



VIA RESS

February 5, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Networks Inc. 2010/11 Electricity Distribution Rate Changes
Final Submissions of AMPCO
Board File No. EB-2009-0096**

Pursuant to the schedule provided in Transcript 11 (Volume 11) dated January 14, 2010, attached please find AMPCO's Final Submissions in the above proceeding.

Please contact me if you require additional information or have any questions.

Sincerely yours,

ORIGINAL SIGNED BY

Adam White

President
Association of Major Power Consumers in Ontario

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. (“Hydro One”) for an Order approving the revenue requirement, cost allocation and rates for Hydro One’s Distribution Business for the years 2010 and 2011 (“test years”);

AND IN THE MATTER OF Final Submissions of the Association of Major Power Consumers in Ontario.

February 5, 2010

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PART I AMPCO’s Submissions by Issue

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INTRODUCTION

Hydro One Networks Inc. (“Hydro One”) has made application to the Ontario Energy Board (the “Board”) in this matter for significant, perhaps unprecedented, rate increases. A substantial component of Hydro One’s proposed needs relate to their response to the greening of Ontario’s integrated power system.

Although Ontario has taken the initiative in embracing and facilitating the implementation of new renewable resources, this plan cannot be seen to allow the kind of unbridled spending proposed by Hydro One.

The Association of Major Power Consumers in Ontario (“AMPCO”) has proposed at several different points throughout these submissions that the Board apply the controls within its statutory mandate to inject reason to this proposed spending. In particular, AMPCO suggests throughout these submissions that Hydro One has not sufficiently considered the impact on its customers of their spending proposals.

The approach taken in these submissions by AMPCO is to address the points, issue by issue in the order that they appear on the issues list. This order should not be considered in any sense a prioritization of importance; but rather simply a way in which to order its proposals to the Board.

AMPCO has reviewed all of the issues which it feels are of importance to it. In some cases, they are supportive of the position taken by Hydro One; in most, they are not.

1 AMPCO has attempted to provide constructive suggestions to the Board and in so doing has, on
2 occasion, been arbitrary when other approaches are not apparent. AMPCO has, however,
3 attempted in its Prayer for Relief to be as specific and helpful to the Board as possible.
4

5 **1. GENERAL**
6

7 **Issue 1.4 Is Hydro One's proposal to change the effective date for implementation of its**
8 **proposed distribution rates to January 1, 2010 rather than the conventional**
9 **May 1st effective date appropriate and has Hydro One appropriately addressed**
10 **the revenue consequences of proposed change?**
11

12 Hydro One currently has rates approved from May 1, 2009, determined by the outcome of its
13 2009 IRM application. This application was for a single year, presumably until April 30, 2010
14 with rates presumably adequate to meet its revenue requirement until at least April 30, 2010.
15

16 AMPCO believes these approved rates should remain in effect until, at least, April 30, 2010, at
17 which point the rate may be adjusted in accordance with whatever revenue requirement the
18 Board approves for the remainder of 2010 as part of this application.
19

20 AMPCO can see potential administrative advantages to Hydro One's moving to a calendar year
21 rate setting process, but this change should be made prospectively, not retrospectively as
22 would be the case if the Board accepted Hydro One's proposal.
23

24 **Issue 1.5 Is the overall increase in 2010 and 2011 revenue requirement reasonable given**
25 **the impact on consumers?**
26

27 This application must be viewed in the context of Ontario's present economy which is struggling
28 to recover from the recession that began in late 2007. This fact is made clear in the Hydro One

1 evidence; the Ontario economy contracted 0.4% in 2008 and 2.9% in 2009. Forecast growth of
2 2.3% in 2010 and 3.5% in 2011 will not likely complete the recovery, if population increases of
3 1.3% per year are also taken into account¹.

4
5 While all sectors of the economy have been impacted by the recession, industries have
6 arguably suffered most severely, having been in decline since 2005². Hydro One's forecasting
7 evidence suggests a decline in Ontario industrial output of 18% between 2005 and 2009³.

8
9 Industrial customers are price takers. They cannot charge materially more than their
10 competitors and expect to stay in business. It is illustrative that Hydro One's projections of the
11 cost of the equipment it procures for the distribution business, and labour for 2009-2011 are
12 projected to increase only 1.8%, 1.3% and 1.3% respectively⁴.

13
14 In short, all of Hydro One's customers remain under significant economic stress and this fact
15 should be a consideration in establishing the reasonableness of the proposed revenue
16 requirement.

17
18 The average 2010 rate increase for Hydro One distribution customers in this hearing has been
19 identified as 14.5% by Hydro One⁵.

20
21 The 14.5% increase does not include the increase in transmission charges recently approved for
22 Hydro One; this application is based on 2009 approved transmission rates. AMPCO has

¹ Ex A/ Tab 14/Sch 4/page 6, Sections 2.1 and 2.2

² Ex A/ Tab 14/Sch 4/page 7, Section 2.5

³ Transcript 9, Volume 9, page 120, lines 17-23

⁴ Ex A/Tab 14/Sch 3/page 2, Table 1

⁵ Transcript 9, Volume 9, page 9, line 17

1 calculated that the Transmission rate increase recently approved in EB-2008-0272 will add
2 approximately \$36 M (as confirmed by CME) to the distribution revenue requirement and
3 increase the projected average 2010 rate increase for delivery charges to distribution
4 customers by over 17.5%.

5

6 This will be followed by another increase of 11.5% in 2011 (not adjusted for Retail Transmission
7 Service Rates (“RTSR”)⁶.

8

9 Customer impacts will also be exacerbated by the implementation of the HST, which is
10 expected to produce an additional increase in 2010 bills of 8%.

11

12 Additionally, Hydro One proposes to recover a majority of the Green Energy Plan (“GEP”)
13 through the Wholesale Market Service Charge. This will have an additional impact on all
14 customers.

15

16 Throughout the hearing and in the interrogatories, every customer intervenor raised the issue
17 of how Hydro One incorporated consideration of customer needs and affordability in their
18 program proposals.

19

20 Hydro One’s witnesses claimed that customer needs were considered. In cross examination by
21 AMPCO, this was identified as a review by Hydro One’s Board, not a structured process where
22 customer affordability constituted a constraint or criterion before plans were accepted by the
23 executive⁷.

24

⁶ IBID, page 9, line 19

⁷ Transcript 3, Volume 3, page 177, line 4 to page 178, line 11

1 In cross examination, Hydro One repeatedly claimed that the proposed revenue requirement
2 represents “what **needs to be done** in order to maintain the assets”⁸. If “needs to be done”
3 means a level that is sustainable over time, then the witness’ statement may not be entirely
4 accurate. AMPCO’s position throughout these submissions is that Hydro One has not really
5 followed this approach. Some programs planned are for levels and increases that are more
6 than what is needed for sustainability.

7

8 If Hydro One truly considered the impacts of its service costs on its customers, AMPCO submits
9 that it would, wherever practical, have designed its programs, at this time, to meet
10 sustainability requirements only, to be upgraded to economically optimal levels once customer
11 affordability recovers.

12

13 The lack of importance to Hydro One of customer impact was again made clear when, in the
14 course of the hearing, the Board’s Cost of Capital report was issued on December 11, 2009.
15 Hydro One counsel and witnesses stated clearly and immediately at the time that Hydro One
16 would incorporate the new cost of capital into its revenue request. No indication was given
17 that Hydro One would look at the increased impact on customers and reconsider its work
18 program proposals⁹. Later, Hydro One addressed this point separately in an undertaking,
19 stating clearly that Hydro one saw no need to revisit its work programs¹⁰.

20

21 Hydro One’s assertions that customer impacts of its revenue requirement are carefully
22 considered are inconsistent with the immediacy of their representative’s response to the Cost
23 of Capital report. The new Return on Equity (“ROE”) raised the average proposed bill increase
24 from 9.7% to 14.5%, an increase that any industrial ratepayers operating in a competitive

⁸ Transcript 3, Volume 3, page 178, lines 20-23

⁹ Transcript 4 (Redacted), Volume 4, page 161, line 18 to page 163, line 4

¹⁰ Exhibit J10.5

1 environment would regard at a minimum as material and more probably in today's economy, as
2 unacceptable. Yet Hydro One appears to have decided to accept it immediately and without
3 even considering a review of its spending plans.

4
5 AMPCO accepts that the Board must regard the direct impact of cost of capital on rates as
6 irrelevant. This is not to say, however, that the effect of an increase in customer cost,
7 however caused, should not be subject to up front mitigation by means other than reducing the
8 cost of capital.

9
10 Board counsel made this point clearly in his cross examination, when he noted two cases in the
11 United States where regulators had reduced the budgets of applicant utilities, without reducing
12 ROE, by taking the position that in difficult economic times, austerity should be shared¹¹.

13 AMPCO sees no reason why such an approach could not work in Ontario.

14
15 AMPCO submits that an average increase in the cost of energy delivery of 14.5% for the
16 distribution service and over 17% for the total service will have an unreasonable impact on
17 customers in a period of low inflation, high unemployment and struggling businesses.

18
19 AMPCO submits the evidence is clear that Hydro One does not have effective mechanisms in
20 place to constrain growth in its revenue requirement in consideration of customer impacts.

21 AMPCO submits that the Board should not approve spending, at this time, that Hydro One
22 cannot establish is needed for program sustainability.

23
24 AMPCO also submits that Hydro One's proposed mitigation measures, while they adhere to
25 Board guidelines, are an insufficient approach in the circumstance of a combined high average
26 rate hike and the effect of rate harmonization.

¹¹ Transcript 4 (Redacted), Volume 4, page 206, line 13 to page 210, line 15

1
2 After the ROE update, Hydro one revised its estimate of 2010 bill impact mitigation cost to be
3 \$1.9 M, a more than six fold increase from the \$300,000 in the original application¹². It seems
4 reasonable to expect that a similar multiple will result once the 2010 RTSR rates are
5 incorporated into the revenue requirement¹³.

