailed condition assessment methodology and results are described in EB-2021-0110, TSP Section 2.2.2.1 and Interrogatory Staff-040. Based on Hydro One's detailed transformer condition assessments, the number of high and very high risk (i.e. poor condition) transformers would have been 181 in 2018.

Major Asset Condition Summary (EB-2021-0110)								
2020								
Asset Type	Very Low Risk ¹	Low Risk	Fair Risk ¹	High Risk	Very High Risk ¹	To be Assessed	Total Population	% High Risk & Very High Risk
	Good Condition ²		Fair Condition ²	Poor Condition ²				
Transformers ³	-	449	74	198	-	-	721	27%
Circuit Breakers	1,723	982	1,510	382	159	-	4,756	11%
Protection Systems ⁴	5,267	3,539	291	2,542	855	-	12,494	27%
Conductors (km)	-	13,685	3,329	3,874	-	7,663	28,552	14%
Wood Poles	-	23,866	-	4,693	-	11,482	40,041	12%
Underground Cables (km)	-	173	92	8	-	-	273	3%
Insulators								

¹ These categories are not used for all assets.

² As part of Hydro One's ongoing efforts to improve the accuracy and robustness of asset condition ratings, Hydro One has corrected and transitioned away from the use of the word "risk" in describing asset condition, as "risk" is used heavily in the Asset Risk Assessment (ARA). Further details can be found in Interrogatory Staff-040 part f.

³ In prior transmission applications (EB-2016-0160 and EB-2019-0082) transformer condition (i.e. five risk categories) was presented based on Asset Analytics that only took into account the main tank oil test results. The more detailed condition assessment methodology and results are described in EB-2021-0110, TSP Section 2.2.2.1 and Interrogatory Staff-040. Since transformer condition is presented based on the detailed assessment which only uses three condition categories in this application, the transformer condition cannot be divided into the five risk categories. However, the alignment between previous and current condition categories is shown in Interrogatory Staff-040 part g; and based on Hydro One's current detailed transformer condition assessments, the number of high and very high risk transformers would have been 181 in 2018 and 116 in 2016. Please see JM1.1 for the transformer condition sub-index data which is aligned with the previous transformer condition breakdown that was presented (main tank oil only) however as explained in TSP 2.2 and JM1.1 this data is supplemented by additional asset data to complete the asset-specific needs assessments.

⁴ Please see Interrogatory B2-Staff-039 for further information regarding protection equipment replacements. For protections, high and very high risk (poor condition) represents protections beyond ESL.

UNDERTAKING JT-1.04

Reference:

