

ONTARIO ENERGY BOARD

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 filed by Hydro One Networks Inc. under section 78 of the *Ontario Energy Board Act, 1998*, seeking changes to the uniform provincial transmission rates.

INTERROGATORIES FOR HYDRO ONE NETWORKS

FROM THE CONSUMERS COUNCIL OF CANADA

Issue 1.1

1. A/T16/S2/p. 3

The compensation cost study undertaken by Mercer concluded that “on an overall weighted average basis for the positions reviewed HON is approximately 17% above the market median” Please describe all of the initiatives HON is doing to reduce the gap between its compensation levels and the levels of its comparators. What plans does HON have in 2009 and 2010 to undertake further benchmarking analysis?

Issue 2.1

2. A/T14/S3/Attachment B

The evidence states that HON’s joint study with the IESO to compare monthly peak forecast of the two organizations revealed that the IESO, monthly peak forecast is about 1000 MW higher than the HON forecast. What are the implications of this difference for HON’s 2009 load forecast?

3. A/T14/S3/Attachment C

The evidence states that two special studies were undertaken by HON to measure the load impact of CDM programs in Ontario. Please provide copies of those studies.

4. A/T14/S7/p. 3

The evidence states that, “the rapid increase in distributed wind, solar and small hydroelectric generation installations have resulted in the need to complete a large number of connection designs. Moreover, changing from a small number of very large generation facilities to a much larger number of smaller generation facilities requires significant changes to the transmission system to ensure its safe operation, protection and control.” Please provide the impacts on the 2009 and 2010 capital expenditure programs related to this rapid increase in distributed generation. Please provide a detailed explanation as to how the costs associated with this trend have been incorporated into the budgets for each year.

Issue 2.2

5. E1/T1/S2/p. 2

External Revenues are forecast to decline significantly in 2009 and 2010 relative to historic levels. HON’s evidence is that this is due to one-time events during previous years. Please provide more detailed budgets for External Revenue for the years 2006 to 2010 to support the 2009 and 2010 budget levels.

Issue 3.1

6. A/T17/S1/pp. 1-7

HON undertook extensive stakeholder consultation processes leading up to the 2009/2010 filing. Please provide the costs of those sessions and explain how the costs are being recovered. Please provide specific amounts for each of the sessions set out in Table 1 at page 7.

7. C1/T2/S1/p. 2

Please provide a table in the same format as Table 1 – Summary of Transmission OM&A Budget which includes Board approved numbers for 2005 and 2006.

8. C1/T2/S3/p. 2

Please provide a schedule which sets out a detailed “Research and Development” budget for 2009 and 2010. Please provide a list of all proposed projects. How does HON prioritize the projects it intends to pursue? Are these projects subject to a cost-benefit analysis? If so, please provide that analysis for each project. If not, how does HON decide whether to pursue the projects?

9. C1/T2/S5p. 3

Please provide a schedule in the same format as Table 1 – Allocated Transmission Shared Services and Other OM&A Costs which includes Board approved numbers 2005-2008.

10. C1/T2/S6/p. 16

With respect to HON's Corporate Communications budget please provide the following: a detailed budget for each year 2007-2010. Please provide specific budgets for CDM and smart meter activities for 2008-2010 and explain how they relate to transmission operations. Please provide all assumptions used to develop the budgets.

11. C1/T2/S6/p. 20

Please indicate how all regulatory costs are accounted for (internal and external). Please provide a detailed budget for HON's regulatory costs for the years 2007-2010. Please provide 2008 Board approved amounts. Please include any internal costs, external costs (legal and consulting) and costs associated with each rate proceeding.

12. C1/T2/S6/p. 20

Please explain how the regulatory affairs budget is allocated between Distribution and Transmission.

13. C1/T2/S6/p. 28

Please describe how the capitalized overhead rate for Transmission was determined. Has the rate been changed since the 2007/2008 rate application? If so, on what basis has it changed?

14. C1/T2/S8/p. 5

The Strategy and Business Development budget has increased significantly from the 2007 level. Please provide a detailed budget for this group and provide a variance analysis which explains the increase.

15. C1/T2/S6/p. 20

Please explain how the Strategy and Business Development budget is allocated between Transmission and Distribution. Please indicate whether or not the costs associated with the development of distribution CDM programs and the initiation and management of OPA funded programs are allocated to distribution only.

16. C1/T2/S6/pp. 20-21

Please indicate if the costs associated with any of the “Business Development” activities are allocated to Transmission. If they are, please explain the rationale.

17. C1/T2/S9/p. 1

Please provide a schedule in the same format as Table 1 – Information Technology Summary of OM&A Expenditures that provides Board approved numbers for the years 2007 and 2008.

18. C1/T2/S9/p. 20

Business Telecom OM&A expenditures are rising significantly from the 2007 levels. Please provide a detailed budget for this group and explain why the costs are increasing. Please provide the Board approved amounts for 2007 and 2008.

19. C2/T2/S1/pp. 1-2

Please provide a schedule in the same format as “Comparison of OM&A Expense by Major Category” which includes Board approved amounts for 2005-2008.

20. A/T17/S1/pp. 1-7

HON undertook extensive stakeholder consultation processes leading up to the 2009/2010 filing. Please provide the costs of those sessions and explain how the costs are being recovered. Please provide specific amounts for each of the sessions set out in Table 1 at page 7.