6
7 Hydro One proposes that the mitigation amounts be collected in a Bill Impact Mitigation
8 Account and recovered from all customers after 2011¹⁴. While this strategy will provide some
9 relief to some customers, it will simply push a portion of the rate increase into later years, at a
10 time when Hydro One's costs seem likely to still be increasing. Another limitation of the bill
11 impact mitigation plan is that, while it applies to groups of customers, it does not fully mitigate
12 the effects of higher rates for those customers facing the greatest cost increases.

13
14 Bill impact mitigation is a strategy that should only be used when all other options to reduce
15 the overall rate increase have been exhausted. Hydro One chose not to do this¹⁵.

16

17

18 **2. LOAD and REVENUE FORECAST**

19

20 **Issue 2.1 Is the load forecast and methodology appropriate and have the impacts of**
21 **Conservation and Demand Management initiatives been suitably reflected?**

22

¹² Transcript 9, Volume 9, page 9, lines 21-26

¹³ Transcript 9, Volume 9, page 130, lines 5-22

¹⁴ Ex F1/Tab 1/Sch 2/Sect. 5.0

¹⁵ Transcript 9, Volume 9, page 61, lines 4-9

1 AMPCO has reviewed the evidence and testimony in this matter. While it is difficult to
2 determine whether Conservation and Demand Management initiatives or other factors are
3 driving the net decline in forecast consumption, the actual quantities forecast appear
4 reasonable in the current economy.

5

6 **3. OPERATIONS, MAINTENANCE and ADMINISTRATION COSTS**

7

8 **Issue 3.1 Are the overall levels of the 2010/2011 Operation, Maintenance and**
9 **administration budgets appropriate?**

10

11 OM&A overall is proposed to increase from \$471.3 M in 2008 to \$560.0 M in 2010, an increase
12 of \$87.7 M and almost 19%¹⁶. The largest single program increase is vegetation management,
13 which is addressed in Issue 3.2 below. This application proposes sharp increases in all
14 components of OM&A except taxes.

15

16 Throughout the discussion of programs, a recurring theme is that significant increases in cost
17 and staff are required to support implementation of the GEP. Good examples are found in
18 customer care¹⁷ and operations¹⁸, where staff increases over the two year period are projected
19 at 32 and 20 respectively. It is extremely difficult, if not impossible to extract fully individual
20 program cost increases related to the GEP from increases driven by other plans or proposals.
21 AMPCO submits that this distinction is material and that Hydro One be required to distinguish
22 costs on this basis before costs related to the GEP and other programs are approved.

23

¹⁶ Ex C1/Tab 2/Sch 1/Table 1

¹⁷ Ex H/Tab 12/Sch 5, lines 25-27

¹⁸ Ex H/Tab 1/Sch 28

1 **Issue 3.2 Is the 2010/2011 vegetation management budget appropriate?**

2

3 The Hydro one vegetation management program is the largest ongoing OM&A program in this
4 application and as such merits treatment as a separate issue.

5

6 There are three issues of concern to AMPCO with respect to Hydro One's vegetation
7 management program.

8

9 The first is whether Hydro One has fully complied with the Board's directive to conduct a
10 benchmarking study with respect to the efficiency of its forestry program and also to pursue
11 productivity and efficiency improvements in the interim¹⁹.

12

13 While AMPCO's interpretation of the results of the benchmarking study may differ from those
14 of Hydro One in some areas, the study does appear to broadly meet the requirements in the
15 Board's directive and AMPCO confirms that intervenors were consulted in the development of
16 the terms of reference for the study.

17

18 The second issue is whether or not Hydro One is indeed an efficient provider of vegetation
19 management services. On this point, AMPCO takes issue with the position of Hydro One and to
20 a lesser extent with the report of its consultant.

21

22 AMPCO does not disagree with the report findings that Hydro One generally has higher than
23 average efficiency in terms of the amount of labour it uses for a unit of work. Hydro One also
24 demonstrates expected productivity advantages in areas where it should, such as customer

¹⁹ Ex A/Tab 15/Sch 2/page 1, lines 9-14

1 notification and job planning cost per kilometre²⁰, where low customer density means that
2 fewer customers require notification per km.

3

4 AMPCO has concerns however, with Hydro One's labour cost for vegetation management. The
5 consultant, CN Utility, explicitly noted that in a simple unit of work such as treating a tree (e.g.,
6 pruning), Hydro One has better than average labour productivity. This should be expected of a
7 company with highly trained trades and the best available equipment. At the same time, it was
8 found that, on a cost basis, Hydro One performs more poorly than the average. CN Utility and
9 Hydro One attempt to rationalize the high cost as being reflective of the current long cycle
10 lengths²¹. In cross-examination of the Hydro One panel by AMPCO, the panel noted that the
11 actual per unit cost for Hydro One to treat a tree was well over double that of other utilities.
12 While the witness attempted to explain this difference as being caused by factors such as travel
13 time and the use of mechanical equipment, it is difficult to attribute all of the difference to
14 these factors²². Other utilities also use heavy equipment for vegetation management and incur
15 travel time costs, even though they may be less.

16

17 The witness also noted that, in Hydro One's experience, outside contractors do not provide a
18 cost advantage in comparison with using internal resources²³. When pressed, the witness
19 stated that the comparison work is not in a form that would be suitable as a report or
20 presentation²⁴.

21

²⁰ Ex A/Tab 15/Sch 2/page 3, lines 20-24

²¹ Ex A/Tab 15/Sch 2/page 3, lines 13-17

²² Transcript 5, Volume 5, page 92, lines 1-page 93, line 3

²³ Transcript 5, Volume 5, page 92, lines 1-page 93, lines 21-23

²⁴ Transcript 5, Volume 5, page 92, lines 1-page 94, lines 22-25

1 It is our understanding that most utilities do not use their own skilled trades to execute the
2 majority of their vegetation management program. Despite the explanations in the CN Utility
3 report and anecdotal evidence from Hydro One, no evidence has been provided to
4 demonstrate that Hydro One is able to execute its vegetation management program more cost
5 effectively than a specialized outside service provider.

6
7 AMPCO submits that Hydro One should be required by the Board to undertake a study, with
8 like for like cost comparisons between external and internal vegetation management services in
9 the principle areas of activity (e.g., clearing, trimming, brushing, spraying, etc.) to determine
10 whether it is prudent and cost effective to continue to execute their vegetation management
11 program in-house.

12
13 The third issue in this application with respect to Hydro One's vegetation management program
14 is the proposal to move to a seven year cycle from the currently approved eight year cycle.

15
16 In the previous distribution cost of service application (EB-2007-0681), Hydro one requested
17 and received approval for an increase in its vegetation management budget from \$89.1 M in
18 2006 to \$119.4 M in 2008, an increase of over 34%²⁵.

19
20 Now Hydro One seeks a further increase to \$133.2 M in 2010 and \$144.6 M in 2011²⁶. If
21 approved, this would result in an increase of over 60% over a five year period.

22
23 In EB-2007-0681, Hydro One stated clearly, "Hydro One Distribution's goal is to continue to
24 increase accomplishments for line clearing with an objective to reach an optimum cycle from a

²⁵ EB-2007-0681, Ex C1/Tab 2/Sch. 2/page 30, Table 9

²⁶ Ex C1/Tab 1/Sch 2/Page 33, Table 9

1 reliability perspective of eight years by 2008. Annual accomplishment would have to increase
2 from the current 10,360 km to 12,500 km²⁷.”

3
4 The reason for the increase is given as providing further improvements in system reliability and
5 improving cost effectiveness, the same rationale as was given in EB-2007-0681 for the eight
6 year cycle.²⁸ . The evidence is that currently, Hydro one is only one quarter of the way to
7 implementing an eight year cycle²⁹.

8
9 While Hydro one has not yet achieved an eight year cycle, it has steadily and significantly
10 increased its vegetation management expenditures every year since 2005. Whether or not
11 these increases have borne any fruit in terms of service reliability is unclear. In each of the past
12 two applications (Ex C 1/Tab 2/Sch 2/Table 10 in each case), Hydro One has provided data on
13 the contribution of vegetation towards outages.

14

15 Below is Table 10 from EB-2007-0681:

Table 10: Total SAIDI and Vegetation Contribution

Year	All Interruptions (hrs)			Force Majeure Events (hrs)		
	Total	Tree Contribution	Tree %	Total	Tree Contribution	Tree %
2003	15.1	8.9	59%	7.1	6.0	84%
2004	6.9	2.0	29%	0.4	0.2	39%
2005	14.5	7.9	54%	6.5	5.4	83%
2006	28.4	18.1	64%	21.3	16.2	76%
Total	65.0	36.9	57%	35.3	27.8	78%

16

²⁷ EB-2007-0681, Ex C1/Tab 2/Sch 2/page 31, lines 17-20

²⁸ Ex C1/Tab 2/Sch 2/page 34, lines 11 to page 35, line 16

²⁹ IBID, page 35, lines 16-19

1 Below is Table 10 from EB-2009-0096:

Year	All Interruptions (hrs)			Force Majeure Events (hrs)		
	Total	Tree Contribution	Tree %	Total	Tree Contribution	Tree %
2006	28.4	18.1	64%	21.3	16.2	76%
2007	11.4	3.9	34%	2.7	1.3	49%
2008	21.6	13.8	64%	13.0	10.7	83%
Total	61.4	35.8	58%	36.9	28.3	77%

2
3 The data are illustrative in a few ways. First, there does seem to be a pattern of slow
4 improvement in the number of major events from 2006 onwards. Second, there is considerable
5 fluctuation in the number of major events from year to year, as can be expected from weather
6 cycles. It is not possible to confirm whether the increased efforts since 2005 are paying off in
7 terms of improved reliability.

