

Aiken & Associates

578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
Fax: (519) 351-4331
E-mail: raiken@xcelco.on.ca

December 3, 2008

By Courier

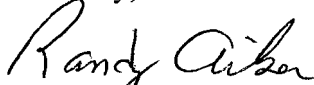
Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2008-0272 – Interrogatories of BOMA & LPMA

Please find attached the interrogatories of BOMA & LPMA in this proceeding.

Sincerely,



Randy Aiken
Aiken & Associates

Encl.

cc: Mr. Glen MacDonald, Hydro One Networks Inc.

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF a review of an application by
Hydro One Networks Inc. under section 78 of the *Ontario Energy
Board Act, 1998*, seeking changes to the uniform provincial
transmission rates.

**INTERROGATORIES OF THE BUILDING OWNERS AND MANAGERS
ASSOCIATION OF THE GREATER TORONTO AREA (“BOMA”)
AND
THE LONDON PROPERTY MANAGEMENT
ASSOCIATION (“LPMA”)
TO
HYDRO ONE NETWORKS INC.**

**Issue 1.1 – Has Hydro One responded appropriately to all relevant Board directions
from previous proceedings?**

Interrogatory # 1

Ref: Exhibit B1, Tab 1, Schedule 1, page 1 - 2

- a) What is the impact of a ten basis point change in the equity return on the overall revenue requirement in 2009? In 2010?
- b) Please provide an update to the equity returns based on the most recently available *Consensus Forecast*. Please provide all data and calculations used for 2009 and 2010.

Interrogatory # 2

Ref: Exhibit B1, Tab 1, page 2

Appendix B of the Cost of Capital Report states that “for May 1 rate changes, the ROE will be based on January data – effectively *Consensus Forecasts* published during that month and Bank of Canada data for all business days during the month of January”. Hydro One is proposing rates changes effective July 1, 2009.

- a) When is Hydro One proposing to change rates for the 2010 test year?
- b) Given that Hydro One is proposing to change rates effective July 1 rather than May 1, should the ROE be based on a March *Consensus Forecasts* and Bank of Canada data for all business days in the month of March? If not, why not?

Interrogatory # 3

Ref: Exhibit B1, Tab 1, Schedule 1, page 2

- a) What is the impact of a ten basis point change in the short-term debt rate on the overall revenue requirement in 2009? In 2010?
- b) Please provide an update to the short term debt rates based on the most recently available *Consensus Forecast*.
- d) Please confirm that Hydro One accepts the use of a short term debt rate that is calculated as the average of the 3-month bankers acceptance rate plus a fixed spread of 25 basis points, as published on the Bank of Canada's website, for all business days of the same month as used for determining the ROE.

Issue 2.2 Are Other Revenue (including export revenue) forecast appropriate?

Interrogatory # 4

Ref: Exhibit E1, Tab 1, Schedule 2, Table 1

- a) Please provide the most recent year-to-date figures for each of the four sources of revenue in the 2008 bridge year column.
- b) Please provide the corresponding year-to-date figures for each of the four sources of revenue in the 2007 historical year.
- c) Please confirm that the 2008 bridge forecast is approximately \$10 million higher than the Board approved figure for 2008 shown in Table 2 of Exhibit E1, Tab 1, Schedule 1. Please provide explanations for the increase as compared to the Board approved figure.

Interrogatory # 5

Ref: Exhibit E1, Tab 1, Schedule 2, page 3

- a) Please provide the amount included in the \$18.4 million of secondary land use revenues shown for 2008 that is associated with the granting of easement rights to Enbridge and the City of Toronto and one-time sales of land.
- b) Is Hydro One aware of any one-time events in 2009 or 2010 that may impact on secondary land use revenues? If yes, please provide the details.

Issue 3.1 – Are the proposed spending levels for Sustaining and Development OM&A in 2009 and 2010 appropriate, including consideration of factors such as of system reliability and asset condition?

Interrogatory # 6

Ref: Exhibit C2, Tab 2, Schedule 1

- a) Please provide the most recent year-to-date actual expenditures available for the 2008 bridge year in the same level of detail as shown in this table.
- b) Please provide the corresponding year-to-date actual expenditures for the 2007 historic year in the same level of detail as shown in this table.

Interrogatory # 7

Ref: Exhibit A, Tab 14, Schedule 1, Appendix A

What is the impact on the revenue requirement associated with each of the following:

- a) a 1% change in the Ontario CPI;
- b) a 1% change in the Tx cost escalation for construction;
- c) a 1% change in the Tx cost escalation for operations and maintenance;
- d) a change in the exchange rate to 1.20 CDN\$/US\$.

