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October 2, 2009

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2009-0096
Hydro One Networks Inc. – 2010 & 2011 Rates Application
Interrogatories of Energy Probe – Part Two

Pursuant to Procedural Order No. 1, issued by the Board on September 9, 2009, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) Part Two. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Anne-Marie Reilly, Hydro One Networks Inc. (By email)
D.H. Rogers, Rogers Partners LLP (By email)
Peter Faye, Energy Probe Counsel (By email)
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Ontario Energy Board

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

AND IN THE MATTER OF an application filed by
Hydro One Networks Inc. for an order or orders approving
just and reasonable rates and other charges for electricity
distribution to be effective January 1, 2010 and January 1,
2011.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

PART TWO

October 2, 2009

**ONTARIO HYDRO NETWORKS INC.
2010 & 2011 DISTRIBUTION RATES REBASING
EB-2009-0096**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES – PART TWO**

Issue 1.3 – Is service quality based on the OEB specified performance indicators, acceptable?

Interrogatory # 41

Ref: Exhibit A, Tab 4, Schedule 1, pages 16-20

The Evidence in Section 6 – Reliability on these pages describes the company’s reliability measurement indices SAIDI and SAIFI. The term “force majeure” is used to define an event that “impacts more that 10% of customers serviced by Hydro One Distribution”.

- a) Please explain how the 10% criterion was arrived at.**
- b) “Force majeure” is a legal term used in contracts to relieve parties from liability or the requirement to perform their obligations under a contract when specified events occur. These events are customarily understood to be outside the control of the parties. Is the use of this term in the company’s reliability measurement system intended to convey an analogous condition ie. that these events are outside the company’s control?**
- c) Do other utilities to which the company compares its reliability performance also use the term “force majeure” to segregate major events affecting reliability?**
- d) Lines 15-16 of Page 19 note that defective equipment accounts for 22% of SAIDI. Of this, 8% is attributed to force majeure defective equipment. While high winds and ice loading of trees is conceptually understandable in a force majeure context, defective equipment is not so obvious. Please explain**

Issue 3.5 – Are the 2010/2011 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?

Interrogatory # 42

Ref: Exhibit A, Tab 4, Schedule 1, page 3, Table 1

Table 1 sets out the company's strategic objectives and five year vision. Under the category of Recruitment Knowledge Transfer the five year vision is to "achieve and maintain top quartile employee engagement". Please provide details of:

- a) What does the company mean by "Recruitment Knowledge Transfer"?**
- b) What does the company mean by "employee engagement"?**
- c) What is meant by the "top quartile" of employee engagement?**
- d) How is the top quartile measured?**
- e) Where along this measurement continuum is the company presently situated in respect of employee engagement?**
- f) What specific actions are required to achieve top quartile performance in employee engagement?**

Interrogatory # 43

Ref: Exhibit A, Tab 4, Schedule 1, page 3, Table 1

Another strategic objective in Table 1 is Productivity with the five year vision being to "achieve top quartile unit cost in Distribution".

- a) Please provide details of the measurement criteria used for distribution costs.**
- b) Please provide details of the plans in place or to be developed to achieve top quartile performance.**

- c) What comparator distributors does the company compare its distribution unit costs to for the purposes of Productivity. Please provide any studies or analyses showing this comparison.

Interrogatory # 44

Ref: Exhibit A, Tab 4, Schedule 1, page 5

Lines 2-6 reference the company's service centers from which trouble call crews are dispatched.

- a) Please provide a list of these service centers showing geographical location, number and type of staff assigned to each center and territory serviced by each center.
- b) What is the organizational structure for managing these centers?

Interrogatory # 45

Ref: Exhibit A, Tab 4, Schedule 1, pages 10 & 11

Lines 26-28 on page 10 and lines 1-3 on page 11 describe the time required for trouble call response on the company's system. Response time on the rural part of the system is noted as up to 4 hours due to travel requirements.

