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July 7, 2010

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

**Re: EB-2010-0002–Hydro One Networks Inc Transmission
Procedural Order #1
Vulnerable Energy Consumers Coalition (VECC)
Comments on Proposed Issues List**

Attached are VECC's comments on the proposed Issues List contained in Procedural Order #1- Appendix B.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

**ONE NETWORKS INC.
DRAFT ISSUES LIST
EB-2010-0002**

Comments of the Vulnerable Energy Consumers Coalition (VECC)

1. GENERAL

- 1.1 Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are Hydro One's economic and business planning assumptions for 2011/2012 appropriate?
- 1.3 Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

VECC-No Comment

2. LOAD FORECAST and REVENUE FORECAST

- 2.1 Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?
- 2.2 Are Other Revenue (including export revenue) forecasts appropriate?

VECC Comment

VECC assumes that although the issue is framed as revenue forecasts, Charges/Rates for Export Service are subsumed under Issue 2.2

3. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

- 3.1 Are the proposed spending levels for, Sustaining, Development and Operations OM&A in 2011 and 2012 appropriate, including consideration of factors such as system reliability and asset condition?
- 3.2 Are the proposed spending levels for Shared Services and Other O&M in 2011 and 2012 appropriate?
- 3.3 Are the 2011/12 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?
- 3.4 Are the OM&A development costs allocated to the "IPSP and Other Preliminary Planning Costs" deferral account for 2009, 2010, 2011 and 2012 appropriate?
- 3.5 Are the methodologies used to allocate Shared Services and Other O&M costs to the transmission business and to determine the transmission overhead capitalization rate for 2011/12 appropriate?
- 3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?
- 3.7 Is Hydro One Networks' proposed depreciation expense for 2011 and 2012 appropriate?

VECC-No Comment

4. CAPITAL EXPENDITURES and RATE BASE

4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?

4.2 Are the proposed 2011 and 2012 Sustaining and Development and Operations capital expenditures appropriate, including consideration of factors such as system reliability and asset condition?

4.3 Are the proposed 2011 and 2012 levels of Shared Services and Other Capital expenditures appropriate?

4.4 Are the methodologies used to allocate Shared Services and Other Capital expenditures to the transmission business consistent with the methodologies approved by the Board in previous Hydro One rate applications?

4.5 Are the inputs used to determine the Working Capital component of the rate base appropriate and is the methodology used consistent with the methodologies approved by the Board in previous Hydro One rate applications?

4.6 Does Hydro One's Asset Condition Assessment information and Investment Planning Process Adequately address the condition of the transmission system assets and support the O&MA and Capital expenditures for 2011/12?

VECC Comment

As worded, Issue 4.2 does not explicitly allow for consideration of the need for System Expansion Development capital expenditures. VECC suggests that the following change be made to make this clear:

"...including consideration of factors such as need for system expansion, system reliability and asset condition?"

As worded Issue 4.4 only allows for consideration of whether the methodologies for allocation of Shared Services are consistent with those approved in prior rate cases. However, in VECCs view, there may be questions whether the approved methodologies are still appropriate in light of the changing business and asset base of Hydro One. Accordingly VECC suggests that the following clarifying wording be added:

"...to the transmission business appropriate and consistent with the methodologies approved in previous Hydro One rate applications.

5. COST OF CAPITAL/CAPITAL STRUCTURE

5.1 Is the proposed capital structure appropriate?

5.2 Is the proposed methodology to determine the Return on Equity and Short-term debt appropriate?

5.3 Is the forecast of long term debt for 2010-2012 appropriate?

VECC-No Comment

6. DEFERRAL/VARIANCE ACCOUNTS

- 6.1 Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?
- 6.2 Is the proposed disposition of the "IPSP and Other Preliminary Planning Costs" deferral account for 2009 appropriate?
- 6.3 Are the proposed new Deferral and Variance Accounts appropriate?

VECC Comment

Issue 6.2 deals with disposition a specific account-"IPSP and Other Preliminary Planning Costs" deferral account for 2009. However whether the Amounts (Balances) are appropriate is not, on the face of the issue, in scope, unless this is subsumed under general deferral account Issue 6.1.

VECC suggests that to clarify this, the wording of Issue 6.2 should be modified:

"6.2 Are the proposed amounts and disposition of the "IPSP and Other Preliminary Planning Costs" deferral account for 2009 appropriate?"

7. COST ALLOCATION

- 7.1 Has Hydro One Networks' cost allocation methodology been applied appropriately?

VECC Comment

Under Issue 7.1 the primary issue is whether the *Board-approved* cost allocation methodology been applied appropriately.

The distinction is important – If Hydro One or any other party is proposing any changes then these are in scope.

VECC suggests rewording:

- 7.1 Has Hydro One Networks' Board-approved cost allocation methodology been applied appropriately?

8. CHARGE DETERMINANTS

- 8.1 Is it appropriate to implement "AMPCO's High 5 Proposal" in place of the status quo charge determinants for Network service? (Subject to the outcome of the Hydro One motion requesting a generic review of this issue.)

VECC Comment

Depending on whether the Issue remains included and as worded following the Motion, VECC suggests that to permit a broader examination of charge determinants wording similar to Issue 7.1 last year should be adopted:

“8.1 Is the proposal to continue with the status quo charge determinants for Network and Connection service appropriate?”

9. GREEN ENERGY PLAN

9.1 Is Hydro One’s Green Energy Plan consistent with the objectives set out in the Green Energy and Economy Act, 2009 and with other related government instruction?

9.2 Are the OM&A and capital amounts in the Green Energy Plan appropriate and based on appropriate planning criteria?

VECC Comments

Under Issue 9.1 VECC does not understand the distinction between government “direction(s)” and “instruction(s)”. (as opposed to formal Ministerial Directive(s)). This should be clarified as to what is in scope under this issue. If the scope is broad then VECC suggests appropriate wording may be:

“...the Green Energy and Economy Act, 2009 and with other related government instruction(s)/direction(s)?

Under Issue 9.2 the wording should be changed to clarify that the only matter in scope is the Hydro One Green Energy Plan, as follows:

“9.2 Are the OM&A and capital amounts in the Hydro One Green Energy Plan appropriate and based on appropriate planning criteria?”