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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

February 19, 2010

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

EB-2009-0416 – Hydro One Networks' Application to Amend Deferral Account – Interrogatory Responses

I am attaching two (2) copies of the Hydro One Networks' responses to interrogatory questions.

An electronic copy of the responses has been filed using the Board's Regulatory Electronic Submission System (RESS) and the proof of successful submission slip is attached.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

c. EB-2009-0416 Intervenors (Electronic only)

Ontario Energy Board (Board Staff) INTERROGATORY #1 List 1

Interrogatory

Reference:

- 1) Ontario Energy Board Decision with Reasons May 28, 2009, page 59.
- 2) Letter, Susan Frank to Kirsten Walli, December 15, 2009 “Hydro One Networks Transmission – Application to Amend Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs”
- 3) Letter, Susan Frank to Kirsten Walli, December 3, 2009 “Hydro One Networks Transmission-Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs – Additional Projects”. This was attached to Hydro One’s Application of December 15, 2009 as Appendix A.
- 4) Attachment 1 to the letter of December 3, 2009, Susan Frank to Kirsten Walli, “Summary of OM&A Development Work for GEGEA Projects to be Charged to Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs”.

Preamble:

The Board established a deferral account for 18 projects identified by the OPA in the IPSP, and the proposed Darlington B generating station. References 2 and 3 identify projects related to the Green Energy Act which Hydro One proposes be added to the deferral account.

Question:

- 1) Please identify why Hydro One considers it necessary or desirable to request that projects be added to the deferral account established in the decision of May 28, 2009.
- 2) Please indicate if Hydro One agrees that if the Board grants Hydro One’s request, there is no guarantee of recovery of costs recorded in the deferral account, and a review of the prudence of any and all of the investments and of their costs will be conducted at the time of disposition of the account.

Response

- 1) Hydro One considers it necessary to request that the projects be added to the deferral account established in the decision of May 28, 2009. These additional projects are driven by the *Green Energy and Economy Act, 2009*, and align with the projects identified in the Minister’s letter dated September 21, 2009. These projects also meet

- 1 the important consideration as detailed in the Board's Decision in EB-2008-0272
2 issued May 28, 2009 on page 59. The nature of the costs to be included in the deferral
3 account is consistent with Hydro One's Prefiled Evidence in EB-2008-0272 under
4 Exhibit C1, Tab 2, Schedule 3, page 6 regarding the costs to be placed in the Deferral
5 Account. Please also refer the letter from Ms. Susan Frank to Ms. Kirsten Walli dated
6 December 3, 2009 which is provided in Attachment 1.
7
- 8 2) Hydro One agrees that there is no guarantee of recovery of costs recorded in the
9 deferral account. The prudence of any costs recorded in the deferral account will be
10 determined by the Board at the time Hydro One requests the disposition of the
11 account balances.

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Filed: February 19, 2010

EB-2009-0416

OEB #1

Attachment 1

Page 1 of 3



Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

December 3, 2009

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

Hydro One Networks Transmission – Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs – Additional Projects

Per the OEB's Decision with Reasons in EB-2008-0272, Hydro One Networks' 2009-2010 Transmission Revenue Requirement Application, the Board authorized the establishment of a deferral account to capture preliminary planning costs for IPSP and other long term projects¹, as discussed in evidence².

Since the determination of this Decision with Reasons, the *Green Energy and Green Economy Act, 2009* (GEGEA) has received Royal Assent. Further, on September 21, 2009, the Ontario Minister of Energy and Infrastructure issued a letter to Hydro One requesting that it immediately proceed the planning, development and implementation of a number of transmission and distribution projects which will allow the grid to accommodate additional renewable generation as per the policy objectives of the GEGEA, as well as seek the necessary approvals for these projects.³

Hydro One is requesting that the OEB amend the list of "other long term" projects whose OM&A costs can be collected in the above approved deferral account to include projects required to be initiated as per the above referenced Minister's letter. These additional projects, which are driven by the GEGEA are listed in Attachment 1.

¹ EB-2008-0272 Decision With Reasons, issued May 28, 2009, page 60.

² EB-2008-0272, Exhibit C1, Tab 2, Schedule 3, page 7, Table 1

³ Letter from George Smitherman to James Arnett dated September 21, 2009

These additional projects meet the important consideration as detailed in the Board's Decision⁴ regarding the deferral account:

An important consideration in this specific request is that Hydro One's activities are clearly driven by current Ontario energy policy. Hydro One itself is not the driver behind these expenditures; as the largest transmission utility in the Province, it is responding to the policy drive by the Ontario government to meet certain objectives regarding new generation. Although project plans have not unfolded as originally conceived, there are clear expectations of the largest transmission utility that the planning work for these projects must continue.

Further, the nature of these project costs is consistent with Hydro One's Prefiled Evidence in EB-2008-0272⁵ regarding costs to be placed in the deferral account:

The IPSP [and GEGEA] projects include major transmission projects that will require extensive planning and pre-engineering work. ... The pre-engineering work includes: collecting initial data from internal sources; initiating work to obtain approvals; conducting feasibility studies; performing preliminary engineering and cost estimates to identify and assess alternatives; undertaking external stakeholder consultations; and submitting applications to obtain Environmental Assessment ("EA") and Section 92 'Leave to Construct' Approvals.

Please contact Allan Cowan at 416 345 6219 if you have any questions.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

c. Don Rogers; EB-2008-0272 Intervenors

⁴ EB-2008-0272 Decision With Reasons, issued May 28, 2009, page 59.

⁵ EB-2008-0272, Exhibit C1, Tab 2, Schedule 3, page 6

ATTACHMENT 1

Summary of OM&A Development Work for GEGERA Projects to be Charged to Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs

Item #	Investment Description	EA Status	Section 92 Status	Total Development OM&A Cost (\$ Millions) (Note 1)	Development Work Completion
1	Goderich Area Enabler	Required	Required	6.2	12/31/2011
2	Northwest Transmission Line [Pickle Lake x Nipigon]	Required	Required	20.9	12/31/2011
3	North-South Tie	Required	Required	22.7	9/30/2012
4	Reinforcement West of London [London x Sarnia]	Required	Required	15.9	9/30/2012
5	Chenault (Galletta Junction)	Required	Required	4.5	9/30/2012
6	St. Lawrence x Merivale [Cornwall x Ottawa]	Required	Required	5.2	9/30/2013
7	Renfrew Area Cluster [Pembroke]	Required	Required	11.8	9/30/2012
8	Wanstead Cluster [Huron South Enabler]	Required	Required	5.2	9/30/2014
9	Parry Sound Cluster [Enabler]	Required	Required	11.6	9/30/2013
10	North Bay Cluster [Enabler]	Required	Required	10.0	9/30/2013
11	Thunder Bay Cluster [Enabler]	Required	Required	12.0	9/30/2013
12	East – West Tie (Nipigon x Wawa)	Required	Required	11.6	9/30/2012
13	Selby Junction x Belleville [Belleville x Napanee]	Required	Required	4.7	9/30/2012
14	Bowmanville x GTA	Required	Required	25.4	9/30/2013
	Total			167.7	

Note 1: “Total” costs include cash flows, if any, in years from 2009 and on.