- a) Do trouble crew staff receive full hourly wage rates for time spent traveling?
- b) Are staff paid travel time from the time they leave their residence upon receiving a call out or from the time they arrive at the service center?
- c) Does the company have any standards or requirements on how long trouble crew staff have to arrive at the service center after receiving a call out?
- d) Does the company keep statistics or other records of how long it takes on average for trouble crew staff to reach a reporting center after receiving a call out? If so, please provide a summary.

Interrogatory # 46

Ref: Exhibit C1, Tab 3, Schedule 2, pages 5 & 6

Table 1, starting on page 5, tabulates changes to the collective agreement between Hydro One and the PWU over a number of negotiating periods.

For the period April 1, 2001 – March 31, 2002 please clarify the following changes to the collective agreement:

- a) Modified staff reduction plan**
 - i) How did the new plan differ from the previous one?**
 - ii) Is the new plan negotiated here still in effect in the current collective agreement?**
- b) Winter meal allowance**
 - i) What period did the previous winter meal allowance cover and what period did the new meal allowance period cover?**
 - ii) What was the stipend for meal allowance during the subject term and what is it in the current collective agreement?**
 - iii) Are employees required to submit receipts to claim this expense?**
 - iv) Which Hydro One employee classifications have the benefit of winter meal allowances?**
 - v) What is the rationale for paying winter meal allowance?**
 - vi) Does Hydro One know of other LDCs that pay winter meal allowance to their employees?**
 - vii) Is the reduced winter meal allowance period negotiated here still in effect in the current collective agreement?**
- c) Purchase Service Agreements**
 - i) What are Purchase Service Agreements?**
 - ii) What do the 14 PSAs referred to cover?**
 - iii) Are the PSA provisions negotiated here still in effect in the current collective agreement?**
- d) Hiring hall employees**
 - i) Who provides hiring hall employees with pension and other benefits?**
 - ii) Does Hydro One provide any compensation to either the hiring hall directly or to the hiring hall employees to offset the cost of pension or other benefits?**

- e) **Lines staff second shift**
 - i) What is meant by “renewed ability” to have line staff on second shift?
 - ii) Was this the first instance of Hydro One negotiating a second shift for line staff?
 - iii) Is Hydro One aware of other LDCs having second shifts for line staff?
 - iv) Is the second shift provision for line staff still in effect in the current collective agreement?

Interrogatory # 47

Ref: Exhibit C1, Tab 3, Schedule 2, pages 5 & 6

Table 1, starting on page 5, tabulates changes to the collective agreement between Hydro One and the PWU over a number of negotiating periods.

For the period April 1, 2002 – March 31, 2003 please clarify the following changes to the collective agreement:

- a) **Temporary Work Headquarters**
 - i) How did the new clause for temporary work headquarters differ from the previous one?
 - ii) How is a temporary work headquarters defined?
 - iii) What criteria must an employee meet to qualify for travel allowance to temporary work headquarters?
 - iv) Do any employees asked to report to temporary work headquarters receive room and board? What determines who receives travel allowance and who receives room and board?
 - v) Is the temporary work headquarters provisions negotiated here still in effect in the current collective agreement?
- b) **Lineperson second shift**
 - i) Is the permanent provision for lineperson second shift still in effect in the current collective agreement?
- c) **Meter Reader B**
 - i) What distinguishes a Meter Reader B from any other meter reader position?
 - ii) Is the lower cost Meter Reader B provision still in effect in the current collective agreement?

Interrogatory # 48

Ref: Exhibit C1, Tab 3, Schedule 2, pages 5 & 6

Table 1, starting on page 5, tabulates changes to the collective agreement between Hydro One and the PWU over a number of negotiating periods.

