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July 30, 2010

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

Dear Ms. Walli

**Re: Hydro One Networks Inc. 2011-2012 Transmission Rates
EB-2010-0002**

Attached please find the Power Workers' Union's Interrogatories with respect to the above-noted application.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Original signed by

Richard P. Stephenson

RPS:jr

Encl.

cc: *via email:*
John Sprackett
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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 review of an application filed by Hydro One Networks Inc. for an order or orders approving a transmission revenue requirement and rates and other charges for the transmission of electricity for 2011 and 2012.

POWER WORKERS' UNION INTERROGATORIES

GENERAL

PWU Interrogatory 1 (Planning Assumptions)

Issue 1.2: Are Hydro One's economic and business planning assumptions for 2011/2012 appropriate?

Ref (a): Exhibit A, Tab 12, Schedule 1, Appendix A, Page 1 of 4, Lines 5-11

Questions:

1. Ref (a) indicates that cost escalation forecasts were based on the Global Insight December 2008 forecast. Please provide an updated, most recent forecast from Global Insight.
2. Please identify the cost factors included in or excluded from the cost escalation forecasts referenced in question (1) above.
3. If labour escalation is included in the Global insight "basket" of costs, what escalation factor does Global Insight attribute to the labour component?
4. Please provide copies of the Global Insight reference documents used to forecast the transmission and distribution cost escalations for Construction and cost escalations for Operations and Maintenance indicated in the table referenced (Economics assumptions).

PWU Interrogatory 2 (Transmission Policies)

Ref (a): Exhibit A, Tab 11, Schedule 2, Page 3 of 4

Question:

1. Hydro One states that its Employee Business Expense and Travel Policy has been revised to conform to a Government directive dated September 14, 2009. Please explain the nature of the change in policy that has been adopted.

PWU Interrogatory 3 (Revenue Requirement)

Issue 1.3: Is the overall increase in 2011 and 2012 revenue requirement reasonable?

Ref (a): Exhibit A, Tab 15, Schedule 1, Page 18 (Stakeholder Consultation Session #2: Transmission Rate Application) notes that Hydro One's preliminary revenue requirement was originally projected to be \$1,512M for 2011 and \$1,634M for 2012

Ref (b): Exhibit A, Tab 2, Schedule 1, Page 1 of 4, indicates that the updated revenue requirement amounts are \$1,446 million and \$1,547 million, for 2011 and 2012 respectively.

Ref (c): Hydro One letter to the Ontario Energy Board, dated June 11, 2010, Re: Proposed Expedited Hearing Timetable, notes:

Given Hydro One's 25% reduction in the level of the revenue requirement increase from what would have been originally proposed, Hydro One cannot entertain further cost reductions as part of any settlement conference.

Ref (d): Exhibit A, Tab 12, Schedule 1, Page 5 of 5 (Planning Assumptions) indicates that:

The 2010-2012 Budget and Outlook was subsequently modified to take into account customer concerns ...

Ref (f): Exhibit A, Tab 12, Schedule 6, Page 1 of 2, Hydro One discussion on the project and program approval and control process.

Questions:

1. Please explain the reason for and the circumstances behind the significant reduction in revenue requirement from that which was originally planned, including confirmation as to whether or not the reduction was the result of

a directive or intervention by the shareholder or of corrections and changes in planning assumptions by Hydro One's management. Please also provide all relevant documents concerning communication between Hydro One and the shareholder on the matter.

