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July 29, 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. ("Hydro One")**  
**2011-2012 Transmission Rate Case**  
**Board File No.: EB-2010-0002**  
**Our File No.: 339583-000057**

Please find attached the Interrogatories of our client, Canadian Manufacturers & Exporters ("CME"). Paper copies are being sent as required. We have attempted to avoid duplicating questions already asked of Hydro One by Board Staff and Energy Probe.

Yours very truly,

Peter C.P. Thompson, Q.C.  
PCT/kt  
Encl.

c. Anne-Marie Reilly (Hydro One)  
Donald Rogers, Q.C. (Rogers Partners LLP)  
Intervenors EB-2010-0002  
Paul Clipsham (CME)

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**HYDRO ONE NETWORKS INC.  
APPROVED ISSUES LIST**

**INTERROGATORIES OF  
CANADIAN MANUFACTURERS & EXPORTERS (“CME”)**

**Planning and Corporate Approvals**

**Issue 1.2**

References: Exhibit A, Tab 12, Schedule 1, page 2

**Questions:**

1. As in prior cases, please produce, in confidence, the complete packages of materials presented to Hydro One’s Board of Directors for approval on each of the following key dates in the 2010 to 2014 planning cycle referred to at Exhibit A, Tab 12, Schedule 1, page 2:
  - June 2009;
  - November 2009;
  - February 2010.
2. Please produce, in confidence, the materials presented to Hydro One’s Board of Directors for approval in April or May 2010 that led to the filing of this application that reduced, by about 25%, the Revenue Requirement that Hydro One was requesting in the application materials that it initially intended to file on or about April 1, 2010.

**Overall Bill Impacts on Consumers**

**Issue 1.3**

References: Exhibit A, Tab 2, Schedule 1, paragraph 3  
Exhibit A, Tab 3, Schedule 1, page 4, paragraph 1  
Exhibit A, Tab 7, Schedule 1, pages 6 and 7

**Questions:**

3. Please provide a detailed schedule that shows how the total bill impacts of 1.2% in 2011 and 0.7% in 2012 were derived.
4. Many factors influence the total bill for electricity that consumers pay. CME is interested in obtaining the information that Hydro One, as a government-owned entity, is aware of and can provide in order to help consumers better understand the likely impacts on the total electricity bill charged to each typical or average residential, general service and

large volume electricity consumer over the five-year period 2010 to 2014 of Hydro One's spending plans and the concurrent spending plans of other government-owned entities. In the context of this preamble, please provide the following information:

- (a) Please describe the extent to which Hydro One works with the Minister of Energy and Infrastructure ("MEI") and other government-owned entities, including the Ontario Power Authority ("OPA"), the Independent Electricity System Operator ("IESO"), Ontario Power Generation Inc. ("OPG") and other large government-owned distributors such as those owned by the cities of Toronto, Ottawa and other large centres in Ontario when developing its ongoing five-year business plans.
  - (b) Does Hydro One monitor the applications made by the parties to which it is related, namely the OPA, IESO and OPG. In particular, is Hydro One aware of the contents of OPG's recent application including the forecasts of the Global Adjustment Mechanism ("GAM") that OPG prepares?
  - (c) Is Hydro One aware of any estimates developed by the MEI, OPA, IESO, OPG and any other municipal government-owned entities that show the year-by-year impacts that their combined activities are likely to have on the total electricity price paid by each of the following types of customer:
    - i) a typical or average residential consumer;
    - ii) a typical or average general service consumer; and
    - iii) a typical or average large volume consumer.
  - (d) If the answer to the previous question is "yes", then please describe these materials and either produce copies or direct us to an information source where we can obtain copies of these estimates.
5. In a speech delivered on May 6, 2010, the OEB Vice-Chair, Cynthia Chaplin, indicated that the Board is aware of total bill impacts on electricity consumers.
- (a) Is Hydro One aware of any estimates having been done by the Ontario Energy Board ("OEB") of the total electricity price being paid by either one or more of a typical or average residential, general service, or large volume consumer. If so, then please describe the analysis and produce copies or direct us to an information source where we can obtain copies of these estimates.
6. In its capacity as a regulated distribution utility, Hydro One will be aware of the total amounts currently being paid by the electricity consumers that it serves.
- (a) Please provide Hydro One's estimate, in dollars per MWh, of the average total "all in" electricity price that is currently being paid by each of the following:
    - i) a typical or average residential electricity consumer;
    - ii) a typical or average general service electricity consumer; and

iii) a typical or average large volume electricity consumer.

and explain how the amount has been derived in each case.

(b) Bills to electricity consumers are divided into different categories. For example, residential electricity bills are divided into the following five categories of charges, namely:

- i) Electricity;
- ii) Delivery;
- iii) Regulatory;
- iv) Debt Retirement Charge; and
- v) Taxes.

Please provide samples of the forms of bills that are rendered by Hydro One's distribution utility to each of the following types of consumers:

- i) residential consumers;
- ii) general service consumers; and
- iii) large volume consumers

and indicate how charges in each of the bills to general service and large volume consumers are categorized.

(c) CME understands that the "Electricity" line in the bill that a residential consumer receives includes a number of items including, for example, LDC conservation costs; hydroelectricity costs; costs associated with wind and solar projects, including renewable energy standard offer program ("RESOP") contracts and wind and hydro negotiated contracts; Fee in Tariff ("FIT") contracts; and the costs for electricity generated by Nuclear, gas-combined heat and power, and gas-combined cycle facilities. CME understands that the "Delivery" line in the bill includes transmission and distribution charges. CME understands that "Regulatory" costs include a number of items, and "Taxes" include GST, prior to July 1, 2010, and HST, after July 1, 2010.

i) Please provide a complete list of all items included in the electricity bills to consumers for each of the five categories of charges cited above, namely "Electricity", "Delivery", "Regulatory", "Debt Retirement" and "Taxes".