Ontario Energy Board (Board Staff) INTERROGATORY #2 List 1

Interrogatory

References:

- 1) Attachment 1 to the letter of December 3, 2009, Susan Frank to Kirsten Walli, “Summary of OM&A Development Work for GEGEA Projects to be Charged to Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs”.
- 2) Letter of September 21, 2009, Minister Smitherman to James Arnett, including enclosures:
 - a. Schedule A – Transmission Projects
 - b. Schedule B – Projects to Enable Distribution System Connected Generation

Preamble:

While all the projects which Hydro One is requesting in this application appear to be listed in the reference 2 a, more certain identification is required and there are some that are not included. Board staff is seeking clarification.

Question:

- 1) For each of the projects now being requested to be added to the deferral account, as provided in reference 1, please provide the following information in a table:
 - a) Requested item # as per reference 1
 - b) Item # as per reference 2
 - c) Project Description (where the descriptions might vary between reference 1 and 2 please provide an explanation)
 - d) Nominal line voltage
 - e) Number of circuits
 - f) Terminal points
 - g) Total Development OM&A Costs
 - h) Development work commencement and expected completion date
 - i) For each of the projects in reference 1 please indicate if there is any interdependence. For example, are any of the projects mutually exclusive?
- 2) Please confirm that there is no overlap between the projects approved for inclusion in the deferral account in the Board’s May 28, 2009 decision, and the projects now proposed to be included in the account. If overlap exists, please explain.
- 3) Please explain how Hydro One selected the projects to include in the account from the schedules attached to the Minister’s letter. Are projects 3 and 4 on Schedule A already included in the account? Will Hydro One transmission be completing any of

1 the projects listed in Schedule B? If yes, why are none of the projects in Schedule B
2 being requested to be added to the deferral account?
3

4 4) At page 2, paragraph 7 of the Minister's letter, a transmission link between Thunder
5 Bay and the Greater Toronto Area is mentioned. Please explain how this link relates
6 to the projects proposed to be included in the account.
7
8

9 **Response**
10

11 1) The following table provides the information requested in question 2.1. Hydro One
12 has updated columns (e) and (f) to reflect revised forecasts for the costs and estimated
13 commencement and completion dates for the development work.

Item #	Investment Description	Requested Item # as per Reference 1 (a)	Item # as per Reference 2 (b)	Project Description (Subject to Revision through Development Work) (c)	Current Forecast of Nominal Line Voltage (d)	Current Forecast of Number of Circuits (e)	Current Forecast of Terminal Points (f)	Current Estimate of Total Development OM&A Costs (\$M) (g)	Current Estimate of Dev. Work Comm. and Expected Comp. Date (Comm/Comp) (h)	Inter-Depend. (i)
1	Goderich Area Enabler	1	7	Options to be considered include re-building of the exiting 115 kV Goderich TS x Seaforth TS line and/or installing a new 500/230 kV TS in the general area	230 kV and/or 500/230 kV TS	2	To Be Determined	5.0	Comm.: Early 2010 Comp.: Late 2012	See Note "1" Below
2	Northwest Transmission Line [Pickle Lake x Nipigon]	2	14	Reference option is a 230 kV line from a new Nipigon SS (on Lakehead TS x Marathon TS line) to a new 230/115 kV TS near Crow River DS via the vicinity of future Little Jackfish GS	230 kV	1	New 230 kV Nipigon SS to a new 230/115 TS near Crow River DS	21.7	Comm.: Late 2009 Comp: Late 2011	See Note "2" Below
3	North-South Tie	3	2,3	An additional 500 kV circuit between Sudbury (Hanmer TS) to GTA (likely Claireville TS) via Barrie (Essa TS). Several construction options to be assessed	500 kV	1	Hanmer TS Essa TS Claireville TS	18.2	Comm.: Early 2010 Comp.: Late 2013	See Note "2" Below
4	Reinforcement West of London [London x Sarnia]	4	5	The transmission reinforcement west of London may take the form of some components of facilities ranging from (a) 500 kV lines between London and Sarnia and/or Chatham to (b) 230 kV transmission based on widening existing rights-of-	230 kV and/or 500 kV	1 or 2	Uncertain	22.7	Comm.: Early 2010 Comp.: Late 2013	See Note "1" Below

Item #	Investment Description	Requested Item # as per Reference 1 (a)	Item # as per Reference 2 (b)	Project Description (Subject to Revision through Development Work) (c)	Current Forecast of Nominal Line Voltage (d)	Current Forecast of Number of Circuits (e)	Current Forecast of Terminal Points (f)	Current Estimate of Total Development OM&A Costs (\$M) (g)	Current Estimate of Dev. Work Comm. and Expected Comp. Date (Comm/Comp) (h)	Inter-Depend. (i)
				way						
5	Chenau (Galletta Junction)	5	17	230 kV transmission line from Galletta Juc. (South of Arnprior) to Chenau TS, possibly utilizing existing 115 kV Right Of Way	230 kV	2	Galletta Jct. Chenau TS	0.9	Comm.: Early 2012 Comp.: Mid 2013	See Note "3" Below
6	St. Lawrence x Merivale [Cornwall x Ottawa]	6	15	A 230 kV line between St. Lawrence TS and Merivale TS (Ottawa area), possibly utilizing existing 115 kV Right Of Way	230 kV	2	St. Lawrence TS Merivale TS	0.8	Comm.: Early 2012 Comp.: Mid 2013	See Note "3" Below
7	Renfrew Area Cluster [Pembroke]	7	10	A 230 kV line tentatively from Chenau TS to where renewable generation is identified through OPA's FIT process	230 KV	1	Tentatively Chenau TS and Uncertain Termination	7.9	Comm.: Early 2011 Comp.: Mid 2013	See Note "3" Below
8	Wanstead Cluster [Huron South Enabler]	8	9	A 230 kV line tentatively from Wanstead TS to where renewable generation is identified through OPA's FIT process, possibly utilizing existing 115 kV Right Of Way	230 kV	1	Tentatively Wanstead TS and Uncertain Termination	0.8	Comm.: Late 2011 Comp.: Mid 2014	See Note "1" Below
9	Parry Sound Cluster [Enabler]	9	11	A 230 kV line tentatively from Parry Sound TS to where renewable generation is identified through OPA's FIT process.	230 kV	1	Tentatively Parry Sound TS and Uncertain Termination	5.6	Comm.: Early 2011 Comp.: Mid 2013	See Note "3" Below

