

WRITTEN INTERROGATORIES FOR HYDRO ONE NETWORKS INC.

FROM THE CONSUMERS COUNCIL OF CANADA

2010/2011 DISTRIBUTION RATES

EB-2009-0096

GENERAL

1. Ex. A/T6/S1/p. 1

The evidences states that the Application by HON Distribution is "substantially" consistent with the requirements of the 2006 EDR Handbook and with the Filing Requirements issued on November 14, 2009. Please specify where the application is not consistent with the documents noted above and explain why.

2. Ex. A/T14/S1/p. 2

A part of the 20010-2014 planning cycle Business Plan instructions were issued in Quarter 1, 2009. Please provide a copy of those instructions.

3. Ex. A/T14/S1/p. 4

Please provide a copy of the final investment plan, and any related material that was endorsed and confirmed by senior management that was prepared in 2009 and provided the basis for the 2010 and 2011 plans.

4. Ex. A/T14/S1/p. 4-5

Please provide a copy of the financial plan and underlying assumptions provided to the HON Inc. Board of Directors in support of the 2010-2011 filing.

LOAD AND REVENUE FORECAST

5. Ex. E1/T2/S1/p. 1

Please provide Board approved numbers for external revenues for the years 2006-2009.

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

6. Ex. A/T8/S3/p. 5

Please provide a schedule in the same format as Table 2 "Fees Payable to Networks for Services Provided" which includes the years 2006-2008.

7. Ex. A/T8/S3/p. 7

Please provide a table in the same format as Table 3 that includes the years 2006-2008.

8. Ex. C1/T2/S1/p. 2

Please recast Table 1 including 2006-2008 Board approved numbers.

9. Ex. C1/T2/S1/p. 2

The evidence states that Increases in development expenditures are primarily attributed to the work required to integrate distributed generation and an increased focus on smart grid in response provided by the GEGEA. Please provide evidence to demonstrate that these expenditure are : a) related only to HON Distribution and not Transmission and b) that these expenditures are being undertaking for the sole benefit of HON Distribution customers.

10. Ex. C1/T2/S1/p. 3

Please recast Table 1 to include the Board approved numbers for the period 2006-2008.

11. Ex. C1/T2/S2/p. 30

Please provide a complete breakdown of the \$6.7 million and \$6.9 million budgets for 2010 and 2011 for smart meter OM&A. Please provide a detailed explanation as to how these budget amounts were derived.

12. Ex. C1/T2/S3/p.8

HON is proposing to spend \$10 million per year on smart grid OM&A. Please provide a detailed explanation as to how the budgets were developed. Please indicate to what extent these expenditures have been subject to a business case analysis. If they have not been please explain why. Please explain in detail how HON chose the technologies its intends to pilot?

13. Ex. C1/T2/S3/p. 8

Please identify all smart grid expenditures for 2010 and 2011 and explain how the specific technologies targeted were chosen. What is HON doing to ensure that: a) it is coordinating its smart grid activities with the Government and other LDCs and b) it is not piloting technologies that are being studied by others.

14. Ex. C1/T2/s4/p. 8

The 2010 and 2011 spending requirements for the Operations OM&A program are \$12.4 and \$12.8 respectively. The evidence indicates that the figures for 2010 and 2011 are greater than amounts in historic years as because of an increased focus on "distribution elements in alignment with distributed generation, smart meter and smart grid influences". If this is the case what elements of the Operations OM&A program are specifically related to these factors? Why are these expenditures not included in the Green Energy Plan?

15. Ex. C1/T2/S4/p.9

The 2010 and 2011 spending requirements for Operating Support OM&A are \$4.3 and \$4.8 respectively. The evidence indicates that the amounts are greater than historic expenditures as a result of additional update and support tools associated with generation connections. If this is the case what elements of the Operating support budget are specifically related to the increase in generation connections? Why are these expenditures not included in the Green Energy Plan?

16. Ex. C1/T2/S6/p. 4

Of the Shared Services and Other OM&A Costs allocated to HON Distribution how much of that budget arises out of the implementation of the GEGEA? Please explain how HON allocates Shared Services and Other OM&A costs related to the implementation of the GEGEA to Transmission and Distribution.

