

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

AND IN THE MATTER OF a review of an application
filed by Hydro One Networks Inc. for an order
approving just and reasonable rates and other
charges for electricity distribution for 2010 and 2011.

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

General:

1. A-14-5: Has the 'Investment Plan' referred to in the evidence been filed? If not, please provide a copy.

Cost of Capital

2. B1-2-1, p. 7: the 2010 and 2011 debt rate forecasts are based on the forecast Canada bond yield (plus applicable HON spread), which in turn is based on the April 2009 Consensus Forecasts. Please update the Canada bond forecast and resulting HON yield.

3. B2-1-2, p. 5: please provide the actual cost rate for the two 2009 debt issuances (lines 25, 26 and 27 of B2-1-2, p. 5- projected rates for these issues are 6.03%, 4.77% and 4.77% respectively).

Green Energy Plan

4. A-14-2: With respect to the external funding mechanism to be established pursuant to Ontario Regulation 330/09, the Board on September 25 announced a consultation process (EB-2009-0349) to arrive at a way of determining the direct benefits that accrue to the consumers of a licensed distributor as a result of an eligible investment. Given that:

- (a) please explain how HON has determined the amount to be collected via external funding (\$8 and \$30.7 million respectively in 2010 and 2011).

(b) Does HON plan on amending its application and/or 2010/2011 revenue requirement in the event its Plan does not conform to the Board's decision in EB-2009-0349?

5. A-14-2, p. 7, line 22-23: please explain the purpose of the update to this portion of the evidence, which changed from "3,500 MW of renewable generation will be connected by 2011 and an additional 3,500MW will be connected by 2014" to "3,500MW of renewable energy generation could seek connection by 2011 and an additional 3,500 MW could seek connection by 2014, given technical feasibility."

6. A-14-2, p. 8: Please provide a summary of the number, size and location of the connection requests received thus far.

7. A-14-2, p. 1: Please confirm that the following table correctly summarizes the amounts that the Applicant proposes should be funded by its distribution customers in the current GEGEA plan:

(\$million)	2010		2011		2012-2014		Totals	
	OM&A	Capital	OM&A	Capital	OM&A	Capital	OM&A	Capital
Renewable Generation Connections	3	0	3	0	10	0	16	0
Expansion Work	0	12	0	25	0	90	0	127
Renewable Enabling Improvements	0	4	0	8	0	30	0	42
Smart Grid	10	30	10	62	45	250	65	342
TOTALS	13	46	13	95	55	370	81	511

8. A-14-2, p. 1: Please confirm that the total spending proposed in the current GEGEA plan is \$181 million or more of OM&A and \$1.736 billion in capital, in each case over a five year period commencing in the test year.

9. A-14-2, p. 1: Please provide a table showing the Applicant's overall personnel spending (i.e. all personnel costs expected to be incurred by the Applicant in the historical year, the bridge year, and the test year of all types, whether GEGEA related or otherwise), broken down as follows:

- (a) Transmission OM&A;
- (b) Transmission capital;
- (c) Distribution OM&A ratepayer funded;
- (d) Distribution capital ratepayer funded;
- (e) Distribution OM&A generator funded;
- (f) Distribution capital generator funded;
- (g) Distribution OM&A externally funded (Reg. 330/09);
- (h) Distribution capital externally funded (Reg. 330/09);
- (i) Distribution OM&A externally funded (OPA);

- (j) Distribution capital externally funded (OPA);
- (k) Distribution OM&A all other;
- (l) Distribution capital all other.

Please reconcile the totals to the total OM&A and capital spending reported, forecast or proposed in this Application in its various components, and the current approved transmission budget of the Applicant. If there are substantial overall increases year to year in the overall spending, please provide a description of the Applicant's strategy for handling the growth in personnel and/or personnel costs.

10. A-14-2, p. 1: Please provide a table, similar to the one in the last question, with the same breakdown and for the same years, but showing FTEs rather than dollar amounts. If it is possible to break the FTEs down into personnel categories (using the Board's standard classifications), please do so.

11. A-14-2, p. 4: Please provide the rationale behind the Applicant's decision not to invest directly in renewable generation. If the Applicant has obtained or prepared any studies, analyses, or other such documents related to that decision, please provide them.

