Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule CME-36 Page 1 of 2

# Canadian Manufacturers & Exporters Interrogatory # 36

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#### 3 **Issue:**

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

456

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# Reference:

C1-06-01 Updated

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#### Interrogatory:

a) Please provide a table that shows for each of 2018 through 2019 the total depreciation and amortization expense based on Hydro One's historically approved depreciation rates and based on the 2016 Foster Associates study, along with the difference for each year.

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b) What is the change in the revenue requirement impact on the 2018 test year of using the depreciation rates based on the 2016 Foster Associates study as compared to using the current approved rates?

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c) Based on the \$21.9 million difference noted on page 1, will Hydro One's rate base at the end of 2022 be more than \$100 million higher under the proposal to retain the existing depreciation rates as compared to changing to the rates from the 2016 Foster Associates study beginning in 2018

212223

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#### Response:

a) The table below provides a comparison for depreciation expense as per Exhibit Q between currently proposed depreciation rates and 2016 Foster Associates updated study rates:

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Description	Test			
Description	2018	2019		
Total Depreciation Expenses	383.9	406.4		
Total Amortization Expenses	17.3	16.2		
Exclude Other Regulatory Amortization	4.2	4.5		
Total	397.1	418.2		
Update for 2016 study - Dx specific and Common rate	es 13.1	16.2		
New Depreciation total	410.2	434.4		

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b) Based on a comparison to Exhibit Q, the impact to revenue requirement in 2018 is \$17.4M.

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1 c) Hydro One's rate base will not be more than \$100 million higher under the current proposal 2 to retain the existing rates as compared to changing to the rates from the 2016 Foster

3 Associates study beginning in 2018.

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# Canadian Manufacturers & Exporters Interrogatory # 37

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# 3 **Issue:**

4 Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

- 7 C1-06-01 Updated
- 8 A-03-02

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# Interrogatory:

a) What is the impact on the total revenue requirement in each of 2019 through 2022 of using the 2016 Foster Associates study depreciation rates in place of the current approved rates?

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b) Please provide a version of Table 1 from Exhibit A, Tab 3, Schedule 2 that shows the impact on the calculation of the capital factor if Hydro One used the depreciation rates from the 2016 Foster Associates study.

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### Response:

a) The impact on the total revenue requirement is provided below based on Exhibit Q update:

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	2018	2019	2020	2021	2022
Total Capital Related Revenue Requirement	17.4	20.4	22.3	24.1	27.9

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b) Summary of Revenue Requirement Components is provided below based on Exhibit Q update and the depreciation rates from the 2016 Foster Associates study. 2

	Reference	2018	2019	2020	2021	2022
Rate Base	D1-1-1					
Return on Debt	E1-1-1	198.9	207.9	217.9	231.0	239.9
Return on Equity	E1-1-1	275.8	288.2	302.1	320.3	332.7
Depreciation	C1-6-2	410.2	434.4	451.6	473.0	490.9
Income Taxes	C1-7-2	70.0	74.5	77.7	85.7	87.5
Capital Related Revenue Requirement		954.9	1,005.0	1,049.3	1,110.0	1,151.0
Less Productivity Factor (0.45%)			(4.5)	(4.7)	(5.0)	(5.2)
Total Capital Related Revenue Requirement		954.9	1,000.5	1,044.6	1,105.0	1,145.8
OM&A	C1-1-1	579.6	584.0	588.3	592.8	608.0
Integration of Acquired Utilities	A-7-1				10.7	
Total Revenue Requirement		1,534.5	1,584.5	1,632.9	1,708.5	1,753.8
Increase in Capital Related Revenue Requirement			45.6	44.1	60.4	40.8
Increase in Capital Related Revenue Requirement as a percentage of Previous Year Total Revenue						
Requirement			2.97%	2.78%	3.70%	2.39%
Less Capital Related Revenue Requirement in I-X			0.47%	0.47%	0.48%	0.49%
Capital Factor			2.51%	2.31%	3.22%	1.90%

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule CME-38 Page 1 of 1

# Canadian Manufacturers & Exporters Interrogatory # 38

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#### 3 **Issue:**

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

- 7 Q-01-01 Page 11
- 8 C1-06-01 Updated

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### Interrogatory:

The updated evidence in Exhibit Q increases the depreciation expense by about \$4.5 M. As shown in Table 2 in Exhibit C1, Tab 6, Schedule 1, Updated, the depreciation expense is composed of four parts.