For the period April 1, 2003 – March 31, 2005 please clarify the following changes to the collective agreement:

- a) Streamlined staff reduction process**
 - i) What comprised the “streamlined staff reduction process” and how did it differ from the previous process?**
 - ii) Under what conditions could management “invoke” the streamlined process?**
 - iii) Has Hydro One taken advantage of this streamlined process? If yes, please describe how, when and what cost savings accrued?**
 - iv) Is the streamlined process negotiated here still in effect in the current collective agreement?**
- b) Hiring hall meter readers**
 - i) Prior to this direct call out procedure how were hiring hall meter readers acquired by the company?**
 - ii) If hiring hall meter readers were always available albeit by a different call out process, how was direct access to them an improvement?**
- c) On call for helicopter pilots and air engineers**
 - i) How were after hours requirements for helicopter pilots and air engineers managed prior to having them on call?**
 - ii) As on call payments are normally an incremental cost to no on call payments, how was the establishment of on call for helicopter pilots and air engineers a cost savings for the company?**
- d) Continue Temporary work headquarters provisions**
 - i) Was the original temporary work headquarters provision only a temporary provision?**
 - ii) If not, why did the provisions need to be continued in this agreement?**

- e) CMS shift work provisions
 - i) What does CMS stand for?
 - ii) Did this group previously not work shifts?
 - iii) Why was a mid term agreement necessary to establish shift work for this group?
 - iv) Is the provision negotiated here for CMS shift work still in effect in the current collective agreement?

- f) Health and Dental cost study
 - i) What was the outcome of the joint review of health and dental costs?
 - ii) Was a report prepared by the team? If so, please provide a copy. If not how were recommendations made to management? What were they?
 - iii) Were any of the recommendations implemented by the company?
 - iv) What were the estimated savings?

Interrogatory # 49

Ref: Exhibit C1, Tab 3, Schedule 2, pages 5 & 6

Table 1, starting on page 5, tabulates changes to the collective agreement between Hydro One and the PWU over a number of negotiating periods.

For the period April 1, 2005 – March 31, 2008 please clarify the following changes to the collective agreement:

- a) PWU annual incentive plan
 - i) How long was the incentive plan in operation before being cancelled?
 - ii) How much did the plan cost over its lifetime?
 - iii) Is Hydro One aware of any other Ontario LDCs that make incentive plan payments to its unionized employees? If so, please provide whatever details the company has.
 - iv) What did the PWU get in return for agreeing to drop the incentive plan?
 - v) Does the current collective agreement have any incentive plan provisions for unionized employees? Does Hydro One have any incentive plan outside the collective agreement that applies to any unionized employees?

- b) Three day weekend shift for lines
 - i) How did the new shift provisions differ from the old provisions?
 - ii) Why was it necessary to make a three day weekend shift when weekends are ordinarily only two days long?
 - iii) How did this new provision reduce costs for the company?
 - iv) Is this provision for a three day weekend shift for lines still in effect in the current collective agreement?
- c) Switching agent classification and midnight shift
 - i) What is a switching agent?
 - ii) How did this lower costs compared to previous arrangements for switching?
 - iii) What is the significance of the midnight shift? Ie. why is there any switching in the middle of the night? How was it previously attended to?
 - iv) Is the provision negotiated here still in effect in the current collective agreement?
- d) Afternoon shift for fleet mechanics
 - i) How did this provision compare to previous provisions for shift work in this group?
 - ii) How did this improve cost efficiency?
 - iii) Is the provision negotiated here still in effect in the current collective agreement?

Interrogatory # 50

Ref: Exhibit C1, Tab 3, Schedule 2, pages 5 & 6

Table 1, starting on page 5, tabulates changes to the collective agreement between Hydro One and the PWU over a number of negotiating periods.

For the period March 31, 2008 – March 31, 2011 please clarify the following changes to the collective agreement:

- a) Greater flexibility for University and College students
 - i) How did this provision compare to previous provisions for hiring university and college students?
 - ii) How did this provision improve cost efficiency for the company?

- b) **Security clearances for new hires**
 - i) **How did this provision differ from the previous practice regarding security clearances for new hires?**
 - ii) **What prompted the need for a security clearance for new hires?**
 - iii) **What investigation of a prospective hire's background is conducted?**
 - iv) **How does this provision result in better cost efficiency for the company?**
- c) **Pre hire assessment tool for apprentices**
 - i) **How did this provision differ from previous practices to assess candidates for apprenticeships in the company?**
 - ii) **Why was it necessary to negotiate this practice with the union to assess individuals who are not yet company employees or union members?**
 - iii) **How did this provision improve cost efficiency for the company?**
- d) **Threshold for post retirement benefits**
 - i) **How did this provision differ from previous provisions regarding post retirement benefit qualification?**
 - ii) **How does this new threshold compare to other Ontario LDC post retirement qualification thresholds?**
 - iii) **What are the estimated cost savings attributable to the new provisions?**

Interrogatory # 51

Ref: Exhibit C1, Tab 3, Schedule 2, page 9

Lines 20-22 report that Networks work program is expected to increase by 33% over the 2009-2011 period while regular staff is expected to increase by only 16%. Table 3 on the same page shows base payroll over the same period increasing from \$543.9 M to \$791.8 M, an increase of approximately 45%.

