

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

**AND IN THE MATTER OF an Application by Hydro
One Networks Inc. for an Order or Order setting just
and reasonable rates commencing May 1, 2009.**

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

Capital Spending Program

1. [B1/3/2, Table 1] For each of the four categories of capex in this table, please provide:
 - a. The total amount closed or to be closed to rate base in each year, split in each case between amounts included in the capex figure for the year and closed in the year, and amounts closed in the year based on capex from prior years.
 - b. The total amount of AFUDC included in the figure for each year.
2. [B1/3/2, Table 1] Please confirm that the capital expenditures in the EB-2007-0681 decision are a net of \$401.4 million, being the \$415.8 million listed, less a one-time credit of \$14.4 million relative to 2006 capitalized overheads, and that as a result the increase in capital spending from 2008 to 2009 is proposed to be 14.8%.
3. [B1/3/2, Table 1] Please provide a table using the same four categories contained in this table, and setting out:
 - a. For all years from 2003 through 2008, actual capital spending, and for 2009, proposed capital spending;
 - b. Amount of capitalized labour included in the capital spending for each year;
 - c. Amount of capitalized overheads included in the capital spending for each year; and
 - d. Total labour budget for the year, including both capital and OM&A components (not divided between the four categories unless that is easily done).

Also, for each year including the test year, please provide a total and average per employee compensation chart by personnel category in the Board's standard format for cost of service applications.

4. [B1/3/2] Please prepare a side by side calculation showing the calculation of income tax (PILs) for the test year:

- a. As currently expected by the company, assuming approval without alteration of the application in this proceeding; and
- b. The identical calculation, except that the capital spending in the test year is zero, but in all other respects the assumptions in the PILs calculation remain the same.

If the company is able to do so, please disaggregate the tax impacts of the capital spending between major categories of assets (e.g. software, leasehold improvements, distribution assets, etc.).

5. [B1/3/3,4,5,and 6] Please consolidate the tables in each of these Schedules (Tables 1-5 in Schedule 3, Table 1 in each of Schedules 4 and 5, and Tables 2-8 in Schedule 6), and expand the consolidated table to include the following:
 - a. 2008 actuals for each of the sub-categories in the various tables (in these interrogatories referred to throughout as the “Disaggregated Categories”).
 - b. 2006 and 2007 actuals for each of the Disaggregated Categories.
 - c. The dollar impact of any accounting or allocation changes from year to year that would affect the comparability of the numbers.
6. [B1/3/3,4,5 and 6] Please provide a table listing, for each of the Disaggregated Categories:
 - a. The net book value at the beginning of the test year of assets replaced by the capital spending in the proposed program;
 - b. The detailed impact of the removal from service of those replaced assets on the rate base, amortization, cost of capital and PILs in the test year; and
 - c. A description of how that impact has been applied, if at all, to reduce the incremental revenue requirement of \$21,326,324 forming the basis of the incremental capital claim.
7. [B1/3/3, p.5] With respect to Strategic Spare Transformers:
 - a. Please provide a chart showing the number of “major station failures” over each of the years 2003 through 2008, broken down by category if that information can easily be provided.
 - b. Please provide a breakdown, for the same period, of the number of spare transformers purchased in each year, the number placed into service to replace transformers that failed, any other adjustments to numbers during the year, and the number of spare transformers in inventory at year end.
 - c. Please provide the average lead times for spare transformers for each year during the same period.
 - d. Please provide the internal document or policy (whether in a written document or otherwise) setting out the method by which the utility determines the number and type of spare transformers required at any given time. If that document or policy has changed since 2003, please provide all earlier versions back to the one in use on January 1, 2003.

- e. Please explain why the spares are below the “required levels” right now, identify when they dipped below those levels, explain why 2009 is the appropriate year to bring them up to the standard, and why they were not brought up to standard in 2008 or earlier.
 - f. Please confirm that the spare transformers being purchased in the test year were ordered in 2008 and are being delivered in 2009. If any of the spare transformers included in the budget are being delivered in 2010, please advise why they are being included in 2009 capex.
 - g. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.
8. [B1/3/3, p. 7] Please confirm that the mobile substations have an average useful life before refurbishment of 14 years. If this is not the case, please advise the useful life between refurbishments. Please advise the number of mobile substations refurbished, and the number purchased, for each year from 2003 through 2008. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.
9. [B1/3/3, p. 8] With respect to Station Projects and Demand (Unplanned):
- a. Please explain why the heading for section 1.1.3 says “unplanned” but the body refers to a specific number of “planned” refurbishments.
 - b. Please advise the number of stations, broken down by category if that information is readily available.
 - c. Please advise the useful life of each category of station between refurbishments.
 - d. Please advise, for each year from 2003 through 2008 (actuals), and for 2009 (proposed):
 - i. The number of station refurbishments started in the year;
 - ii. The number of station refurbishments completed and closed to rate base in the year;
 - iii. For each of those closed to rate base, the project length in months from approval to in service date
 - iv. The number of stations in service at year end.
 - e. Please confirm that delay or reduction of the station refurbishments will not have a material impact on maintenance levels in the test year, but will have an impact on future years. Please quantify that impact.
 - f. Please disaggregate costs associated with refurbishment of spill containment facilities with other refurbishment costs, for each year from 2006 through 2009.
 - g. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