17. C1/T2/S7/p.4

The evidence states that increases in the Corporate Management Function in 2010 and 2011 are mainly due to additional work requirements driven by the GEGEA. Please explain how the GEGEA impacts these costs.

18. C1/T2/S7/p. 5

The evidence states that the Outsourcing Services and Enablement were included in Finance in 2008 at a combined total cost of \$4.5 million. Please recast Table 3 by removing the Outsourcing and Enablement Costs for the years 2006-2008. In addition, please provide the Board approved levels for each of those years.

19. C1/T2/S7/p. 8

HON's Insurance costs are increasing significantly in the period 2009-2011. Are these part of the overall Finance Function budget ? Please explain, in detail, why the costs are increasing so significantly. Please explain what HON has done to attempt to mitigate these cost increases.

20. C1/T2/S7/p. 12

Please provide a detailed budget for all elements of the Corporate Communications Function. In addition, please recast Table 6 to include Board approved numbers.

21. C1/T2/S7/p. 16

Please provide a detailed budget for all elements of the General Counsel and Secretary Function. Please provide explain how the budget was derived, including all assumptions. In addition, please explain how the budget is impacted by the GEGEA.

22. C1/T2/S8/p. 3

Asset Management Function costs are increasing substantially in the period 2009-2011. The evidence states that the "largest influence" on the 2010 and 2011 capital and OM&A plan has been the introduction of the GEGEA. Please explain how the Asset Management Function relates to HON Distribution's Green Energy Plan. If costs within the Asset Management Function are increasing because of the GEGEA why are they not part of the Green Energy Plan. If those costs are being incurred in order to benefit Ontario more broadly then why are those costs specific to the GEGEA being recovered through the Global Adjustment Mechanism?

23. C1/T2/S8/p. 5

Please indicate what portion of the Strategy and Business Development budget is related to LDC merger and acquisitions for each year 2008-20011.

24. C1/T2/S8/p. 16

Please provide a detailed budget for all elements of the Real Estate and Facilities Function . In addition, please recast Table 7 to include Board approved numbers. Please explain, in detail, why this component of the Shared Services - Asset Management budget is increasing so significantly.

25. C1/T2/S9/p. 20

Please provide a detailed budget for all elements of the IT Management & Project Control Expenditures. Please explain, in detail, why this component of Shared Services - Asset Management budget is increasing so significantly.

CAPITAL EXPENDITURES AND RATE BASE

26. Ex. D1/T1/S3/p. 1

Please recast Table 1 - In-service Capital Additions 2008-2011 to include 2008-2006 actuals and the 2009 6+6 budget.

27. Ex. D1/T1/S3/p. 1 and D1/T3/S1/p. 2

Please reconcile Table 1 at D1/T1/S3 and Table 1 at D1/Te/S1/p. 2. In addition, please explain the footnote which states, "Development Capital costs of \$62.4 million in 2010 and \$129.1 million in 2011 for renewable generation connection enhancements are subsequently deducted under Shared Services & Other Capital". Does this reflect the amounts assumed to be collected through the Global Adjustment Mechanism? Why is the adjustment made to Shared Services & Other Capital?

28. Ex. D1/T3/S2p. 14

Please explain the extent to which the implementation of smart meters will impact the budget for Trouble Call and Storm Damage Response in 2010 and 2011. Is the new technology expected to reduce costs in terms of identifying the location of outages? Has that been incorporated into the budget? If so, how?

29. Ex. D1/T3/S3/p. 2

Please recast Table 1 "Summary of Net Development Capital to include 2006-2008 Board approved numbers. Please recast Table 1 to set out the entire budget without any adjustments for cost recovery through generators or the Global Adjustment Mechanism. In effect, please set out the Total Development Capital net of any adjustments.

30. Ex. D1/T3/S3/p. 10

The evidence states that forecasting the actual number and type of generation connections is challenging. Please describe in detail the process HON has been using to develop the forecast. How does HON decide the cost of connections, and the costs of the related investments? How has HON decided what level of those investments will be recovered from the generators?