Item #	Investment Description	Requested Item # as per Reference 1 (a)	Item # as per Reference 2 (b)	Project Description (Subject to Revision through Development Work) (c)	Current Forecast of Nominal Line Voltage (d)	Current Forecast of Number of Circuits (e)	Current Forecast of Terminal Points (f)	Current Estimate of Total Development OM&A Costs (\$M) (g)	Current Estimate of Dev. Work Comm. and Expected Comp. Date (Comm/Comp) (h)	Inter-Depend. (i)
10	North Bay Cluster [Enabler]	10	12	A 230 kV line tentatively from North Bay TS to where renewable generation is identified through OPA's FIT process, possibly utilizing existing 115 kV Right Of Way	230 kV	1	Tentatively North Bay TS and Uncertain Termination	5.6	Comm.: Early 2011 Comp.: Mid 2013	See Note "2" Below
11	Thunder Bay Cluster [Enabler]	11	13	A 230 kV line tentatively from Lakehead TS to where renewable generation is identified through OPA's FIT process.	230 kV	1	Tentatively Lakehead TS and Uncertain Termination	12.0	Comm.: Early 2011 Comp.: Mid 2013	See Note "2" Below
12	East – West Tie (Nipigon x Wawa)	12	1	A 230 kV line from Wawa TS to Nipigon SS or Lakehead TS depending on OPA's assessments of FIT applications	230 kV	1 or 2	Wawa TS, Nipigon SS and/or Lakehead TS	12.1	Comm.: Early 2010 Comp.: Early 2013	See Note "2" Below
13	Selby Junction x Belleville [Belleville x Napanee]	13	16	A 230 kV line from Selby Jct. (north of Napanee to Belleville TS, with options of converting an existing 115 K line or widening the ROW	230 kV	2	Selby Jct. to Belleville TS	0.8	Comm.: Late 2011 Comp.: Early 2013	See Note "3" Below
14	Bowmanville x GTA	14	6	A 500 kV line from existing Bowmanville SS to Cherrywood TS	500 kV	2	Bowmanville SS Cherrywood TS	11.4	Comm.: 2015 Comp.: 2018	See Note "3" Below
	Total							125.5		

There are a number of projects that are not included in the above table that have already been approved for inclusion in the Deferral Account and are as follows:

- 500kV Transmission Line – Hanmer x Mississagi
- 500kV Transmission Line – Sudbury North: Pinard x Hanmer for New Renewables
- Transmission Line – Thunder Bay Area: Birch x Lakehead
- Major Transmission – Manitoba Border x Southern Ontario
- Bruce Peninsula Enabler Line
- Manitoulin Island Enabler Line
- New 500/230kV Oshawa Area TS
- Northern York Transmission Reinforcement
- Kitchener-Waterloo-Cambridge-Guelph (“KWCG”) Transmission Reinforcement
- 230kV Transmission Line – Parkway x Richmond Hill
- 230kV Transmission Line – Richview x Manby
- New Supply to City of Toronto
- 115kV Leaside and Manby TS – Uprate Short Circuit Capability
- Milton Transformer Station

Notes:

1. For projects in Southwestern Ontario (SWO): (a) currently, there is limited inter-area bulk transfer capability; therefore, to the extent that an Enabler in SWO enables more renewable generation, there may not be enough remaining inter-area transfer capability to enable other generation from other Enablers; and (b) the option(s) selected for bulk area reinforcements in SWO (e.g. London x Sarnia project) will determine how much additional bulk capability is obtained and this will therefore dictate how much additional renewable generation can be incorporated. Hence, there are interdependences between Enabler projects and between bulk transmission projects and the Enabler projects.
2. For projects in Northern Ontario: (a) There are interdependencies similar to above (in SWO) between the Enabler Projects and between the bulk transmission projects and the Enabler Projects; and (b) there are also interdependencies among bulk transmission projects, especially since the North-South transmission interface is the key limiting interface and it needs to be upgraded if the opportunity provided by the upgraded East-West Tie, for example, can be utilized to transfer power to the load centers in the south.
3. In view of reasonably sufficient inter-area transfer capability of the bulk system from Eastern Ontario to Greater Toronto area, the projects in Eastern Ontario do not have significant interdependences in the foreseeable future.

- 2) There are 4 projects now proposed to be included in the account that overlap with the projects approved for inclusion in the deferral account in the Board's May 28, 2009 decision. The following table identifies the projects that overlap. The item numbers and descriptions align with the original schedules.

Item #	Investment Description for Items Proposed	Item #	Investment Description for Items Approved
1	Goderich Area Enabler	7	Goderich Area Enabler Line
2	Northwest Transmission Line [Pickle Lake x Nipigon]	6	Lake Nipigon Enabler Line
3	North-South Tie	1	500 kV Transmission Line – Sudbury South x Greater Toronto Area for New Renewables
14	Bowmanville x GTA	18	Incorporation of Darlington B GS

- 3) The projects proposed for inclusion in the deferral account align with Schedule A of the Minister's letter. Please refer to the table provided in Hydro One's response to Board Staff interrogatory 2.1. Projects 4, 8 and 18 from Schedule A of the Minister's letter are already included in the deferral account under: 500kV Transmission Line – Hamner x Mississagi; Manitoulin Island Enabler Line; and 500kV Transmission Line – Sudbury North: Pinard x Hanmer for New Renewables respectively. Items 19 and 20 from Schedule A of the Minister's letter are not proposed to be included in the deferral account at this time as they are longer term in nature. No development costs are planned in the near term for items 19 and 20. The transmission projects in Schedule B will be addressed in the 2011 and 2012 transmission rate application.
- 4) The transmission link between Thunder Bay and the Greater Toronto Area is not proposed to be included in the deferral account at the time as it is longer term in nature. No development costs are planned in the near term for this project.

Ontario Energy Board (Board Staff) INTERROGATORY #3 List 1

Interrogatory

References:

- 1) Attachment 1 to the letter of December 3, 2009, Susan Frank to Kirsten Walli, “Summary of OM&A Development Work for GEGEA Projects to be Charged to Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs”.
- 2) Letter of September 21, 2009, Minister Smitherman to James Arnett, including enclosures:
 - a) Schedule A – Transmission Projects
 - b) Schedule B – Projects to enable Distribution System Connected Generation

Questions:

For each of the projects now sought to be included in the deferral account:

- 1) Please indicate the reasons for doing the preliminary work for these projects at this time. Please provide any supporting documentation for the reasons advanced.
- 2) The Minister’s letter, at page 2, required Hydro One to “Collaborate with the OPA in defining the scope of the work...as well as collaborating with the [IESO] on System Impact Assessments and reliability impacts”. Please provide details and supporting documentation of Hydro One’s collaboration efforts with these agencies, and please explain how this collaboration has determined, or will determine, which project(s) will receive priority.

Response

- 1) The reason for doing preliminary work for these projects is to help Hydro One meet the Minister’s expectations for in service dates. Hydro One’s timeline for these projects includes: planning and pre-engineering work (i.e. development work); the approvals including OEB and Environmental; procurement of materials and contracts; and final construction of the asset. This lengthy process takes several years to complete. As outlined in Ms. Susan Frank’s letter to Ms. Kirsten Walli dated December 3, 2009, the nature of these costs is consistent with Hydro One’s Prefiled Evidence in EB-2008-0272 regarding costs to be placed in the deferral account. (Letter attached to Board Staff Interrogatory 1.1)
- 2) Hydro One does collaborate with the OPA in defining scope of the work and with the IESO on System Impact Assessments and reliability impacts on an ongoing basis.