(d) Please describe the GAM and provide a complete list of its component parts.

(e) Please indicate where, within the five categories of costs described above, namely, Electricity, Delivery, Regulatory, Debt Retirement and Taxes, the components of the GAM are to be found, and indicate whether the format of bills

charged to general service and large volume customers displays the components of GAM in a manner that is different from its presentation in the bills to residential consumers.

7. The evidence at Exhibit H1, Tab 5, Schedule 2, page 5, lines 14 and 15 indicates that Hydro One is aware of the influence that the transition to more and more renewable energy sources is likely to have on market prices.
  - (a) What is Hydro One's estimate of the current market price for electricity?
  - (b) Apart from changes in the market price, what other impacts on the various line items in the electricity bill is Hydro One expecting, over the period 2010 to 2014, as a result of the transition to more and more renewable energy sources that displace less expensive Hydroelectric and/or Nuclear generation? In what line items of the bill are those impacts likely to appear?
  - (c) Please describe the conditions that have given rise to the Surplus Baseload Generation ("SBG") problem and, in particular, indicate the extent to which generation from renewable generation sources such as wind and solar and/or natural gas fired generation is a cause of the problem.
  - (d) What conditions would need to exist to enable wind and solar and/or natural gas fired generation to be curtailed in order to assure that little or no SBG occurs in any year so that all available Hydroelectric generation capacity is used year after year.
8. What is the estimate total, year by year, incremental distribution capital spending that is likely to occur if the total incremental transmission capital spending that Hydro One plans, for the period 2011 to 2014, is approved?
9. Please describe and produce all information Hydro One has in its possession pertaining to changes that are likely to occur, in the period 2010 to 2014, that will affect the GAM and provide an estimate of the amount Hydro One expects GAM to increase over the period 2010 to 2014.
10. The Board's Distribution Rate Handbook implies that consumers cannot be expected to tolerate an average annual total bill increase in excess of 10%. Hydro One had planned to file its application for increases in transmission rates on or about April 1, 2010. On March 29, 2010, OPG announced its plan to submit an application to the OEB in April and began stakeholder sessions. Hydro One did not file its application for transmission rate increases on or about April 1, 2010 as initially planned. On May 6, 2010, an article appeared in the *Globe and Mail*. The article notes the magnitude of the increases being requested by Hydro One and OPG. The article suggests that the government considered the combined bill impacts of the pending applications of Hydro One and OPG. In the context of these developments, please provide the following information:
  - (a) Compared to the application Hydro One planned to file on or about April 1, 2010, what is the amount that Hydro One decided to refrain from claiming from ratepayers?

- (b) What criteria were applied by Hydro One's Board of Directors to cause them to conclude that a portion of the amount reflected in the application that was to have been filed on or about April 1, 2010 should not be claimed?
- (c) Assume that Hydro One's spending plans, in combination with the impacts of transitioning to more and more renewable energy sources, are likely to produce total bill increases for a typical or average residential consumer in an amount that exceeds, on average, 10% per year over five years. Under this assumption, does Hydro One have any suggestions as to what the OEB should do to constrain the total bill impacts on a typical residential customer to an amount that does not exceed, on average, 10% per year over the next five years?

### **Rate Base, Capital Projects and Capital Budgets**

#### **Issues 4.1, 4.2, 4.3, 9.1 and 9.2**

References: Exhibit A, Tab 3, Schedule 1, page 5, paragraph 3  
Exhibit A, Tab 11, Schedule 4  
Exhibit D1, Tab 3  
Exhibit D2, Tab 2

#### **Questions:**

- 11. To what extent does the test period Revenue Requirement decrease if Construction Work in Progress ("CWIP") pertaining to the Bruce to Milton Line is excluded from Rate Base? Please provide details of the calculation that one performs to answer this question.
- 12. Please provide a breakdown of the total Capital Budgets for Hydro One Transmission for the 2011 and 2012 test years, and for the years 2013 to 2015, with the total amounts segregated between *Green Energy Act* ("GEA") Capital Expenditures and other transmission Capital Expenditures.
- 13. For each of the Capital Budget totals shown above for the years 2011 and 2012, list, year by year, beginning January 1, 2011, each of the projects that will be completed and in service in one year or less; each of the projects that will be completed and in service in two years or less; and each of the projects that will take more than two years to complete and put in service.
- 14. For those multi-year projects that will not be completed and in service by December 31, 2012, please show, year by year and cumulatively, the amounts that Hydro One plans to spend in order to complete each of those projects.

**Taxes**

**Issue 3.6**

References: Exhibit T1, Tab 7  
Exhibit C2, Tab 5, Schedule 1

**Questions:**

15. Does Hydro One pay taxes on a corporate basis, or are tax returns filed separately for each of the transmission and distribution lines of business?
16. If Hydro One pays taxes to the Ontario Electricity Financial Corporation ("OEFC") on a corporate basis, then please provide the following information for each of the years 2007, 2008 and 2009:
  - (a) What amount of taxes did Hydro One Distribution collect from its ratepayers in each year?
  - (b) What amount of taxes did Hydro One Transmission collect from its ratepayers in each year?
  - (c) What amount of taxes did the corporation, Hydro One, actually pay to the OEFC in each of those years?

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