8
9 In terms of cost reductions resulting from a shorter cycle, the Hydro One witnesses stated that
10 these would not be noticeably achieved until after 2011³⁰.

11
12 On behalf of AMPCO, the panel was also asked about the prioritization level of the proposed
13 seven year cycle. The witness responded that Hydro One was proposing to go to level 3. This is
14 not only higher than the level for the eight year cycle; it is also two levels above the level that
15 Hydro One's prioritization evidence indicates as sustainable³¹.

16
17 AMPCO accepts that there may be some benefits in reliability and cost if Hydro One achieved a
18 seven year vegetation management cycle. At the same time, these claims cannot be verified by

³⁰ Transcript 5, Volume 5, , page 104, lines 2-4

³¹ Ex A/Tab 14/Sch 6/Figure 1

1 experience, since Hydro One has never achieved these levels. It may well be that a significantly
2 increased vegetation management program beyond an eight year cycle may prove to be sub-
3 optimal for Ontario from both an economic and reliability perspective. In fact, Hydro One has
4 yet to achieve an eight year cycle, which it claimed in EB-2007-0681 would be optimal from a
5 reliability perspective.

6
7 AMPCO submits that Hydro One has not provided sufficient evidence to support an expensive
8 decision to move beyond an eight year cycle. In fact, until an eight year cycle is achieved, the
9 benefit projections that were used to justify that increase will not have been validated.

10
11 AMPCO believes that when the evidence in EB-2007-0681 and EB-2009-0096 is taken together,
12 the Board should infer that Hydro One believes an eight year cycle is optimal for reliability and a
13 seven year cycle may be economically optimal. Time will tell whether this is true, but the issue
14 remains that Hydro One is proposing a further significant increase in its largest OM&A program
15 at a time of no customer affordability and in pursuit of benefits that, if they exist, will not start
16 to manifest until well after 2011.

17
18 In the circumstance, AMPCO submits that Hydro one should be directed by the Board to
19 continue to pursue the eight year clearing cycle approved in EB-2007-0681 and provide an
20 update in the next application illustrating whether its projections of improved service quality
21 are being confirmed or not.

22

23 **Issue 3.3 Is the proposed level of 2010/2011 Shared Services and Other O&M spending**
24 **appropriate?**

25

1 Shared Services OM&A allocated to Distribution is projected to increase from \$62.9 M in 2008
2 to \$92.1 M in 2010. This increase would be larger if it were not for a decline in other OM&A³².
3 The largest increases appear to be in asset management and IT.

4
5 The IT capital budget for 2010 is projected at \$39.0 M as against \$19.1 M in 2008³³. The IT
6 OM&A budgets net of IT Management cost for 2008 and 2010 are \$99.9 M - \$7.5 M = \$92.4 M
7 and \$149.8 M - \$23.9 M = \$125.9 M, respectively. Adding up the figures, the total IT budget
8 (OM&A plus Capital) net of management for 2008 was \$19.1M + \$92.4M= \$111.5M; for 2010 it
9 is \$39.0 M +\$125.9 M = \$164.9 M. This is a combined budget increase of approximately 48%
10 over two years.

11
12 To manage this program, IT management costs increase from \$7.5 M in 2008 to \$23.9 M in
13 2010, an increase of just over 218% in two years. The evidence provides a partial explanation,
14 in noting that two departments, one from Finance and one from Asset Management are being
15 transferred to IT³⁴. The Finance department budget is being decreased from \$32.2 M in 2008 to
16 \$30.4 M in 2010, a drop of \$1.8 M³⁵, while Asset Management is increasing dramatically from
17 \$100.3 M in 2008 to \$137.9 M in 2010³⁶.

18
19 When departments are shuffled without the inclusion of actual budgets in the evidence, it can
20 be difficult to determine just how costs are changing. Nonetheless, it appears that either Asset
21 Management is growing considerably faster than it appears in the evidence or IT is becoming
22 top heavy with management, or both.

³² Ex C1/Tab 2/Sch 6/page 3, Table 1

³³ Ex D1/Table 3/Sch 3/Table 1

³⁴ Ex C1/Tab 2/ Sch 9/page 3, lines 6-16

³⁵ Ex C1/Tab 2/Sch 7/page 2, Table 1

³⁶ Ex C1/Tab 2/Sch 8/page 3, Table 1

1
2 In the end, shared services costs are in support of a system that is close to stagnant in terms of
3 customer growth and declining in energy delivery. AMPCO submits that the increases in
4 shared services OM&A are excessive and should be reduced to a more reasonable level,
5 arbitrarily, by 50%.

6
7 **Issue 3.5 Are the 2010/2011 Human Resources related costs (wages, salaries, benefits,**
8 **incentive payments, labour productivity and pension costs) including employee**
9 **levels, appropriate? Has Hydro One demonstrated improvements in efficiency**
10 **and value for dollar associated with its compensation costs?**

11
12 The evidence presented does not provide confidence that Hydro One is actually improving in
13 efficiency or value for dollar on compensation cost. The only “hard” data provided are in Ex
14 A/Tab 16/Sch 1 indicating improvements between 0.3% and 2.0% annually over 2006-2011,
15 with an average of 1.0%³⁷. If Hydro One were operating in a “steady state” mode, such figures
16 may be verifiable. Against the backdrop of annual spending increases well above inflation, any
17 gains from productivity are lost in the noise.

18
19 The only conclusion AMPCO can reach here is that the cost efficiency of the company in terms
20 of its mission to economically deliver power to customers is declining rapidly. AMPCO submits,
21 therefore that these costs are not reasonable and should be reduced where feasible.

22
23 **Issue 3.6 Is Hydro One’s depreciation expense appropriate?**

24
25 The depreciation methodology (Foster) used by Hydro One is familiar and appropriate to a
26 distribution utility.

³⁷ Ex A/Tab16/Sch 1/page 5, table 1

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Issue 3.9 Is the proposed spending on loss reduction efforts appropriate?

Hydro One has not updated its loss factor calculations since its EB-2007-0681 evidence.³⁸ These factors were determined by modelling, not by actual measurement.

Losses represent a significant portion of the total energy delivered to the distribution system.

As demand reduces, losses decline as well, more significantly than 1:1. Hence it is reasonable to expect that, aside from specific projects and programs designed at least partially to reduce losses, the decline in demand is also reducing losses.

With the advent of smart meters, much better information on real time energy consumption at both ends of the system (i.e. delivery from transmission and delivery to the customer meter) will make it possible to measure actual losses with a good degree of accuracy. Such improved accuracy would be valuable in determining the opportunity costs and value of further efforts to reduce losses. In the absence of better information, it is difficult for intervenors or anyone else to make judgements on the appropriate effort that should go into loss reduction, especially in relation to competing conservation opportunities.

AMCPO requests that the Board require Hydro One to bring forward an updated loss evaluation study in its next cost of service application, based on actual measured consumption other than described herein. The proposed spending on loss reduction is, therefore, not appropriate and should not be approved.

³⁸ Ex H/Tab12/Sch 22

1 **4. CAPITAL EXPENDITURES and RATE BASE**

2

3 **Issue 4.2 Are the amounts proposed for 2010/2011 Capital Expenditures appropriate**
 4 **including the specific Sustaining, Development and Operations categories?**

5

6 The following table replicates information from Hydro One's written and oral evidence³⁹.

7

8 **Summary of Gross Distribution Capital Expenditures (\$ Million)**

Description	2006 Historic	2007 Historic	2008 Historic	Bridge 2009	Test 2010	Test 2011
Sustaining	172.2	146.9	170.7	176.5	185.8	202.5
Development	146.8	154.2	153.2	167.9	357.8	515.2
Operations	2.1	2.0	0.9	2.4	8.1	11.2
Shared Services & Other Capital	57.4	96.8	110.6	103.5	164.8	110.8
Total	378.5	399.9	435.3	450.5	716.5	839.7
Less Generator Funded (Dev capital)					13	27
Less External Funded Costs (Dev capital)					139	236
	378.5	399.9	435.3	450.5	564.5	576.7

9

10 Hydro One's proposed capital spending in 2010 and 2011 is significantly above historic levels.

11 Hydro One proposes to increase its gross net distribution capital from \$435.3 million in 2008 to
 12 \$716.5 million in 2010 and \$839.7 million in 2011⁴⁰. This represents an increase of
 13 approximately 65% and 93%, in 2010 and 2011 respectively, compared to 2008 levels.

14

³⁹ Exhibit D1, Tab 3, Schedule 1, page 2, Table 1; Transcript 1, page 35

⁴⁰ Exhibit D1, Tab 3, Schedule 3, page 2, Table

1 Substantial increases are proposed for all capital categories in 2010 and 2011 over 2009, by an
2 aggregate of more than 25%. The largest dollar increases are in Development Capital and
3 Shared Services and Other Capital (discussed in Issue 4.3 below)⁴¹.

4
5 On a percentage basis, the largest increase is in Operations Capital, proposed to more than
6 triple from 2009 to 2010, with a further increase of over 38% in 2011⁴². By 2011, the
7 Operations Capital budget is projected to be more than an order of magnitude above its 2008
8 level.

9
10 Most of the Operations capital budget appears to be driven by plans to replace existing
11 computer systems and introduce several new ones, as well as improvements in infrastructure
12 to support them and the people that will operate them.

13
14 While reasons for these systems are spread throughout D1/Tab 3/Sch 4 and D2/Tab2/Sch 3, it is
15 fair to characterize the main driver as the GEP.

16
17 AMPCO submits that plans for such huge spending increases ahead of a clear understanding of
18 need are imprudent and should not be approved. Reducing the planned expenditure for
19 Operations capital by 50% in 2010 and 2011 would still leave Hydro one with substantial funds
20 for investing in the most essential systems while ascertaining the need for applications that are
21 less obviously driven by GEP requirements, such as a Geographic Information system.