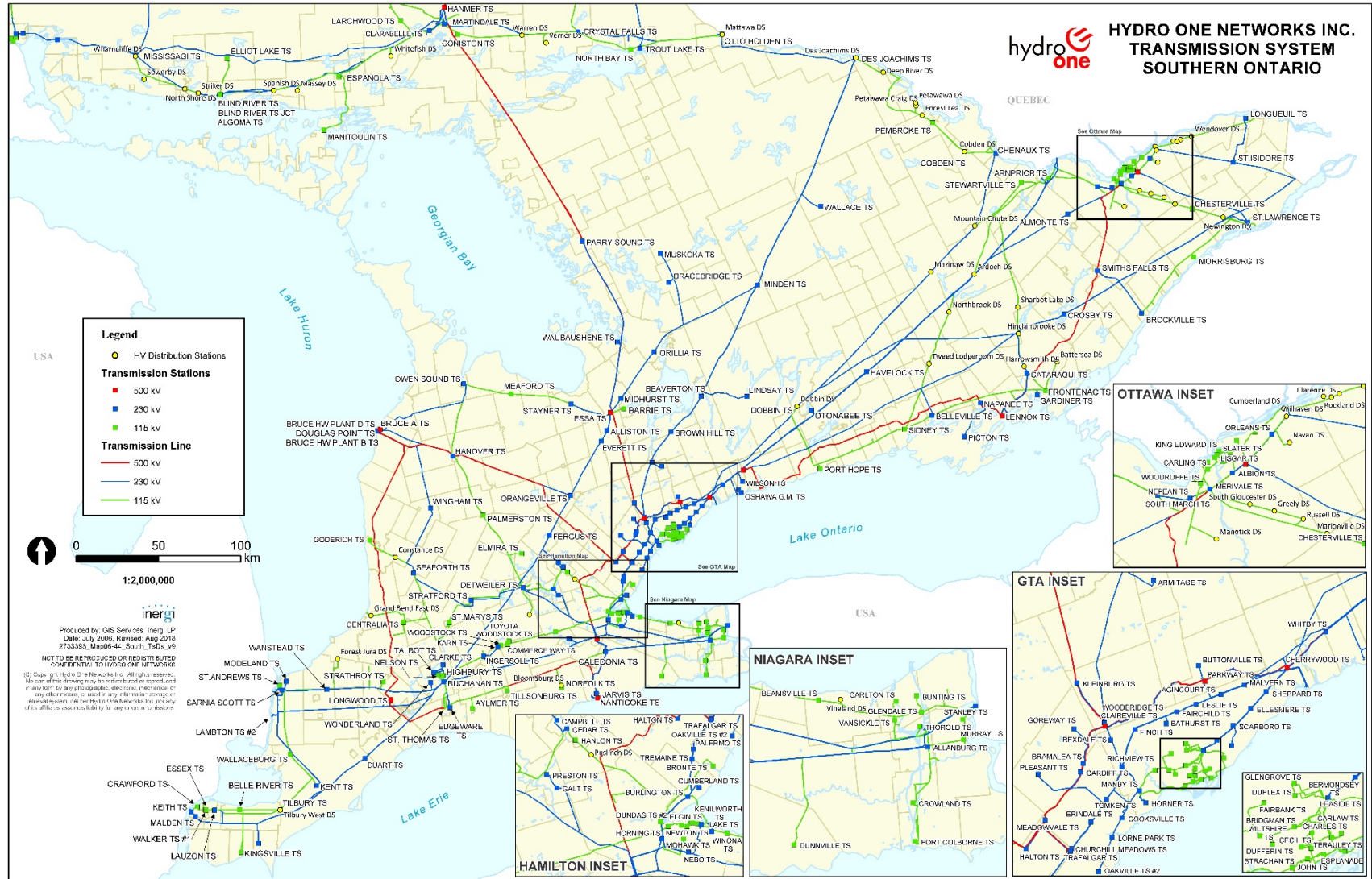
Not applicable.

