

Presentation: HONI Tx Cost Benchmarking Study Work Plan and Peer Selection

Feedback and Discussion

Do you have any questions of clarification on the presentation?

Other than those noted at the Meeting

How to normalize data for weather-related costs

How to normalize for US GAAP vs IFRS

1. *Consider the Approach presented. Are there other options you would like to see Navigant consider? If so, what are they?*

Need to provide profiles for peer groups.

Organizational Structures are they independent or is the Asset management Strategy/Plan driven by the System Operator e.g. MISO etc.

Is Transmitter Investor Owned/Public/Other

Regulatory Regime State FERC etc

How do these factors play into the Analyses

2. *Consider the Peer Group Selection. Do you have any additions and/or suggested edits to the list or areas identified?*

As per the Comment at the Meeting Omission of Altalink and Emera/Nova Scotia Power need to be reconsidered or explained

3. *Consider the Performance Metrics: Costs, Reliability, Safety, and Staffing. Do you have any additions and/or suggested edits to the list identified?*

Reliability Benchmarking is an Important new area for Ontario. Need to clearly identify Measures and relationship to historic traditional SAIDI SAIFI etc

4. *Consider the seven Practice Area Investigation Categories. Do you have any additions and/or suggested edits to the list identified or other options you would like considered?*

Need to identify/delineate Costs Based on Ontario Pool Characteristics:

Network, Line, and Transformation

5. **Do you have any other advice for the Hydro One or Navigant team as they develop the Approach and Analytics that will be used in the Cost Benchmarking Study?**

Research if other Benchmarking Studies for Canada have been done either by CEA or individual Transmitters/IESOs. Examine results and data problems and take into account in the design of database and Analyses.

Should consideration be given to include data on/for the Ontario UTR Pool members Great Lakes etc?

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Further Questions/Comments on the companies chosen

1. In the Summary Report Input Survey published in February 2015, you listed a number of transmission companies that you asked whether they were similar to HONI TX. Of the fourteen companies listed, only seven remain in your current Peer Group Selection (companies under consideration). The seven ("List A") are:

- (a) BC Hydro.
- (b) Quebec Hydro.
- (c) Exelon (Com. Ed).
- (d) SaskPower.
- (e) Emerge Power.
- (f) Manitoba Hydro.
- (g) Southern California Edison.

You left off the following seven companies ("List B")

- (a) Pacific Gas and Electric.
- (b) Altalink (principal Alberta Transmission Company).
- (c) Florida Power and Light.
- (d) National Grid.

- (e) Epcor Utilities.
- (f) Canadian Utilities Ltd.
- (g) NorthEast Utilities.

On the other hand, you added ten new companies to the list, bringing the total list to seventeen.

The companies added were, as I understood your comments last Thursday, were all companies with whom you already work, and for whom you are engaged to perform an annual multi-client study. Those are ("List C").

- (a) Austin Energy (is this not primarily a distribution company, like Epcor)?
- (b) CentrePoint Energy.
- (c) East Kentucky Power Corporation.
- (d) Exelon (Baltimore Gas and Electric).
- (e) Exelon PECO Energy (Philadelphia).
- (f) Kansas City Power and Light.
- (g) Oncor Electric Delivery (Dallas).
- (h) PPL Electric Utilities (Central Pennsylvania).
- (i) Public Service Electric and Gas (New Jersey).

(j) Tucson Electric Power.

My understanding is that you added the companies because you were intimately familiar with their operations, having studied them closely for several years.

The companies you eliminated from the first list include some of the larger US and Canadian transmission companies, which, with the possible exception of Epcor, have large, diverse, service territories.

Would you explain, for each company that you removed, why you did so (other than for the fact they were not on your existing client list for your annual multi utility study).

2. You have stated that your "peer group" can (and does) consist of some companies that are similar to HONI TX and companies that are not, because sometimes good ideas and best practices can be gleaned from smaller or very different companies, and you have expressed two different purposes for having the peer group.

The first is to have a reliable cost benchmark against which to measure HONI TX various costs categories and total costs per various metrics as per the Settlement Agreement provision.

The second purpose was to have a heterogeneous group of companies, in terms of size, urban/rural split. line assets vs. station assets, etc. as a source of "good ideas and best practices".

You have also stated that the list chosen to compare against HONI TX is effectively the participant list for your annual multi-client studies plus most (but not all) of the major Canadian transmission companies.

In the result, while you may have a suitable cross section of utilities from which to draw for best practices, I question whether you have a suitable group of comparators for a cost benchmarking study of HONI TX which HONI TX agreed to do. For this purpose, whether you may have studied these companies is pretty much irrelevant, is it not?

I would like to see substantial further justification from you for why you have removed/added the companies you have.

An analysis of what you consider the key characteristics, eg. size, terrain, density, urban/rural which make one transmission company similar to another to the point when it can be included in a sensible peer group for the purpose of a cost/reliability benchmarking study would be helpful.

Please justify your selection of criteria and then discuss how each of the proposed companies meet that criteria.

As for the second part of the task, identifying best practices, presumably many of them would be drawn from those transmission companies with the best cost/reliability performance, although you would be free to recommend some from companies you have studied.

3. You have stated that FERC data on transmission companies is not as useful to you as your own data you have obtained from many years of annual studies of the same group of

companies. While the view is understandable, please explain what relevant data FERC has on these companies, and what are its shortcomings. In other words, if one wanted to introduce, say, Pacific Gas and Electric transmission into the list, what required information would not be available?

4. Please differentiate the criteria you would use to assess the cost/reliability performance of transmission companies from those that you would use to do the same analysis for distribution companies.