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February 23, 2009

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2008-0187
Hydro One Networks Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

Encl.

HYDRO ONE NETWORKS INC. (HON)
APPLICATION FOR 2009 DISTRIBUTION RATES
EB-2008-0187

VECC INTERROGATORIES

QUESTION #1

Reference: Exhibit B1, Tab 2, Schedule 1, page 5

Question:

a) Distribution revenue is used to allocate the costs associated with Rate Rider 5-a and 5-b to customer classes. What is the basis for the revenue by classes that is used (i.e., how is it calculated)? If based on materials previously filed with the Board, please provide a reference. Otherwise, please show the derivation.

QUESTION #2

Reference: Exhibit B1, Tab 2, Schedule 1, pages 6-7

Question:

a) As part of the 2008 rates, for residential customers in acquired LDCs with total bill increases of 15% Hydro One Networks limited the total bill increase to no more than $3. Please identify those acquired LDCs where residential customers received the associated rebates for 2008 and the number of customers in each receiving a rebate.

b) Were the bill impacts shown in Exhibit C, Tab 1, Schedules 3-6 calculated assuming that no customers received rebates in 2008? If yes, for each acquired LDC identified in part (a), please provide the range of bill impacts (equivalent to Schedule 6) that will be seen by those residential customers receiving rebates in 2008.

QUESTION #3

Reference: Exhibit B1, Tab 3, Schedule 1, page 2
Exhibit B1, Tab 3, Schedule 2, page 2

Question:

a) Is the planned capital expenditure due to new PCB federal legislative requirements the only 2009 capital program that is not a continuation of the 2008 programs? If there others, please provide a schedule that sets out the programs, the reason they are needed, the planned spending for 2009 and why that particular level of spending is required.

QUESTION #4

Reference: Exhibit B2, Tab 1, Schedule 1, page 2

Question:

a) Please reconcile the 2007 actual kWh sales data reported here with that published by the Board on its web-site on December 4, 2008 in conjunction with the Distributor Cost Comparison project. (http://www.oeb.gov.on.ca/OEB/Industry+Relations/OEB+Key+Initiatives/Comparison+of+Electricity+Distributors+Costs/Comparison+of+Electricity+Distributors+Costs)

QUESTION #5

Reference: Exhibit B1, Tab 3, Schedule 1
Exhibit B2, Tab 1, Schedule 2, Appendix E, page 7

Question:

a) Please confirm that the $460.8 M in capital spending proposed for 2008 is expected to come in-service in 2008 (per reference (ii)).

QUESTION #6

Reference: Exhibit B1, Tab 3, Schedule 3, pages 4-10 (Stations)

Question:

a) With respect to pages 5-6, how many spare transformers does HON currently (i.e., for 2008) maintain in inventory? Please provide the analysis supporting the need for additional spares in inventory and, therefore, the increase spending for 2009 (per Exhibit B1, Tab 3, Schedule 7, page 3).

b) With respect to page 8, please provide a schedule setting out the total number of stations that were undergoing refurbishment in 2008 and, for each, indicate both the year the refurbishment project started and the year it is expected to finish.

c) For how many stations, in total, will the refurbishment project be completed in 2008 (per page 8)? What was the 2008 capital spending on these projects?

d) Please provide a copy of HON's business plan for responding to the new PCB regulations (per page 9) that supports the purchase of additional spare transformers and mobile substations (e.g., the plan should set out HON's planned response to the new requirements and substantiate the resulting number of spares needed to support this program).

e) Apart from the new PCB regulations, is any of the planned 2009 spending on Stations associated with any unusual circumstances that were not identified and considered during the review of HON's 2008 Rate Application? If so, please identify what the programs are, what the 2009 spending is and demonstrate that it was not considered during the 2008 rebasing.

QUESTION #7

Reference: Exhibit B1, Tab 3, Schedule 3, pages 10-18 (Lines)

Question:

a) Please provide the detailed analysis supporting the 9% increase in spending on trouble calls and storm damage response (per page 13).

b) Please confirm that the $27.1 M spending in 2007 on Joint Use and Relocations was a matter of record in the EB-2007-0681 case when the 2008 spending levels were set (per page 15).

c) Please confirm whether the "pole assessment program" referred to on page 16 (lines 15-18) was also used to determine the 2008 spending levels approved by the Board. If not, how were the 2008 spending levels established by HON?

d) Was the condition of the submarine cable (per page 17) unknown at the time of the 2008 Rate Application? If so, why and when/how was it first determined?

e) Is any of the planned 2009 spending on Lines associated with any unusual circumstances that were not identified and considered during the review of HON's 2008 Rate Application? If so, please identify what the programs are, what the 2009 spending is and demonstrate that it was not considered during the 2008 rebasing.

QUESTION #8

Reference: Exhibit B1, Tab 3, Schedule 4, page 1-6

Question:

a) Please provide the 2008 forecast information regarding GDP and Building Permits used by HON to support the level of spending on Connections and Upgrades included in the 2008 Rates (per page 2).

b) Please provide the forecasts for 2009 regarding GDP and Building Permits that HON relied on to prepare the current Application and indicate both their sources and when they were prepared.

c) Please provide the overall Implementation Plan and Business Case for HON's Smart Grid Program (per Exhibit B1, Tab 3, Schedule 7, page 19).

QUESTION #9

Reference: Exhibit B1, Tab 3, Schedule 5, pages 2-4

Question:

a) Why are the levels of spending on the three programs that were reviewed as part of the 2008 Application unchanged for 2009?

b) If the Provincial Mobile Radio System has been in existence since before the 2003 Blackout, why is it considered a new program?

c) If there is a major spending requirement for the Provincial Mobile Radio System over and above normal replacement of end of life components and upgrades, please outline specifically what the requirement is and what makes the circumstances unusual.

d) What was the spending on the ORMS Mobile IT Integration pilot project in 2008 and what is planned spending in 2009? Was a business case prepared for this project following the pilot and, if so, please provide. What is the planned spending for 2009 for (i.e., what types of assets & equipment)?

e) What is the planned level of 2009 spending on the Transfer DS Control Authority program and what is it for (i.e., what types of assets and equipment)? Please explain why establishing consistent operating standards isn't considered an OM&A activity/expense.

f) HON is putting forward three new Operations Capital Programs to justify its request for incremental capital module. Please provide Investment Summary Documents for each of these programs.

<u>QUESTION #10</u>

Reference: Exhibit B1, Tab 3, Schedule 6

Question:

a) Please confirm that total 2009 OM&A savings associated with Cornerstone are expected to be roughly $9.8 M (per EB-2008-0272 – C1/2/10). Please also confirm that the Distribution portion of these savings is roughly $3.9M.

b) Have there been any significant changes in the implementation plan for Cornerstone from that presented to the Board in support of the 2008 Rates (per pages 5-7)? If yes, please outline what the changes are and the circumstances that led to the changes being required.

c) What are the lease payments for head office space included in the 2008 Approved Revenue Requirement?

d) Exhibit B1, Tab 3, Schedule 7 (page 26) indicates that HON expected to have a new lease completed by January 2009. Please provide a status update and, if known, the anticipated 2010 cost for head office lease facilities (comparable to the 2008 cost from part c))..

e) Why should this spending on new lease upgrades, etc. be considered a 2009 cost when the new accommodation will not be occupied until 2010?

f) Does HON expect the spending on its 2009 Internal Energy Efficiency Program to reduce its own energy bills? If so, what is the annual savings associated with the program?