1 Hydro One receives information from the OPA related to changes in generation
2 patterns in Ontario (e.g. coal generation phase out), renewable generation contracts,
3 directives from the government and feed in tariff (FIT) applications that are received.
4 Hydro One also supports the OPA in Transmission Availability Tests (TAT) related
5 to FIT applications. All information from the OPA and their estimates of the
6 objectives of transmission form the basis of identifying and carrying out development
7 work. Hydro One works closely with the OPA in the establishment of any project
8 need.
9
10 Collaboration with the IESO does take place through System Impact Assessments and
11 Reliability Assessments. These typically occur when the development work is well
12 advanced.

Ontario Energy Board (Board Staff) INTERROGATORY #4 List 1

Interrogatory

References:

- 1) Letter, Susan Frank to Kirsten Walli, December 3, 2009 “Hydro One Networks Transmission-Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs – Additional Projects”.
- 2) Letter of September 21, 2009, Minister Smitherman to James Arnett

Questions:

- 1) The Minister’s letter at page 2 recognized the magnitude of work required to complete the transmission projects, and required Hydro One to identify commercially reasonable partnership opportunities. Please identify those projects where partnership opportunities have been identified by Hydro One, describe the status of discussions with any parties on these projects, and indicate the next steps involved in the process. Please also confirm that the amounts to be recorded in the accounts will be net of funding to be provided by these partners.
- 2) For those projects where no partnership opportunities have been identified, please describe Hydro One’s efforts to date to find partners, and explain why such opportunities have not been found to exist.
- 3) The Minister’s letter required Hydro One to identify projects “where the planning, development and implementation of the project would be better accomplished by a qualified third party other than Hydro One”. Please list the projects that have been identified under this criterion. If no projects have been identified, please provide Hydro One’s reasons for concluding that all the projects are better accomplished by Hydro One.

Response

- 1) Hydro One is seeking partners that offer strategic advantages to achieve the timely approval and construction of transmission projects. These advantages will vary depending on the challenges of individual projects.

Hydro One has had preliminary discussions with various entities to gauge their capabilities and overall interest in a partnership. Next steps involve finalizing the parameters for projects where partners will be sought and the process to engage partners.

1 To the extent that funds are provided by partners, the amounts to be recorded in the
2 accounts will be net of these funds.
3

4 2) Please refer to the response to Board Staff interrogatory 4.1 above. The identification
5 of opportunities, engagement of interested parties, and establishment of a partnership
6 on investments individually amounting to several hundred millions of dollars is a
7 complex undertaking and entails substantial risk if not done carefully. Hydro One is
8 assessing the needs and benefits of partnerships in various situations and in the
9 meantime, negotiations on specific partnerships have not yet been initiated.
10

11 3) Hydro One has not yet identified specific projects which would be better
12 accomplished by a qualified third party. The projects in the Minister's letter which
13 are expected to be done first (subject to OEB and other approvals, as appropriate) are
14 embedded in Hydro One's system (i.e. various "Schedule B" projects aimed at
15 enabling distribution connected generation).
16

17 We have not concluded that all the projects are better accomplished by Hydro One.
18 Hydro One is undertaking the priority networks projects, on which we have
19 progressed furthest, as they are will be integrated within Hydro One's existing
20 network.
21

22 Several of the projects listed in "Schedule A" of the Minister's letter have yet to be
23 formally initiated and Hydro One's position on how they would be done has not been
24 established.

Ontario Energy Board (Board Staff) INTERROGATORY #5 List 1

Interrogatory

References:

- 1) Attachment 1 to the letter of December 3, 2009, Susan Frank to Kirsten Walli, "Summary of OM&A Development Work for GEGEA Projects to be Charged to Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs".

Preamble:

Board staff seeks to establish that the requests for the listed projects are consistent with the Board's criteria for inclusion in a deferral account.

Questions:

- 1) For the projects for which costs are sought to be included in the deferral accounts, please address the Board's criteria of causation, materiality, management inability to control, and prudence articulated by the Board as the basis for establishing deferral accounts
- 2) Please confirm that the expenses anticipated for these projects are GEA specific, that is, that they are incremental to normal transmission planning and projects identified through the normal course of business and capital planning.
- 3) What is the threshold amount considered material for recording purposes and on what basis was this amount determined?
- 4) At what date does Hydro One anticipate that the recording of costs in the account related to these projects will cease?
- 5) What is Hydro One's best estimate of the total costs expected to be recorded in the proposed deferral account for these projects in 2010? In 2011? In the next ten years? Please give an explanation for these estimates.
- 6) Please confirm that no capital costs are being proposed for recording in the deferral account at this time.
- 7) Is Hydro One requesting that carrying charges be allowed for the projects in the account? If yes please explain why the costs should be included, and the proposed interest rate or methodology used to calculate carrying charges.
- 8) When does Hydro One anticipate seeking approval to dispose of the account balance?

Response

- 1) The projects to be added to the deferral account meet the important consideration as detailed in Ms. Susan Frank's letter to Ms. Kirsten Walli dated December 3, 2009 (Letter attached to Board Staff Interrogatory 1.1). Hydro One submits that projects for which costs are sought to be included in the deferral account meet the Board's criteria as follows:
 - i. *Causation – the expense must be clearly outside of the base upon which rates are derived.* The expenses to be captured in this account have not been included in Hydro One's base revenue requirement. The projects that are proposed to be added to the deferral account are because of the *Green Energy and Green Economy Act, 2009 (GEA)*.
 - ii. *Materiality – the costs must have a significant influence on the operation of the electricity distribution utility.* The cost of the development work associated with the projects that are proposed to be added to the deferral account is \$125.5 million. Hydro One submits that the overall costs are material to the operation of the utility and are consistent with the guidelines outlined in the 2006 Electricity Distribution Rate Handbook. Applying these guidelines results in a materiality level of approximately \$1 million.
 - iii. *Inability of Management Control – the cost must be attributable to some event outside of management's ability to control.* The list of projects proposed to be added to the deferral account are not in Hydro One management's control. As a result, while Hydro One anticipates that these projects will come to fruition, and it must begin development work in order to meet anticipated in-service dates, at this time there is no assurance that capital assets will materialize as a result of the proposed expenditures.
 - iv. *Prudence – the expense must have been prudently incurred. This means that the option selected must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.* The cost of the development work associated with the projects that are proposed to be added to the deferral account consist of pre-engineering and planning work required to prepare project submissions for Environmental Assessment and Leave to Construct approvals. These costs are all subject to Hydro One's thorough cost control environment. The prudence of any costs recorded in the deferral account will be determined by the Board at the time Hydro One requests the disposition of the account balances.
- 2) The expenses anticipated for these projects support the GEA and the Minister's letter dated September 21, 2009. The prudence of any costs recorded in the deferral account will be determined by the Board at the time Hydro One requests the disposition of the account balances.
- 3) As a group, these projects meet the threshold amount considered material for recording in the Deferral Account as outlined in the answer to Board Staff interrogatory 5.1 above.