Please explain why base payroll costs should be increasing by 45% when staff is only expected to increase by 16%.

Interrogatory # 52

Ref: Exhibit C1, Tab 3, Schedule 2, page 9

On lines 24-25 the company reveals its goal of “reducing overall wages, pension and benefits for future new hires”:

- a) Has the company made any agreements with the PWU to achieve this goal? If yes, please describe the agreements?**
- b) If no, how far in the future does the company expect such agreements to be made?**

Interrogatory # 53

Ref: Exhibit C1, Tab 3, Schedule 2, page 10

On lines 5-6 the statement is made that “several management staff have left the company in recent years”.

- a) What does Hydro One consider to be normal turnover in its employee base?**
- b) The word “several” implies 2 or 3 people have left the company. Does Hydro One consider this a serious drain of its resources given the number of management staff employed?**
- c) Was Hydro One able to recruit replacements for the management staff that left?**
- d) Why does Hydro One believe it must only recruit “the top people”? How does it distinguish “top people” from the pool of otherwise competent people?**
- e) In Hydro One’s view, does attracting “top people” depend primarily on offering the highest compensation?**

Interrogatory # 54

Ref: Exhibit C1, Tab 3, Schedule 2, page 11, Lines 9-12

These lines describe Hydro One's ability to acquire trades skill comparable to its own regular staff, "when appropriate", from a union hiring hall at reduced cost because no pension or other benefits are paid.

- a) What are the "appropriate" conditions under which Hydro One can take advantage of this option?**
- b) As a percentage of total skilled trades staff, how many hiring hall employees does the company employ on average during the year?**
- c) Are there limits in the collective agreement with the PWU for the use of this option?**
- d) If skilled trades staff are available from the hiring hall, why does Hydro One need to expend the time, effort and money to rebuild its aging workforce as referred to in lines 1-3 of page 10 and elsewhere in the evidence.**

Interrogatory # 55

**Ref: Exhibit C1, Tab 3, Schedule 2, page 11, Lines 14-23
Exhibit C1, Tab 3, Schedule 2, page 12, Lines 1-5**

In line 16 reference is made to "multi skilled employees". An example is cited as "Regional Maintainer – Lines, Mechanical or Electrical".

- a) Please clarify what is intended by the words "Mechanical or Electrical" i.e. does this refer to mechanical and electrical components of a RML's work; or does it refer to Regional Maintainer – Mechanical Mtce and Regional Maintainer – Electrical Mtce; or does it mean Regional Maintainers – Lines are also qualified to perform the work of Mechanical and Electrical Maintainers normally working on stations?**
- b) If the reference is to a RML's work components, is the company suggesting that its' line staff is multi skilled because they perform both mechanical and electrical work on lines?**