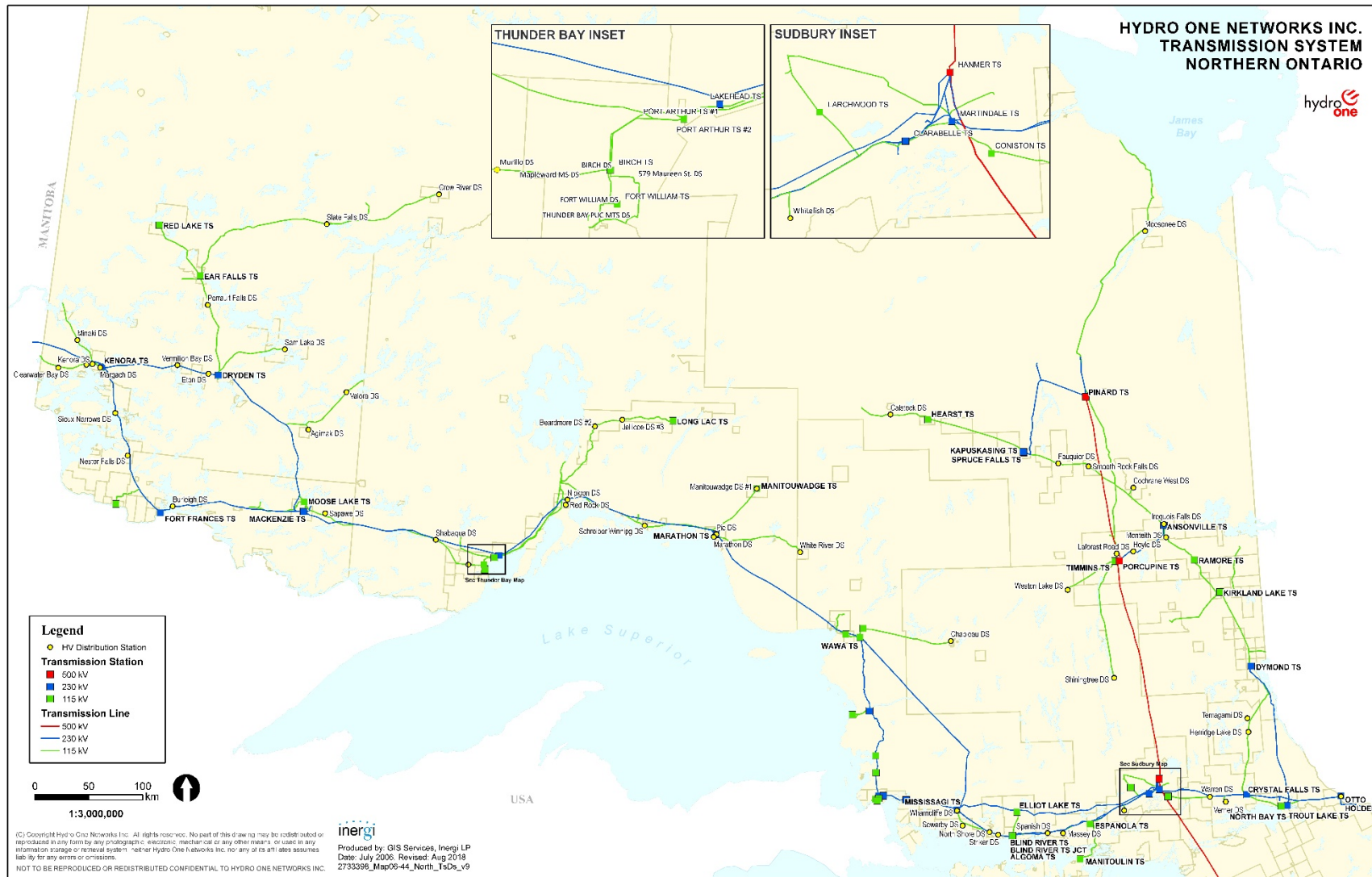
Undertaking:

To provide higher resolution versions of the maps provided at B2-SEC-61 part (iii); if not, to advise why they cannot be provided.

Response:

Please see below.





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UNDERTAKING JT-1.11

Reference:

I-01-B2-Staff-059, Attachment 1

Original Undertaking:

To provide a completed version of the attachment at B2-STAFF-59 and if Hydro One cannot, explain why, and if it isn't relevant, indicate that.

Updated Undertaking:

On January 19, 2022 as part of settlement discussions held in conjunction with a motion on interrogatory and undertaking responses and refusals, SEC agreed to amend this undertaking request as follows:¹

Hydro One does not need to fill out the table as originally requested, but will amend its response to the undertaking to provide greater explanation regarding the methodology applied in EB-2019-0082 and reference the exhibit there of JT1.24-01. In that response, Hydro One should clarify if the methodology was applied to all forecast numbers in JT1.24-01 in EB-2019-0082, or only those in which Hydro One did not provide forecast numbers in this proceeding.

Updated Response:

Hydro One has not updated B2-Staff-059-001 to include forecast capital for assets replaced by integrated investments. Hydro One plans station and lines investments through integrated investments and as such the costs to replace individual assets within these investments are not readily separable nor available.