- 1 4) Please refer to column (f) of the table included in the response to Board Staff
2 interrogatory 2.1 for the current estimate of development work commencement and
3 expected completion dates. These dates may be revised as a result of work with the
4 OPA and information gained through the development work.
5
- 6 5) Please refer to column (e) of the table included in the response to Board Staff
7 interrogatory 2.1 for the current estimate of total development OM&A costs. The
8 expected commencement and completion dates for the development work are
9 included in column (f) of the table. Hydro One's current estimate is that \$32.7 million
10 and \$33.7 million will be recorded in the deferral account in each of 2010 and 2011
11 respectively. These estimates were determined based on current planning
12 assumptions.
13
- 14 6) No capital costs are being proposed for recording in the deferral account at this time.
15
- 16 7) Interest on the deferral account will be charged based on prescribed rates provided by
17 the Board.
18
- 19 8) Hydro One will seek approval to dispose of account balances at future rate hearings
20 once audited financial statements are available. The prudence of any costs recorded in
21 the deferral account will be determined by the Board at the time Hydro One request
22 the disposition of the account balances.

Energy Probe INTERROGATORY #1 List 1

Interrogatory

Ref: Notice of Hearing and Procedural Order No. 1, Appendix B

Appendix B refers to a letter from then Minister Smitherman to Hydro One dated September 21, 2009 requesting that Hydro One proceed with the “planning, development and implementation of a number of transmission and distribution projects...” which are set out in Attachment 1 of the Appendix.

Please provide a copy of the letter referred to above from the then Minister Smitherman to Hydro One.

Response

A copy of the letter from the Minister is provided in Attachment 1 to this Interrogatory Response.



Minister of Energy
and Infrastructure

Ministre de l'Énergie
et de l'Infrastructure

Office of the Deputy Premier


Bureau du vice-premier ministre

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September 21, 2009

Mr. James Arnett
Chair
Hydro One Inc.
483 Bay Street
15th Floor, North Tower
Toronto ON M5G 2P5

Dear Mr.  Arnett:

As you know, our government is committed to increasing renewable energy generation across Ontario and ensuring that the necessary infrastructure is in place to enable it. To that end we have passed the *Green Energy and Green Economy Act, 2009 (GEA)* providing a comprehensive framework for developing renewable energy generation in Ontario.

The GEA sets the framework for, among other things, the introduction of a feed-in tariff program for renewable energy. To accommodate the anticipated increase in renewable energy generation associated with a feed-in tariff program, it will be necessary to implement a number of major projects to upgrade the transmission and distribution systems.

In anticipation of this, I understand that the Ontario Power Authority (OPA) and Hydro One have worked together to identify areas of the province that would benefit from specific transmission and distribution upgrades to enable new renewable generation likely to be forthcoming through the feed-in tariff program. These projects are reflected in the attached Schedules. I am pleased that Hydro One has been proactive in planning for this much needed expansion of its transmission and distribution systems, in addition to planning for the development of a smarter grid infrastructure that will enable greater integration of renewables.

Given the immediate importance of the projects shown in the attached Schedules, I would ask that Hydro One complete the following activities in anticipation of the feed-in tariff program and high demand for renewable connections:

.../cont'd

1. Immediately proceed with the planning, development and implementation of Transmission Projects outlined in the attached Schedule A, including seeking approvals for the upgrades as soon as there is a reasonable basis to do so.
2. Collaborate with the OPA in defining the scope of work, including termination points, target capacity, number of lines, technical options and sequencing necessary for the Transmission Projects, as well as collaborating with the Independent Electricity System Operator on System Impact Assessments and reliability impacts.
3. Develop and implement smart grid infrastructure in accordance with upcoming government policy, including establishing novel ways of managing network infrastructure for renewables more efficiently.
4. Given the magnitude of work required to complete the Transmission Projects:
 - a. Identify the commercially reasonable opportunities for entering into partnership arrangements with qualified third parties/partners for the execution of the Projects;
 - b. Work with the Shareholder to identify commercially reasonable criteria that will be used to select qualified third parties/partners;
 - c. Use best efforts to enter into those commercially reasonable arrangements; and,
 - d. Identify projects as appropriate where the planning, development and implementation of the project would be better accomplished by a qualified third party other than Hydro One.
5. Provide opportunities for participation in the projects by potentially-affected Aboriginal peoples.
6. Immediately proceed with the planning, development and implementation of upgrades to enable distribution system connected generation, as outlined in the attached Schedule B, including collaborating with the OPA and the Independent Electricity System Operator in defining the scope of work necessary for the transmission facilities to enable distribution system connected generation.
7. Begin planning and preliminary development to explore and preserve options for longer-term, high-capacity, transmission link between Thunder Bay and the Greater Toronto Area, including associated collaboration with the OPA for planning.
8. Subject to Crown oversight, engage in consultations with and, where appropriate, accommodate Aboriginal peoples respecting their section 35 rights of the Canadian *Constitution Act*, potentially affected by transmission and distribution projects listed in the attached Schedules.

.../cont'd


To be clear, I am seeking your cooperation on these matters as a key enabler for the feed-in tariff program to be implemented under the GEA and in order to establish a more modern and reinforced electricity grid in Ontario. In no way does my request relate to the implementation or methods used to carry out the work described in this letter, including following appropriate consultation and approvals processes. In light of that, I would expect that Hydro One will develop a comprehensive implementation plan to achieve these objectives.

Furthermore, in order to be informed about Hydro One's progress toward implementing and meeting these objectives, and in keeping with the purpose of the Memorandum of Agreement between Hydro One and the Shareholder, I request that Hydro One report back to me on a semi-annual basis on planning, development and implementation activities undertaken, and progress made in connection with Transmission and Distribution Projects that will enable the feed-in-tariff program. I would appreciate receiving a first report by no later than the end of November 2009.

I am appreciative of Hydro One's continued leadership in moving towards Ontario's green energy future and look forward to seeing your progress in meeting the government's objectives on transmission and distribution system expansion.

On behalf of the Hydro One Board, would you please confirm your understanding of the above, and your concurrence with all that is contemplated, by signing in the space provided below. Thank you for your prompt attention to these matters.