12. A-14-2, p. 4: Please provide a copy of the CDM budget assumed to be spent in the test year that underpins the current load forecast. If the load forecast is not based on any forecast of CDM spending by the Applicant in the test year, please describe in what way the load forecast takes the Applicant's CDM activities into account.

13. A-14-2, p. 7: Please confirm that the April 2009 figures in the table are cumulative to the end of April, and include all of the prior data in the table. Please provide, with respect to each of the cells in the table that has a number of CIAs for April, 2009, the MW of generation that number of CIAs represented, broken down by generation source (e.g. wind, solar, biomass, other). Please estimate the MW of projects contained in the 127 agreements completed that are expected to proceed under the RESOP program.

14. A-14-2, p. 8: Please describe the methodology that Hydro One plans to use to assess the probability of completion of projects, and/or the planning risks associated with the possibility that projects will not proceed.

15. Development Capital: GEGEA and Smart Grid projects

- (a) For each of the GEGEA –related development capital projects (which appear to be all of D1, D27, D28, D29, D30, D31, D32, D33 and D35 (smart grid)), please provide any business case, net present value analysis or other internal analysis used to support the project.

16. D1-3-3: Generation Connections

- (a) Please provide further detail as to how the forecasted number of generation connections was determined for 2010 and 2011. The evidence states only that the forecast was based on the experience under the RESOP and "makes provision for

demand under the FIT program" but does not explain what that allowance is, how it was determined, or what assumptions were made.

(b) Ref. A-14-2, p. 10, 12:

- (i) Please provide a description of which regions are considered high potential renewable generation regions based on RESOP experience.
- (ii) Please provide a map of the Hydro One distribution area showing those regions, if possible, and their relationship to the current distribution system. If Hydro One has identified areas of its distribution area that require reinforcement because of high renewable generation potential, please identify those areas of reinforcement, including in particular transformer stations and distribution facilities that have a high volume of CIAs.

17. A-14-2, p. 10: Please provide a brief description of the main ways in which planning for generation connection customers differs from planning for load connection customers.

18. A-14-2, p. 13: Please provide the planning documents or analyses that form the basis for the figures of 3,500 MW by 2011 and a further 3,500 MW by 2014.

19. A-14-2, p. 14: Please describe how the development work will be organized, e.g. will there be a separate generation connections planning/development unit, or will the costs described be split between existing departments. Please provide whatever breakdowns are available.

20. A-14-2, p. 17: Please advise whether the Applicant is proposing that its criteria or assessing benefits be applied to this Application regardless of the outcome of EB-2009-0349, or whether the Applicant's proposal is a placeholder, to be replaced by the Board's policy as developed through that consultation.

21. A-14-2, p. 18: Please provide the full calculations summarized in lines 21-25.

22. A-14-2, p. 23: Please provide the full calculations summarized in lines 2-3.

23. A-14-2, p. 24: Please provide the full calculations of the revenue requirement impacts for 2010 and 2011. Please show an alternative calculation which is the same in all respects, except that assets are amortized over the useful life normally applied to that category of assets, rather than using the 20 year amortization period described on lines 18-21.

24. A-14-2, p. 26: Please describe the targeted studies on green energy technologies, including automated home energy networks and energy storage, in more detail, including any terms of reference or draft terms of reference currently in the Applicant's possession. If there are planning documents or other analyses relating to this part of the plan, please provide.

25. A-14-2, p. 27: Please calculate the funding adder that would be appropriate, in the view of the Applicant, if the Board's planning guideline were to be followed.

OM&A

Overview

26. C1-2-1, OM&A Overview:

Preamble

HON is requesting a 22% increase in OM&A from 2008 to 2011. In the evidence HON identifies a few select areas of OM&A expenditures that are the main drivers of the overall increase in OM&A, namely: increased expenditures in the areas of vegetation management, line maintenance, and expenditures related to PCB regulations and development OM&A associated with Green Energy and Green Economy Act.