31. Ex. D1/T3/S3/pp. 10-15

HON has included costs in its application for its Generation Connection Program. HON has also excluded costs either directly funded by generators or costs that it expects to be funded by an external funding mechanism. The Council would like some clarification regarding the accounting treatment of these expenditures. Please explain the following:

1. How has HON identified "investments that enable and promote the growth of renewable generation and are expected to provide significant benefits to all of Ontario's electricity customers"?
2. With respect to the expenditures that will be funded through an external funding mechanism, what if HON's actual costs are greater or less than forecast? Will there be a mechanism for a true-up? If not, why not? If so, how would such a mechanism be used?
3. Will the funds received through the external funding mechanism be treated as "contributed capital"? If not, why not?
4. If expenditures are funded through the external funding mechanism how will HON's rate base be impacted?
5. For those expenditures funded through the external funding mechanism, please confirm that they will be expensed rather than capitalized.

32. Ex. D1/T3/S3/p. 15

HON has presented a forecast for its 2010 and 2011 Generation Connection Enhancements Program Costs. What are the implications for HON if those forecasts turn out to be too high or too low given the uncertainty around the number and type of investments? Does HON consider these forecasts to be conservative? If they are conservative will HON seek relief in any way during the test years? If so what type of relief is anticipated?

33. Ex. D1/T3/S3/p. 15

Please provide a table which sets out the following:

1. Forecast of all Generation Connection Costs for 2010 and 2011 (capital and OM&A);
2. Forecast of those costs expected to be funded by generators;
3. Forecast of those costs to be funded by an external funding mechanism;
4. Forecasts of those costs to be recovered through rates.

34. Ex. D1/T3/S3/p. 21

Please provide a detailed description of the Plug-in Hybrid Electric Vehicles field trial. Please provide all costs associated with this program, both capital and operating costs.

35. Ex. D1/T3/S3/p. 21

HON has identified cost of \$12.5 million for 2010 and \$42.8 million for 2011 for its Owen Sound Zone Pilot. Provide a detailed breakdown of those budgets.

36. Ex. D1/T3/S4/p. 3

The Operations Capital Budget is increasing from \$.9 million in 2008 to \$2.4 million in 2009 and \$8.1 million in 2010. The 2011 budget increases further to \$11.2 million. The justification provided in the evidence is that the Ontario government's GEGEA is having a major impact on distribution operations. If this is the case why are not some or all of these expenditures being funded through an external funding mechanism?

37. Ex. D1/T3/S4/p. 2

The evidence refers to the smart meter program and its impact on Operations. Please indicate for 2010 and 2011 all of the expected costs and benefits associated with the smart meter program and the impact of those on the 2010 and 2011 Operations Capital budgets. Why has the implementation of the smart meter program created a need to increase the Operations Capital budget?

38. Ex. D1/T3/S6/p. 1

With respect to IT capital please provide a schedule setting out each of the programs and expenditures planned for 2010 and 2011 and prioritize those projects in terms of need. In effect ,which programs are the most urgent and which programs could potentially be deferred? For each program please set out the specific costs.

39. Ex. D1/T3/S7

Please indicate whether or not Phase 2 of the Cornerstone project - Replacing PeopleSoft Finance/Human Resources/Payroll Functionality has been put into service. If not, what is the expected in-service date?

CAPITAL STRUCTURE AND COST OF CAPITAL

40. Please provide a schedule setting out HON Distribution's approved ROE and actual ROE for the years 2006-2008.

COST ALLOCATION AND RATE DESIGN

41. Ex. A/T2/S1/p. 2

The evidence states that the resulting distribution rate increase for the average customer relative to 2009 rates will be approximately 9% in 2009 and 13% in 2010. Please provide the full range of rate impacts for residential customers. Please provide the same information regarding the range of bill impacts.

42. Ex. A/T2/S1/p. 2

In calculating its bill impacts for residential customers has HON considered the fact that although certain costs are being excluded from its revenue requirement, the Global Adjustment Mechanism is likely to increase accordingly? If not why not?