131415

a) Is the depreciation expense increase noted in Exhibit Q solely related to the depreciation on fixed assets?

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b) Based on the new capital addition forecast provided in Exhibit Q, is there any change to the capitalized depreciation and/or asset removal costs shown in the above noted Table 2? If not, please explain why not.

202122

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# Response:

a) Hydro One confirms that the depreciation expense increase in Exhibit Q1, Tab 1, Schedule 1 is solely related to depreciation on fixed assets.

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b) The in-service additions adjustments triggered a change in fixed assets. The asset removals and capitalized depreciation are a separate calculation which was not impacted by the updated forecast outlined in Exhibit Q1, Tab 1, Schedule 1.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule CME-39 Page 1 of 2

# Canadian Manufacturers & Exporters Interrogatory # 39

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#### Issue: 3

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

4 5 6

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# Reference:

C1-06-01 Updated

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### Interrogatory:

a) Please provide a version of Tables 1 & 2 that shows for each of the historical years and the

bridge year where there is a Board approved amount for depreciation and amortization, the Board approved amount, the actual amount and variance for each year in the same level of disaggregation as shown in Tables 1 and 2.

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#### Response:

a) Please see the requested tables below for years where there is a Board approved amount.

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**Table 1: Total Distribution Depreciation and Amortization Expense (\$ Million)** 

		2015		2016			2017		
Description	OEB Approved	Historic	Variance	OEB Approved	Historic	Variance	OEB Approved	Bridge	Variance
Total Depreciation Expenses	341.3	349.0	7.7	352.9	359.8	6.9	367.8	362.6	(5.2)
Total Amortization Expenses	14.2	10.5	(3.7)	22.0	12.0	(10.0)	22.4	17.8	(4.6)
Exclude Other Regulatory Amortization	0.0	1.9	1.9	0.0	3.2	3.2	0.0	3.7	3.7
Total	355.4	357.6	2.2	374.9	368.7	(6.2)	390.2	376.7	(13.5)

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Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule CME-39 Page 2 of 2

**Table 2: Distribution Depreciation Expense (\$ Million)** 

		2015			2016			2017	
Description	OEB Approved	Historic	Variance	OEB Approved	Historic	Variance	OEB Approved	Bridge	Variance
Depreciation On Fixed Assets	300.0	308.0	8.0	309.6	322.7	13.1	321.4	325.0	3.6
Less Capitalized Depreciation	(13.2)	(17.0)	(3.8)	(13.7)	(17.6)	(3.9)	(14.0)	(18.3)	(4.3)
Asset Removal Costs	54.5	59.0	4.5	57.0	55.0	(2.0)	60.4	55.9	(4.5)
Losses/(Gains) On Asset Disposition	0.0	(1.0)	(1.0)	0.0	(0.3)	(0.3)	0.0	0.0	0.0
Total	341.3	349.0	7.7	352.9	359.8	6.9	367.8	362.6	(5.2)

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Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule CME-40 Page 1 of 1

# Canadian Manufacturers & Exporters Interrogatory # 40

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# 3 **Issue:**

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

5 6

# Reference:

7 C1-06-01 Updated

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# Interrogatory:

a) What is driving the nearly 50% increase in amortization expense shown in the Environmental row in Table 3 for 2017 as compared to 2016?

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b) Based on the most recent actual data available, has this increase materialized in 2017?

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# Response:

a) The increase between 2016 actual and 2017 forecast is due to a higher amount of PCB Inspection and Testing on overhead transformers. For more information see Exhibit C1, Tab 1, Schedule 2, page 19, line 24. Actual spend in 2016 was lower than anticipated due to a redirection to higher priority investments. 2017 forecast restores funding to planned levels.

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b) Audited 2017 financial statements are not available at this time.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule EnergyProbe-63 Page 1 of 1

# Energy Probe Research Foundation Interrogatory # 63

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# 3 **Issue:**

4 Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

7 C1-06-01 Page: 4

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### Interrogatory:

a) Please confirm that increased capitalized depreciation of transport and work equipment increases rate base.

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b) Please confirm that in the pole replacement program, since the cost of removal is treated as depreciation expense and included in accumulated depreciation, the removal of poles has no impact on rate base.