- (a) Assuming the areas identified represent increases in expenditure that are unavoidable, what other areas of discretionary OM&A spending has HON considered reducing in order to keep the overall increase in OM&A to a reasonable level?
- (b) Please complete the following table:

		2009	2010	2011
	Total Opening OM&A (previous year's total) (\$ millions)	\$471.3	\$527.2	\$560.0
	<u>Increase related to:</u>			
(1)	Vegetation Management			
(2)	Station Maintenance Related to PCB Regulations			
(3)	Development OM&A expenditures related to GEGERA			
(4)	Increased Shared Services cost related to increased SDO expenditures identified in (1) (2) and (3) above only.			
(5)	Total of (1) to (4) above			
(6)	Total other increases in OM&A [(7) –(5)]			
(7)	Closing OM&A	\$527.2	\$560	\$575.2

- (c) Assuming HON were forced to restrict its overall OM&A spending so that it increased by, say, 5% per year (i.e. up to \$519.6 million in 2010 and \$545.6 million by 2011, using 2008 as the starting point), what discretionary OM&A expenditures could be reduced or deferred to achieve the \$72.9 million and \$60.6 million savings in 2010 and 2011 respectively?

Sustaining OM&A

27. C1-2-2: Sustaining OM&A: Stations

- (a) Pg. 5-6, *demand and corrective maintenance*: the evidence states that spending in this area in recent years has been reduced due to fewer failures, which are a result of increases in preventative maintenance. Spending in 2011, however, is still 26% higher than 2009. Please explain what assumptions have been made to arrive at the 2010 and 2011 expenditures in this area.
- (b) Pg. 8: Planned Station Maintenance, PCB testing and refurbishment: the evidence states that PCB-related spending is projected to be \$3.8 and \$5.6 million in 2010 and 2011 respectively. Please provide a breakdown of the planned spending and state what assumptions have been made to arrive at the projections.

28. C1-2-2: Sustaining OM&A: Lines

Preamble:

With respect to Trouble Calls (pg. 11): in HON's last Distribution rate application, HON sought and was granted an increase in vegetation management expenditures, primarily on the basis that greater spending in this area would result in lower incidents of tree contact and hence fewer trouble calls.

- (a) Please state the level of accomplishment in vegetation management (line clearing and brush control) from 2007 to 2010;
- (b) State whether the increased accomplishment was factored into HON's budget assumptions for trouble calls for 2010 and 2011 and if so how.
- (c) The evidence states that the 2010 and 2011 spending requirements are based on an forecast volume of 49,900 Trouble Calls. Please provide the number of trouble calls received in each of 2006, 2007, 2008 and (estimated) 2009.
- (d) The evidence states that 2006 and 2008 expenditures were higher than normal due to an unusually high number of damaging storms. If possible, please provide a "normalized" expenditure for those years assuming there had been a normal level of storm damage.

29. C1-2-2, p. 29: Sustaining OM&A: Metering

- (a) Customer Retail Meters: the evidence states that spending in this area has been reduced in recent years due to the dispensation from Measurement Canada in view of the fact that meters will be replaced by smart meters. What then accounts for the \$1.3 million (27%) increase in spending in 2011 over 2010?

30. C1-2-2: Sustaining OM&A: Vegetation Management

- (a) Pg. 31: please confirm that the numbers in the following table are correct, and fill in the numbers that are missing (i.e. accomplishment for 2007, 2008, and 2009):

	2004	2005	2006	2007	2008	2009	2010	2011	% Change: 2004-2011
Vegetation Mgmt (Total)	88.9	86.4	89.1	115.0	118.2	136.1	133.2	144.6	
Line Clearing	55.6	52.9	50.6	74.1	78	88.3	84	91.6	
Accomplishment	10,361	8,746	8,889				13,500	14,300	
Cost/KM	5,366.3	6,048.5	5,692.4				6,222.2	6,405.6	19.3%
Brush Control	19.6	21.1	25.2	26.9	25.8	31.3	33.3	36.2	
Accomplishment	10,731	9,076	10,246				13,500	14,300	
Brush Control cost/ KM	1,826.5	2,324.8	2,459.5				2,466.7	2,531.6	38.6%

- (b) explain the year over year changes in cost per kilometre.
- (c) Pg. 35, line 25: the evidence states that HON hired external contractors to perform vegetation management work that could not be resourced by internal staff. Does HON have cost data analyzing the cost/KM (or other metric) as between external contractors hired to do vegetation management work versus the cost of using HON staff? If so, please provide it.

Development OM&A

31. C1-2-3, Development OM&A (Pg. 3): with respect to Data Collection, Engineering and Technical Studies (increase from \$4.1 million in 2008 to \$6.7 million in 2009 and remaining at that level during the test years):

- (a) please set out what new projects the extra \$2.8 million in annual expenditure will be used for.
- (b) If the projects for 2010 and/or 2011 have not been identified, please state how the forecasted expenditures for those years were determined.