SMART METERS

43. Ex. F1/T1/S3/p. 1

Please provide one schedule setting out the total expenditures, by year, both capital and operating, that have been spent on the smart meter program since its inception. This will include, but not be limited to:

1. Total metering costs - both capital and operating costs
2. Total network costs (AMRC and WAN)
3. Total AMCC costs
4. Total costs related to MDM/R
5. Costs of any pilots
6. Cost for customer communication and education
7. Costs for incremental functionality
8. Any other costs considered part of the smart metering program

In the same format, please provide the forecast costs for 2010 and 2011. In addition, please provide a schedule setting out the annual recovery of smart meter costs from HON's customers to date.

GREEN ENERGY PLAN

44. Ex. A/T12/S1

Please provide copies of all materials presented to HON's Board of Directors setting out the potential implications for HON regarding the Green Energy and Economy Act and related OEB Codes (RSC, DSC).

45. Ex. A/T14/S2

Has HON, at any point in 2007, 2008 or 2009, provided information or advice to the Minister of Energy, the Ontario Power Authority, or the Ontario Energy Board with respect to the reliability of renewable energy sources or the economic viability of renewable energy sources? If so, please provide copies of that information or advice.

46. Ex. A/T14/S2/p.1

In light of the passage of Ontario Regulation 330/09 please explain how HON intends to specifically identify each of the investments that "directly benefit" its customers. Please explain how the table on p. 1 would be amended, if at all, now that the regulation has been passed.

47. Ex. A/T14/S2/p.1

In the update provided on September 25 the table on page 1 has changed from that provided in the initial evidence. Please specifically identify why the renewable generation capital costs have changed for each year from the initial filing. Please include all assumptions.

48. Ex. A/T14/S2/p. 6

Please explain how the costs of the Connection Impact Assessments and the costs related to connection cost estimates and completion of connection cost recovery agreements are recovered and for 2007, 2008 and 2009 please provide the OM&A costs incurred by HON in processing the CIA requests and recovery agreements. What are the proposed budgets for 2010 and 2011?

49. Ex. A/T14/S2/p. 6

HON states that "the objectives of Hydro One set for the (Green Energy) Plan... align with Hydro One's corporate strategy".

What elements, if any, of Hydro One's Green Energy Plan existed prior to January 1, 2009?

50. Ex. A/T14/S2/p. 10

The evidence states that HON has taken an active role in development forums to develop concepts and standards of Smart Grid and regularly commissions universities and other consultants to examine, test and report on specific aspects of Smart Grid initiatives and technologies. Please provide the costs in each year 2008 and 2009, both capital and operating costs, that HON has incurred that relate to Smart Grid and provide details regarding the nature of those expenditures. How does HON go about allocating Smart Grid expenditures between Transmission and Distribution?

Re: Updated Plan:

51. Ex. A/T14/S2/p. 2

The evidence states that the revenue requirement to be collected via external funding is forecast to be \$8.0 million in 2010 and \$30.7 million. Please provide a schedule setting out how those amounts were derived.

52. Ex. A/T14/S2

The Board approved issues list sets out as Issue 9.5 the following. "What is the Board's role with regard to the approval of the Green Energy Plan? What criteria should the Board use when determining whether to approve the Green Energy Plan? If the Board approves the plan, what are the impacts of that approval?" Please set out HON's perspective on these issues.

53. Ex. A/T14/S2

HON has specific amounts included in its Green Energy Plan. If, for example, the FIT program created many more projects than currently projected by HON in its plan, how would HON seek to recover the costs of that increased activity?

54. Ex. A/T14/S2

Please explain how the Ministry of Energy and Infrastructure was involved in assisting HON with the development of its Green Energy Plan. Please provide any related correspondence received from the Minister of Energy and Infrastructure or Ministry Staff.

55. Ex. A/T14/S2

HON is making significant investment in the Smart Grid during 2010 and 2011. There is an expectation that these expenditures will ramp even further in 2012. Did HON consider whether these investments might benefit other electricity customers in the Province? Did HON consider seeking recovery of some of these investment through an external funding mechanism? If not, why not?

56. Ex. A/T14/S2

From HON's perspective is it the OEB or the Minister of Energy and Infrastructure that ultimately determines what costs are to be recovered through the Global Adjustment?