10. [B1/3/3, p. 9] With respect to Distribution PCB Retirement:

- a. Please confirm that the additional spare transformers and mobile substations are incremental to those included under headings 1.1.1 and 1.1.2.
- b. Please explain why incremental spare transformers and mobile substations are necessary rather than utilizing the existing stock of spare transformers and mobile substations.
- c. Please advise the numbers of spare transformers and mobile substations to be purchased to support the PCB Retirement program.
- d. Please advise the company's intention with respect to the use of these spare transformers and mobile substations at the completion of the PCB Retirement program.
- e. Please advise the company's current plans for spending in 2010 and 2011 on spare transformers and mobile substations for this program.
- f. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.
- g. For each of (a) through (f) above, please provide the same information with respect to the Transmission component of this program, and aggregate the two to show the total spending on the program.

11. [B1/3/3, p. 13] With respect to Trouble Call and Storm Damage Response:

- a. Please provide the trend calculation, specifying and quantifying all adjustments, justifying the 9% increase in spending.
- b. Please explain how the submarine cable budget fits into this category. Please quantify that component of this budget, for the test year, as well as actuals for each of the years 2003 through 2008.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

12. [B1/3/3, p 13] With respect to Joint Use projects:

- a. Please file the agreements referred to.
- b. Please confirm that expected recoveries related to 2009 spending in this category are being deducted from the 2009 budget, even if those recoveries are expected to be received in 2010 or later.
- c. Please provide a table setting out, for each of the years 2003 through 2008, plus proposed for 2009, the total number and cost of all joint use projects together with the amount recovered (or recoverable) in such year. If the projects can be broken down by category without significant effort, that would also be useful.

- d. Please explain why the percentage of recovery is so low, relative to the recoveries shown by other utilities for similar joint use projects. Using sample projects, please show how the recovery level ensures that the ratepayers are kept whole as to the cost of the projects.
- e. Please describe in detail any OM&A costs recovered as part of Joint Use projects. If any of the recoveries include OM&A, please provide totals of that recovery category for each year from 2003 to 2008 (actuals) and 2009 (proposed).
- f. Please file any internal documents or studies showing the percentage recovery for these projects for the Applicant relative to other utilities, whether in Ontario or elsewhere.
- g. Please provide, for each of the years 2003 through 2008 (actuals), and for 2009 (proposed) the breakdown of the joint use projects into the capital spending categories (e.g. Line Projects) into which they would be allocated but for the fact that they are carried out on a joint basis.
- h. Please provide a list of the “currently identified” joint use work for the test year, together with the forecast cost of each such project, and the recovery expected.
- i. Please provide an explanation as to why the company expects an increase in the demand for these projects by communication companies.
- j. Please provide a copy of the calculation of the trend that formed part of the basis of the 2009 budget, together with any adjustments thereto.
- k. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

13. [B1/3/3, p. 14] With respect to Line Relocation projects:

- a. Please provide a table setting out, for each of the years 2003 through 2008, plus proposed for 2009, the total number and cost of all line relocation projects together with the amount recovered (or recoverable) in such year. If the projects can be broken down by category without significant effort, that would also be useful.
- b. Please explain why the percentage of recovery is so low, relative to the recoveries shown by other utilities for similar line relocation projects. Using sample projects, please show how the recovery level ensures that the ratepayers are kept whole as to the cost of the projects.
- c. Please describe in detail any OM&A costs recovered as part of line relocation projects. If any of the recoveries include OM&A, please provide totals of that recovery category for each year from 2003 to 2008 (actuals) and 2009 (proposed).
- d. Please file any internal documents or studies showing the percentage recovery for these projects for the Applicant relative to other utilities, whether in Ontario or elsewhere.
- e. Please provide a list of the “currently identified” line relocation work for the test year, together with the forecast cost of each such project, and the recovery expected.
- f. Please confirm that expected recoveries related to 2009 spending in this category are being deducted from the 2009 budget, even if those recoveries are expected in 2010 or later.