32. C1-2-3, Development OM&A, Smart Grid Standards and Technology

- (a) Please provide a breakdown showing how specifically the forecast expenditures in this area (\$10 million in each of 2010 and 2011) was determined. What specific projects or initiatives are contemplated and how was the amount determined? Please provide all assumptions used in determining the spending forecast.

Operations OM&A

33. C1-2-4, Operations OM&A:

- (a) Operations: the 2010 forecast (\$12.4 million) expenditure is 43% higher than 2008 (the 2011 forecast- \$12.8 million- is 47% higher than 2008.) The evidence (at p. 8) states that the 2010 and 2011 forecast spending is "higher than the amounts in historic years as a result [of] increased focus on Distribution elements in alignment with distributed generation, smart meter, and smart grid influences." Please provide a more detailed breakdown of how the 2010 and 2011 forecasts were determined. Please provide all assumptions used in determining the spending forecast.
- (b) Operations Support: the evidence states (at p. 9) that the test year forecast for this program (\$4.3 and \$4.8 million respectively, up about 23% over 2008) "are greater than historic expenditures as a result of additional updates and support for tools associated with generation connections." Please provide a more detailed breakdown of how the 2010 and 2011 forecasts were determined. Please provide all assumptions used in determining the spending forecast.

Customer Care

34. C1-2-5: Customer Care

Preamble

Excluding meter reading costs, which are declining due to significant expenditures on smart meters, Customer Care costs increase 22% from 2008 to 2011. The main driver is increases in Base Services Cost other than meter reading, in particular, Other Field Support Costs (53% increase), Other Service Support Costs (26% increase), and (100% increase).

Questions:

- (a) Other Field Support Costs (p.9): the evidence states only that these costs (total increase of \$3.7 million from 2008 to 2011) are increasing "due to an increase in field collections and investigation work related to receivables management."

Please provide a more detailed breakdown of how the 2010 and 2011 forecasts were determined. Please provide all assumptions used in determining the spending forecast.

- (b) Other Service Support costs: please provide a more detailed breakdown of the increase in costs in this area from 2008 (\$8.5 million) to 2009 (\$10 million);
- (c) Customer Care Management: this program increases from \$6.4 million in 2008 to \$11.4 million in 2010 and \$12.8 million in 2011. The evidence (at p. 11) states only that the increase is "due to expanded accountabilities of Customer Care to address the unique service needs required for new renewable distributed generator customers." Please provide a more detailed account of specific work will be performed and the associated cost. Please provide all assumptions used to in determining the spending forecast.

Shared Services

35. C1-2-7: CCFS and Other OM&A

- (a) please insert a column to Table 1 on page 2 showing the 2008 Dx Allocation for the various CCFS costs.
- (b) **Finance:** please provide the budget for Finance on a normalized basis from 2006 to 2011, showing all costs transferred out of Finance in 2008.
- (c) **Human Resources:** Please provide a more detailed breakdown of the projected \$5 million (37%) increase in Human Resources costs between 2008 and 2011. Please state all assumptions used to derive the 2010 and 2011 forecasts.
- (d) **Corporate Communications and Services-** pg. 12:
 - (i) what portion of the increase between 2008 and 2009 is due to a re-allocation of costs formally recorded in Finance?
 - (ii) Please provide the budget for First Nations and Metis Relations for each of 2008 and 2009.
 - (iii) Please state how the extra expenditures in First Nations and Metis Relations will be spent in 2010 and 2011. Please include all assumptions made in arriving at the test year forecasts.

36. C1-2-8: Shared Services: Asset Management

- (a) Pg. 3: please insert a column to Table 1 (Asset Management Function (\$ millions)) showing 2008 allocation to Distribution.