2. Please confirm that Hydro One's statement in Ref (d) above refers to modification separate from and preceding the one referenced in question (1) above.
3. Please indicate whether the current application was revised from the original application after the original plan has been reviewed and approved by Hydro One Board of directors in accordance with the process explained in Ref (f) above.
4. Please fill out the following chart:

		As per Original Plan	Updated Plan (Current Application)	Difference	
				\$M	%
2011	Revenue Requirement (\$M)				
	Rate impact (compared to the 2010 board-approved revenue requirement)				
2012	Revenue Requirement (\$M)				
	Rate Impact				

5. Please fill out the following chart:

		As per Original Plan	Updated Plan (Current Application)	Difference	
				\$M	%
2011	OM&A (\$M)				
	Sustaining				
	Development				
	Operations				
	Shared services				
2012	OM&A (\$M)				

	Sustaining				
	Development				
	Operations				
	Shared services				

6. Please fill out the following chart:

		As per Original Plan	Updated Plan (Current Application)	Difference	
				\$M	%
2011	Capital Expenditure				
	Sustaining				
	Development				
	Operations				
	Shared services				
2012	Capital Expenditure				
	Sustaining				
	Development				
	Operations				
	Shared services				

7. Please identify and list specific projects and /or work programs impacted by the change to the original plan and indicate whether each has been cancelled, scaled-down or deferred, and whether the projects or work programs affected relate to Green Energy projects (i.e. those included in the September 21, 2009 letter of the Minister of Energy and Infrastructure to Hydro One) or whether they relate to Hydro One's ongoing maintenance and replacement work programs.
8. Please provide any assessments that Hydro One has undertaken to determine the implications arising from the changes to projects/work programs listed in response to question (7) above, including impacts on system reliability, service quality, and future rate hikes.
9. Please provide a chart showing the year-over-year change in the level of transmission revenue requirement together with the corresponding rate impact and bill impact for the 5 year period 2008-2012.

OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

PWU Interrogatory 4 (Safety, Reliability and Service Quality)

Issue 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?

Issue 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?

Questions:

Ref (a): Exhibit A, Tab 11, Schedule 1, Page 6 indicates that Hydro One is obligated to comply with all the applicable NERC Reliability Standards, NPCC Regional Standards and NPCC Criteria that have been adopted by these entities and filed with the OEB.

1. Please provide all documents of NERC and NPCC standards that have implications on reliability and which apply to Hydro One's transmission business.

Ref (b): Exhibit A, Tab 13, Schedule 1, Page 3, Table 1, Lines 19-21 indicates that Lost Time Injuries refer to the number of injuries that resulted in a Hydro One staff member having to take time off whereas Serious Lost Time Injuries "refer to incidents resulting from the following six targeted areas that represent the highest potential risk of injury".

2. Please explain the steps used to arrive at the numbers for Serious Lost Time Injuries and what the numbers mean.

Ref (c): Exhibit A, Tab 13, Schedule 1, Appendix C, Page 3 (CDPP Standards)

3. Please provide Hydro One's performance against the standards on an annual basis for each year since the standards were adopted.

PWU Interrogatory 5 (Cost Efficiencies/Productivity)

Ref (a): Exhibit A, Tab 14, Schedule 1, Page 12, Lines 1-4 states:

In 2009, Hydro One started to report Transmission Unit Cost defined as Capital and O&M Costs (\$) per Asset Value (\$) as an indicator of

productivity using costs per unit in the Corporate Scorecard. Hydro One will continue to benchmark this measure against comparable Utilities. In this way we can demonstrate how productive we are against peer utilities.

Question:

1. Please provide external comparison data showing Hydro One's performance since Hydro One started to report this measure in 2009.

PWU Interrogatory 6 (Compensation)

Issue 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?

Questions:

Ref (a): Exhibit C1, Tab 1, Schedule 1, Page 4 of 6 indicates that Exhibit C1, Tab 3 presents total staff levels and costs incurred by the Company. The evidence doesn't have any information on Staff levels.

1. Please provide staff levels for the period 2006-2012.

Ref (b): Exhibit A, Tab 12, Schedule 7, Page 9 of 10, Lines 27-28 indicates that plans are underway to increase staff by approximately 1,200 between 2010 and 2012.

2. Please breakout the increase by year for 2010, 2011, and 2012. Please indicate level of expected attrition for the respective years.

Ref (c): Exhibit C1, Tab 2, Schedule 1, Page 5, Table 2 (2009 Board Approved versus 2009 Actual OM&A Expenditures) indicates that the 2009 actual Operations expenses were lower than the Board approved amount by about \$5 million due to "higher than expected staff attrition".