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# Response:

a) Capitalized depreciation does increase rate base, however it also decreases depreciation expense by an equal amount.

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b) The cost of removal is included in depreciation expense and is collected in rates the year in which the removal occurs. Removal costs are not included in accumulated depreciation and have no impact on rate base.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule EnergyProbe-64 Page 1 of 1

# Energy Probe Research Foundation Interrogatory # 64

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# 3 **Issue:**

4 Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

7 C1-06-01-01 Page: 15

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# **Interrogatory:**

Please explain the reason for the recommended negative accrual rates for certain assets, specifically generators, land-depreciable, and communication equipment. Does this mean that if current depreciation rates are continued as proposed, ratepayers would be charged for depreciation expense on fully depreciated assets?

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# Response:

- Negative accrual rates occur when the remaining life of an asset pool exceeds what was expected in a previous depreciation study. The negative rate reduces accumulated depreciation and also
- depreciation expense.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule SEP-20 Page 1 of 3

# The Society of Energy Professionals Interrogatory # 20

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# Issue:

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

456

# Reference:

7 C1-06-01 Page: 2

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Networks states in its depreciation evidence (reference Exhibit C1 Tab 6 Schedule 1 page 2) that "the 2016 Foster Associates study would create, if implemented, increased depreciation rates and expense over the 2018 to 2022 rate setting period. Planned capital expenditures over the five-year term of the Application however may result in an increase in the average remaining life of these asset pools, requiring a future decrease in depreciation rates and expense."

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Networks appears to base its proposal not to adopt the 2016 depreciation recommendation of its independent external consultant on adverse rate impact and on a hope that future capital expenditures might offset the impact of deprecation rate changes recommended by Foster and Associates based on its observations.

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#### Interrogatory:

a) Please explain in more detail why the Board should not require Networks to adopt Foster and Associates' recommended depreciation rates when Foster Associates is an independent technical expert and ratepayers effectively fund the cost of their work.

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b) Foster and Associates' states its theoretical basis for Networks' having a choice on whether to propose adoption of any or all its recommendations (in its transmittal memo found at C1-6-1 Attachment 1). Foster and Associates seems to make a case that depreciation expense is based on the consumption of asset service potential and that consumption rate is measured by changes in the net present value of future net revenues (cash flows). Has Networks previously applied this conceptual approach to measuring the consumption of service potential of its assets? Please provide any available documentary evidence or precedents.

313233

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c) Please explain the specific technical, asset service life experience or accounting factors driving the material differences between Networks' current depreciation parameters and those initially recommended by Foster and Associates with particular attention to the significant impacts that appear to result from the changes attributable to BU 300.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule SEP-20 Page 2 of 3

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d) Networks uses the term "may" when discussing the potentially offsetting impact of its future capital investments on deprecation rates. Please describe the assurance that Networks has that Foster and Associates' currently observed depreciation rate adjustments will be exactly offset by new capital investments in specific asset pools in the rate period?

e) Is this potential future offset expected to impact each year of the rate setting period exactly equally?

- 9 f) Has Networks produced any financial models illustrating this potential future offset? If so, please provide them and attach any relevant assumptions or caveats.
  - g) Is Networks aware of any regulatory precedents where an independent depreciation study recommending a material adjustment to depreciation expense has not been implemented based on an expectation of possible future reversals or offsets within the rate setting period? If so, please provide any such precedents.
  - h) Is the acceptance of this position by Networks' independent external auditor based on an expectation that the existing rates will be approved by the OEB? More specifically, is the auditor's concurrence predicated on an expectation of OEB approval giving rise to a regulatory accounting exception to US GAAP requirements as they would apply to an unregulated entity?