Sincerely,



George Smitherman
Deputy Premier, Minister

I concur,

James Arnett
Chair of the Board, Hydro One

Enclosures

Schedule A - Transmission Projects

Item #	Project	Key Driver	Target In-Service Year*
Core Transmission (Bulk transmission upgrades)			
1	East-West Tie: Nipigon x Wawa (230 kV)	Bulk Transmission Capability for FIT program	2015
2	North-South Tie: Sudbury Area x Barrie (500 kV)	Bulk Transmission Capability for FIT program	2015
3	Barrie x GTA (500 kV)	Bulk Transmission Capability for FIT program	2015
4	Sudbury Area x Algoma Area (Mississagi Transformer Station, 70km east of Sault Ste. Marie) (500 kV)	Bulk Transmission Capability for FIT program	2014
5	London Area x Sarnia (500 kV or 230 kV)	Bulk Transmission Capability for FIT program	2016
6	Bowmanville x GTA (500 kV)	Bulk Transmission Capability for reliability and FIT program	2016
Enabling Transmission (Local enabler connection lines for renewable clusters)			
7	Goderich Enabler	Connections in anticipation of high renewables demand	2013
8	Manitoulin Island Enabler	Connections in anticipation of high renewables demand	2014
9	Huron South Enabler (Wanstead Transformer Station)	Connections in anticipation of high renewables demand	2016
10	Pembroke Enabler	Connections in anticipation of high renewables demand	2014
11	Parry Sound Enabler	Connections in anticipation of high renewables demand	2015
12	North Bay Enabler and 230 kV Line Upgrade	Connections in anticipation of high renewables demand	2015
13	Thunder Bay Enabler	Connections in anticipation of high renewables demand	2015
Regional Transmission (Regional transmission lines for renewables)			
14	Pickle Lake x Nipigon	Renewables, Reliability, and Load Growth	2013
15	Cornwall x Ottawa	Renewables and load growth	2015
16	Belleville x Napanee (Selby Junction)	Renewables and load growth	2014
17	Chenaux x Arnprior Area (Galletta Junction)	Renewables and reliability	2014
Longer-Term (Post-2016)			
18	Sudbury North (500 kV)	Bulk Transmission Capability for FIT program	2017
19	London x Hamilton Area (500 kV)	Bulk Transmission Capability for FIT program	2020
20	Kenora x Thunder Bay	Bulk Transmission Capability for FIT program	2020

* Scope, sequencing and details of implementation subject to detailed Implementation Plan

Schedule B - Projects to Enable Distribution System Connected Generation

Item #	Project	Target In-Service Year*
Transmission Facilities to Enable Distribution-connected Generation		
1	Install 3 Static Var Compensators in Areas of high FIT Uptake	2012-2014
2	Install up to 7 Enabling Transformer Stations in Areas of High FIT Uptake	2012-2015
3	Upgrade Short Circuit Capability of Toronto Area Stations (Hearn TS, Manby TS, Leaside TS)	2012
4	Install in-line Circuit Breakers at up to 7 Locations to Enable Generation Connections	2012-2015
Distribution		
5	<u>Targeted Dx Enhancements to Support Distributed Generation</u> -10 New Distribution Feeders (in areas of high FIT uptake) -Other Minor Investments	2009-2012
Protection, Control, and Telecom (enabling distributed generation)		
6	<u>DG Connection Cost Reduction</u> -Wide Area Telecommunication Infrastructure -Wide Area Island Detection -Transmission Protection Change for Tap-Connected Generation -Stop-Gap Wireless Remote Trip -GPRS (Cellular) Telemetry -Pulse-signalling Island Detection -OGCC System Changes	2009-2012
7	<u>Protection</u> -Feeder Protection Replacements -Telecom to In-Line Reclosers -TS Bus Protection Replacements	
8	<u>TS Capacity Expansion</u> -Generation Trip and Block Scheme -Automated Generation Dispatch System -Transfer Protection Replacements -Tapchanger Control Upgrades -OGCC System Changes	
9	<u>Product Quality</u> -Feeder Voltage Regulator Replacement -OGCC System Changes	
10	<u>Bulk System Reliability</u> -Distribution Station SCADA and Protection Upgrades -OGCC System Changes -Load Rejection Systems Modifications	

* Scope, sequencing and details of implementation subject to detailed Implementation Plan

Energy Probe INTERROGATORY #2 List 1

Interrogatory

Ref: Notice of Hearing and Procedural Order No. 1, Appendix B

- a) Does the letter from the Minister specify the particular projects listed in Appendix B?
- b) If not, please explain how Hydro One developed this list from the Minister's request?
- c) Did the Minister provide Hydro One with the Development Work Completion date shown for each project?
- d) If not, how did Hydro One determine these dates?

Response

- a) The letter from the Minister does include the projects that are proposed to be added to the deferral account. Please refer to the answer to Board Staff interrogatory 2.1 for additional information.
- b) Hydro One developed the list based on the Minister's request.
- c) The Minister did not provide Hydro One with development work completion dates for each project. The Minister did provide target in service years for the projects.
- d) Please refer to Hydro One's response to Board Staff interrogatory 3.

Energy Probe INTERROGATORY #3 List 1

Interrogatory

Ref: Notice of Hearing and Procedural Order No. 1, Appendix B

Please provide a description of each of the 14 projects listed in Attachment 1 to Appendix B, including the following details:

- i) Proposed length of line involved
- ii) Voltage of the line
- iii) Where the line begins and ends
- iv) How much renewable generation the line will accommodate
- v) Estimated capital cost of the project
- vi) Expected in service date of the modified line

Response

Please refer to the response to Board Staff Interrogatory 2 for additional information for each of the 14 projects listed in Attachment 1 to Appendix B. The amount of renewable generation the line will accommodate will be determined by the OPA. The estimated capital cost of the project and line length will be determined during the discovery work for each project. Target in service dates were provided in the Minister's letter. These dates will be refined and updated as a result of the development work that will be completed for each project.

Energy Probe INTERROGATORY #4 List 1

Interrogatory

Ref: Notice of Hearing and Procedural Order No. 1, Appendix B

- a) Does Hydro One have information about specific renewable generation projects that are expected to be connected to each of the lines listed in Attachment 1?
- b) If yes, please provide details of the renewable generation projects that will be connected to each of the projects listed in Attachment 1.
- c) If no, please explain how Hydro One defined the planning and development work needed for the lines.

Response

- a) Hydro One does not have information about specific renewable generation projects that are expected to be connected. This information will be provided by the OPA in due course.
- b) Please see the response to a) above.
- c) The planning and development work is based on information provided by the OPA. Please refer to the response to Board Staff Interrogatory 3.2 for a description of how Hydro One collaborates with the OPA in defining the planning and development work needed for these projects.

Energy Probe INTERROGATORY #5 List 1

Interrogatory

Ref: Notice of Hearing and Procedural Order No. 1, Appendix B

For each of the projects listed in Attachment 1 to Appendix B please provide an estimate of when a S.92 application for leave to construct will be filed with the Board.

Response

Hydro One does not yet have an estimate of when the Section 92 applications for leave to construct will be filed with the Board for these projects. Timelines will be developed as part of the development work for each project.