- g. Please provide a copy of the calculation of the trend that formed part of the basis of the 2009 budget, together with any adjustments thereto.
- h. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

14. [B1/3/3, p. 16] With respect to Wood Structure Replacement:

- a. Please provide the full wood pole replacement strategy or policy currently in use at the company.
- b. Please provide a copy of the calculation of the trend that formed part of the basis of the 2009 budget, together with any adjustments thereto.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

15. [B1/3/3, p. 17] With respect to the Waste Management Capital Program;

- a. Please provide at table setting out, for each year from 2003 through 2008 (actuals), and for 2009 (proposed);
 - i. The number of waste storage tanks replaced,
 - ii. The total cost of those replacements, and
 - iii. The number of waste storage tanks in service at year end.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

16. [B1/3/3, p. 17] With respect to Line Projects:

- a. Please file the report, study, or other document(s) that identified the problem of “corroded concentric neutral wires” and recommended the solution to that problem.
- b. Please disaggregate the budget and actuals in this category, for each of the years 2003 through 2008 (actuals) and 2009 (proposed) into the amounts relating to submarine cables and all other amounts.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

17. [B1/3/3, p. 18] With respect to PCB Contaminated Pad Mount Transformers:

- a. Please provide the project documents summarizing the entire PCB project, including all components, and including both capital and OM&A expenses, for both distribution and transmission.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

18. [B1/3/3, p. 19] With respect to Customer Retail Meters:

- a. Please explain how, if at all, the budget for this category is impacted by the smart meters program.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

19. [B1/3/4, p. 2] With respect to Connections and Upgrades:

- a. Please provide a detailed breakdown of the proposed \$110.1 million budget in this category, and for each of the subcategories identified in the detailed breakdown, provide historical actuals for each year from 2003 through 2008. Please provide the assumptions and calculations referred to at B1/3/7, p. 15.
- b. Please provide empirical statistical (not anecdotal) evidence of the increases in equipment and material costs referred to, including quantification of their impacts.
- c. Please provide a dollar breakdown for the test year of the amounts included in this category for:
 - i. upgrading of transformers,
 - ii. installation of additional transformers, and
 - iii. replacement of meters.
- d. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

20. [B1/3/4, p. 3] With respect to System Capability Reinforcement:

- a. Please identify the amounts in each of 2006 through 2008 actuals that are equivalent to the expenditures shifted to the Smart Grid Program for 2009.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

21. [B1/3/4, p. 5] With respect to Generation Connections:

- a. Please provide details of the “capacity limitations” referred to. Please reconcile this statement with the statement in section 1.4 that the company is expecting a substantial “influx” of generators being connected to the distribution system.
- b. Please estimate the impact of the Green Energy Act on this plan.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

22. [B1/3/4, p. 5] With respect to the Smart Grid project:

- a. Please provide project documents summarizing the entire Smart Grid project, including both distribution and transmission, and including both capital and OM&A expenses, and including any business case(s) in the possession of the company.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

23. [B1/3/5, p. 2] With respect to System Enhancement Projects:

- a. Please file in this proceeding the direct evidence from EB-2007-0681 for the three projects for which the company advises that the Board has already approved the 2009 spending in the 2008 rate proceeding.
- b. Please disaggregate the budget and 2008 actuals into the six named programs.
- c. Please explain why the replacement of the mobile radios is a new program. To what extent, if any, have mobile radios been replaced in the past. Please disaggregate the budget for this program into replacements and upgrades.
- d. Please provide details of the ORMS pilot, including the internal report on the results.
- e. Please explain how the Transfer DS Control Authority program qualifies as capital spending rather than OM&A.
- f. For each of the six projects in this category, please quantify, for the test year and each subsequent year, the expected savings in capital or OM&A costs resulting from the expenditure.
- g. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

24. [B1/3/6, p. 3] Please file:

- a. The full capitalization policy for hardware and software expenditures applicable to the test year, plus any prior versions of that policy applicable to the years 2003 through 2008.
- b. The “approved business strategies” referred to.

- c. The “IT Governance process” referred to.
- d. The “formal review process” referred to.
- e. For each of the proposed projects, the results of the formal review process.

25. [B1/3/6, p. 4] With respect to Software Refresh and Maintenance:

- a. Please provide a detailed breakdown of the budget including the business case for any project in excess of \$500,000.
- b. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team, as approved.