22
23 Sustaining Capital requirements are projected to increase from \$64.0 M in 2008 to \$78.2 M in
24 2010 and \$93.5 M in 2011, an increase of 46% in three years. The large majority of the increase
25 is in wood pole replacement and line projects.

⁴¹ Ex D1/Tab 3/Sch 1/page 2, Table 1 and lines 11-13

⁴² Ex D1/Tab 3/Sch 4/page 3, Table 1

1
2 With respect to wood pole replacement, Hydro One notes that its asset condition assessment
3 process indicates the increasing age and deteriorating condition of its wood pole population in
4 coming years⁴³.

5
6 What is missing from the Hydro One evidence is an indication that Hydro One has considered
7 life extension alternatives for its wood structures. This is not a novel concept; other utilities in
8 Ontario, such as Toronto Hydro, practice retreatment of poles to extend asset life and reduce
9 capital requirements⁴⁴.

10
11 Hydro one has been asked about this issue before, most recently in EB-2007-0681. The partial
12 response was as follows: “Hydro One has elected to defer usage of preservative wraps until it
13 can obtain the detail information on its wood pole plant through the wood pole assessment
14 and data collection program. Once the detailed plant information has been obtained, Hydro
15 One will determine locations where added ground line preservative is cost effective solution for
16 wood pole life extension”⁴⁵. AMPCO has not found any evidence in this application that Hydro
17 One is looking at life extension alternatives rather than simply letting its poles rot out and be
18 replaced.

19
20 AMPCO submits that no increases in capital be awarded Hydro One in regard to pole
21 replacement until a study is provided to the Board which describes whether life extension
22 alternatives are more cost effective than simple replacement.

23

⁴³ Ex D1/Tab 2/Sch 1/page 14, Section 4.1.4

⁴⁴ EB-2009-0139, Ex C2/Tab3/Sch 1/page 4

⁴⁵ EB-2007-0681, Ex H/Tab 11/Sch 24, lines 34-39

1 Lines projects are also forecast to increase substantially, from \$20.4 M in 2008 to \$31.1 M in
2 2010⁴⁶. This category covers a number of issues related to asset condition.

3
4 In AMPCO's cross examination of Panel 3, they were asked about the prioritization levels of the
5 wood pole replacement and line projects programs. Both were identified as being at level 2⁴⁷.

6
7 Development capital also is proposed for significant increases, even though economic activity
8 remains at a low level and actual load is declining. The total is projected to go from \$153.2 M in
9 2008 to \$205.7 M in 2010 and \$252.4 M in 2011, an increase of almost 65% in three years⁴⁸.

10
11 Smart Grid plans and Distributed Generation projections account for about half of the increase,
12 but the "business as usual" categories of system capability reinforcement and customer driven
13 work also show substantial increases.

14
15 Capital related to new customer connections and service upgrades is also proposed for budget
16 increases in 2010 and 2011, for a total of \$113.5 M in 2010 vs. 101.8 M in 2008, an increase of
17 over 11%⁴⁹. Both new connections and service upgrades are projected to be below or at 2008
18 levels. Some of the increase is explained as a result of the cost of smart meters no longer being
19 paid for by the smart meter adder.

20
21 The budget for new connections does not reflect a level of sustainability only. The number of
22 new connections in 2008 is given as 15,800 and the 2010-2011 projection is for 15,300 in each

⁴⁶ Ex D1/Tab 3/Sch 2/page 20/Table 4

⁴⁷ Transcript 5, Volume 5, page 116, lines 16-20

⁴⁸ Ex D1/Tab 3/Sch 3/page 2, Table 1

⁴⁹ Ex D1/Tab 3/Sch 3/page 4, Table 2

1 year. This represents a decrease of slightly over 6.7% for 2008 to 2010⁵⁰. At the same time, the
2 actual cost for 2008 was \$80.0 M and the level proposed for 2010 is \$86.6 M, an increase of
3 over 8%⁵¹.

4
5 The system capability reinforcement program shows a similar disregard for customer impact.
6 The program as proposed in this application is intended to meet the needs of load growth⁵².
7 Load growth is no longer a correct description of the trend in demand for Hydro One's services;
8 load has been dropping steadily for years and is projected to continue⁵³. At the same time, the
9 proposed budget for capability reinforcement is proposed to increase from \$36.7 M in 2008 to
10 \$47.0 M in 2010, an increment of almost 15%⁵⁴.

11
12 In cross examination, the panel attempted to explain much of the increase as due to the fact
13 that even when overall load is declining, there are still pockets of growth that need to be served
14 and assets that need to be refurbished⁵⁵.

15
16 At the same time, it must be acknowledged that, in an environment where growth is declining
17 and the pockets of growth that exist are fewer than in the past, the need to reinforce the
18 system should decline. As feeders become more lightly loaded due to CDM and other factors,
19 the ability to transfer load around the system or to add new connections without investment
20 should increase. In short, the physical system should begin to at least partially adapt its
21 capability to the reduced demand being placed on it. Nowhere is this acknowledged in any of

⁵⁰ Ex D1/Tab 3/Sch 3/Page 5, lines 6-12

⁵¹ Ex D1/Tab 3/Sch 3/page 4, Table 2

⁵² Ex D1/Tab 3/Sch 3/Page 7, Section 2.2

⁵³ Ex A/Tab14/Sch 4/Page 19, Table 4

⁵⁴ Ex D1/Tab 3/Sch #/Page 2, Table 1

⁵⁵ Transcript 5, Volume 5, page 119, line 10 to page 121, line 2

1 the evidence. On the contrary, the value of asset retirements is declining, while additions are
2 clearly increasing significantly⁵⁶.

3

4 AMPCO submits, therefore, that Hydro One's request for capital for new connections should be
5 reduced to approved levels and then again reduced by an additional 6.7% reflecting real
6 demand.

7

8 **Issue 4.3 Is the proposed level of 2010/2011 Shared Services and Other Capital**
9 **expenditures appropriate?**

10

11 **Issue 4.4 Are the methodologies used to allocate Shared Services and Other Capital**
12 **expenditures to the distribution business consistent with the methodologies**
13 **approved by the Board in previous Hydro One rate applications?**

14

15 The evidence is that Hydro One continues to apply previously approved methodologies for
16 shared services costs, both capital and OM&A. At the same time, the magnitude of increases in
17 spending on basic work programs, both in Transmission and Distribution, raise the question of
18 whether those existing methodologies are appropriate.

19

20 For example, the company's investments in relatively short lived assets such as communication
21 and IT systems is increasing rapidly and apparently quicker in distribution than transmission, in
22 response to the GEP initiatives and other drivers. AMPCO submits that on this evidence
23 existing methodologies for determining cost sharing is no longer appropriate.

24

25 **Issue 4.6 Does Hydro One's Asset Condition Assessment information and Investment**
26 **Planning Process adequately address the condition of the distribution system**

⁵⁶ Ex D2/Tab3/Sch 1

1 **assets and support the O&MA and Capital expenditures for 2010/2011?**

2
3 The asset condition assessment appears to address adequately the condition of distribution
4 system assets. At the same time, AMPCO does not believe it supports the actual program types
5 and levels proposed for 2010 and 2011. For example, an assessment of pole age and condition
6 does not automatically justify only replacement of ageing poles; a best practice utility may
7 decide to use the same information to seek more efficient asset management strategies such as
8 life extension.

9
10 **Issue 4.7 Are the proposed capital expenditures to reduce electricity system losses**
11 **appropriate?**

12
13 From reviewing the evidence, it appears that the only efforts Hydro One is making to reduce
14 losses are those that are part of projects for which loss reduction is only a partial rationale. In
15 the absence of factual (vs. modelling) loss data as noted in AMPCO's comments on Issue 3.9,
16 this seems to be the only reasonable course to take.

17
18 **5. CAPITAL STRUCTURE AND COST OF CAPITAL**

19
20 **Issue 5.1 Is the proposed Capital Structure and Rate of Return on Equity for Hydro One's**
21 **distribution business appropriate?**

22
23 AMPCO regards the current capital structure as being appropriate since Hydro One is not
24 proposing to change it. AMPCO accepts Hydro One's position.

25
26 In the process of this hearing, it has been made clear that the calculation method for Return on
27 Equity (ROE) is out of scope for the hearing. The notional effect of the change in ROE as
28 provided by Hydro One appears correct.

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6. DEFERRAL and VARIANCE ACCOUNTS

Issue 6.1 Is the proposal for the amounts, disposition and continuance of Hydro One’s existing Deferral and Variance Accounts appropriate?

AMPCO believes that the assumption by Hydro one for a January 1, 2010 implementation date of new rates will be incorrect. Earlier in this submission, AMPCO suggested that the change to calendar year rate setting should begin in 2011, not 2010.

Accordingly, AMPCO submits it would be appropriate for Hydro One to continue tracking the outstanding balance in the deferral accounts, including a projection up to April 30, 2010, for disposition over the period May 1, 2010 to December 31, 2011⁵⁷.

Issue 6.2 Are the proposed new Deferral and Variance Accounts appropriate?

The proposal for a bill impact mitigation account is discussed earlier in this submission, in the context of the need to mitigate overall bill impacts for all customers first and for specific groups only afterwards. If this is done, AMPCO can support a specific bill impact mitigation account as proposed⁵⁸.

At the same time, if the total bill impact across all customer groups remains high, AMPCO could not support this approach, as it inevitably generates cross-class subsidies when the account is cleared across all customer groups.

