

By electronic filing and by e-mail



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October 8, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

**Hydro One Networks Inc. ("Hydro One")
Supplementary Interrogatory Responses
Board File No.: EB-2008-0272
Our File No.: 339583-000027**

We are writing because Hydro One Networks Inc. ("Hydro One") has not answered the questions we asked in the Interrogatory we submitted on behalf of our client, Canadian Manufacturers & Exporters ("CME").

Hydro One's October 7, 2009 response to the questions we asked (Exhibit I, Tab 9S, Schedule 9) is attached to this letter. We request that the Board direct Hydro One to respond to the questions posed in Exhibit I, Tab 9S, Schedule 9.

At the outset, we note that there is an obvious typographical error in line 1 of the question. The reference to capital projects should read "D7 and D8" rather than "07 and 08".

We submit that the information that we seek is relevant to the request by Hydro One, in its supplementary filing, that the 2010 revenue requirement be increased by \$7.1M. This revenue requirement increase is based upon total capital expenditures for 2009 of \$936.5M and \$1,057.6M for 2010. Included in these totals are capital expenditures related to capital projects D7 and D8 of \$82.7M in 2009 and \$62M in 2010.¹

We wish to ascertain whether the total capital spending amounts of \$936.5M for 2009 and \$1,057.6M for 2010 and the related total 2010 revenue requirement of \$1,249.3M are appropriate, in the context of Hydro One's actual 2009 capital spending to date and its currently estimated capital spending for the balance of 2009 and 2010. These questions are posed in the context of Hydro One's material capital under-spending in prior years, compared to the Board approved capital expenditure amounts, that is described in the evidence in the EB-2008-0272 proceeding.

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¹ Supplement to EB-2008-0272, Exhibit A, Tab 2, Schedule 1, page 2

To illustrate the point we seek to explore, assume that the information we have requested indicates that actual and forecast capital spending for 2009 is now expected to be \$82.7M less than the total capital budget the Board approved in its Decision in EB-2008-0272. As well, assume that forecasted capital spending in 2010 is now expected to be some \$62M less than the total 2010 capital budget the Board approved. In these circumstances, the actual and estimated reductions in total 2009 and 2010 capital spending would completely offset the additional capital spending forecasts associated with capital projects D7 and D8.

In these illustrative circumstances, the Board could find the capital spending associated with projects D7 and D8 to be reasonable, but reject Hydro One's request for a revenue requirement increase for 2010 of \$7.1M. We submit that there would be no justification for a revenue requirement increase of \$7.1M when the incremental capital spending associated with projects D7 and D8 is completely offset by actual and expected reductions in other capital spending.

Hydro One's response to our questions appears to be based on a premise that the reasonableness of the 2010 revenue requirement increase it seeks of \$7.1M is not subject to any scrutiny in this supplementary proceeding. Hydro One appears to be suggesting that the "streamlined process" to which the Board refers in its Decision in EB-2008-0272 precludes any inquiry as to whether the incremental capital-related revenue deficiency increase of \$7.1M is justified.

We submit that it would be unreasonable to increase 2010 revenue requirement by \$7.1M to \$1,249.3M to reflect 2009 total capital expenditures of \$936.5M and 2010 total capital expenditures of \$1,057.6M without considering any current information on whether these total amounts continue to be realistic. Surely, considerations of fairness operate to allow ratepayers to obtain information that is relevant to the question of whether the total capital budget amounts reflected in the supplementary filing continue to be realistic.

For these reasons, we request that Hydro One be directed to provide a complete response to the questions we posed in Exhibit I, Tab 9S, Schedule 9 by a deadline date that is prior to October 13, 2009, when parties are required to make further submissions with respect to the process to be followed to complete the hearing of matters raised by Hydro One's supplementary filing.

Please contact me if the Board has any questions about the contents of this letter.

Yours very truly,



Peter C.P. Thompson, Q.C.

PCT\slc
enclosure

c. Glen MacDonald (Hydro One)
Interested Parties
Paul Clipsham (CME)
Vince DeRose

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Canadian Manufacturers & Exporters (CME) SUPPLEMENTARY
INTERROGATORY #1 List 1

Interrogatory

1. Reference: Exhibit A, Tab 1, Schedule 1, page 2

The evidence indicates that approval of capital Projects 07 and 08 will increase the Board approved capital program for 2009 by \$82.7M, from about \$853.8M to \$936.5M; and for 2010 by \$62M, from \$995.6M to \$1,057.6M. As a consequence, Hydro One appears to be asking the Board to increase the 2010 Revenue Requirement by \$7.1 M. In connection with this evidence, please provide the following information:

- a) Please provide a status report on the Board approved 2009 capital spending of 853.8M, based on eight (8) months of actual spending and four (4) months of projected spending. In particular, we are interested in determining whether actual spending to date and expected spending for the four (4) months September to December 2009 inclusive is likely to be less than the current Board approved amount for 2009 of \$853.8M.
- b) Please provide a status report on actual in-service dates for major capital spending projects in 2009, year-to-date, compared to the in-service dates reflected in the Board approved capital spending plan of \$853.8M.
- c) In particular, has there been any material slippage in actual compared to planned in-service dates in 2009? If so, then please provide an estimate of the extent to which the Board approved 2009 revenue requirement would be reduced if the actual 2009 in-service dates for 2009 capital spending are used in its calculation.
- d) Please provide a status report on the current Board approved capital expenditures for 2010 of \$995.6M having regard to actual 2009 capital spending to August 31, 2009, and expected 2009 capital spending between September and December 2009.

In particular, is the actual pace of capital spending to date and expected spending for the balance of 2009, either separately or in combination with other factors, likely to reduce the amount of actual capital spending in 2010 to an amount below the currently approved sum of \$995.6M? If so, then what is Hydro One's current estimate of the amount of capital that is now likely to be spent in 2010 in connection with the Board's currently approved capital spending plan of \$995.6M?

- 1 e) Please provide a status report on the currently expected in-service dates for major
2 capital spending projects in the 2010 Board approved plan compared to the
3 forecasted in-service dates reflected in that approved plan.
4
- 5 f) If there is any slippage between the in-service dates reflected in the Board
6 approved 2010 capital spending plan and the 2010 in-service dates now expected,
7 then provide an estimate of the extent to which the Board approved 2010 Revenue
8 Requirement of \$1,242.2M would be reduced if these later in-service dates for
9 2010 capital spending are used in its derivation.

10

11 **Response**

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13 As stated by the OEB in its Procedural Order No. 6 in EB-2008-0272 as issued on
14 September 18, 2009:

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16 In its decision [in EB-2008-0272] the Board did not approve four of the Network
17 Capital Projects (labeled in the application as D7, D8, D9 and D10). However the
18 Board indicated that it would consider further evidence from Hydro One on these
19 [four] projects. The Board will ensure a streamlined process to consider any new
20 evidence on these [four] projects.

21

22 The information relevant to the above has been provided in I-4S-37. Hydro One has
23 provided actual 2009 year-to-date expenditures for the two projects covered in its
24 supplemental filing of September 4, 2009. The project expenditure forecasts for these two
25 projects are still appropriate.