



By Electronic Filing and By E-mail

February 23, 2009

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto ON M4P 1E4

Dear Ms Walli,

**Hydro One Networks Inc. ("Hydro One")**  
**2009/2010 Distribution Rates**  
**Board File No.: EB-2008-0187**  
**Our File No.: 339583-000034**

We are enclosing the Interrogatories for Hydro One Networks Inc. ("Hydro One") submitted on behalf of Canadian Manufacturers & Exporters ("CME").

In preparing these Interrogatories, we have attempted to avoid duplicating Interrogatories already submitted on behalf of the Consumers Council of Canada ("CCC"), Pollution Probe, Board Staff, and Association of Major Power Consumers in Ontario (AMPCO").

Yours very truly,

A handwritten signature in black ink, appearing to read 'Peter Thompson', is written over a horizontal line.

Peter C.P. Thompson, Q.C.

PCT\slc  
enclosure

c. Glen MacDonald (Hydro One Networks Inc.)  
Michael Engelberg (Hydro One Networks Inc.)  
Paul Clipsham (CME)

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

**AND IN THE MATTER OF** an Application by Hydro One Networks Inc. for an order or orders approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

**Interrogatories of  
Canadian Manufacturers & Exporters ("CME")  
to Hydro One Networks Inc. ("Hydro One")**

**Ref: Ontario Energy Board ("OEB" or the "Board"), EB-2007-0681 Decision with Reasons dated December 18, 2008 (the "Decision")**

1. Please indicate when Hydro One will be responding to the following directives in the Decision:
  - (a) The directives, found at pages 8 to 10 of the Decision, pertaining to the incorporation of the impacts of Conservation and Demand Management ("CDM") into Hydro One's load forecasts in future cases;
  - (b) The directive, found at page 13 of the Decision, to develop a benchmarking approach, in consultation with intervenors and Board Staff, with respect to Hydro One's costs and the costs of comparable utilities;
  - (c) The directive, at pages 24 and 31 of the Decision, requiring further studies to improve the understanding of Hydro One's cost allocation based on density criteria;
  - (d) The directive, at page 24 of the Decision, requiring Hydro One to re-examine the practicality of additional class definitions to improve understanding of cost causality;
  - (e) The directive, at page 40 of the Decision, that Hydro One, as part of its 2010 Application for Rates, bring forward evidence relating to a specific rate for Milton Hydro ("Milton") in the event that Milton has been unable to complete a purchase, on or before May 1, 2010, of the assets described in the Decision, and, in particular, whether Hydro One and Milton have now reached an agreement with respect to these assets.

**Ref: Exhibit B, Tab 2, Schedule 1, page 2**

2. The GDP-IPI price escalator which Hydro One has used in its pre-filed evidence is 2.1%. The Board's July 14, 2008 Report on 3<sup>rd</sup> Generation Incentive Regulation Mechanism for Ontario Electricity Distributors ("3<sup>rd</sup> Generation IRM Report") at page 11 indicates that the 2009 over 2008, year-over-year, change in GDP-IPI-FDD will be calculated early in March 2009. In this context, please provide the following information:
  - (a) Please provide the 2009 over 2008 change in GDP-IPI when it has been calculated in early March 2009.
  - (b) Please advise whether Hydro One's proposed 2009 rates, effective May 1, 2009, will be adjusted to reflect the March 2009 calculation of GDP-IPI.

**Ref: Exhibit B1, Tab 2, Schedule 1, page 3 and Exhibit B1, Tab 3**

3. Hydro One indicates that the "incremental revenue requirement" associated with its proposed 2009 incremental capital module is \$21,326,354. In this context, please provide the following information:
  - (a) The extent to which this incremental revenue requirement will decline if the Board determines that Hydro One's 2009 capital budget of \$460.8M should be reduced to an amount equal to 85% of the amount Hydro One has budgeted.
  - (b) The extent to which this incremental revenue requirement will decline if the in-service dates of projects included in Hydro One's 2009 capital budget of \$460.8M are three (3) months later than Hydro One forecasts.
  - (c) The extent to which the incremental revenue requirement of \$460.8M will decline if the in-service dates of projects included in Hydro One's \$460.8M capital budget are six (6) months later than Hydro One forecasts.

**Ref. Exhibit B1, Tab 2, Schedule 1, page 6 and Exhibit C, Tab 1, Schedules 3 to 6 re: Rate and Bill Impacts**

4. The information in Exhibit C, Tab 1, Schedules 3 to 6 shows that for many customers of "Acquired Utilities", Hydro One's proposed 2009 rates will produce significant percentage increases over existing rates. For example, for many rate classes shown in Schedules 3, 4 and 5, the percentage rate increases and/or bill impacts exceed 30%. For some, the percentage increase impact is 40% or more and for a few, more than 50%. According to the EB-2007-0681 Decision, the next steps in Hydro One's rate harmonization are to be limited to 8%.

In the context of the foregoing information, please provide the following:

- (a) Please explain how ratepayers are to verify that the impact of the second step in Hydro One's rate harmonization is not greater than 8% for any of the affected classes.
- (b) What specific notice have customers in each of Hydro One's rates classes received of the percentage increases in their 2009 rates which will result from Hydro One's proposals? Please provide copies of any such notices.

**Ref: 3<sup>rd</sup> Generation IRM Report, page 7**

- 5. In the context of the Board's determination that the planned term of 3<sup>rd</sup> Gen. IRM rates will be fixed at three (3) years, please provide the following information:
  - (a) Will Hydro One be proposing distribution rates for 2010 and 2011 which are derived by applying the 3<sup>rd</sup> Gen. IRM? If not, then please explain how Hydro One proposes to derive its distribution rates for 2010 and 2011.
  - (b) What year over year percentage increases in distribution rates in 2010 and again in 2011 should Hydro One's customers be planning for? In responding to this question, please provide the current estimates of the average percentage increase in each year for each customer class and the minimum and maximum percentage increases of any customer classes served by Hydro One in each year.

**Ref: EB-2007-0681 Decision, page 32 – Revenue-to-Cost Ratios**

- 6. Please indicate whether the rate levels Hydro One proposes for 2009 for each rate class are moving towards or away from unity and provide information which reveals the approximate revenue-to-cost ratios of Hydro One's proposed 2009 rates.