- c) What comprises the mechanical and electrical components of the line maintainer's work and how do they differ from the work of an LDC line maintainer's work?
- d) The reference in line 19 to LDC work being "typically based-on dry land" suggests that Hydro One's work is not based on dry land. Please explain.
- e) What comprises the "varied landscapes that exist at Hydro One" referred to in lines 19-20? How does this make a line maintainer's job more difficult or require greater skills than an LDC line maintainer?
- f) What comprises the "off road equipment" referred to in line 21? Why does this make a line maintainer's job more difficult or require greater skills than an LDC line maintainer?
- g) Is the inclusion of CVOR equipment in line 21 as a differentiating feature of Hydro One line maintainers intended to suggest that LDC line staff do not have commercial vehicle operator registration? If yes, please explain the basis for this conclusion. If no, why is CVOR included as a differentiating characteristic for Hydro One line maintainers?
- h) Lines 21 and 22 state that RMLs can work on both distribution and transmission lines. What proportion of Hydro One's line maintainers are qualified to work on both distribution and transmission lines?
- i) Line 21 states that RMLs can work on "overhead, underground and submarine cables". Is this intended to suggest that LDC line maintainers do not work on overhead, underground and submarine cables? If so, what is the basis for that conclusion? If not, why is this presented as a differentiating characteristic of Hydro One line maintainers?
- j) Line 1 on page 12 refers to live line work performed by RMLs. Is Hydro One suggesting that LDC line maintainers do not work on live lines? If so, what is the basis for that conclusion? If not, why is it included as a differentiating characteristic of Hydro One line maintainers?
- k) Lines 7-10 on page 12 describe how some work at Hydro One is assigned to lower rated classifications than at LDCs. Please provide evidence for this statement.

Interrogatory # 56

Ref: Exhibit C1, Tab 3, Schedule 2, page 12

In lines 24 to 27 the company proposes that the Board evaluate the prudence of Hydro One's collective agreements by considering "the history of gains made through collective bargaining". In lines 25 to 27 the company suggests that this approach is valid because benchmarking compensation levels to other utilities is also subjective.

- a) Please explain why comparing compensation for similar positions in other utilities is a subjective exercise.**
- b) If benchmarking is a subjective exercise, why, in Hydro One's view, do so many companies engage in it to measure their performance?**
- c) Does Hydro One now take the view that the Mercer study on compensation levels is not a relevant comparison?**

Interrogatory # 57

Ref: Exhibit C1, Tab 3, Schedule 2, page 13

In lines 3 – 5 the company proposes comparing wage scales for "similar PWU and Society classification in the Ontario Hydro successor companies".

- a) Why should compensation for positions at power generating companies be comparable simply because they use a similar nomenclature for categorizing positions?**
- b) Why is it not more relevant to compare Hydro One positions to similar positions with similar work in other utilities?**

Interrogatory # 58

Ref: Exhibit C1, Tab 3, Schedule 2, page 17

On lines 16-17 the following statement appears “...overall costs have been minimized by the simplification of required job skills and pay levels where appropriate.”

- a) Please provide some examples of the “simplification of required job skills” referred to in this quote?**
- b) What is meant by the “simplification ... of pay levels”? Please provide some examples of this.**

Interrogatory # 59

Ref: Exhibit C1, Tab 3, Schedule 2, page 17, Lines 21-26

In these lines, the company states that its ability to restrict compensation is affected by its need to compete for skilled workers with OPG, Bruce Power and the IESO.

- a) Do any of OPG, Bruce Power or the IESO employ Regional Lines Maintainers?**
- b) Do OPG or Bruce Power employ power system control room operators?**
- c) Has Hydro One encountered any difficulty recruiting apprentices to any of its trades classifications?**

Interrogatory # 60

Ref: Exhibit C1, Tab 3, Schedule 2, Appendix A

Pension costs are reviewed in this appendix.

- a) Does Hydro One have any plans to alter its’ pension benefit for future hires from defined benefit to defined contribution?**

- b) In the current defined benefit plan or in any retirement compensation arrangement plans, does Hydro One offer any employees more pensionable service years than the number of actual years worked? (e.g. the so called 2 for 1 or 3 for 1 arrangements provided to one or more prior executives). If yes, please provide details including the positions in the company that qualify for this additional pensionable service.

Issue 9.2 – Has Hydro One appropriately addressed the Green Energy Plan expenditures in the context of its overall Capital and OM&A budgets.

Interrogatory # 61

Ref: Exhibit A, Tab 4, Schedule 1, page 4

Lines 18-22 describe the OPA’s RESOP program as having resulted in approximately 2300 new generation projects under 10 MW that could potentially connect to Hydro One’s distribution system. The statement is made that “it is expected that many of these will go forward and connect to the system”.