- (b) Please provide a chart summarising what aspects of the total increase in Asset Management from \$100.3 million in 2008 to \$145.7 million by 2011, is related to investments required or prompted by the Green Energy Act. Please include a summary of the work and the budget.
 - (c) Strategy and Business Development: the budget for this function almost doubles from 2008 to 2011 (from \$6.3 million to \$12.5 million). The evidence, however, merely provides a bullet-point list of what the two functions (Strategy and Conservation, and Business Development) do, without providing any evidence as to how the increased budget will be spent or how the budget was arrived at. Therefore, please provide details of how the increased budget will be spent as well as any assumptions made in determining the 2010 and 2011 forecasts.
 - (d) The System Investment function increases by \$14.5 million (61%) between 2008 and 2011. Please provide a more detailed account of what additional work and/or accomplishment the increased spending will go towards including all assumptions used in determining the 2010 and 2011 budgets.
37. Ref. C1-2-9: Shared Services- Information Technology
- (a) Pg. 3: the evidence states that the 2009 and 2010 IT management costs increase due to the transfer of two departments into IT from Finance. Please provide the budget for those functions from 2008 to 2011.
38. C1-2-11: Shared Services- Cost of Sales- External Work
- (a) Please explain whether any of distributed generation work (total budget \$36.2 and \$36.3 million in 2010 and 2011 respectively) work is being charged to the Global Adjustment Fund.
 - (b) Please explain what revenue HON would realize from distributed generation.
39. C1-3-2: Compensation, Wages and Benefits
- (a) The evidence discusses the study by the C.D. Howe Study that found that declaring a service an "essential service" results in higher wages than would otherwise have occurred in traditional collective bargaining. In HON's evidence, however, HON states that it would be unable to continue operations for a sustained period of time during a PWU strike. Given the nature of HON's service and its importance to the province of Ontario, that statement essentially means that HON conducts bargaining on the assumption that it could not allow a strike to take to occur.
40. C1-3-2, Compensation, Wages and Benefits:

- (a) In the current evidence at C1-3-2, p. 13, HON states that it believes the best comparators to HON's compensation system are the Ontario Hydro successor companies. In that case:
- (i) Was Mercer/Oliver Wyman, which prepared the HON compensation benchmarking report that was submitted as part of HON's 2009/2010 transmission application (EB-2008-0272), told to restrict its analysis to Ontario Hydro successor companies? Why not?
 - (ii) When did HON first form the opinion that the successor companies, as opposed to the comparators used in the Mercer/Oliver Wyman report, are the best comparators to HON?
- (b) Both OPG and Bruce Power, the two companies HON suggests are the most appropriate comparators to HON, are generating companies whose business comprises a significant component of nuclear generation (100% in the case of Bruce Power and approximately 30% in the case of OPG). Given the differences between the two types of business:
- (i) How relevant are OPG and Bruce Power as comparators for HON?
 - (ii) Is it possible that the wages across the different lines of business may have been artificially flat while all three companies were under the same corporate umbrella (i.e. a Mechanical Maintainer was paid close to the same wage whether he or she worked for the Distribution, Transmission or Generation division of Ontario Hydro) but thereafter the additional complexities involved in electrical generation, particularly nuclear generation, may have played a part in the disparate wage-growth shown at pg. 14?
 - (iii) In its Decision With Reasons in EB-2008-0272, the Hydro One Transmission rate application for the 2009 and 2010 test years, the Board examined HON's compensation levels as compared to comparable utilities and found it to be excessive. The Board concluded [at p. 30] that it is "appropriate to disallow some compensation costs because these costs are substantially above those of other comparable companies and the company has failed to demonstrate that productivity levels offset this situation." Leaving aside HON's argument in the pre-filed evidence in the current application regarding the comparison to Bruce Power and OPG, can HON point to any material change between the Transmission decision and now that would justify a different decision in this proceeding?
 - (iv) The Board in the Transmission decision disallowed \$4 million in each of the test years to account for what it deemed to be HON's excessive compensation costs. Assuming a similar result in this proceeding, what does HON say is a comparable number for Distribution (given both the

size of the Distribution business relative to the Transmission business as well as the increase in spending in 2010 Dx vs. 2009 Tx)?

Capital Expenditures

41. D1-3-2: Sustaining Capital: Lines: Trouble Calls and Storm Damage

- (a) The evidence states, at p. 16, that proposed spending for the test years is based on a 4-year average of historical spending with adjustments made to incorporate recent trending in volumes and cost. Please provide further detail on what adjustment were made.
- (b) Please explain how increased investment in vegetation management and submarine cable replacement have been factored into the trouble call and storm damage spending forecast.