3. Please provide the expected vs. actual level of attrition.

Ref (d): Exhibit A, Tab 12, Schedule 7, Page 6 indicates that a much greater volume of "Greenfield" development work will be contracted out under "turnkey" contracts.

4. Please provide a list of the top 10 “turn-key” projects (by dollar value) that Hydro One has undertaken through external work capacity and indicate the extent to which the projects have been delivered on an “on-time, on-budget” basis, and if not, the variance between budget and actual.

Ref (e): Exhibit C1, Tab 3, Schedule 2, Page 2 of 18 states:

Collective Agreements are legal contracts.

Ref (f): Exhibit C1, Tab 3, Schedule 2, Page 1 of 18, Lines 23-27 to Page 2 of 18, Lines 1-2 states:

With the de-merger of Ontario Hydro in 1999, Hydro One inherited collective agreements with firmly established terms and conditions of employment for represented employees. Since its formation, Hydro One has a history of managing collective bargaining in an effective manner by balancing the needs to reduce costs, increase productivity and settling collective agreements which the unions can support and ratify with its membership. Compensation at Hydro One is appropriate and reasonable given this history and context in which the Company operates.

Ref (g): Exhibit C1, Tab 3, Schedule 2, Page 2 of 18, Lines 23-26 states:

Collective Agreements are legal contracts. In labour agreements, more so than commercial contracts, parties must also consider their longer term relationship. Hydro One’s Human Resources strategy is to negotiate fair and reasonable collective agreements to foster and promote healthy union – management relationships.

5. Please describe the processes and steps involved in collective bargaining with unions and all the relevant considerations (factors), internal or external to Hydro One and the unions, which are applied to arrive at the final collective agreement, which is a binding legal contract.
6. Please provide a chart showing a comparison of wage escalation rates in the collective agreements with the PWU and The Society with wage escalation rates contained in other Ontario and Canadian collective agreements entered into at or about the same time, for example, major public sector settlements, all public sector settlements, and the Transportation, Communication and Utilities sector.

Ref (f): Exhibit C1, Tab 3, Schedule 2, Page 9 of 18, Table 3 (Year End Hydro One Networks Inc Payroll* (M\$) (Tx and Dx))

Ref (g): EB-2009-0096, Exhibit H, Tab 7, Schedule 67, Attachment 1, Page 1

7. The projections of Total wages for 2010 and 2011 in Ref (f) (current application) are lower than projections in Ref (g). Please explain this

evidence? What has been the variance in headcount between 2010 and 2011?

Ref (h): Exhibit C1, Tab 3, Schedule 1, Page 2 of 10, Lines 7-20

8. In Ref (h), Hydro One lists four additional human resource challenges. Please explain the additional human resource challenges attributed to two of these factors, i.e., the shut down of two coal-fired generating units at Lambton and two units at Nanticoke in 2010, in advance of the shut down of all coal-fired generating units by 2014; and the indefinite delay in the in-service date of new nuclear generation, previously assumed to be 2018 in the IPSP.

PWU Interrogatory 7 (Vegetation Management)

Ref (a): Exhibit C1, Tab 2, Schedule 3, Page 41 of 62, Table 5

Question:

1. What is the planned level of accomplishment for the test years for brush control and line clearing?

CAPITAL EXPENDITURES and RATE BASE

PWU Interrogatory 8

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

Questions:

Ref (a): Exhibit D1, Tab 1, Schedule1, Page 5, Table 4

1. Please explain the reason why the 2010 forecast total rate base is less than the Board-approved amount by about \$300 M.

Ref (b): Exhibit D1, Tab 2, Schedule 1, Page 2 of 74, Lines 15-16 & Lines 21-22 (Asset Demographics) states:

The volume of assets that will need replacing due to asset failures or unacceptable asset performance is expected to increase gradually over the long-term... It should be noted that the investments that Hydro One is making in the test years will not arrest these long term demographic trends.