#### Response:

- a) As per the Transmittal Letter from Foster Associates, Hydro One could elect to adjust any or all of the proposed rates in the Depreciation Study and not violate the objective of depreciation accounting, which is to allocate the economic life of the asset in proportion to the potential consumption of the asset. Accrual rates recommended in the 2016 Depreciation Rate Review were designed to achieve goals and objectives of depreciation accounting. Deferring on adoption of the recommended rates will do little more than shift the timing of capital recovery.
- b) Networks has "preciously applied this conceptual approach" by virtue of being a rate-regulated entity. As Dr. White noted in his transmittal memo, "The dual accounting objective is implicitly achieved under regulation as a consequence of the ratemaking process in which the amount of revenue a utility is authorized to collect is determined from a revenue requirement equation that includes depreciation expense as one of the elements of recoverable cost. Assuming revenue sufficient to cover cash operating expenses and a fair

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule SEP-20 Page 3 of 3

rate of return, the change in the present value of future net revenue will be equal to the depreciation expense allowed by regulation. It is because of regulation that the dual accounting objective will be achieved regardless of the timing of depreciation expense."

c) It was noted in the 2016 Depreciation Rate Review, page 10, that "... category lives recommended and approved in the 2013 review were retained in the 2016 review." Accordingly, recommended adjustments to accrual rates were not driven by technical or asset service life experience. The change in accruals for BU 300 is mostly attributable to to large capital expendutures in 2015 and an appropriate rebalancing of reserves. Rebalancing was undertaken to: a) eliminate a negative reserve for Account 1980 (System Supervisory Equipment); and b) to properly realign reserves for amortizable categories. These two factors resulted in a change in the accrual for Account 1955 (Communication Equipment) from negative \$9.4 milion to positive \$2.0 million, or an increase of \$11.4 million.

d) Hydro One does not have assurance that currents rates will be exactly offset by future capital spend, however if the OEB finds that the revenue requirement impact of higher depreciation expense is warranted and not overly burdensome to customers, Networks is prepared to implement higher depreciation rates for BU300.

e) See above response to part d.

22 f) No.

g) See above response to part d.

h) The setting of depreciation rates are the responsibility of management, and Networks determines them in conjuction with recommendations from Foster Associates depreciation study. The external auditor bases their audit opinion on the financial statements as a whole, to ensure they are not materially misstated and not on specific estimation decisions. In relation to depreciation expense, external auditors will assess to determine if the asset, in this case property, plant and equipment is recoverable over a period not to exceed their useful lives. The transmittal letter issued by Foster and Associates provides an expert opinion that coronborates management's estimate that the revised depreciation rates not be adopted.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule SEP-21 Page 1 of 2

# The Society of Energy Professionals Interrogatory # 21

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# Issue:

4 Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

7 None

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In its December 21, 2017 evidence update, Networks notes that it has adjusted its requested depreciation expense to reflect the impact of the Board's EB-2016-0160 Transmission decision on Networks' Corporate Common Assets shared by Transmission and Distribution businesses. The Transmission decision reflects the results of a 2015 Transmission Depreciation Study carried out by Foster Associates.

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# Interrogatory:

a) Please confirm that the depreciation parameters approved by the OEB in EB-2016-0160 for these common assets differ from those recommended for the same assets by Foster Associates in its more recent 2016 Distribution Depreciation Study.

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b) Please provide the comparative depreciation expense for the test years for BU 300 assets using (1) the proposed the Transmission depreciation parameters for common assets and (2) the depreciation parameters recommended by Foster Associates in its 2016 Distribution Depreciation study.

232425

c) Why should the OEB depart from past practice and not approve the most recent study to both Transmission and Distribution?

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# Response:

a) As a technical matter, depreciation *parameters* are population statistics describing the estimated mean service life (*i.e.*, projection life) and estimated dispersion of service lives around the mean (*i.e.*, projection curve) for a given plant category. Account statistics such as average service lives and average remaining lives used in the formulation of depreciation rates are derived from estimated population parameters. Account statistics are also a function of the grouping of assets (*e.g.*, broad group, vintage group or equal–life group procedures) and age distributions of surviving plant used in compositing vintage statistics at a given date. Depreciation parameters used in the 2016 Depreciation Rate Review are identical to those

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule SEP-21 Page 2 of 2

approved by the OEB in EB-2016-0160. Differences in account statistics are attributable to the passage of time and changes in the age distributions of surviving plant.

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b) The requested comparison cannot be made. As noted in respose to Part a, depreciation (*i.e.*, population) paramters are identical. It would be meaningless, however, to calculate depreciation expense at December 31, 2015 using account statistics derived at December 31, 2014. Surviving vintages at year—end 2015 are one year older and compsite account statistics would be derived from different age distributions.