- a) What is the total proposed capacity of these 2300 projects in MW?
- b) Please provide a breakdown of these projects by renewable energy category ie. wind, solar, biomass, hydroelectric.
- c) What is the basis for the assumption that many of these projects will “go forward and connect to the system”?
- d) Over what time frame does the company expect these connections to occur?

Interrogatory # 62

Ref: Exhibit A, Tab 14, Schedule 2, page 5

Lines 20-22 state:

Hydro One’s corporate strategy drives the Plan’s vision for a conservation- oriented and more environmentally-conscious culture.

Please provide the meaning of this quotation.

Interrogatory # 63

Ref: Exhibit A, Tab 14, Schedule 2, page 6

The chart on this page summarizes projects resulting from RESOP that have requested Connection Impact Assessments (CIA). The total number of CIAs to the end of April 2009 is noted in column 2 as 1553. Comparing the number of CIAs in this chart to the number of possible projects referenced in Exhibit A, Tab 4, Schedule 1, page 4 (2300) indicates that about 67% of possible projects progress to the CIA stage. Of these 645 or 42% are outside the company's distribution connection threshold criteria leaving about 908 projects that qualify for connection to the distribution system (the "eligible projects"). This comprises about 39% of possible projects.

- a) Does Hydro One agree that 39% of possible projects represents a reasonable maximum for the number of projects that might have to be connected to the distribution system?**
- b) Of the 908 projects that could be connected to the distribution system, 869 are noted as having CIAs completed but only 127 of these have connection agreements completed. This represents about 14% of eligible projects and 5.5% of possible projects. Does Hydro One agree that 5.5% of possible projects is a reasonable estimate of the projects that will ultimately be connected to the distribution system?**
- c) What is the total capacity for the 908 projects that are eligible for connection to the distribution system?**
- d) What is the total capacity for the 127 projects that have connection agreements completed?**
- e) For those projects that fall outside the distribution connection threshold, how many does Hydro One estimate will be connected to the transmission system? Please explain the basis for the estimate provided.**

Issue 3.1 – Are the overall levels of the 2010/2011 Operation, Maintenance and Administration budgets appropriate?

Interrogatory # 64

Ref: Exhibit C1, Tab 2, Schedule 2, page 5

Table 2 shows Planned Station Maintenance expenditures in 2009 at \$13.5 M which is close to the average spent per year in the previous three years.

- a) How much PCB testing of stations equipment was done in 2009?**
- b) If Environment Canada regulations require removal of 500 ppm PCBs by 2009, why was there not a greater emphasis by Hydro One on testing in 2008 and 2009?**
- c) What penalties is Hydro One subject to if it fails to meet the removal deadlines set out in the Environment Canada regulations?**

Interrogatory # 65

Ref: Exhibit C1, Tab 2, Schedule 2, page 8

Lines 17-28 describe PCB testing requirements for stations transformer bushings. This is reported to be a “very time consuming process (i.e. several days)” partly because of the need to transfer load to a mobile substation before a transformer outage can be taken.

- a) The evidence discusses transformer bushings. Have all station transformers been tested for PCB content?**
- b) What is the procedure for taking an oil sample from a transformer bushing?**
- c) Is there any correlation between PCB content in transformer insulating oil and the oil in the transformer bushings? i.e. is it possible to infer the PCB content of bushings by analyzing the PCB content of oil in the main tank?**
- d) What percentage of distribution stations have two transformers?**

- e) For two transformer stations, is it possible to run the station on a single transformer while the other one is tested rather than installing an MUS i.e. by doing the testing during low load times of the year?
- f) Are there any records from manufacturers to assist in determining which transformer bushings contain more than 500 ppm PCB in the insulating oil?
- g) When did manufacturers cease using oil containing PCBs? How many of the 1005 distribution and regulating stations transformers were purchased after that time and can be assumed to be PCB free?

Interrogatory # 66

Ref: Exhibit C1, Tab 2, Schedule 2, pages 16-18

Table 5 shows line maintenance costs for historical, bridge and test years. The amount spent on Line Patrols, Wood Pole Assessment and Asset Data Collection is quite variable.