Issue 3.2 – Are the proposed spending levels for Shared Services and Other O&M in 2009 and 2010 appropriate?

Interrogatory # 8

Ref: Exhibit C1, Tab 2, Schedule 6, page 30

- a) Please provide the total forecast cost associated with the preparation of the current transmission rates application, broken out into its component parts.
- b) Is Hydro One proposing to amortize these costs over the 2009 and 2010 test years? If not, please explain.

Interrogatory # 9

Ref: Exhibit C1, Tab 2, Schedule 6, Table 15

- a) The other costs in this table have averaged a credit of approximately \$12 million over the 2005 through 2008 period. Given that this category is strongly influenced by unexpected items, why has Hydro One forecast 2009 and 2010 at the historical level?
- b) Please provide a breakdown of the costs shown for each of 2005 through 2010 in each of the major components that make up this category.

Issue 3.3 – Are the compensation levels proposed for 2009 and 2010 appropriate?

Interrogatory # 10

Ref: Exhibit C1, Tab 3, Schedule 2, page 14

The evidence indicates that *“On an overall weighted average basis for the benchmarked positions, Hydro One is approximately 17% above the market median.”*

What would be the impact on the overall revenue requirement if Hydro One compensation was equivalent to the median ?

Interrogatory # 11

Ref: Exhibit C1, Tab 3, Schedule 1

Please provide the number of full-time equivalent (FTE) employees that are allocated to transmission for each of 2005, 2006, 2007, 2008 bridge year and 2009 and 2010 test years. If this information is not available, please provide the total wage and salary costs for transmission for each of the years requested. Please also provide the corresponding transmission related benefits costs for each of the years.

Interrogatory # 12

Ref: Exhibit A, Tab 14, Schedule 1, Appendix A

Please provide the impact on the revenue requirement of each of the following (independent of one another):

- a) 2% economic increases effective April 1, 2009 and 2010 for Society Staff;
- b) economic increases of 2% effective April 1, 2009 and 2010 for PWU Staff;
- c) 2% annual increase per year in base pay for MCP staff.

Interrogatory #13

Ref: Exhibit A, Tab 14, Schedule 1, Appendix A

Please provide the amounts actually paid for each of the last three years, the 2008 bridge year and each of the 2009 and 2010 test years associated with the MCP Short Term Incentive Plan.

Issue 3.5 – Are the amounts proposed to be included in the 2009 and 2010 revenue requirements for income and other taxes appropriate?

Interrogatory # 14

Ref: Exhibit C2, Tab 4, Schedule 1

- a) Please show the calculation and assumptions used in calculating the \$8.7 provincial exemption shown at line 11.
- b) Why does this exemption level stay at the same level in 2010 as in 2009?

Interrogatory # 15

Ref: Exhibit C2, Tab 2, Schedule 12

- a) Please provide the most recent year-to-date actual costs associated with property tax and rights payments for the 2008 bridge year.
- b) Please provide the corresponding year-to-date figure for 2007 for the property tax and rights payments categories.
- c) Please explain what is driving the forecasted increase in 2008 in property taxes.
- d) Please explain what is driving the forecasted increase in 2008 in rights payments.
- e) Rights payments for 2009 and 2010 are expected to increase, in part, due to recent increases in land values (page 6 of 7). Given the recent economic downturn, does Hydro One still expect increased costs related to increases in land values?
- f) Please provide all calculations and assumptions used in the forecasts for 2009 and 2010 shown in Table 2 for transmission lines and stations and buildings, including proxy tax.

Issue 3.6 – Is Hydro One Networks’ proposed depreciation expense for 2009 and 2010 appropriate?

Interrogatory # 16

Ref: Exhibit C2, Tab 5, Schedule 1

- a) Please provide the most recent year-to-date asset removal costs for 2008.
- b) Please provide the corresponding year-to-date figure for 2007.
- c) What is driving the significant increase in asset removals costs in 2009 and 2010 as compared to 2008?

Issue 4.3 – Are the amounts proposed for rate base in 2009 and 2010 appropriate?

Interrogatory # 17

Ref: Exhibit D1, Tab 1, Schedule 4, Table 2

Please update Table 2 to include a row for 2008 and include all months where actual inventory levels are known.