26. [B1/3/6, p. 4] With respect to Minor Fixed Assets:

- a. Please disaggregate the budget into spending driven by
 - i. Growth in demand for IT services;
 - ii. Capacity limitations;
 - iii. Replacement of end-of-life equipment; and
 - iv. All other drivers.
- b. Please do a table comparing those component drivers for each of 2006 through 2008, with all costs that, for 2009, have been reallocated to Cornerstone, backed out of the actuals in each category.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

27. [B1/3/6, p. 5] With respect to Development Programs:

- a. Please provide a detailed breakdown of the budget including a description of the three largest development projects.
- b. If business cases have been prepared for any projects, please file them.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

28. [B1/3/6, p. 5] With respect to Cornerstone:

- a. Please file the full Cornerstone plan, together with any updates since January 1, 2008.
- b. Please file all business cases prepared for Cornerstone, including without limitation the business cases for each of Phase II and Phase III (or their major components) independent of other phases.

- c. Please file all internal analyses and other documents relating to the allocation of Cornerstone costs between distribution and transmission, including any updates since the filing for the 2008 distribution rate case.
- d. Please provide details of the currently expected “savings” related to Cornerstone for the test year and each of 2010 and 2011.
- e. Please provide a list of all software products being replaced by Phase II and Phase III, and for each such product please provide the net book value, the undepreciated capital cost for tax purposes, and the original cost and any additions, the original in service year, and the last year it was upgraded.
- f. Please explain how “change management, streamlining business processes and putting in processes and process measures to ensure ongoing adherence to the new business model and to the business rules embedded in the application” qualifies as capital spending rather than OM&A.
- g. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

29. [B1/3/6, p. 7] With respect to Facilities and Real Estate:

- a. Please file the lease of the new head office space as of February 2009. Please provide details of the new space, including size, location, and configuration, and explain any material changes relative to the old head office space. Please advise the annual lease costs for each of 2005 through 2008, and the estimated lease costs for 2009 and 2010, in the latter case disaggregating lease costs for the old space and the new space. Please provide details of any rent free period and any leasehold improvement or other allowance included in the financial terms of the new lease.
- b. Please file the renovation plan and detailed budget as approved internally for the new space.
- c. Please provide the detailed budget for this category, and reconcile the estimates of \$10 to \$12 million for leasehold improvements and \$6 to \$7 million for new furniture with the overall budget for the category of \$14.4 million (distribution) and \$30.7 million (total).
- d. Please provide the actual spending on head office furniture for each of the years 2005 through 2008.
- e. Please confirm that the amortization of the leasehold improvements for the new space will take place over the period that the new space is occupied, and that the amortization of the leasehold improvements for the old space will end when the lease expires. Please provide those respective amortization amounts for each of 2007, 2008, 2009 and 2010.
- f. Please file all internal analyses and other documents relating to the allocation of leasehold improvement costs and head office furniture costs between distribution and transmission, including any updates since the filing for the 2008 distribution rate case.
- g. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

30. [B1/3/6, p. 10] With respect to MFA Service Equipment:

- a. Please provide a detailed budget of this category for 2009, and comparative actuals of each budget category for 2008.
- b. Please explain why the cost of mobile degassifiers has risen so steeply in a year.
- c. Please provide the internal document or documents (including any presentation materials such as a powerpoint, any budgetary spreadsheets, and any backup documentation) proposing the capital budget in this category to the executive management team.

31. [B1/3/7, p. 8] Please explain how the poles replaced in this category relate to the pole replacements referred to at B1/3/3, p. 16. Please provide aggregate information on pole replacements and costs, and how on demand and other pole replacements fit into the regular pole replacement program.

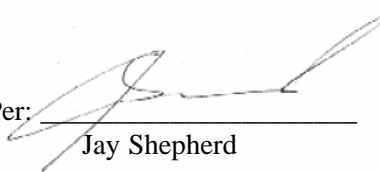
32. [B1/3/7, p. 28] Please provide the numbers of additional staff for whom equipment is being purchased in 2009, the cost of those purchases, the positions being filled by the new staff, and the reasons for the increased staffing.

33. Please advise the numbers of customers, by class, and kwhr or KW (as applicable) volumes by class, for 2008 (actuals) and 2009 (as currently expected by the company).

34. Please advise the actual and approved OM&A, the actual and approved rate base (calculated on the standard regulatory basis), and the actual and approved amortization expense (based on that same rate base) for 2008.

Respectfully submitted on behalf of the School Energy Coalition this 23rd day of February, 2009

SHIBLEY RIGHTON LLP

Per: 
Jay Shepherd