⁵⁷ Ex F1/Tab2/Sch 1

⁵⁸ Ex F1/Tab1/Sch 1/Section 5.0

1 AMPCO also supports the Fixed Meter Charge variance account for micro-fit generators.
2 AMPCO does not support the formation of variance accounts for International Financial
3 Reporting Standards (“IFRS”) changes, pension cost differential and an OEB cost differential.
4 Good management practices can minimize much of the cost risk in these activities and Hydro
5 One has significant control over its OEB costs in that it can decide when and in what depth it
6 goes to the OEB with an application.

7
8 Moreover, the recent decision on Cost of Capital resulted in a substantial increase in ROE for
9 Hydro One, which presumably reflects a greater risk profile than the level of revenue certainty
10 previously enjoyed. In this circumstance, removal of the minor risk presented by these
11 activities seems unwarranted.

12

13 **7. COST ALLOCATION and RATE DESIGN**

14

15 **Issue 7.2 Are the proposed revenue to cost ratios for each class appropriate?**

16

17 AMPCO notes that Hydro One’s Revenue to Cost Ratios demonstrate the tightest dispersion of
18 any utility we have reviewed⁵⁹. AMPCO members are primarily in the ST Class, where the ratio
19 is calculated at 1.0, a significant improvement from the 1.15 that was implemented in EB-2007-
20 0681.

21

22 AMPCO submits that the proposed Revenue to Cost Ratios are appropriate.

23

24 **Issue 7.3 Are the fixed-variable splits for each class appropriate?**

25

⁵⁹ Ex G1/Tab 3/Sch 1/Table 1

1 For the ST Class in which most AMPCO's members reside, the total fixed charges (meter plus
2 fixed monthly charge) are essentially unchanged. In AMPCO's view, this split is appropriate
3 since it most accurately reflects cost causality and provides for the maximum control a
4 customer has over its bill⁶⁰.

5

6 **Issue 7.4 Are the proposed rate impact mitigation plans appropriate and are the**
7 **resulting customer bill impacts reasonable?**

8

9 As noted in AMPCO's comments concerning Issue 1.5, the magnitude of the increase for which
10 Hydro One is applying makes the simple mitigation process outlined in the Distribution
11 Handbook inadequate. Mitigation as proposed is "back end", after an assumed approval of
12 what AMPCO views as an inappropriately large increase in revenue requirement. Hydro One's
13 proposed bill impact mitigation approach should only be accepted after "front end" mitigation
14 takes place by reducing the overall program proposals and revenue requirement to the level of
15 "sustainability".

16

17 With particular respect to Hopper Foundry, AMPCO supports a special case inclusion of Hopper
18 Foundry into the ST Class⁶¹. This appears to provide a solution that requires the least amount
19 of cross-subsidisation, while acknowledging the particular historical circumstance that led to
20 the current situation. AMPCO is concerned nevertheless that the ST Class definition not be
21 defined more generally than at present. Doing so could create complications in the cost
22 allocation and rate design for the ST Class.

23

24 **Issue 7.5 Are the proposed Retail Transmission Service rates appropriate?**

25

⁶⁰ Ex G1/Tab 4/Sch 4/page 2, Table 1

⁶¹ Ex G1/Tab1/Sch 9

1 AMPCO raised a concern in cross examination that the proportion of transmission cost
2 allocated to the ST customer class has held steady at 46% since 2008, although Hydro One's
3 load forecast evidence indicates that the industrial sector, which makes up a significant portion
4 of the ST class, has reduced output and presumably demand much faster than other customer
5 classes⁶². AMPCO accepts that this result is essentially a coincidence as the Hydro one witness
6 stated.

7

8 In future applications, AMPCO recommends that Hydro One provide some more detailed
9 background to support this calculation.

10

11 **Issue 7.6 Is the proposal for regulatory asset rate rider #6 appropriate?**

12

13 The approach proposed by Hydro One appears to be consistent with the Board's previous
14 direction⁶³.

15

16 The two year application period is appropriate as it matches the period of the application.

17

18 **Issue 7.7 Are the proposed Distribution Loss Factors appropriate?**

19 Please refer to AMPCO's comments on issue 3.9.

20

21 **9. GREEN ENERGY PLAN**

22

23 **Issue 9.1 Does Hydro One's Green Energy Plan meet the Board's filing guidelines and the**
24 **objectives set out in the Green Energy and Green Economy Act, 2009?**

25

⁶² Transcript 9, Volume 9, page 120 line 17 to page 126, line 5

⁶³ Ex G1/Tab 5/Sch 1

1 The Green Energy and Green Economy Act, 2009 (GEGEA) adds new objectives to the Ontario
2 Energy Board Act, 1998 (OEB Act): to promote the use and generation of electricity from
3 renewable energy sources; to facilitate the implementation of a smart grid in Ontario; and to
4 promote and expand energy conservation. In response to the GEGEA, the Board developed a
5 planning guideline G-2009-0087 (Deemed Conditions of Licence: Distribution System Planning)
6 dated June 16, 2009 to set out the structure for distributors to follow in preparing a plan for
7 review and approval by the Board for the accommodation of renewable generation and/or the
8 development of a smart grid. The guideline states that the plan should cover a five-year
9 horizon and clearly identify the information that formed the basis for the development of the
10 plan. The Board expects to see specific investments and expenses at a level of detail sufficient
11 for the Board to assess the need for the planned projects for at least the first three years of the
12 plan.

13

14 In a letter dated September 21, 2009 from the Minister of Energy and Infrastructure in
15 response to the GEGEA, Hydro One was asked to complete a list of activities in anticipation of
16 the Feed-In-Tariff (FIT) Program that primarily focussed on transmission projects but also
17 included targeted distribution work and smart grid infrastructure projects⁶⁴ .

18

19 In response to the GEGEA and the Minister's letter, Hydro One prepared a five year GEP as part
20 of its 2010/11 electricity rate application with proposed expenditures totalling \$181 million in
21 OM&A and \$1,737 million in capital for the period 2010 to 2014; increases that are
22 unprecedented given Hydro One's historic spending levels. AMPCO submits that Hydro One has
23 not provided a sufficient level of detail in the GEP to support these large expenditures. This
24 point is discussed further under Issue 9.2. In a general sense, AMPCO submits that the
25 proposed level of spending in the GEP is excessive and does not reflect the objectives set out in
26 the GEGEA and the Minister's letter resulting in a significant rate increase that must be funded.

⁶⁴ Ex H/Tab 6/Sch 5

1 Hydro One has proposed a level of spending which is so massive that it leaves open the
2 question whether Hydro One's GEP truly reflects the government's green vision or whether
3 Hydro One took the opportunity to significantly expand its work program on the basis of an
4 opportunity provided by the new government policy.
5

6 For the expenditures in the Green Energy Plan, Hydro One has proposed that a portion of the
7 investment costs be recovered through distribution rates and the remaining portion (less
8 generator funded capital) be externally recovered from all electricity consumers in the Province
9 based on an assessment of benefits to Hydro One Distribution customers compared to the
10 benefits to all customers in the Province. The allocation of costs between Hydro One
11 customers and external funding mechanisms is discussed under Issue 9.3.
12

13 Hydro One is not seeking approval of costs beyond 2011 in the current application⁶⁵. The extent
14 to which the Board should approve any projects or expenditures relating to the Green Energy
15 Plan beyond 2011 is discussed under Issue 9.4.
16

17 The Board's planning guideline G-2009-0087 establishes four deferral accounts in the Uniform
18 System of Accounts for renewable generation OM&A and Capital and Smart Grid OM&A and
19 Capital. The guideline also includes a Renewable Connection/Smart Grid Funding Adder for
20 distributors who anticipate substantial expenses to allow them to obtain advance funds for
21 these activities. The Board expects regular reporting of the balances in the deferral accounts
22 and the associated rate impacts so the Board can monitor the situation. Recovery of the
23 amounts included in the new deferral accounts will be subject to a prudence review.
24

⁶⁵ Transcript 1, Volume 1, page 158-159

1 In the current application, Hydro One proposes to recover the Green Energy Plan costs
2 attributable to Hydro One customers through its revenue requirement and does not plan to
3 establish a funding adder and deferral account for renewable generation or smart grid projects.
4

5 During cross-examination Hydro One stated that it “considers its forecasts appropriate and
6 does not expect costs to deviate much from the forecast⁶⁶.” In Argument-in-chief, Hydro One
7 confirmed that it “believes that its Green Energy investments are necessary, will be used and
8 useful in the rate period, and are sufficiently well defined to include as a part of its cost of
9 service in the test years⁶⁷. In terms of risk, the company does not plan to seek relief if it turns
10 out the forecast is too high or too low during the test years and will accept the risks associated
11 with variances from Board-approved levels⁶⁸.
12

13 Most intervenors including AMPCO object to this approach on the grounds that ratepayers
14 should not have to bear the risk should Hydro One’s forecast of renewable generation turn out
15 to be wrong and customers end up paying for projects that are never built or are built and not
16 used. In its Argument-in-Chief Hydro One indicated it is not opposed to using a funding adder
17 and variance account provided adequate cash flow is maintained through the period of capital
18 expansion⁶⁹. AMPCO accepts this position and submits that the Board should require Hydro
19 One to include a funding adder and deferral account to record all Green Energy Plan
20 expenditures.
21

⁶⁶ Transcript 1

⁶⁷ Transcript 11, page 22, lines 10-14

⁶⁸ Ex H/Tab 9/Sch 32

⁶⁹ Transcript 11, page 22, lines 15-23

1 **Issue 9.2 Has Hydro One appropriately addressed the Green Energy Plan expenditures in**
2 **the context of its overall Capital and OM&A budgets?**

3

4 Reliability of Renewable Energy Generation Forecast

5

6 Hydro One projects that as much as 3,500 MW of renewable generation could seek connection
7 by 2011 and an additional 3,500 MW could seek connection by 2014.