Canadian Manufacturers & Exporters (CME) INTERROGATORY #1 List 1

Interrogatory

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

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

- 2
- 3 (a) Please advise whether the Minister's September 21, 2009 letter was the result of a
4 coordinated planning exercise in which Hydro One participated. If so, provide
5 complete details of the coordinated planning that preceded the letter, including:
6
- 7 (i) a description of the parties participating therein,
 - 8 (ii) the duration of the planning exercise,
 - 9 (iii) the measures adopted to evaluate the need and the economic feasibility of each of
10 the projects in the Minister's list,
 - 11 (iv) the estimated capital costs of the projects,
 - 12 (v) the mix of renewable generation likely to be connected and the time frame over
13 which it is expected to come on line,
 - 14 (vi) the likely consequences on the "all in" electricity price of the total costs of all of
15 the infrastructure projects referred to in the Minister's letter, and the displacement
16 of lower cost of electricity supply by higher cost electricity from renewable
17 generation resources;
- 18
- 19 (b) Please advise whether a prospective multi-year year-over-year total electricity price
20 impact estimate is prepared and used by those engaged in the coordinated planning
21 exercise and, if so, produce a copy thereof;
22
- 23 (c) Provide a list of the projects initially presented in EB-2008-0272 that were identified
24 by the OPA and the IPSP, and for the proposed Darlington B generating station,
25 together with the estimated preliminary planning and development costs for each
26 project in each of the years 2009 to 2014 inclusive;
27
- 28 (d) Provide a breakdown of the preliminary planning and development OM&A costs for
29 each of the years 2009 to 2014 inclusive for each of the fourteen (14) projects listed
30 in Appendix A, Attachment 1 to Hydro One's December 15, 2009 letter to the Board;
31
- 32 (e) Please indicate whether the \$168M in Appendix A, Attachment 1 to Hydro One's
33 December 15, 2009 letter to the Board includes the \$47.9M referenced at page 57 of
34 the Decision, or is in addition thereto;
35
- 36 (f) Produce a copy of any formal order that issued following the Decision that defines the
37 scope of the Deferral Account the Board approved;
38
- 39 (g) Provide the amounts, if any, recorded to date in the Deferral Account the Board
40 authorized;
41
- 42 (h) Describe the precise relief Hydro One is asking the Board to approve with respect to
43 the 2010 test year;
44
- 45 (i) Indicate whether Hydro One agrees that Deferral Account relief for 2011 and 2012
46 should form part of its pending application for 2011 and 2012 transmission rate relief;

- 1
- 2 (j) Estimate the extent to which Hydro One will use existing human resources to conduct
- 3 the preliminary planning activities for the projects listed in Appendix A, Attachment
- 4 1 of its December 15, 2009 letter to the Board;
- 5
- 6 (k) Explain precisely what cost risks Hydro One faces in 2010 if the Board decides that it
- 7 is inappropriate to amend, for the 2010 test year, the scope of the Deferral Account it
- 8 approved in EB-2008-0272;
- 9
- 10 (l) Explain the meaning of the phrase "Total costs include cash flows, if any, in years
- 11 from 2009 and on" that appears in Appendix A, Attachment 1 in the context of a
- 12 request to record preliminary planning expenses in a Deferral Account. What are the
- 13 sources of the "cash flows" that are to be reflected in the expense account?;
- 14
- 15 (m) Provide details of the planning activities in which Hydro One engaged following
- 16 receipt of the September 21, 2009 letter from the Ontario Minister of Energy and
- 17 Infrastructure and prior to December 3, 2009, the date of its first letter to the Board.
- 18 In particular, what was done to develop the OM&A preliminary planning costs with
- 19 respect to each of the IPSP and other long term projects described in Appendix A,
- 20 Attachment 1 to its December 15, 2009 letter to the Board. If others worked together
- 21 with Hydro One in these planning activities after September 21, 2009, then please
- 22 provide complete details and include therein a description of the information that was
- 23 developed after September 21, 2009, pertaining to each of the matters described in
- 24 Question 1(b);
- 25
- 26 (n) Please describe how Hydro One has evaluated the need for and economic feasibility
- 27 of each of the projects for which preliminary planning and development is required.
- 28 In particular, describe the manner in which Hydro One has estimated the likely long
- 29 term impacts of these projects on the "all in" prices for electricity that consumers will
- 30 be required to pay;
- 31
- 32 (o) If Hydro One has not yet evaluated the economic feasibility for each of these projects,
- 33 then please advise whether anyone else engaged in their coordinated planning has? If
- 34 the answer is yes, then please provide the details of these economic feasibility
- 35 evaluations; and
- 36
- 37 (p) If the scope of the Deferral Account is amended, as Hydro One requests, but on
- 38 condition that no amounts recorded therein will be recoverable before the economic
- 39 feasibility for each of the projects has been objectively demonstrated to the Board,
- 40 including at transparent demonstration of the likely impacts of their implementation
- 41 on the "all in" electricity price consumers will be required to pay in years hence, then
- 42 how will the dollars recorded in the Deferral Account be treated for financial
- 43 statement purposes under International Financial Reporting Standards ("IFRS") in the
- 44 year the costs are incurred and in the subsequent years when economic feasibility is
- 45 established to the satisfaction of the Board.
- 46

[Response](#)

a) The Minister's September 21, 2009 letter was the result of ongoing discussion between Ministry staff, the OPA and Hydro One related to the types of investments required to alleviate existing or potential transmission constraints and thereby maximize the connection of renewable generation. These discussions commenced in early 2009 and continued up until the issuance of the letter. Estimated capital costs and their need and justification will be established as part of the development work.

The amount of renewable generation that projects will accommodate will be determined by the OPA. As a transmitter, Hydro One does not have the information required to prepare an analysis of the likely consequences on the "all in" electricity price of the total costs of all of the infrastructure projects and the displacement of lower cost of electricity supply by renewable generation resources.

b) Hydro One is not aware of a prospective multi-year year-over-year total electricity price impact estimate. Please also refer to a) above.

c) Please refer to the EB-2008-0272, Exhibit C1, Tab 2, Schedule 3, Page 7 of 7 for this information in Attachment 1.

d) Please refer to the answer to Board Staff interrogatories 2.1 and 5.5 for this information. Annual information by project will be provided in the upcoming Transmission rates case.

e) There is some overlap between the \$168 million in Appendix A, Attachment 1 to Hydro One's December 15, 2009 letter to the Board and the \$47.9 million referenced at page 57 of the Decision. Please refer to the answer to Board Staff interrogatory 2.1 for the details.

f) The deferral account was approved by the Board in the EB-2008-0272 Decision With Reasons dated May 28, 2009. The Board states on page 60 that:

The Board authorizes the establishment of the IPSP and Other Preliminary Planning Costs Account.

g) The amount recorded in the deferral account to date is approximately \$1.9 million.

h) Hydro One is requesting that the OEB amend the list of "other long term" projects whose OM&A costs can be collected in the deferral account rather than requesting that costs be expensed in the year incurred. These additional projects, which are driven by the GEGERA are listed in Attachment 1 of Ms. Susan Frank's letter to Ms. Kirsten Walli dated December 3, 2009. The prudence of any costs recorded in the deferral account will be determined by the Board at the time Hydro One requests the disposition of the account balances.