Interrogatory # 18

Ref: Exhibit D1, Tab 3, Schedule 1, Table 1

- a) Please provide the most recent year-to-date capital expenditures for the 2008 bridge year and indicate how many months of actual expenditures are included.
- b) Please provide the most recent estimate of capital expenditures that reflect actual-year-to-date figures for the 2008 bridge year.
- c) What would be the impact on the revenue requirement in 2009 and 2010 if the Board approved capital expenditures that were 10% less than those requested (i.e. a reduction in 2009 capital expenditures of \$94.4 million, and a reduction in 2010 capital expenditures of \$107.4 million)?

Issue 4.4 – Is the forecast of long term debt for 2008-2010 appropriate?

Interrogatory # 19

Ref: Exhibit B1, Tab 1, Schedule 1, page 4

- a) What is the impact of a ten basis point change in the deemed long term debt rate for affiliate debt rate on the overall revenue requirement in 2009? In 2010?
- b) Please provide an update to the deemed long term debt rate for affiliate debt based on the most recently available *Consensus Forecast*.

Interrogatory # 20

Ref: Exhibit B1, Tab 2, Schedule 1, Tables 2, 3 & 4

- a) Has the forecasted debt issue shown in Table 2 for 2008 taken place? If yes, please provide the actual principal amount, term and rate. If not, please provide an update to the forecast based on current market conditions.
- b) Please provide an update to the forecast shown in Table 3 for 2009 and 2010 based on current market conditions.
- c) Please explain why Hydro One has assumed an equal amount of debt for each of the 5, 10 and 30 year terms. What would be the impact on the 2009 and 2010 revenue requirements if the forecast debt issues for 2009 and 2010 were split 50% to a 5 year term and 50% to a 10 year term?
- d) Please provide an update to the forecasts shown in Table 4 using the most recent *Consensus Forecasts* available and the November, 2008 average spreads for five-year to ten year and thirty-year to ten-year bond yields. Please also update the calculation based on the average of indicative new issue spreads for the most recent month available obtained from the Company's MTN dealer group for each planned issuance term.

Interrogatory # 21

Ref: Exhibit B2, Tab 1, Schedule 2, page 4

Please provide the most recent forecast of Treasury O&M costs and Other financing-related fees for 2008.

Issue 5.1 Are the proposed amounts and disposition for each of the deferral and variance accounts appropriate?

Interrogatory # 22

Ref: Exhibit F1, Tab 1, Schedule 1, page 4

Please provide the 2007 budget year OEB cost assessment and the actual 2007 and 2008 OEB cost assessment, as well as the forecast for 2009. Has the 2008 OEB cost assessment been finalized, or does the cost include some forecast?

Interrogatory # 23

Ref: Exhibit F1, Tab 2, Schedule 1, page 2

Please clarify whether or not the reduction in the revenue requirement in 2009 and 2010 as a result of the disposition of the regulatory assets balance is reflected in the calculations of the revenue deficiency shown in Exhibit E1, Tab 1, Schedule 1. If the reductions are shown there, please explain precisely where in Table 4 these reductions are shown. If these reductions are included in the "Other Cost Charges" please explain the differences between the regulatory asset figures for 2009 and 2010 and the figures provided in Table 4.

Interrogatory # 24

Ref: Exhibit F2, Tab 1, Schedule 2

a) Please confirm the following annual disposition of regulatory assets (in \$ Millions) if the time horizon is reduced from the four years proposed by Hydro One as follows:

Period	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
Three year	(3.05)	(6.1)	(6.1)	(3.05)	0.0	(18.3)
Two Year	(4.575)	(9.15)	(4.575)	0.0	0.0	(18.3)
18 Months	(6.1)	(18.2)	0.0	0.0	0.0	(18.3)

b) If the figures provided in (a) above cannot be confirmed, please provide the annual disposition figures under each of the three time horizons provided.

c) Given the significant increase in the revenue requirement of \$62 million in 2009 (Exhibit E1, Tab 1, Schedule 1, Table 3) and \$110 million in 2010 (Exhibit E1, Tab 1, Schedule 1, Table 5), please explain why the regulatory asset credit should not be used to reduce the revenue requirements to the maximum extent possible to mitigate the overall increase.

Interrogatory # 25

Ref: Exhibit F2, Tab 1, Schedule 3

Please show the calculation and all assumptions used in the calculation of the Transactions During Year column for the tax rate changes of (\$3.5) in 2007, (\$6.2) in 2008 and (\$3.7) in 2009.