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c) If the OEB finds that the revenue requirement impact of higher depreciation expense is warranted and not overly burdensome to customers, Networks is prepared to implement higher depreciation rates for BU300.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule Staff-218 Page 1 of 1

# OEB Staff Interrogatory # 218

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#### 3 **Issue:**

4 Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

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# Reference:

7 C1-06-01 Section 5.1

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#### Interrogatory:

From the evidence filed in the above reference, it is not clear what actually underpins Hydro One's estimate for the amortization related to its environmental costs.

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a) Please explain how this balance is estimated and provide evidence that supports the estimate for the test period.

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b) Please provide a table that compares the amount collected in rates over the last 5 years (2013-2017) with respect to amortization of environmental costs and the actual amortization as per the audited financial statements for the same period.

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#### Response:

- a) The estimates for amortization related to environmental costs are built up from the work programs required to be completed:
  - PCB Oil Sampling and Oil Retrofill for Distributing and Regulating Stations (Ex C1, Tab 1, Sch 2, Pg 10, Ln 3).
  - Land Assessment and Remediation (Ex C1, Tab 1, Sch 2, Pg 11, Ln 24).
  - Overhead Equipment PCB Inspection, Testing, and Waste Management (Ex C1, Tab 1, Sch 2, Pg 19, Ln 24).

2728

b)

\$ in Millions	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2015 <sup>(2)</sup>	2016 <sup>(2)</sup>	2017 <sup>(2)</sup>
Amount Collected in Rates	16.9	16.9	14.2	22.0	22.4
Amortization per Audited Financial Statements	8.5	11.1	10.5	12.0	Not Yet Available.

<sup>1.</sup> Represents the amount approved for 2011 as part of the prior COS application (EB-2009-0096) in Exhibit C1,
Tab 6, Schedule 1, Table 2. 2013 and 2014 were IRM years and therefore approved amounts are based on the
2011 values.

2. Source of amount collected in rates: 2015-2017: EB-2013-0416; Exhibit C1, Tab 6, Schedule 1, Table 2.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule VECC-78 Page 1 of 1

# **Vulnerable Energy Consumers Coalition Interrogatory # 78**

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#### 3 **Issue:**

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate?

456

# Reference:

E1-02-01 Page: 5E1-02-01 Page 39

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# Interrogatory:

a) With respect to Tables E.4 and E.5, please indicate which years are based on actual values. For those years in Table E.5 that are based on actual values please provide the actual delivered GWhs, the weather-normalized GWhs and the Board approved values.

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b) What is the impact on the values in Tables E.4 & E.5 and Table 3 of the elimination of load transfer arrangements?

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# Response:

a) In Tables E.4 and E.5 the figures prior to 2017 are actual, except for Acquired Utilities in Table E.5 where figures prior to 2016 are actual. Corresponding actual and weather corrected GWh figures are provided in Tables E.6 and E.7 respectively. OEB-approved values are provided in Attachment 2 to Exhibit E1, Tab 2, Schedule 1 (MS Excel file).

2223

b) The net impact (in minus out) included the loss of 500 customers by June 2017 and an estimated 100 additional customers in the near future. This represents an estimated annualized loss in sales of 5.8 GWh load by June 2017 and 0.96 GWh in the near future.

Witness: ALAGHEBAND Bijan

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 44 Schedule VECC-79 Page 1 of 1

# Vulnerable Energy Consumers Coalition Interrogatory # 79

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#### Issue:

Issue 44: Is Hydro One's proposed depreciation expense for 2018 and further years appropriate? 4

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#### Reference:

E1-02-01 Page: 4 - Table 2 7 E1-02-01 Page 39 – Table E.4 8

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### Interrogatory:

a) For each of the Residential and GS customer classes, please provide a schedule similar to Table 2 that compares the actual customer counts for 2014-2016 with those forecast in EB-2013-0416.

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### Response:

a) Provided below is a comparison of forecast and actual for residential and GS rate classes.

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#### 2014 2015 Year 2016 Forecast (in EB-2013-0416) 415,301 433,844 R1 439,437 R2 376,395 329,176 321,826

Residential

Seasonal	153,677	163,968	154,490		
UR	171,883	209,540	211,691		
Actual					
R1	416,493	432,519	441,836		
R2	373,551	328,170	328,766		
Seasonal	153,957	153,498	148,991		
UR	170,796	208,639	213,199		
% Change (Actual on Forecast)					
R1	0.3	-0.3	0.5		

	0.5	)	0.
R2	-0.8	-0.3	2.
Seasonal	0.2	-6.4	-3.
UR	-0.6	-0.4	0.

