

EB-2023-0328

**Hydro One Networks Inc.
Chapleau Public Utilities Corporation
Application for approval for Hydro One to acquire Chapleau Public Utilities Corporation**

VECC Interrogatories February 20, 2024

VECC-1

Ref: Exhibit A Tab 1 Schedule 1

- a) Page 2: CPUC and Hydro One entered into an Agreement of Purchase and Sale. CPUC has agreed to sell to Hydro One, and Hydro One has agreed to purchase from CPUC the business of distributing electricity to consumers and businesses within the Township of Chapleau via an asset sale. The purchase price is \$2.3 million.

Please confirm that costs associated with the amalgamation will not be recovered from ratepayers.

- a) Page 3: The Agreement eliminates redundancies between Hydro One and CPUC and results in a single electricity service provider for the Township of Chapleau.

Please list the specific redundancies that will be eliminated and quantify the resulting cost savings by year.

- b) Page 4: Hydro One proposes to immediately integrate CPUC customers into Hydro One's existing rate classes.

Please discuss what other options Hydro One considered, and why they were ultimately rejected, in favour of the option to immediately integrate CPUC customers into Hydro One existing rate classes.

- c) Page 5: The transaction is not expected to harm customers with respect to price.

Please confirm the proposed amalgamation increases the price that CPUC residential customers pay for the distribution of electricity.

- d) Page 5: All CPUC rate riders will continue as per CPUC's existing rate schedules until expiry.

Please list CPUC's rate riders by customer class that will continue until expiry.

e) Please confirm the transition costs of the amalgamation are immaterial.

VECC-2

Ref: Exhibit A Tab 1 Schedule 1 Page 4

The application includes Hydro One's and CPUC's financial statements for 2021 and 2022.

Please provide the 2023 financial statements for Hydro One and CPUC.

VECC-3

Ref: Exhibit A Tab 2 Schedule 1 Page 2

CPUC customers can expect to benefit from operational efficiencies by having the CPUC assets integrated into Hydro One's larger distribution system.

Please discuss the operational efficiencies and quantify the expected savings by year.

VECC-4

Ref: Exhibit A Tab 2 Schedule 1

Page 7: Table 1 provides CPUC's actual OM&A and capital expenditures for the most recent complete four-year period (2019 to 2022), as published in the OEB yearbook.

a) Please provide the OM&A and Capital data for 2023.

b) Please provide a breakdown and quantify the OM&A savings for the period 2024-2027.

VECC-5

Ref: Exhibit A Tab 2 Schedule 1

Page 8: Table 2 provides further breakdown of the capital investments forecast in Sustainment Capital and Growth Capital 2024-2027.

Please provide a further breakdown of Sustainment Capital by year as it relates to the specific asset needs identified in the Observation Report at Attachment 7; and other capital priorities.

VECC-6

Ref: Supplemental Evidence November 30, 2023

Hydro One provides an OM&A cost/customer comparison between Hydro One and CPUC using 2021 Yearbook data.

Please provide the same calculation using 2022 Yearbook data.

VECC-7

Ref: Attachment 7

Hydro One provided its observations of CPUC's current asset and operating conditions.

- a) Please provide the net book value of CPUC's assets.
- b) Please discuss if Hydro One prepared a scope of work and budget as a result of the asset needs identified Observation Report. Please provide a copy.
- c) Hydro One anticipates that once some deficiencies noted in the Observation Report are addressed capital cost levels will thereafter taper off to a steady state value adjusted for Hydro One's growth forecast for the acquired service territory.

Please discuss the timeframe required to address the majority of the deficiencies in the Observation Report, and when will the steady state cost levels will begin.

- d) Please confirm Hydro One will make all necessary investments to be compliant with CPUC's 2025 deadline to replace equipment above the PCB threshold.

VECC-8

Ref: Attachment 1

- a) Please provide the organizational chart for CPUC.
- b) Please provide the total number of FTEs at the time of CPUC's rebasing (EB-2018-0087).

VECC-9

Ref: Exhibit A Tab 2 Schedule 1 Page 13

The applicated states "Provided that CPUC customers will transition to Hydro One existing rates, there will be no separate Distribution System Plan required for CPUC and distribution plans for CPUC's existing service territory will be encompassed within future Hydro One Distribution System Plans."

Ref: EB-2018-0087 Decision and Rate Order p.6

The OEB's Decision in CPUC's 2019 Cost of Service application states the following:

"Chapleau Public Utilities' Distribution System Plan (DSP) articulates the need for a major voltage conversion project (i.e. 4 kV to 25 kV) planned outside the plan period (i.e. after the 2019-2023 plan period). The parties agreed that Chapleau Public Utilities will need to seek approval in a subsequent application to the OEB before this voltage conversion project is implemented. In its next DSP, the parties also agreed that Chapleau Public Utilities will

demonstrate how it is moving to a more condition-based strategy, rather than based primarily on asset age.

The OEB agrees with the parties and has determined that Chapleau Public Utilities will need to seek approval in a subsequent application to the OEB before the voltage conversion project is implemented, as well as demonstrate in its next DSP how it is moving to a more condition-based strategy.”

Please discuss how the OEB’s findings will be addressed.

VECC-10

Ref: MAADs Handbook, p. 7

The MAADs Handbook requires consolidating utilities to indicate the impact that the proposed transaction will have on customers with respect to quality and reliability of electricity service. In considering the impact of a proposed transaction on the quality and reliability of electricity service, and whether the “no harm” test has been met, the OEB is informed by, among other things, the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard.

- a) Please provide the latest OEB annual scorecard for CPUC and Hydro One.
- b) Please provide SAIDI, SAIFI and CAIDI results for Hydro One and CPUC for each of the years 2019 to 2023.
- c) Please provide SAIDI, SAIFI and CAIDI results (excluding Major Event Days and Loss of Supply) for Hydro One and CPUC for each of the years 2019 to 2023.
- d) Please discuss how the proposed amalgamation will impact SAIDI, SAIFI and CAIDI for CPUC.
- e) Please discuss if Hydro One plans to track reliability metrics separately for CPUC over the period 2024-2027. If not, why not.