- 1
- 2 i) Hydro One will be seeking recovery, in its pending application for 2011 and 2012, for
- 3 amounts recorded in the Deferral Account to the end of 2009 based on audited
- 4 financial statements. Recovery for amounts recorded in 2010 and beyond will be
- 5 sought in subsequent cost of service applications.
- 6
- 7 j) Hydro One will use substantial external resources with management direction
- 8 provided internally to complete the development work for the projects listed in
- 9 Appendix A, Attachment 1 of its December 15, 2009 letter to the Board.
- 10
- 11 k) Hydro One would not be allowed to recover 2010 development costs associated with
- 12 the newly submitted project list if the Board decides that it is inappropriate to amend,
- 13 for the 2010 test year, the scope of the Deferral Account it approved in EB-2008-
- 14 0272. Hydro One would not be able to carry out the development work for the newly
- 15 submitted project list and these projects would be delayed beyond the target in-
- 16 service dates.
- 17
- 18 l) "Total costs include cash flows, if any in the years from 2009 and on" refers to any
- 19 OM&A expense that is incurred as a result of development work for the projects
- 20 specified.
- 21
- 22 m) Hydro One has carried out development work activities following the receipt of the
- 23 September 21, 2009 letter from the Minister and prior to the December 3, 2009 letter
- 24 from Ms. Susan Frank to Ms. Kirsten Walli. During this time, Hydro One has carried
- 25 out an assessment of alternative solutions for projects where the OPA has indicated
- 26 an urgency to commence the development work. This assessment of alternatives work
- 27 relates primarily to Northern and Central transmission projects (e.g. North-South Tie,
- 28 500kV Transmission Line – Hanmer x Mississagi and the Manitoulin Island Enabler
- 29 Line projects). Hydro One has also held First Nations and Metis consultations, carried
- 30 out extensive gathering of real estate data, carried out preliminary Engineering and
- 31 design work, held stakeholder communications and has started to draft a Section 92
- 32 'Leave to Construct' submission for the Northwest Transmission Line [Pickle Lake x
- 33 Nipigon] project.
- 34
- 35 n) Hydro One has not evaluated economic feasibility or long term rate impacts for these
- 36 projects.
- 37
- 38 o) Economic feasibility information is not available at this time.
- 39
- 40 p) The additional projects that are proposed to be added to the deferral account meet the
- 41 important consideration as detailed in the Board's Decision (EB-2008-0272 Decision
- 42 with Reasons, issued May 28, 2009, page 59) regarding the Deferral Account. The
- 43 Board stated that:
- 44

45 *An important consideration in this specific request is that Hydro One's*

46 *activities are clearly driven by current Ontario energy policy. Hydro One*

1 *itself is not the driver behind these expenditures; as the largest*
2 *transmission utility in the Province, it is responding to the policy drive by*
3 *the Ontario government to meet certain objectives regarding new*
4 *generation. Although project plans have not unfolded as originally*
5 *conceived, there are clear expectations of the largest transmission utility*
6 *that the planning work for these projects must continue.*

7
8 Also, the nature of the costs to be placed in the Deferral Account for the projects that
9 are proposed to be added is consistent with Hydro One's Prefiled Evidence in EB-
10 2008-0272 (EB-2008-0272, Exhibit C1, Tab 2, Schedule 3, page 6). Hydro One
11 stated that:

12
13 *The IPSP [and GEGEA] projects include major transmission projects that*
14 *will require extensive planning and pre-engineering work ... The pre-*
15 *engineering work includes: collecting initial data from internal sources;*
16 *initiating work to obtain approvals; conducting feasibility studies;*
17 *performing preliminary engineering and cost estimates to identify and*
18 *assess alternatives; undertaking external stakeholder consultations; and*
19 *submitting applications to obtain Environmental Assessment ("EA") and*
20 *section 92 'Leave to Construct' Approvals.*

21
22 There is no condition that economic feasibility and all in rate impacts be objectively
23 demonstrated to the Board prior to recovery of costs recorded in the Deferral
24 Account. The prudence of any costs recorded in the Deferral Account will be
25 determined by the Board at the time Hydro One requests the disposition of account
26 balances.

Filed: February 19, 2010
EB-2009-0416
HONI IRR to CME #1
Attachment 1

**TABLE 1: SUMMARY OF DEVELOPMENT WORK FOR IPSP AND
OTHER LONG TERM PROJECTS**

1

Table 1

2

Summary of Development Work for IPSP and Other Long Term Projects

Item #	Investment Description	EA Status	Section 92 Status	Cash Flow (\$ Millions)				Development Work Completion
				Bridge	Test	Test	Total	
				2008	2009	2010	(Note 1)	
1	500kV Transmission Line - Sudbury South x Greater Toronto Area for New Renewables	Required	Required	0.0	1.1	1.4	6.2	9/30/2013
2	500kV Transmission Line - Hanmer x Mississagi	Not Required	Required	-	-	0.0	3.1	9/30/2014
3	500kV Transmission Line - Sudbury North: Pinard x Hanmer for New Renewables	Required	Required	0.0	1.1	1.1	5.3	9/30/2013
4	Transmission Line -Thunder Bay Area: Birch x Lakehead	Required	Required	0.1	0.2	0.2	0.7	6/30/2011
5	Major Transmission – Manitoba Border x Southern Ontario	Required	Required	-	0.0	1.8	7.5	9/30/2013
6	Lake Nipigon Enabler Line	Required	Required	0.6	1.2	1.2	4.2	12/31/2011
7	Goderich Area Enabler Line	Required	Required	-	0.1	0.3	1.0	3/31/2013
8	Bruce Peninsula Enabler Line	Required	Required	-	0.4	0.7	2.8	3/31/2013
9	Manitoulin Island Enabler Line	Required	Required	-	0.2	0.4	1.6	3/31/2013
10	New 500/230kV Oshawa Area TS	Required	Not Required	-	-	0.4	1.3	6/30/2012
11	Northern York Transmission Reinforcement (Note 2)	Required	Required	-	0.4	0.8	1.2	3/31/2011
12	Kitchener-Waterloo-Cambridge-Guelph ("KWCG") Transmission Reinforcement (Note 2)	Required	Required	0.7	1.6	0.1	2.4	3/31/2010
13	230kV Transmission Line - Parkway x Richmond Hill (Note 2)	Required	Required	-	-	0.3	1.0	12/31/2012
14	230kV Transmission Line - Richview x Manby (Note 2)	Required	Required	-	-	0.4	1.2	12/31/2012
15	New Supply to City of Toronto	Required	Required	-	1.4	1.4	5.1	9/30/2012
16	115kV Leaside and Manby TS - Uprate Short Circuit Capability	Not Required	Not Required	-	0.1	0.1	0.5	9/30/2012
17	Milton Transformer Station	Not Required	Not Required	-	-	0.3	1.3	12/31/2011
18	Incorporation of Darlington B GS	Required	Required	-	0.2	0.3	1.2	12/31/2013
	Total			1.4	8.0	11.2	47.9	

3 **Note 1:** "Total" costs include cash flows, if any, in years before 2009 and after 2010.

4 **Note 2:** Development Work for these projects is to manage a scenario wherein gas-fired generation does not
5 occur in the area.