#### **General Service**

Year	2014	2015	2016			
Forecast (in EB-2013-0416)						
GSd	6,748	6,113	6,196			
GSe	98,785	93,508	93,788			
UGd	1,189	1,901	1,907			
UGe	12,343	17,768	17,808			
Actual						
GSd	6,504	6,098	5,323			
GSe	95,503	87,686	88,878			
UGd	1,167	1,893	1,715			
UGe	10,807	17,703	17,780			
% Change (Actual on Forecast)						
GSd	-3.6	-0.2	-14.1			
GSe	-3.3	-6.2	-5.2			
UGd	-1.9	-0.4	-10.1			
UGe	-12.4	-0.4	-0.2			

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Witness: ALAGHEBAND Bijan

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 45 Schedule CME-66 Page 1 of 1

# Canadian Manufacturers & Exporters Interrogatory # 66

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# Issue:

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

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# Reference:

- 7 E1-01-02 Updated
- 8 A-03-02 Updated

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# Interrogatory:

a) Please explain how the external revenues shown in Table 2 in Exhibit E1, Tab 1, Schedule 2, Updated are taken into account the Revenue Cap Index proposed by Hydro One in Exhibit A, Tab 3, Schedule 2, Updated.

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b) If the revenue cap index is independent of the external revenues, please explain if ratepayers receive any benefits related to the external revenues and the increases forecast for these revenues.

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#### Response:

a) The revenue cap index is independent of external revenues.

2021

b) Yes, rate payers receive a benefit from the increasing external revenues forecast for future years of the application in that the forecast of external revenues is deducted from the indexed revenue cap amount to establish the revenue to be collected through distribution rates. These calculations are demonstrated in Exhibit H1, Tab 1, Schedule 2.

Witness: ANDRE Henry, LI Clement

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 45 Schedule CME-67 Page 1 of 1

# Canadian Manufacturers & Exporters Interrogatory # 67

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3	Issue:
-	_~~~~

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

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# Reference:

7 E1-01-02 Updated

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### Interrogatory:

a) Please update the 2017 bridge year column in Table 3 to reflect actual year-to-date information for the latest period available in 2017 and the forecast for the remainder of the year.

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b) Based on the year-to-date information provided for 2017 in part (a) above, please provide the year-to-date figures in the same level of detail as shown in Table 3 for the corresponding period in 2016.

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#### Response:

a) Audited 2017 actual data is unavailable at this time, but will be provided once it is available.

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b) Audited 2017 actual data is unavailable at this time, but will be provided once it is available.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 45 Schedule CME-68 Page 1 of 2

# Canadian Manufacturers & Exporters Interrogatory # 68

1 2 3

#### Issue:

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

456

# Reference:

7 E1-01-02 Updated

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# **Interrogatory:**

The evidence states (page 9) that late payment revenue is expected to increase over the planning period as the customer base increases, as outlined in Table 4. However, as shown in the updated version of Table 4, late payment charges are forecast to drop from \$17 million in 2016 to \$12.8 million in 2017, and then increase by about \$200,000 per year through 2022.

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a) Please explain the significant drop in late payment charges in 2017 relative to 2016.

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b) If the reduction is related to the reduction in the commodity cost of power that became effective July 1, 2017, please explain and quantify how Hydro One has estimated the reduction in late payment charges, and the change in OM&A costs related to the recovery of late payments.

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c) Does the late payment revenue and the OM&A costs associated with the recovery of late payments include an estimate of the impact of the introduction of distribution rate protected residential customers and the delivery credit for on-reserve customers in Bill 132, Fair Hydro Act, 2017? If not, please explain why not. If yes, please provide the assumptions used and quantify how Hydro One has estimated the reduction in late payment charges and the change in OM&A costs related to the recovery of late payments.

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#### Response:

(a) Please see Exhibit I-42-VECC-61.

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(b) No, the reduction in late payment revenue is not associated with the commodity cost of power. Please refer to Exhibit I-42-VECC-61 for an explanation of the decrease in late payment revenue.