8

9 AMPCO acknowledges that forecasting the actual number and type of projects is challenging
10 for Hydro One given the early stages of GEGEA implementation and the fact that the number of
11 and type of generation projects under the FIT program are not fully known. In its evidence and
12 witness testimony, Hydro One has also acknowledged this point⁷⁰.

13

14 Hydro One has based its renewable energy generation forecast on the consideration of four
15 factors: Fit program launched by OPA in 2009; information gathered from connection
16 applications received to date under the Renewable Energy Standard Offer Program (“RESOP”)
17 program; number of technically feasible generation projects that have completed Connection
18 Impact Assessment (“CIAs”) but have not moved forward; and experience with the connection
19 process timeline. The approach taken by Hydro One to develop the forecast seems reasonable
20 and in accordance with the Board’s guideline G-2009-0087. AMPCO submits, however, that the
21 information derived from this approach did not provide the level of detail concerning the
22 number of projects, type of generation, MW per project and location in the province, needed to
23 justify the overly ambitious forecast put forward by Hydro One. Hydro One says it relied on its
24 experience with over 1,500 applications under the RESOP program to forecast the GEP work in
25 2010 and 2011 yet the actual Plan lacks the specific details (listed above) to support the
26 expenditures. This lack of detail will make it difficult for the Board to assess properly the

⁷⁰ Exhibit A, Tab 14, Schedule 2, page; Transcript 1, Volume 1, page 43

1 prudence of the activities that underlie the request for funding. Hydro One indicated in its
2 response to Board Staff's interrogatory H-1-146, that "Hydro One does not have a detailed
3 forecast of renewable generation connection by MW and by location." Further in response to
4 AMPCO's interrogatory H-12-40, Hydro One indicated that it cannot forecast what percentage
5 of this capacity will be made up of wind, solar, water power, renewable biomass, bio-gas,
6 landfill gas because they has not yet seen the applications under FIT and historical data cannot
7 be used to reliably forecast this split ⁷¹." This confirms that Hydro One's experience with
8 RESOP has limitations in predicting the number and type of connections.

9
10 During cross-examination when asked about the inability to provide more detail on the kinds of
11 connections anticipated, Hydro one responded that "there isn't that ability to say with certainty
12 that this particular project is going to go ahead and it is going to be located in this particular
13 location ⁷²." Hydro One has also indicated that it recognizes "that the number and type of
14 generation applications may change significantly once the GEGEA and all related regulations
15 and programs, such as the FIT program, are implemented⁷³." Hydro One also agreed with the
16 characterization that until you know more about precisely where the magawatts are going to
17 be located and the specific details required from generators, there will be some uncertainty
18 regarding the connection costs⁷⁴. AMPCO submits that this missing information makes the
19 forecast unreliable.

20
21 The following table summarizes AMPCO's understanding of the oral and written evidence and
22 witness testimony regarding the status of the RESOP program and the demand anticipated
23 under the FIT program.

⁷¹ Transcript 1, Volume 1, page 108

⁷² Transcript 2, Volume 2, page 29

⁷³ Ex D1/Tab 3/Sch 3, page 11, lines 15-18

⁷⁴ Transcript 1, Volume 1, page 151

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Renewable Generation Forecast (MW)

OPA Program	MW Prior to July 2009	# Of connections (2010)	MW Planned 2010	# Of connections (2011)	MW Planned 2011	# of connections (2011)	Total
RESOP	94	60	540				60
FIT			740	164	2220	304	486
Total	94 MW		1280 MW		2220 MW		3500

As of July 2009, 94 MW of renewable generation from 20 completed applications have been connected under RESOP⁷⁵. Even though FIT enables projects to proceed more quickly, and 8 months is the maximum length of time it will take to complete the CIA and Connection Cost Recovery Agreement (“CCRA”) processes⁷⁶, AMPCO submits it is an extremely ambitious forecast that goes from 94 MW to 3,500 MW and 486 connections by the end of 2011.

Undertaking J6.1 updated the above information by providing actual information from the OPA on take-up of the FIT Program that was not available at the time the original forecast was developed. As of December 1, 2009 approximately 370 MW of contracted RESOP projects had rescinded their CIAs (68.5%) and 184 MW of these projects had reapplied for FIT contracts.

⁷⁵ Transcript 1, Volume 1, page 44

⁷⁶ Transcript 1, Volume 1, pages 106-107

1 The response to the OPA's FIT Program is shown in the table below:

2

3 **Results of Launch of FIT Program (Nov 30, 2009)**

FIT	2009	MW 2010	2011	# of connections	Total 2010 to 2011
(MW)	22	75	1683	250	1758

4

5 The total MW from the applications received to date are approximately 50% lower than the
6 original forecast of 3,500 MW proposed in the GEP. AMPCO accepts that the data are
7 preliminary and the applications have not yet been verified for accuracy or completeness.

8 AMPCO notes, however, that Hydro One's forecast of 3,500 MW of renewable energy
9 generation by the end of 2011 appears to be overstated. AMPCO submits that the latest results
10 of the FIT Program demonstrates the challenges in developing an accurate forecast and
11 reinforces the uncertainty of Hydro One's forecast.

12

13 During AMPCO's cross examination as to why the capital costs per MW are greater for the
14 period 2012 to 2014 than for the period 2010 to 2011, the panel responded, in part, that the
15 easiest to do and most developed connections will be done first and the connections that
16 require additional investment will likely take place later⁷⁷. AMPCO agrees that the easiest
17 connections will likely be done first, and not all of the applications received under FIT to date
18 will result in a connection. AMPCO submits that moving forward it will likely be more even
19 difficult to reach the 3,500 MW target by the end of 2011.

20

21 In summary, AMPCO submits the lack of detail provided by Hydro One on the actual projects
22 makes the forecast unreliable and is insufficient for the Board to appropriately assess the
23 prudence of the Plan.

24

⁷⁷ Transcript 2, Volume 2, page 45

1 Capital Spending

2

3 The following table replicates

Capital (\$ M)	2009 Bridge	2010	2011
<i>Development</i>			
a Customer Connections	77.4	86.6	86.9
Upgrades	19.1	21.4	21.6
Meter Purchases	1.5	5.5	6.9
b Capability Reinforcement	41.4	47	50.9
c Mid-size Generation Connections	5.6	83.2	145.6
<i>less gen costs</i>		-12.7	-26.1
<i>less ext funded costs</i>		-65.1	-108.2
Upgrades & transfers		17.8	16.7
<i>less ext funded costs</i>		-14.6	-13.7
Other Generation Connections Work		5.1	4.8
<i>less gen costs</i>		-0.7	-0.7
<i>less ext funded costs</i>		-3.9	-3.6
d Generation Connection Enhancements			
Targeted to Support Dx Gen		31.6	87
<i>less ext funded costs</i>		-25.9	-71.2
Station Upgrades		21.2	36.8
<i>less ext funded costs</i>		-19.5	-34.1
Feeder Control Infrastructure		5.9	4.1
<i>less ext funded costs</i>		-5.8	-4
Wholesale Rev Metering Modifications		1.7	1.2
<i>less ext funded costs</i>		-1.7	-1.2
Wireless Tele Stop-Gap		2.1	0
<i>less ext funded costs</i>		-2.1	0
e Wholesale Revenue Metering	7.7	7.9	2.8
f Smart Grid	15.2	20.8	49.9
Total Development Capital	167.9	205.8	252.4
Sustaining Operations	176.5	185.8	202.5
Shared Services & Other Capital	2.4	8.1	11.2
Total Capital	450.3	564.8	576.9

4

1 In Hydro One's application, the largest increase in capital spending is in Development Capital
 2 and it is predominately attributed to work associated with the GEGEA⁷⁸ .

3
 4 The portion of the Development Capital related to the Green Energy Plan is as follows:
 5

Green Energy Plan Capital Costs (\$ millions)	2010	2011
Renewable Generation:		
1.Connection Assets	13	27
2.Expansion	72	143
3. REI	83	127
Sub-total	168	296
Smart Grid:	30	62
Energy Conservation:	0	0
Sub-Total	198	358
Less generator Funded Capital	(13)	(27)
Less external funding	(139)	(236)
Total	46	96

6
 7 The estimates for spending on the Green Energy Plan are underpinned by the forecast for 3,500
 8 MW of renewable energy connections by the end of 2010 and an additional 3,500 MW by the
 9 end of 2014⁷⁹.

10
 11 Specifically, the renewable generation connection capital expenditures in the Green Energy
 12 Plan of \$168 million in 2010 and \$296 million in 2011 are driven by the number of projects
 13 expected to proceed to completion.

14

⁷⁸ Ex D1/Tab 3/Sch 3, page 2, lines 14-16

⁷⁹ Transcript 1, Volume 1, page 43

1 The forecast was developed before the actual results of the launch of FIT Program were known.
2 Given that the preliminary results are showing a 50 % decrease in MW to be connected by the
3 end of 2011, it is AMPCO's view that the capital expenditures in the GEP for the test years are
4 overstated and inaccurate.

5

6 Smart Grid

7

8 Hydro One forecasts spending \$20 million in OM&A and \$92 million in capital expenditures over
9 the test period for a total of \$112 million. A substantial portion of the Smart Grid costs are
10 covered by the Request for Proposal ("RFP") detailed in AMPCO Interrogatory H-12-46. In cross
11 examination Hydro One agreed that depending on the results of the RFP, it cannot be confident
12 that Smart Grid will cost \$112 million⁸⁰. Hydro One has allocated all of the Smart Grid
13 investments to Hydro One customers and has included Smart Grid investments as part of its
14 rate base as the company believes these investments are necessary, used and useful, and
15 sufficiently well defined to include as part of its rate base⁸¹. AMPCO submits that given the
16 uncertainty around Hydro One's spending forecast for Smart Grid, Hydro One should include a
17 funding adder and a deferral account to record costs.