In B2-Staff-059-001, Hydro One provided the 2019 and 2020 actual capital in-service additions (ISA) related to the listed stations and lines assets replaced by integrated investments however as explained in B2-Staff-059-001 footnote 2, these ISA amounts do not reflect a 1:1 ratio to the in-serviced units because additional costs pertaining to the installation may or may not be reflected. Since ISA amounts are not available at the asset level for the 2021-2027 period, Hydro One did not provide these.

In EB-2019-0082 (Undertaking JT1.24-01 – which is similar to B2-Staff-059-001), in order to complete the table submitted by SEC, Hydro One attempted to estimate the capital expenditures for the stations assets by using a 3-year average of the actual ISA divided by the actual units, then multiplied annually by the estimated CPI and the forecast units each year. This methodology was

¹ EB-2021-0110, Motions Hearing Transcript, January 19, 2022, p9-10.

1 applied to estimate capital expenditures for transformers, breakers and protections which are the
2 assets Hydro One has not provided capital estimates for in this proceeding.

3
4 However, the actual units and ISA used in the 3-year average do not relate on a 1:1 basis (see
5 above) and the approach used in EB-2019-0082 does not take into consideration the nature/scope
6 of the work. In most cases station assets are replaced by multi-year integrated investments that
7 are complex and bundle the replacement of many poor condition transmission assets located in
8 one station into one project to leverage efficiencies in design, construction, and commissioning.
9 In addition, actual costs reflect unique scheduling and outage requirements and may include
10 varying non-equipment costs of a civil nature and supporting effort to facilitate construction
11 within the respective station. Station assets may also be replaced due to failures resulting in
12 higher costs due to the replacement being completed under emergency and unplanned
13 conditions. Therefore, the method used to complete SEC's table in EB-2019-0082 results in a
14 likelihood of error to misapplying and misinterpreting the estimates i.e. reflecting unit costs.

15
16 Further, in this proceeding Hydro One has not provided capital estimates for conductors as these
17 investments are also completed by multi-year integrated investment that that are complex and
18 bundle the replacement of many poor condition transmission line assets together for similar
19 benefits described above. In EB-2019-0082 Hydro One provided the sum of the forecast capital
20 expenditures for all line refurbishment work, including the material investments listed in SR-19
21 and SR-20, however these capital expenditures (not ISA) did not relate on a 1:1 basis to the cct-
22 kms forecast to be in-serviced in a given year. This method results in a similar likelihood of error
23 as noted above for stations assets.

UNDERTAKING JT-2.31

Reference:

I-22-B4-SEC-162

Undertaking:

With reference to the response to IR B4-SEC-162 part (a), to ask Gartner to provide a list of Hydro One's peer companies.

Response:

Response from Gartner:

Gartner is not able to provide the list of peer companies. Gartner's standard agreement with clients regarding benchmarking services is as follows: "with respect to any benchmarking services performed by Gartner, Gartner will only use Client's data in an aggregate and anonymous format".

Updated Undertaking

On January 19, 2022 as part of settlement discussions held in conjunction with a motion on interrogatory and undertaking responses and refusals, SEC agreed to amend its undertaking request JT-2.31 as follows:

- i. Hydro One will confirm the company itself has no knowledge of the identity of the custom peer group, which is eight companies, or the ITKMD utility industry, which is 114 companies group.
- ii. Gartner will note that all eight organizations within the custom peer group have generation, transmission, and distribution operations.
- iii. Gartner will provide further information regarding the custom peer group by breaking down for each of its total employees and total revenue into various buckets with respect to certain gradients, so revenue and gradients of employees, and then classify the eight within those gradients.¹

Updated Response:

- i. Hydro One has no knowledge of the identity of the custom peer group (8 companies) or ITKMD-Utility Industry (114 companies) companies.