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(c) This Application was submitted prior to the introduction of Fair Hydro Plan. As such, the late payment revenue and OM&A costs associated with the recovery of the late payments not do

Witness: MERALI Imran

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consider the impact of the Fair Hydro Plan. Please see Exhibit I-33-Staff-179 for the impacts

of the Fair Hydro One on revenue 2018 requirement.

Witness: MERALI Imran

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# Canadian Manufacturers & Exporters Interrogatory # 69

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3	155	ue:

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

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# Reference:

7 E1-01-02 Updated

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# Interrogatory:

On page 13, Hydro One indicates that it is proposing to increase the joint use rates based on the inflation factor less the proposed stretch factor as described in Exhibit A, Tab 3, Schedule 2.

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a) Is Hydro One proposing to increase the joint use rates in 2019 through 2022 by the inflation factor less the stretch factor? If not, why not?

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b) Is Hydro One proposing to increase any other rates included in external revenues to take into account the inflation factor less the stretch factor? If not, why not?

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# Response:

a) No. Please refer to Exhibit I-51-VECC-117 c).

2021

b) No, Hydro One is not using the inflation factor less the stretch factor. The forecast revenues for all Retail Services Charges (shown in Exhibit E1-1-2 Table 4) and Distribution Generation Studies Revenues (shown in Exhibit E1-1-2 Table 8) are calculated using the test year's projected rates, as shown in the applicable tables in Exhibit H1-02-03, Appendices A and B.

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# School Energy Coalition Interrogatory # 87

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# 3 **Issue:**

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

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# Reference:

- 7 H1-02-03 Page: 102
- 8 With respect to the Pole Attachment Charge:

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#### Interrogatory:

a. Please confirm that Hydro One enters into a standard 'Agreement for Licensed Occupancy of Power Utility Distribution Poles' with third-party telecommunication attachers. If confirmed, please provide a copy of the agreement.

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b. Please confirm that the Agreement states that "line clearing" costs have been included into the Pole Attachment Charge.

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c. Please confirm that Hydro One's currently approved and proposed Pole Attachment Charge does not include any line clearing or other vegetation management costs.

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#### Response:

a) Yes, Hydro One enters into a standard template third-party telecommunication agreement with every attacher.

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The issue in this case (Issue 45) is whether proposed other revenues are appropriate. Hydro One is prepared to provide responses on questions relating to the revenues from Pole Access Charges (such as those in this IR). However, the agreements in relation to such revenues are not relevant and will not be disclosed. This is consistent with the Board's decisions in EB-2015-0004 and EB-2015-0141.

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b) Yes, it is confirmed that the existing standard template third-party telecommunication agreement states that "line clearing" is included in the pole attachment charge. This existing template agreement, which was originally executed with the majority of carriers in the province in 2006, is still in effect, utilizing the one year automatic renewal clause within it. Due to the OEB decision in EB-2015-0141 (Rogers Communications Partnership et al.), Section 3.2 (Page 8), stating that forestry costs were not to be included within the rate, and in reference to Section 2.1 (Pages 12-15) of Exhibit Q, Tab 1, Schedule 1 in EB-2017-0049,

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Hydro One is not performing or charging line clearing as outlined in the executed agreement.

All carriers in the province are going to be notified in early 2018, that Hydro One is no longer performing any telecom line clearing and the agreement will be amended or terminated, based on the termination clause within the agreement and then a new agreement will be written and executed.

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c) Confirmed. Hydro One's currently approved and proposed Pole Attachment Charge does not include any line clearing or other vegetation management costs.

Filed: 2018-02-12 EB-2017-0049 Exhibit I Tab 45 Schedule VECC-80 Page 1 of 1

# **Vulnerable Energy Consumers Coalition Interrogatory #80**

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# 3 **Issue:**

Issue 45: Are the proposed other revenues for 2018 – 2022 appropriate?

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# Reference:

7 E1-02-01 Page: 5

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# Interrogatory:

a) What is the impact on the values in Table 3 of integrating the load and customer numbers for Norfolk, Haldimand and Woodstock?

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# Response:

a) As noted in the footnote of Exhibit E1-02-01 Table 3, the forecast includes the Acquired Utilities' forecast for the years 2021 and 2022, as presented below.

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Year	GWh Delivery Forecast	Distribution Customer Count
2021	784.0	59,794
2022	784.1	60.210

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Witness: ALAGHEBAND Bijan