18

19 In cross examination, Hydro One indicated that it would be willing to share the results of its
20 smart grid work and pilot project with other Local Distribution Companies (LDCs) to avoid
21 duplication of work⁸² and unnecessary spending by other LDCs. AMPCO submits that the Board
22 should request that Hydro One report on the way in which this information was shared as part
23 of its next rate case.

24

⁸⁰ Transcript 1, Volume 1, page 41

⁸¹ Ex A/Tab-14/Sch 2, page 27, lines 10-12

⁸² Transcript 1, Volume 1, page 57

1 Planning Quality

2

3 Hydro One claims that the spending in the Green Energy Plan went through the same business
4 planning and approval process as all other investments presented in the application.⁸³ During
5 the hearing, the panel testified “ So we feel that, overall, we’ve provided the same level of
6 information and detail for the green energy portion of our application as we have for all of the
7 other portions of our rate application⁸⁴. In determining whether the proposed expenditures
8 are necessary, responsible and prudent as Hydro One claims they are⁸⁵, the Board will need to
9 assess if the level of detail and planning quality is in fact the same as other parts of the
10 application.

11

12 SEC Interrogatory H-10-15 asked Hydro One to provide business cases and net present value
13 analysis to support Investment Summary Documents related to GEP capital projects D1, D27-
14 D33, and D35. Hydro One responded that “Detailed business cases including net present value
15 of expenditures will not be developed for distribution generation related to capital projects
16 until the information on participation in the FIT program firms up.”

17

18 With respect to spending on Smart Grid, Hydro One indicated that business cases will be
19 developed after pilots have been undertaken and integrated solutions and technology are
20 identified and completed. In addition, the specific Research & Development (R&D) studies
21 related to Smart Grid have not been finalized and will depend upon the response to the
22 planned RFP⁸⁶. Hydro One proposes to spend \$ 5 M in each of the test years on R&D and has
23 included these costs in rate base even though there is uncertainty with the spending estimate.

⁸³ Ex A/Tab 14/Sch 2, page 1, lines 15-17

⁸⁴ Transcript 3, Volume 3, page 48, lines 15-18

⁸⁵ Ex A/Tab 14/Sch 2, page 1, line 11

⁸⁶ Ex H/Tab 9/Sch 12

1
2 The lack of detailed business cases contradicts Hydro One's claim that spending in the Green
3 Energy Plan went through the same business planning and approvals process as did other
4 spending programs. AMPCO submits that there has been a less careful and detailed business
5 planning process applied to expenditures in the Green Energy Plan that will lead to more
6 frequent and larger variances from the original spending estimate. The Board needs to
7 consider this information in determining if Hydro One has provided an adequate level of detail
8 to approve the proposed spending in the Plan.

9
10 AMPCO Request

11
12 In light of Hydro One's aggressive forecast and documented uncertainty around the accuracy of
13 the forecast and recognizing the huge increases in spending put forward by Hydro One to meet
14 an unreliable forecast, AMPCO submits that the Board should:

- 15
- 16 a) Reduce Hydro One's forecast to the end of 2011 by 50% to 1750 MW to better align
17 with the applications received to date under the FIT Program.
 - 18
 - 19 b) Adjust Hydro One's Green Energy Plan spending (direct and indirect) to reflect the
20 above revised forecast.
 - 21
 - 22 c) Require Hydro One to use a funding adder and deferral account for GEP expenditures.

23
24 **Issue 9.3 Is Hydro One's Methodology for allocating Green Energy Plan O&M and capital**
25 **costs between the OPA (Global Adjustment Mechanism) and Hydro One**
26 **appropriate?**

27

1 Hydro One submits it has determined cost responsibility in accordance with the proposed
2 Distribution System Code amendments issued by the Board and cost recovery consistent with
3 the requirements of Regulation 330/09. Hydro One proposes to recover the costs attributed to
4 Hydro One customers in revenue requirement. The remaining portion will be externally
5 recovered from all provincial customers (excluding generator funded capital).

6
7 Consideration of the appropriateness of the methodology used by Hydro One to allocate Green
8 Energy Plan costs (Issue 9.3) was deferred by the Board pending the release of the Board's
9 Report on Rate Protection and the Determination of Direct Benefits under Ontario Regulation
10 330/09 (EB-2009-0349).

11
12 In response to Hydro One's proposal to the Board dated January 18, 2010 to proceed with
13 hearing Issue 9.3 in January and examine Hydro One's proposed allocation, the Board in its
14 letter dated January 20, 2010 noted a preference for awaiting the release of the Board's Report
15 prior to hearing the issue. Board staff invited parties to include submissions on the appropriate
16 timing for hearing issue 9.3 with their final submissions. In addition, the Board expects parties
17 to comment on the appropriateness of Board staff's proposal.

18
19 AMPCO understands the Board's desire to have the outcome of the consultation process known
20 prior to setting rates and allocating costs. At the same time, AMPCO can appreciate why Hydro
21 One would like to move forward. To date, the Board's Report has not been released.

22
23 Board staff has proposed an alternative that appears to address all of the significant concerns
24 whereby the Board could determine the allocation to provincial ratepayers, subject to
25 adjustment later. This would include setting up two deferral accounts; one to record amounts
26 collected from Hydro One customers; the other to record recovery from provincial ratepayers.
27 Once the Board has determined the final allocation, any over or under collection would be
28 taken into account in setting the amount to be collected in subsequent years.

1
2 AMPCO submits that Board Staff's approach seems reasonable; however, AMPCO suggests that
3 the Board consider more of a hybrid approach between the proposals of Board staff and Hydro
4 One. AMPCO submits that intervenors should be given an opportunity to examine and make
5 submissions on the methodology Hydro One has used to allocate costs. The Board could then
6 make a decision in this proceeding on the appropriate allocation to be used for rate making
7 purposes and then once the final allocation is known based on the outcome of EB-2009-0349,
8 any under or over collection would be taken into account using the process recommended by
9 Board staff that includes up two deferral accounts.

10

11 **Issue 9.4 To what extent should the Board approve any projects or expenditures relating**
12 **to the Green Energy Plan that are scheduled to occur beyond the test years (i.e.**
13 **2010 and 2011) in the current application?**

14

15 Hydro One's five year GEP includes a forecast of an additional 3,500 MW of renewable energy
16 generation connection for the period 2012 to 2014 and an additional \$115 M in OM&A and
17 \$1,180 M in capital spending for the same period. In its current application, Hydro One is
18 seeking approval of the GEP for the years 2010 and 2011 and expects it will come back with
19 another filing for 2012.

20

21 Hydro One has indicated it expects to make substantial investments in distribution related to
22 the GEP over the period 2012 to 2014. During the hearing, Hydro One agreed for the purposes
23 of evaluating impacts, the presentation of years 3, 4 and 5 in the GEP are directionally reliable⁸⁷.

24

25 Board staff does not consider Issue 9.4 to be an issue in this proceeding⁸⁸. AMPCO
26 acknowledges that the Board will not be approving projects or expenditures beyond the test

⁸⁷ Transcript 2, Volume 2, page 138

1 years. AMPCO submits, however, that Issue 9.4 should remain in this proceeding as the
2 treatment of expenditures beyond the test years and the planning required for future years is
3 important with respect to the evolution of Board planning guidelines (G-2009-0087) related to
4 GEGEA investments.

5
6 **PART II AMPCO's Submissions Concerning the Proposal of the School Energy Coalition**
7 **for a New Urban/Rural Rate Design**

8
9 **7. COST ALLOCATION and RATE DESIGN**

10

11 **Issue 7.1 Is Hydro One's cost allocation appropriate including the analysis of the**
12 **relationship between density and cost allocation?**

13

14 The School Energy Coalition (SEC) filed evidence in support of a change in rate design that
15 would replace Hydro One's current density based rates with a smaller set, split between urban
16 and rural designations. The distinction would be based on municipal boundaries, rather than by
17 the density criteria employed by Hydro One.

18

19 SEC's evidence was prepared by Dr. C.K Woo, a Senior Partner with Energy and Environmental
20 Economics of San Francisco⁸⁹. The essence of Dr. Woo's written evidence is that a rate design
21 based on municipal boundaries would be superior to the current approach Hydro One because
22 it would be better aligned with "the principles of acceptability, lack of controversy and ease of
23 understanding."

24

⁸⁸ Board Staff Submissions, 20100201, page 34

⁸⁹ Exhibit K4.3

1 There is a problem with SEC's evidence, namely: urban and rural criteria are not well defined in
2 SEC's evidence.

3
4 In the written evidence, the criterion for urban rural is simply given as "municipal
5 boundaries"⁹⁰. In AMPCO's cross examination, Dr. Woo admitted that this definition was not
6 adequate as a criterion. When asked if the definition was perhaps too broad, given the variety
7 of municipalities in Ontario, Dr. Woo replied "Right. I think I -- one has to be careful in that --
8 now, let's say we, you know, adopt one particular, you know, definition, just for the sake of an
9 argument. You go through it and you look at it and you say: That's kind of silly, you know. I
10 mean the results will look at you and say: That's a dumb selection unless you have some
11 language to -- you know, in the tariff to address that towns are not -- not every town is the
12 same, obviously"⁹¹.

13
14 While Dr. Woo did identify possible criteria for defining a municipality in Ontario, he made no
15 specific recommendation. This is important, because Ontario holds a range of types of
16 "municipality" ranging from police villages through large area-low density municipalities such as
17 Muskoka Lakes and Timmins to more conventionally understood municipalities such as Lindsay.

18
19 It is reasonable to expect that the cost of providing distribution service to customers in a broad
20 variety of municipalities would also present a broad variety of differences which probably
21 would render "municipal boundary" a less far useful concept for purposes of defining customer
22 classes. Dr. Woo, in examination on behalf of AMPCO admitted as much: "So those are the kind
23 of issues that one might encounter when dealing with this so-called rural/urban. You may need
24 to change it in some way, and, maybe at the end of the day, this rural/urban rate-making idea

⁹⁰ IBID, last bullet on page 5

⁹¹ Transcript 4 (Redacted), Volume 4, page 127, lines 1-9

1 may not work for a utility with such a huge geographic coverage⁹².”