- a) Please explain the variation in costs in this category for the historical years 2006, 2007, 2008.
- b) Lines 1-12 on p.18 describe Hydro One's program for inspecting and recording data from its lines. The evidence states that 330,000 poles per year have been captured in the data collection process since 2005 and that 360,000 poles are forecast to be captured in 2010. Why is the cost in 2009 and 2010 so much higher than that in the historical years?

Interrogatory # 67

Ref: Exhibit C1, Tab 2, Schedule 2, page 21

This section discusses the sentinel light maintenance program. Annual costs to maintain sentinel lights are \$1.4 M. The evidence states that Hydro One is contractually obligated to maintain the historic sentinel light program.

- a) Please provide a copy of the standard sentinel light contract that governs the parties in this relationship.

- b) Has Hydro One studied the possibility of providing incentives to sentinel light customers to end the contract? If so, what were the results of the study? If not, how does Hydro One know that it has no options other than honouring the contracts?
- c) Are sentinel light maintenance costs recovered 100% from the customers with sentinel lights? If not, why not?

Interrogatory # 68

Ref: Exhibit C1, Tab 2, Schedule 2, page 23

This section describes the pole and padmount transformer PCB testing program.

- a) Line 1 states that “Hydro One Distribution has resumed inspecting and testing lines equipment in response to the new PCB regulations.”
 - i) When did Hydro One suspend its previous testing program?
 - ii) What drove the suspension?
 - iii) How much inspecting and testing was done under the old program?
 - iv) Is the data from that program still available and relevant?
- b) Line 5 states that the location of the company’s 440,000 pre 1985 pole mounted transformers needs to be verified.
 - i) How does Hydro One plan to do this?
 - ii) Has this data been included in data collection referred to earlier in the evidence under the heading of line patrols and data collection?
 - iii) Does Hydro One have customer accounts and meter numbers cross referenced to supply transformers? If so, is the location not already known by the street addresses of the customer accounts?
 - iv) How does Hydro One know that of the 440,000 pre 1985 transformers in the system only about 240,000 are likely to be contaminated by PCBs?
- c) What is the procedure for inspecting and testing pole and padmounted transformers for PCB contamination? How many of each can a crew accomplish in a day? What size of crew is required to conduct the inspection and testing for PCBs?

Interrogatory # 69

Ref: Exhibit C1, Tab 2, Schedule 2, page 26

Reference is made in this section to increased spending in the test year due to “increases in Health and Safety programs to support the company’s strategic safety goals.”

Please elaborate on what these programs consist of and how they do a better job of supporting the company’s strategic safety goals than previous programs.

Interrogatory # 70

Ref: Exhibit C1, Tab 2, Schedule 2, pages 28-29

This section discusses retail meter maintenance. Costs are noted as \$4.9 M in 2010 and \$6.2 M in 2011. Elsewhere in the evidence, it is stated that all 1.2 million retail meters will be replaced by smart meters by the end of 2010.

- a) Why are the costs in 2010 not lower than 2009 as a result of the declining number of legacy meters in the system?**
- b) Please confirm that the costs shown in 2011 of \$6.2 M are all related to smart meter reverification.**
- c) How many smart meters were installed in 2006? How many of those will be reverified in 2011?**
- d) How does the procedure for and frequency of reverification of smart meters differ from that for legacy electromechanical meters?**
- e) Does Hydro One have its own meter shop authorized by Measurement Canada to perform reverification tests?**

Interrogatory # 71

Ref: Exhibit C1, Tab 2, Schedule 4, page 8

This section summarizes the reasons for increased spending on distribution system operations “as a result increased focus on Distribution elements in alignment with distributed generation, smart meter, and smart grid influences”.

- a) How much additional staff will be required for this increased effort? Has this staff been hired yet?**
- b) What is the training period required to get this new staff to a journeyman level of performance?**

Interrogatory # 72

Ref: Exhibit C1, Tab 2, Schedule 5, page 8

This page describes the transition from manual to automated meter reading over the bridge and test years.

