INTERROGATORIES FOR HYDRO ONE NETWORKS – DISTRIBUTION

2009 RATES APPLICATION (3rd GIRM)

EB- 2008-0187

FROM THE CONSUMERS COUNCIL OF CANADA

1. (Ex. B1/T3) For Sustaining, Development, Operations and Shared Services Capital please provide detailed budgets showing 2008 Board approved and 2008 actuals.

2. In its Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board stated:

> "The Board notes that there are clearly differences in perception as to the purpose of the incremental capital module. Ratepayer groups perceive the capital module as a mechanism aimed solely at addressing extraordinary or special CAPEX needs by distributors. The distributors, on the other hand, perceive the module as a special feature of the 3rd Generation IR architecture which would enable them to adjust rates on an on-going, as needed basis to accommodate increases in rate base.
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> In the Board's view, the distributors view is not aligned with the comprehensive price cap form of regulation which has been espoused by the Board in it July 14, 2008 Report. The distributor's concept better fits a "targeted OM&A" or "hybrid" form of IR. This alternative IR form was discussed extensively in earlier consultations but was not adopted by the Board. The intent is not to have an IR regime under which distributors would habitually have their CAPEX reviewed to determine whether their rates are adequate to support the required funding. Rather, the capital module is intended to be reserved for unusual circumstances that are not captured as a Z-factor and where the distributor has no other options for meeting its capital requirement." (pp. 30-31)

   Please provide a list of all capital projects for 2009 and identify which projects constitute "unusual circumstances".

3. (Ex B1/T3/S1) The evidence states that in preparing its incremental capital module HON Dx considered the potential resulting impacts on OM&A. Please provide copies of that analysis. What was the net result having looked at all of the capital proposed? Are OM&A costs going up or down?

4. Please explain what HON is doing in the context of IRM to reduce its overall capital plan through efficiency improvements. Please provide a list of all initiatives

5. (Ex. B1/T3/S4/p. 5) Please provide detailed evidence to support the $5.9 million in generation connections. The evidence states that the majority of these costs are recoverable through capital contributions. Is the $5.9 million incremental to that?

6. (Ex. B1/T3/S4/p.5) Please provide a business case for the $6.8 million expenditure related to the Smart Grid program.

7. (Ex. B1/T3/S7/p. 26) HON is planning on spending $30.7 million for head office improvements including new office space and furniture systems. Please provide a detailed breakdown of that budget. Please provide evidence to support those budget amounts including market assessments etc. Please provide evidence that HON has pursued all cost effective alternatives.

8. (Ex. B1/T3/S7/p. 14) Please provide a detailed break-out of the Development Capital – Connections and Upgrades Budget of $110.1 million. Is it likely that given the current economic conditions that new customer connections will decline relative to the current forecast? If so, is this budget currently overstated?

9. (Ex. B1/T3/S5/p. 2) The evidence states that the increase in Operations Capital over 2008 is required to continue with the investments to improve operating efficiencies and undertake three additional initiatives. Will there be offsetting OM&A costs associated with these efficiencies in 2009? If so, please identify those cost reductions.

10. (Ex. B1/T3/S6/p. 2) Please provide a schedule setting out Cornerstone expenditures, both capital and OM&A for the entire program up to 2010. Please include the total amounts and the allocations to TX and DX. In addition, please provide forecast/Board approved and actual numbers where available. Also, please provide a detailed break-down of the forecasted benefits for each year and explain how the benefit calculations were derived. Are the benefits incorporated into the 2009 revenue requirement? If not, why not?

11. (Ex B1/T3/S6/p. 11) Please describe the Internal Energy Efficiency program and provide the TRC screening results for the program. Please provide the expected cost savings for 2009.

12. Is it HON's position that all incremental capital spending, as defined by the plan should be recovered through rates?

13. (Ex. B1/T3/S 7/pp. 1-30) HON has provided Investment Summary Documents for all programs placed into service in 2009 where the spending is greater than $5 million. Please prioritize these projects indicating which are most critical to meet HON's obligations for system safety and reliability. Please indicate which of the projects could potentially be deferred.

14. In its Supplemental Report, the Board dictated that amounts to be incurred must be non-discretionary, and prudent. From the Board's perspective, prudent means that, "the distributor's decision to incur the amounts represents the most cost-effective (not necessarily least initial cost) option for ratepayers." (Report of the Board, Appendix B, p. VII) Please provide evidence that the 2009 capital spending proposed meets this test.

15. Please indicate to what extent HON Dx has assessed the need to apply for an incremental capital module in 2010.