2

3 Implementation of the SEC proposal would not necessarily increase acceptability, reduce
4 controversy, or ease understanding.

5

6 For those customers that would receive lower rates should the Board accept SEC’s proposal,
7 acceptability would certainly be improved. Lower rates would be at the expense of other Hydro
8 One customers that would receive higher rates than are currently proposed. For these
9 customers, acceptability would decrease. SEC’s submission does not identify how many
10 customers would fall into these two categories, or how they might see such a change as
11 “acceptable”.

12

13 If anything, a move to an urban/rural split of customer classes by Hydro one would increase,
14 not decrease controversy. Implementation of an urban/rural split would not be a simple matter
15 of reverting to the customer classes that preceded harmonization. For example, Hydro One
16 serves municipalities such as Timmins that have never had a distribution company other than
17 Hydro One and its predecessor. Logically, these customers would become “urban”, even
18 though Timmins covers a large geographic area with a relatively small population. Acceptance
19 of the SEC proposal would have other customers in municipalities, such as Huntsville, provide
20 “urban” rates to summer cottages, while full time residents just outside the boundaries would
21 receive “rural” rates. AMPCO submits that this would not be a logical outcome of a non-
22 controversial rate design.

23

24 Similarly, it is difficult to see how, in Ontario, an urban/rural split based on municipal
25 boundaries would provide “ease of understanding”. This would be particularly true where close
26 neighbours live on opposite sides of a municipal boundary. How Hydro One or the Board could

⁹² IBID, lines 14-18

1 explain different rates for neighbours served by the same distributor and using the same
2 facilities is difficult to foresee. There is no evidence that implementation of the SEC proposal
3 would increase fairness of treatment among customers of Hydro One.

4
5 Dr. Woo's written evidence argues for an urban/rural differentiation based on secondary
6 principles related to customer perceptions and responses and not on more important criteria
7 such as cost causality. It may be that underlying the SEC evidence is an implicit assumption that
8 an urban/rural differentiation would produce a rate structure that is better founded in cost
9 causality, but this does not seem to be clearly stated. Since municipal boundaries tend to be
10 determined by historical and political factors, it is difficult to understand how they could be
11 directly useful in fairly differentiating customers on the basis of cost causality. The urban/rural
12 criterion proposed by SEC for customer classification is inferior to other methods, as it is at best
13 a proxy for density and is unrelated to the cost drivers that differentiate customer classes.
14 As noted in the written evidence provided by Ontario Hydro, the use of municipal boundaries
15 for purposes of customer classification may serve as a proxy for customer density⁹³. This is
16 logical, since density is an acknowledged factor in the cost of service.

17
18 Rather than move to a customer classification system that is based on a density proxy, it would
19 be much better to use density directly, if it is established as a primary factor in differentiating
20 customers by cost causality.

21
22 In summary, AMPCO submits that the evidence provided by the School Energy Coalition
23 suggesting that Hydro One should develop a rate structure based on municipal boundaries is
24 illogical and unpersuasive.

25

⁹³ Ex G1/Tab 2/Sch 5/Attachment 1, page 5, Section 2.2

1 The question remains as to whether Hydro One has fully complied with the Board’s direction in
2 EB-2007-0681, to “provide a more detailed analysis on the relationship between density and
3 cost allocation to the Board. This should consider whether the number of Residential and
4 General Service customer classes in the new class structure is adequate, and whether the
5 customer class demarcations approved in this Decision offer the best reflection of cost
6 causation. The study should include consideration of alternative density weightings, with
7 descriptions and criteria for comparing alternatives. Comparisons with the costs of distributors
8 similar in size and location to Acquired Distributors would also be useful. The Board requires
9 that Hydro One submit this information in its next cost of service application⁹⁴.”

10

11 By Hydro One’s own admission, it has not fully complied⁹⁵. Critically, the Board directed Hydro
12 One to determine whether the existing class definitions offer the best reflection of cost
13 causation. As a check on whatever results Hydro One would come forward with, the Board also
14 suggested that Hydro One provide comparisons with LDCs of similar characteristic to Hydro
15 One’s acquired LDCs⁹⁶. The Board’s purpose was clear when it provided this direction, in that it
16 was not convinced that Hydro One’s proposed customer classes would provide fair treatment
17 for the customers of the acquired LDCs.

18

19 While Hydro one has provided a study on density criteria, this is not what the Board directed
20 Hydro One to do. Instead, Hydro one has presented this paper as the beginning of a “staged
21 approach⁹⁷.” Hydro One has not provided an indication of if or when this approach will result
22 in completion of the activities the Board requested. The Board should be concerned that Hydro
23 One’s lack of responsiveness to the board’s directive will result in customer rates in the

⁹⁴ Ex A/Tab 18/Sch 1/page 2, item iii

⁹⁵ Transcript 10, Volume 10, page 50, lines 14-15

⁹⁶ Ex A/Tab 18/Schedule 1, page 2

⁹⁷ Transcript 10, Volume 10, page 51, lines 16-20

1 acquired LDCs that are not well based on cost causality and are unfair when compared to the
2 rates enjoyed by customers of LDCs that were not acquired by Hydro One.

3
4 In cross examination by Mr. Shepherd (SEC) on this issue of not fully responding to the board's
5 direction, the Hydro One witness stated "Yes, but at the time that the decision came out, we
6 were thinking of doing IRM application, so the next cost application wasn't necessarily going to
7 be this year⁹⁸." The Board provided its decision and direction to Hydro One for the cost
8 allocation study on December 18, 2008⁹⁹. Hydro one had already filed its 2009 IRM application
9 the previous month, on November 7, 2008¹⁰⁰. This application was for a single year (2009),
10 with intent to come forward with the current cost of service application for 2010 and 2011
11 rates, which was confirmed in cross examination¹⁰¹.

12
13 With respect, it is difficult to accept that Hydro One was unaware in December 2008 that it
14 would be filing its next cost of service application the following year.

15
16 AMPCO respectfully submits that Hydro One's stated reasons for not complying with the
17 Board's directive on cost allocation are not acceptable.

18
19 AMPCO does not suggest that the customer group it represents is necessarily being
20 disadvantaged by Hydro One's reluctance to review its cost allocation process. Rather, the
21 preceding comments are rooted in AMPCO's conviction that economic efficiency requires
22 proper cost allocation for all customers in order that price signals are clear and accurate.

23

⁹⁸ Transcript 10, Volume 10, page 49, lines 17-20

⁹⁹ EB-2007-0681, Decision with Reasons, page 31

¹⁰⁰ EB-2008-0187, Application and Evidence

¹⁰¹ EB-2008-0187, Transcript Volume 1 (Redacted) page 65, lines 14-22

1 **PART III RELIEF SOUGHT**

2
3 **AMPCO requests the following relief:**

- 4
- 5 1. The Board should not agree that Hydro One can move to a calendar year rate setting
6 process until, at least, January, 2011.
 - 7 2. The Board should not approve any spending requested by Hydro One on any project
8 that is beyond the level of program sustainability. In that regard, the Board should roll
9 back increases in accomplishment levels where those increases are beyond level 1 as
10 shown in Ex A/Tab 14/Sch 6/Figure 1.
 - 11 3. With regard to Issue 3.9 concerning spending on electricity loss reduction, the Board
12 should require that Ontario Hydro bring forward an updated electricity loss reduction
13 evaluation study in its next cost of service application based on actual measured
14 consumption.
 - 15 4. The Board should not approve any costs with respect to vegetation management
16 proposed by Hydro One which reduces the management cycle from 8 years to 7 years.
 - 17 5. The Board should require Hydro One, at its next rate hearing, to compare the cost of
18 undertaking vegetation management services in-house as opposed to using third party
19 contractors.
 - 20 6. The Board should not approve the increases in shared services OM&A since they are
21 excessive and should be reduced to a more reasonable level, arbitrarily by 50%.
 - 22 7. The Board should reduce the Human Resources costs which are not reasonable where
23 feasible.
 - 24 8. The Board should not approve any increases in capital sought by Hydro One with respect
25 to pole replacement until a study is provided to the Board which describes whether life
26 extension alternatives are more cost effective than simple pole replacement.

1 9. The Board should not approve any capital requested by Hydro One for new connections
2 and the approved capital requirement should be reduced by 6.7% to reflect real
3 demand.

4
5 **With respect to the GEP:**

6
7 10. Hydro One should be ordered by the Board to distinguish between costs
8 associated directly with the GEP from increases driven by other plans or
9 proposals before any element of the GEP and other program costs are
10 approved.

11 11. The Board should reduce Hydro One's forecast for green energy
12 generation to the end of 2011 by 50% arbitrarily, to reflect uncertainties.

13 12. The Board should order Hydro One to reduce its GEP spending to reflect
14 the above revised forecast; i.e., by 50%.

15 13. The Board should require that Hydro One use a funding adder and
16 deferral account for GEP expenditures.

17 14. The Board should require Hydro One to report to the Board as to how it
18 has shared its information related to its Smart Grid Program with other
19 LDCs, as part of its next rate case.

20 15. The Board should require Hydro One to, once again, provide a more detailed analysis on
21 the relationship between density and cost allocation.

22

1 **PART IV COSTS**

2

3 AMPCO respectfully requests that it be awarded 100% of its reasonably incurred costs of
4 participating in these proceedings.

5

6 ALL OF WHICH IS RESPECTFULLY submitted this 5TH February 2010.

7

8

9

ORIGINAL SIGNED BY

10

11

David Crocker

12

Counsel to AMPCO

13