21. C1/T2/S1/p. 2

Please provide a table in the same format as Table 1 – Summary of Transmission OM&A Budget which includes Board approved numbers for 2005 and 2006.

22. C1/T2/S3/p. 2

Please provide a schedule which sets out a detailed “Research and Development” budget for 2009 and 2010. Please provide a list of all proposed projects. How does HON prioritize the projects to pursue? Are these projects subject to a cost- benefit analysis? If so, please provide that analysis for each project. If not, how does HON decide whether to pursue the projects?

23. C1/T2/S5p. 3

Please provide a schedule in the same format as Table 1 – Allocated Transmission Shared Services and Other OM&A Costs which includes Board approved numbers 2005-2008.

24. C1/T2/S6/p. 16

With respect to HON's Corporate Communications budget please provide the following: a detailed budget for each year 2007-2010. Please provide specific budgets for CDM and smart meter activities for 2008-2010 and explain how they relate to transmission operations. Please provide all assumptions used to develop the budgets.

25. C1/T2/S6/p. 20

Please indicate how all regulatory costs are accounted for. Please provide a detailed budget for HON's regulatory costs for the years 2007-2010. Please 2008 Board approved amounts. Please include any internal costs, external costs (legal and consulting) and costs associated with each rate proceeding.

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Please explain how the regulatory affairs budget is allocated between Distribution and Transmission.

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The Strategy and Business Development budget has increased significantly from the 2007 level. Please provide a detailed budget for this group and provide a variance analysis which explains the increase.

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Please explain how the Strategy and Business Development budget is allocated between Transmission and Distribution. Please indicate whether or not the costs associated with the development of distribution CDM programs and the initiation and management of OPA funded programs are allocated to distribution only.

29. C1/T2/S6/pp. 20-21

Please indicate if the costs associated with any of the "Business Development" activities are allocated to Transmission. If they are, please explain the rationale.

30. C1/T2/S9/p. 1

Please provide a schedule in the same format as Table 1 – Information Technology Summary of OM&A Expenditures that provides Board approved numbers for the years 2007 and 2008.

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Business Telecom OM&A expenditures are rising significantly from the 2007 levels. Please provide a detailed budget for this group and explain why the costs are increasing. Please provide the Board approved amounts for 2007 and 2008.

32. C2/T2/S1/pp. 1-2

Please provide a schedule in the same format as “Comparison of OM&A Expense by Major Category” which includes Board approved amounts for 2005-2008.

Issue 3.2

33. A/T9/S2

With respect to HON’s Affiliate Services please explain to what extent any of the services provided, and related service agreements, have changed since the 2007-2008 rates proceeding.

Issue 3.4

34. C1/T2/S6/p. 28

Please describe how the capitalized overhead rate for Transmission was determined. Has the rate been changed since the 2007/2008 rate application? If so, on what basis has it changed?

Issue 4.1

35. A/T14/S 7/p. 8

The evidence states that due to the increased number and size of many “Greenfield” projects required to expand and develop the transmission system a greater use of turnkey contracts is being made (\$300 m in 2009). Please describe the process that HON uses to decide whether or not to use turnkey contracts. How does HON assess the cost/benefit of doing so relative to the use of internal resources? What processes does HON use to acquire turnkey contracts? If the policies are set out in writing please provide those policies.

36. D1/T1/S1/p. 4

Please specifically identify how the \$12 million and \$11 million cash working capital requirements for 2009 and 2010 were calculated.

37. D1/T3/S1/p.2

Please indicate the impact on the 2009 revenue requirement of reducing the 2009 capital budget by \$100 million. Please indicate the impact on the 2010 revenue requirement of reducing the 2009 capital budget by \$100 million. Please include all assumptions.

38. D2/T2/S1/pp. 1-2

In the EB-20067-0501 Decision the Board indicated that it expected HON to provide evidence on 2007 and 2008 capital spending compared to the Board approved budget. Please indicate all components of the evidence where this analysis has been provided. Please recast Exhibit D2/T2/S1 to include the Board approved numbers for 2005-2008

Issue 5.1

39. F1/T2/S1/p. 1

Did HON consider rebating the regulatory asset account balances over a two-year period rather than a four-year period? If so, why was that proposal rejected?

Issue 5.3

40. F1/T1/S2/p. 2

HON is proposing to undertake \$47.9 million of preliminary work to advance 18 transmission related projects required by the OPA in their IPSP and to incorporate Darlington B GS into the system. Please explain how HON intends to ensure that the work undertaken is being carried out in a cost-effective manner? How will HON demonstrate the prudence of these investments when the costs are brought forward for recovery?

41. F1/T1/S2/p. 2

With respect to the account being proposed for the IPSP and Darlington preliminary work is HON requesting a variance account (including \$19.2 million in rates for 2009/2010 and tracking any variances) or a deferral account (having all costs recovered in a future proceeding). Please explain the rationale for the mechanism selected.

42. F1/T1/S2/p. 3

Please explain, specifically, how HON defines “any costs that may be shifted from customers to Hydro One Transmission as a result of the Board’s interpretation of the code”. Please identify how HON intends to account for these costs in its proposed variance account. Is the account only related to cost shifts arising from Board changes to the TSC? If not, please provide a list of all potential circumstances that might apply.