42. D1-3-8: Shared Services: Facilities & Real Estate and Security Infrastructure

- (a) The evidence states that the substantial driver for the large increases in spending in Facilities and Real Estate (from \$22.1 million in 2008 to \$50.3 million by 2011) is "the need to provide suitable space and to accommodate the staff resources and equipment required to handle the substantial growth in core sustaining, development and operations work programs over this period." However, the evidence does not describe what spending is due to expansion of the work program and what is due to refurbishing and/or replacing worn out facilities. Therefore, please identify the total spending in this area that is due to expansion of the work program (primarily accommodation for new staff).
- (b) With respect to the planned capital improvements to 483 Bay St.:
 - (i) Please provide a more detailed summary of the planned \$39.8 million in planned capital improvements. The investment summary document (C2) describing the project is mainly a copy of the description given in the evidence.
 - (ii) How much of the \$39.8 million in improvements is due to expansion to accommodate new staff?
 - (iii) Please provide a copy of any business case, cost-benefit analysis or net present value analysis conducted in support of the planned expenditure at 483 Bay St.
 - (iv) Does HON have an option to renew the lease at 482 Bay St. beyond the 11-year term that was recently agreed to?

- (v) Is any portion of the planned improvements to 483 Bay St. payable by the landlord? If not, why not?

43. D1-3-9: Shared Services- Transport and Work and Service Equipment

- (a) Please provide a detailed breakdown of the planned \$133.4 million and \$74.1 million (in 2010 and 2011 respectively) in expenditures for Transport and Work Equipment.

44. External Revenue- E1-1-2

Preamble

In the original evidence filed July 13, 2009 external revenues for the test years were \$82.2 million and \$82 million respectively. In the updated evidence that number has dropped to \$48.2 and \$48.1 million respectively. The major change appears to be in the area of Lines-Other Contestable work, which has decreased from an original forecast of \$39 million in each of the test years to \$5 million.

- (a) There appears to be an almost identical update made to Shared Services OM&A: Cost of Sales (C1-2-6). Please explain whether there is a relationship between the two and what accounts for the change in forecast.
- (b) Please state whether the change in forecast affects any other area of the application, such as planned Development Capital or OM&A spending.

45. Cost allocation: G1-3-1

Preamble:

The range approach for revenue to cost ratios was adopted by the Board due to "influencing factors", such as data quality, that may not make a revenue to cost ratio of one practical in all cases. However, the Board said that "to the extent distributors can address influencing factors that are within their control (such as data quality), they should attempt to do so and to move revenue-to-cost ratios nearer to one." It has now been four years since the initial cost allocation studies were done. In the current evidence HON still proposes revenue to cost ratios for a number of rate classes that are far below or above unity (for example, Streetlighting, at 0.7, UGSe, at 1.2, and UGSd, at 1.25).

Questions:

- (a) Are there data quality or other issues within HON's control that prevent HON from moving the above-mentioned rate classes closer to 1? If so, please explain what they are and what HON has done to eliminate them.

- (b) Please provide the amount by which the UGSe and UGSd will be over-contributing to HON's revenue requirement in 2010, and what that number represent on a per customer basis within each rate class.

Density-Based Rates

46. G1-2-5, Attach. 1 Please confirm that the sole principal author of the study is John Todd. Please file his curriculum vitae.

47. G1-2-5, Attach. 1- Please file the terms of reference for the study, and any written instructions or guidance given to the consultant at any time between the issuance of the terms of reference and the filing of the final report as an exhibit in this proceeding.

48. G1-2-5, Attach. 1, p. 1- Please confirm that the study is not intended to be in full compliance with the Board's direction at page 30-31 of EB-2007-0681, and that further steps would be required to complete compliance with that direction.

49. G1-2-5, Attach. 1, p. 2, 5, and others- Please confirm that the consultant took into account, in addition to the input provided at stakeholder meetings, the detailed critique of the current cost allocation and rate classification approach provided by School Energy Coalition in its EB-2007-0681 final argument.

50. G1-2-5, Attach. 1, p. 4- Please confirm that the Rural or Remote Rate Protection system already in place is intended to provide the same type of cross-subsidy as the HCSA concept. If there are differences in the goals of the two approaches, please describe those differences. Please advise whether the consultant believes that RRRP provides an insufficient subsidy for rural and remote customers of the Applicant.

51. G1-2-5, Attach. 1, p. 6- Please confirm that, in the consultant's view, the principles that apply to designing rates within a class are the appropriate principles to apply in determining which customers to group together within a class.