- a) How many meter readers does Hydro One currently have on regular staff?**
- b) How many meter readers does Hydro One expect will be needed after smart meters are fully deployed in 2010?**
- c) What is Hydro One’s plan for dealing with surplus meter readers?**

Interrogatory # 73

**Ref: Exhibit C1, Tab 2, Schedule 8
Exhibit C2, Tab 2, Schedule 1**

Page 1 and 2 of the C2 T2 S1 present a table showing comparison of OM&A expense by major category. Shared services and other costs are shown as increasing from \$92.4 M in 2009 to \$123.2 M in 2010 and \$119M in 2011.

- a) A significant part of the increase is attributable to Common Asset Management Costs. One of the categories within this group of costs is Real Estate and Facilities which has increased costs that are attributed to “new space - accommodation requirements driven by the increasing work programs across the Company” according to lines 14-16 on page 16 of C1 T2 S8. Please provide details of what new “space – accommodation” is needed and why.
- b) Information management services shows increased cost from \$69.3 M in 2009 to \$79.1 M in 2010 and \$81.9 M. Although there is considerable material presented in the evidence to explain OM&A costs in IT, it is confusing and difficult to interpret why costs are increasing. Please provide a succinct explanation for the overall increase in this category.
- c) Cornerstone costs in the table are shown as net of expected savings which results in credit entries in 2009, 2010 and 2011. Because OM&A costs are intuitively positive numbers, the entries in Cornerstone for the bridge and test years do not appear to make sense i.e. it looks like the company will actually generate revenue from OM&A activities required to support this system. Please explain why the costs are presented in this way.

Interrogatory # 74

Ref: Exhibit C1, Tab 3, Schedule 1

This schedule is concerned with corporate staffing. Although an explanation of staffing needs is presented no staffing levels are provided.

If this is elsewhere in the evidence please advise where it can be found. If it is not in the evidence, please provide an analysis of staffing levels broken down into appropriate employee groups such as PWU, Society, Management, Executive etc. for historical, bridge and test years along with an explanation for staffing increases or decreases.

Interrogatory # 75

**Ref: Exhibit D1, Tab 3, Schedule 3, page 14
Exhibit D2, Tab 2, Schedule 3, Project D27**

On page 14 of the first reference, the statement is made that “The benefit to load customers is estimated to be about 15% of the cost for connection of generators in the large (>10MW) and mid-size (500kW to 10MW)”.

- a) How did Hydro One arrive at this estimated benefit?**
- b) The benefit to ratepayers ascribed to Project D27 in the second reference appears to be 85%. Why is this benefit different than the estimated 15%?**

Interrogatory # 76

Ref: Exhibit D1, Tab 3, Schedule 7

Page 4 of this schedule states that savings from Cornerstone Phase 1 will be about \$200.5M. An explanation for the bulk of the savings appears in lines 5-17 on page 5. These total only about \$120 M.

- a) Please explain where the other \$80 M in savings is expected to come from.**
- b) For each of the three bullet points in the explanation appearing at lines 7-17 on page 5 please explain in detail how the expected savings were calculated.**
- c) Does Hydro One have a methodology to confirm these savings as they occur? If so please explain it. If not, how will Hydro One be able to conclude that it achieved the savings?**

Interrogatory # 77

Ref: Exhibit D1, Tab 3, Schedule 7

Line 17 on Page 8 through line 16 on page 9 of this schedule presents an explanation for the estimated \$50 M in savings estimated for Phase 2 of the Cornerstone project. For each of the bullet points in the two categories of savings shown in these lines please explain in detail how the expected savings were calculated.

Interrogatory # 78

Ref: Exhibit D1, Tab 3, Schedule 7

Lines 1-4 on page 11 of this schedule show estimated savings for Phase 3 of the Cornerstone project at \$130 M. These savings are attributable to “improved processes, elimination of duplicative data systems and improved transparency across the organization.” Please explain in detail how these savings were calculated.

Interrogatory # 79

Ref: Exhibit D1, Tab 3, Schedule 7

Total estimated savings from the Cornerstone project are \$380 M arrived at by adding the savings from the previous three IRs together.

Does Hydro One have a methodology for measuring these savings as they occur over the 7 year time period? If yes, please explain the methodology in detail. If no, how will Hydro One determine if it achieved the expected savings?