



By electronic filing and by e-mail

February 10, 2010

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

Dear Ms Walli,

**Hydro One Networks Inc.  
Deferral Accounts**

**Board File No.: EB-2009-0416  
Our File No.: 339583-000063**

Please find enclosed the Interrogatories of our client, Canadian Manufacturers & Exporters ("CME").

Please contact me if you require any further information.

Yours very truly,

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

Peter C.P. Thompson, Q.C.

\slc  
enclosure

c. Susan Frank (Hydro One)  
Don Rogers (Rogers Partners)  
Intervenors EB-2008-0272  
Paul Clipsham (CME)

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

**AND IN THE MATTER OF** a motion by Hydro One Networks Inc. in regard to a decision on Transmission Rates for 2010 and for the addition of Projects to a Deferral Account previously authorized in proceeding EB-2008-0272.

**INTERROGATORIES OF  
CANADIAN MANUFACTURERS & EXPORTERS ("CME")  
TO HYDRO ONE NETWORKS INC. ("HYDRO ONE")**

**Interrogatory 1**

**References and Preamble**

The EB-2008-0272 Decision with Reasons dated May 28, 2009 (the "Decision") at page 60 "... authorizes the establishment of the IPSP and Other Preliminary Planning Costs Account." for the 2009 and 2010 test period. The Decision, at page 57, describes the purpose of the Account as follows:

*"The purpose of this account is to record Hydro One's costs of preliminary work to advance 18 transmission related projects identified by the OPA in the IPSP and for the proposed Darlington "B" generating station. The estimates expenditures associated with these activities are \$47.9 million, of which \$19.2 million will be incurred during the 2009 and 2010 test years."*

Hydro One's letters to the Board of December 3 and December 15, 2009, seek to amend the scope of the Account the Board authorized on the basis of the passage of the *Green Energy and Green Economy Act, 2009* (the "GEGEA"), a letter dated September 21, 2009, from the Ontario Minister of Energy and Infrastructure to Hydro One. Attachment A to the letters of December 3 and December 15, 2009, is merely a list of projects.

There is no information justifying the projects on economic feasibility grounds. There is no information to indicate either the total anticipated costs of each of the projects, nor the manner in which the preliminary project planning costs were derived. There is no information to indicate the mix of renewable generation that is likely to be attached as a result of proceeding to incur preliminary planning costs with respect to each of the projects; nor the pace at which more costly supplies of electricity are likely to displace cheaper alternatives; nor the impacts on the "all in" electricity prices consumers are likely to pay; nor the ability of the various sectors of the Ontario economy to tolerate what is being planned.

In its December 18, 2009 Draft Filing Requirements for Distribution Plans under the *Green Energy Act* (the "GEA"), the Board emphasized that an integrated approach to planning is critical. The Board stated as follows:

*"Coordinated planning among distributors and transmitters and the Ontario Power Authority will be essential to achieving the goals of the GEA in a timely and cost effective manner."*

Attachment A to the letters of December 3 and December 15, 2009, indicates that the preliminary planning costs associated with the projects there listed is expected to total almost \$168M. The preliminary planning work is to be completed in the years 2011 to 2014 inclusive. A note to Attachment A indicates that "*Total*" costs include cash flows, if any, in years from 2009 and on."

Questions

In the context of the foregoing, the following additional information is requested:

- (a) Please advise whether the Minister's September 21, 2009 letter was the result of a coordinated planning exercise in which Hydro One participated. If so, provide complete details of the coordinated planning that preceded the letter, including:
  - (i) a description of the parties participating therein,
  - (ii) the duration of the planning exercise,
  - (iii) the measures adopted to evaluate the need and the economic feasibility of each of the projects in the Minister's list,
  - (iv) the estimated capital costs of the projects,
  - (v) the mix of renewable generation likely to be connected and the time frame over which it is expected to come on line,
  - (vi) the likely consequences on the "all in" electricity price of the total costs of all of the infrastructure projects referred to in the Minister's letter, and the displacement of lower cost of electricity supply by higher cost electricity from renewable generation resources;
- (b) Please advise whether a prospective multi-year year-over-year total electricity price impact estimate is prepared and used by those engaged in the coordinated planning exercise and, if so, produce a copy thereof;
- (c) Provide a list of the projects initially presented in EB-2008-0272 that were identified by the OPA and the IPSP, and for the proposed Darlington B generating station, together with the estimated preliminary planning and development costs for each project in each of the years 2009 to 2014 inclusive;
- (d) Provide a breakdown of the preliminary planning and development OM&A costs for each of the years 2009 to 2014 inclusive for each of the fourteen (14) projects listed in Appendix A, Attachment 1 to Hydro One's December 15, 2009 letter to the Board;
- (e) Please indicate whether the \$168M in Appendix A, Attachment 1 to Hydro One's December 15, 2009 letter to the Board includes the \$47.9M referenced at page 57 of the Decision, or is in addition thereto;
- (f) Produce a copy of any formal order that issued following the Decision that defines the scope of the Deferral Account the Board approved;
- (g) Provide the amounts, if any, recorded to date in the Deferral Account the Board authorized;
- (h) Describe the precise relief Hydro One is asking the Board to approve with respect to the 2010 test year;

- (i) Indicate whether Hydro One agrees that Deferral Account relief for 2011 and 2012 should form part of its pending application for 2011 and 2012 transmission rate relief;
- (j) Estimate the extent to which Hydro One will use existing human resources to conduct the preliminary planning activities for the projects listed in Appendix A, Attachment 1 of its December 15, 2009 letter to the Board;
- (k) Explain precisely what cost risks Hydro One faces in 2010 if the Board decides that it is inappropriate to amend, for the 2010 test year, the scope of the Deferral Account it approved in EB-2008-0272;
- (l) Explain the meaning of the phrase "Total costs include cash flows, if any, in years from 2009 and on" that appears in Appendix A, Attachment 1 in the context of a request to record preliminary planning expenses in a Deferral Account. What are the sources of the "cash flows" that are to be reflected in the expense account?;
- (m) Provide details of the planning activities in which Hydro One engaged following receipt of the September 21, 2009 letter from the Ontario Minister of Energy and Infrastructure and prior to December 3, 2009, the date of its first letter to the Board. In particular, what was done to develop the OM&A preliminary planning costs with respect to each of the IPSP and other long term projects described in Appendix A, Attachment 1 to its December 15, 2009 letter to the Board. If others worked together with Hydro One in these planning activities after September 21, 2009, then please provide complete details and include therein a description of the information that was developed after September 21, 2009, pertaining to each of the matters described in Question 1(b);
- (n) Please describe how Hydro One has evaluated the need for and economic feasibility of each of the projects for which preliminary planning and development is required. In particular, describe the manner in which Hydro One has estimated the likely long term impacts of these projects on the "all in" prices for electricity that consumers will be required to pay;
- (o) If Hydro One has not yet evaluated the economic feasibility for each of these projects, then please advise whether anyone else engaged in their coordinated planning has? If the answer is yes, then please provide the details of these economic feasibility evaluations; and
- (p) If the scope of the Deferral Account is amended, as Hydro One requests, but on condition that no amounts recorded therein will be recoverable before the economic feasibility for each of the projects has been objectively demonstrated to the Board, including at transparent demonstration of the likely impacts of their implementation on the "all in" electricity price consumers will be required to pay in years hence, then how will the dollars recorded in the Deferral Account be treated for financial statement purposes under International Financial Reporting Standards ("IFRS") in the year the costs are incurred and in the subsequent years when economic feasibility is established to the satisfaction of the Board.