52. G1-2-5, Attach. 1, p. 6- Please confirm that, in the consultant's view, the principle of cost causality is the primary and most important principle to be used in establishing rate classes. If other principles are also to be applied, please describe how those principles (e.g. fairness, efficiency) should be weighed against the principle of cost causality, and how differences in results from applying different principles should be resolved.

53. G1-2-5, Attach. 1, p. 7, 13- Please advise which cost differentiation principles or criteria, in addition to "require different categories of facilities" and "have different load profiles" are appropriate for use in establishing rate classes, and which of those additional principles are currently used in rate classification for Ontario LDCs.

54. G1-2-5, Attach. 1, p. 9-10- Please advise whether, in the opinion of the consultant, rates should be different at all for rural and urban customers in the Applicant's franchise area. If the

answer is that they should not, please provide a summary of how the consultant has balanced the points raised on these pages to reach that conclusion.

55. G1-2-5, Attach. 1, p. 9-10- Please provide copies of all provisions in proposals, agreements, letters of intent, disclosure documents, or other written materials related to the acquisition of or merger with any of the Acquired LDCs, or any other electricity distributor at any time, that make any representations, warranties, commitments or other statements (including but not limited to public statements at meetings, to political bodies, or to the press) with respect to future rates in the relevant franchise area. Please include any restrictions, agreements, or other provisions in which the Applicant became limited in any way in the rates it could charge or apply for in any geographic area, whether or not those restrictions, agreements or other provisions are currently still applicable. Where any of the representations, warranties, commitments, other statements, restrictions, agreements, or other provisions referred to above can only reasonably be understood in the context of other materials (such as the remainder of the document), please provide the full document, in confidence if necessary.

56. G1-2-5, Attach. 1, p. 11- Please confirm on behalf of the Applicant that the following statements of the consultant are correct:

“There does not appear to be any significant documentation of the original basis for this definition [Urban Density Zone].”

“No record of the basis of the line density criterion of 60 customers/km is available.”

57. G1-2-5, Attach. 1, p. 12- Please advise whether, under the current system, the boundaries of zones change as population changes, or only the classification of existing zones will change.

58. G1-2-5, Attach. 1, p. 13- Please advise why, if “there is no analytic support for the appropriateness of these criteria [the breakpoints] at this time”, the option of continuing the status quo is presented as a possibility by the consultant. Please advise the rationale for continuing the status quo in the consultant’s opinion. Please provide support for the statement “the status quo criteria are directionally correct and may be as good as any alternative set of criteria”.

59. G1-2-5, Attach. 1, p. 13- Please confirm that changes to the existing class definitions that reduce urban rates would have the effect, in most of the Acquired LDCs, of reversing a portion of the increases currently being implemented for harmonization.

60. G1-2-5, Attach. 1, p. 14-15- Please advise what criteria should, in the consultant’s view, be used to determine the appropriate level of granularity for establishment of rate classes.

61. G1-2-5, Attach. 1, p. 17- Please explain why the DCF model would change if the urban/rural split changes. If possible, please provide an example. If any part of the reason for the change is that the DCF model does not use forecast costs for an actual project, please

estimate the extent to which changing the urban/rural rate classes would make the DCF results more or less accurate.

62. G1-2-5, Attach. 1, p. 19- Please confirm that, in the consultant's opinion, the current cost allocation methodology used by the Applicant to allocate costs between urban and non-urban rate classes a) does not allocate all material costs that are different between the two areas, and b) allocates those it does address based on weightings that are not conceptually correct.

63. G1-2-5, Attach. 1, p. 20-23- Please confirm that the primary purpose of the methods described in Section 5.2. is to identify relationships between costs and measurable cost drivers, so that the cost drivers can be used to allocate costs. If this is not correct, please explain.

64. G1-2-5, Attach. 1, p. 22- Please advise whether any regression analyses have been done by the consultant or the Applicant, whether a full study as described here, or any partial studies with a similar intent or direction. If they have, please provide copies.

65. G1-2-5, Attach. 1, p. 24- Please advise whether the consultant did any independent analysis of costs that might be higher or lower in urban vs. non-urban areas, or whether all of the factors listed are the opinion of the Applicant's engineering staff. If the consultant carried out an independent analysis, please provide details of how that was carried out, and the results.

66. G1-2-5, Attach. 1, p. 27-28- Please advise whether the consultant considers a combination of sample data and engineering analysis to be a suitable method of compensating for the shortfalls of each approach.