2. For each major asset category, please provide a chart setting out the number of units in each age range assuming the planned replacements are carried out over the next 5 years.

GREEN ENERGY PLAN

PWU Interrogatory 9

Issue: 9.1: Are the OM&A and capital amounts in the Green Energy Plan appropriate and based on appropriate planning criteria?

Ref (a): Exhibit A, Tab 11, Schedule 4, Page 8 of 47 (Major Green Energy Projects) identifies 18 Green Energy Projects grouped into three categories: Projects where Preliminary Development Work is Underway; Projects where Development Work will begin once OPA Confirms Project Need; and Projects where Development Work is Not Planned in the Test Years.

Ref (b): EB-2009-0096, Hydro One Networks Inc. 2010 and 2011 Distribution Rates, Decision with Reasons, April 9, 2010

Questions:

1. Please clarify the nature of approvals that Hydro One is seeking from the Board in this proceeding with respect to these three categories of Green Energy projects, Ref (a), including amounts sought for approval for the test years.

In its decision in the case referenced in Ref (b) above, the Board denied Hydro One's request for approval of certain green energy projects mainly because "Hydro One has provided little conclusive evidence regarding the timing and extent of renewable generation connections. The OPA's FIT program is in its very early stages and the most recent public information from the OPA suggests capacity renewable generation connections at 50% to 75% of Hydro One's estimate."

2. Please provide the latest figures for FIT uptake from the Ontario Power Authority.
3. Why, in Hydro One's view, do specific characteristics and requirements of Transmission green energy projects in the current application warrant that the Board's approach be different from that in the EB-2009-0096 distribution application case?

PWU Interrogatory 10

Issue 9.2: Are Hydro One's accelerated cost recovery proposals for the Bruce-to-Milton line and for Green Energy projects appropriate?

Questions:

Ref (a): Exhibit A, Tab 15, Schedule 1, Page 14 of 25, Lines 4-11 states:

It was also explained that Hydro One was considering requesting the inclusion of Construction Work In Progress (CWIP) in rate base treatment for: Northwest Transmission Expansion, Goderich Area Enabler, Algoma to Sudbury Transmission Expansion, Toronto Short Circuit Uprate and the Bruce to Milton projects because these projects require financing significant cash flows, and some are green field projects and therefore entail a higher risk and lengthy planning and construction periods. These projects have been identified by the OPA and by the Ontario Government as priority projects, and Hydro One has been instructed to expedite their development.

1. Please confirm that the current application seeks the stated treatment for Bruce-Milton, Northwest Transmission Expansion, and Algoma to Sudbury Transmission Expansion projects alone. If confirmed, please explain the reason for dropping the consideration of the stated treatment for the other two projects. If not please identify the relevant reference in the current application related to the CWIP in rate base treatment for these two projects.

Ref (b): Exhibit A, Tab 11, Schedule 5, Page 4 of 11, Table 1 indicates the BxM Project Annual Costs for the period 2007-2012 add up to \$672M whereas the last column shows a total cost including future years of \$695M.

2. Please provide the basis for and calculation of the variance.

Ref (c): Exhibit A, Tab 11, Schedule 5, Page 8 of 11, Table 2 indicates that the total revenue requirement impacts of the proposed accelerated cost recovery mechanism for Bruce-Milton project for 2011 and 2012 are \$43.6M and \$26M, respectively.

3. Please provide the corresponding bill impacts.

Ref (d): Exhibit A, Tab 11, Schedule 5, Page 6 of 11, Lines 21-24 states that the proposed accelerated cost recovery mechanism (Accelerated Cost Recovery of CWIP) for the Bruce-Milton transmission line project would lower the overall cost of the line from \$753 million to \$695 million, thus lowering the overall cost to ratepayers over the life of the facility.

4. Please explain the basis of and the calculation behind this assessment.
5. Please explain and demonstrate using numbers, the benefits other than lower overall cost of the project, if any, to the rate payer of the request for accelerated cost recovery for the Bruce-Milton project compared to other alternative mechanisms or the normal cost recovery based on the principle of used and useful.

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