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BY EMAIL

July 6, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Interrogatories on Joint Report
Hydro One Networks Inc. (Hydro One)
2023-2027 Joint Rate Application (JRAP)
OEB File Number: EB-2021-0110**

Please find attached OEB staff's interrogatories in the above referenced proceeding on the Clearspring Energy Advisors LLP (Clearspring) and Pacific Economics Group LLP (PEG) Research Joint Report (Joint Report) filed on June 13, 2022, pursuant to Decision on Confidentiality Requests and Procedural Order No. 5.

OEB staff is of the view that the Joint Report should be classified as Exhibit P in this proceeding and has numbered its interrogatories on this basis.

Please note, parties are responsible for ensuring that all documents filed with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Martin Davies
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2021-0110

HYDRO ONE NETWORKS INC.

2023-2027 JOINT RATE APPLICATION

EB-2021-0110

OEB STAFF INTERROGATORIES ON JOINT REPORT

July 6, 2022

P-OEB Staff-398

Ref: Joint Report / p. 3

Preamble:

On page 3 of the Joint Report, under Research Upgrades for Power Transmission Research / PEG, the third bullet on the list states:

- PEG agrees with Clearspring that the construction cost index variable value for the Company should reflect where its transmission lines actually are rather than its full licensed service territory.

OEB staff notes that “the Company” is not a defined term in the Joint Report.

Question(s):

- a) Please confirm that “the Company” is referring specifically to Hydro One. In the alternative, please explain.
- b) Please state whether or not Clearspring and PEG believe that the third bullet referenced above, which is that the construction cost variable should be determined based on where the lines are rather than on a utility’s licensed service territory, should apply to any utility used in the analysis. Please explain your response(s).
- c) Please confirm that both Clearspring and PEG believe that the construction cost index variable for each of the U.S. utilities in the Transmission sample satisfies this criterion. Please explain your response(s).

P-OEB Staff-399

Ref: Joint Report / p. 3

Preamble:

On page 3 of the Joint Report, under Research Upgrades for Power Transmission Research / PEG, the fifth bullet on the list states:

- For its transmission total cost and capital cost models, PEG has replaced its plant-based scope variable with a more defensible scope variable based on operation and maintenance (“O&M”) expenses.

Question(s):

- a) Please provide more detail on the construction of this “economies of scope” variable based on O&M expenses. For example, how is this constructed for the U.S. utilities, and is it based on data from FERC Form 1 data or other data sources?
- b) Please provide more explanation on why PEG considers this measure more defensible compared to the “economies of scope” variable Clearspring used in its initial evidence.¹
- c) Please explain how PEG constructed this O&M expenses-based “economies of scope” variable for Hydro One.

P-OEB Staff-400

Ref: Joint Report / p. 4
Exhibit A / Tab 4 / Schedule 1 / Attachment 1
Exhibit M

Preamble:

In each of the original reports (i.e., Exhibit A / Tab 4 / Schedule 1 / Attachment 1 for Clearspring, and Exhibit M for PEG), Clearspring and PEG provided summary tables of regression model outputs and benchmarking scores for Hydro One, and figures of Hydro One’s estimated cost benchmarking score over the regression and plan period and of Hydro One’s total cost benchmarking ranking relative to the sample of utilities

¹ Exhibit 4 / Tab 1 / Schedule 1 / Attachment 1 / p. 21, section 3.1.3. Clearspring uses a measure of “percentage of transmission plant in total electric plant” to measure electricity transmission economies of scope.

used in each analysis. The following table identifies the relevant tables and figures in each consultant's evidence:

Clearspring (Exhibit A / Tab 4 / Schedule 1 / Attachment 1)				
	Regression Output	Hydro One Cost Benchmarking Score	Hydro One Cost Benchmarking Score (Chart)	Hydro One Cost Benchmarking Ranking in Sample (Chart)
Transmission	Table 2	Table 3	Figure 7	Figure 8
Distribution	Table 6	Table 7	Figure 10	Figure 11
PEG (Exhibit M)				
Transmission	Table 1	Table 5	Figure 1	
Distribution	Table 10	Table 13	Figure 4	

On page 4 of the Joint Report, Clearspring and PEG provide a short summary under a section titled "Revised Benchmarking and Productivity Results for Power Transmission Research".

Question(s):

- a) For each of the updated models that Clearspring and PEG have estimated based on the updates with respect to time period, sample inclusions and exclusions, and variable definition and constructions, as summarized on page 4 of the Joint Report, please provide updated tables and charts (figures) corresponding to the above-referenced tables and figures in each consultant's original evidence.

- b) In Exhibit M, PEG also provided tables on cost benchmarking of Transmission and Distribution costs separately for capital and for OM&A.
 - i. Were these supplementary analyses considered by Clearspring and PEG in the discussions leading to the preparation of the Joint Report? If considered, please explain why these were not discussed in the Joint Report. If not considered, please provide an explanation for the exclusion from the Joint Report.

 - ii. If available, please provide updated tables and figures corresponding to the capital and OM&A cost benchmarking models and scores as contained in Exhibit M, but corresponding the updated analyses summarized under "Revised Benchmarking and Productivity Results for Power Transmission Research" on page 4 of the Joint Report.

P-OEB Staff-401

Ref: Joint Report / pp. 8-9

Preamble:

As documented in the Joint Report, a key area of disagreement between Clearspring and PEG is with respect to the service area size of Hydro One. PEG documents its position on page 8, and Clearspring documents its position at the bottom of page 8 and continuing on page 9.

Question(s):

- a) In Clearspring's discussion, there is reference to 20%, 40%, 60% being used to describe suburban versus rural utilities. Please indicate what the 20%, 40% and 60% are fractions of (e.g., geographical areas, number of customers, location of circuit kilometres of line, etc.)

- b) On page 8 of the Joint Report, Clearspring states that:

We would expect Hydro One to have the lowest customer per sq. km in the sample since most of the cities and towns near its service territory are being served by other LDCs and Hydro One serving large portions of northern Ontario. The rest of the utilities in the sample do not have most of the cities and towns carved out of their service territory like Hydro One has.

- i) What is the basis for Clearspring's statement that "most of the cities and towns near its service territory are being served by other LDCs", in consideration that, since restructuring on April 1, 1999, Hydro One has acquired over 90 former municipal electrical utilities (MEUs) and LDCs serving villages, towns and cities throughout Ontario? Logically, it is tautological that "cities and towns near its service territory are being served by other LDCs", but why does Clearspring ignore the large number of electricity distribution systems of cities and towns that Hydro One has acquired since 1999 and now serves as part of its service territory?

- ii) Please confirm Clearspring's knowledge that, largely through mergers and acquisitions approved by the OEB, Hydro One serves more incorporated cities than does any other Ontario LDC (with this referring to the number of cities versus the population of the cities).