¹EB-2021-0110 Motions Hearing, January 19, 2022, page 10, lines 7-19

Updated: 2022-01-28

EB-2021-0110

Exhibit JT-2.31

Page 2 of 2

- 1 ii. Gartner has confirmed that all 8 organizations within the custom peer group have
2 generation, transmission, and distribution operations.
3
- 4 iii. Gartner has provided further information regarding the characteristics of the custom peer
5 group by breaking down the total employees and total revenue of peer group
6 organizations into various ranges and identifying the number of organizations that fall
7 within each range. These breakdowns are provided on page 3 in Attachment 1 - Enterprise
8 IT Spending & Staffing Benchmark, Enhanced Peer Group Profile.

Witness: MARCOTTE Kevin

Updated: 2022-01-28

EB-2021-0110

Exhibit JT-2.31

Attachment 1

Page 1 of 3



Enterprise IT Spending & Staffing Benchmark

Enhanced Peer Group Profile

January 18, 2022

Engagement Number: 330063230

Peer Group Profile

Selection Criteria	
Primary Criteria	Industry & Organizational Focus
Secondary Criteria	Revenue, Business Operational Expense, # of Employees, Geography

Custom Peer Group Profile			
Number of Organizations	8		
Industry Type	All 8 organizations operate within the utilities industry, and all 8 have electricity generation, transmission and distribution operations		
Geographical Location	Canada (4) & USA (4)		
	Hydro One (2019)*	Hydro One (2015)**	Peer Group Average
Annual Revenue***	\$6.48 Billion	\$6.5 Billion	\$5.28 Billion
Total Employees	8,842	8,344	5,986

2019 IT Key Metrics Data (ITKMD), Utilities Industry
114
Utilities
Global
2019 ITKMD, Utilities
\$5.96 Billion
5,500

* All Hydro One (2019) data is for fiscal 2019

** Hydro One’s 2015 data has not been adjusted for inflation

*** All analysis is in Canadian dollars, using the exchange rate of 1 USD = 1.3249 CAD

Custom Peer Group Profile – Additional Details

Annual Revenue (CDN)	
Revenue Range	# of Peer Organizations
\$2 Billion - \$3.99 Billion	4
\$4 Billion - \$5.99 Billion	2
\$6 Billion +	2
Total	8

Total Organization Employees	
# of Employees Range	# of Peer Organizations
2,000 – 3,999	4
4,000 – 5,999	3
6,000 +	1
Total	8

UNDERTAKING JT-4.29

Reference:

I-22-B1-SEC-053

Undertaking:

To consider a request to file the November report confidentially, if HONI is in a position to provide the information on any basis; if not, to advise and explain why.

Response:

Hydro One is not in a position to provide the November 2021 Productivity Report as it has been advised that this would constitute a selective disclosure of non-public material information. As Hydro One Networks Inc. (which includes the businesses of Hydro One Transmission and Distribution) is an indirect subsidiary of a Hydro One Limited and a subsidiary of Hydro One Inc., which are public companies subject to securities laws, Hydro One Networks Inc. is precluded from selectively sharing material non-public information.

Furthermore, Hydro One has provided both 2021 forecast as well as September 2021.

Updated Undertaking

On January 19, 2022 as part of settlement discussions held in conjunction with a motion on interrogatory and undertaking responses and refusals, the parties have concluded and agreed to resolve the matter in respect of undertaking request JT-4.29 as follows:

- i. Hydro One with the support of SEC, seeks a consent order from the OEB requiring production of the November 2021 productivity report on a confidential basis, and on that basis Hydro One would be able to produce the report.¹ As a result of the request, the OEB granted the confidential treatment of the undertaking response.²
- ii. On February 25th, following the fourth-quarter results being released, Hydro One will file the information on the public record and would also file the December 2021 version of the report for the year end.³

¹EB-2021-0110 Motions Hearing, January 19, 2022, pages 10-11, lines 26-3

²EB-2021-0110 Motions Hearing, January 19, 2022, pages 20-21, lines 24-5

³EB-2021-0110 Motions Hearing, January 19, 2022, page 11, lines 14-18

1 **Updated Response:**

2

