

**INTERROGATORIES FOR HYDRO ONE NETWORKS
EB-2010-0002
FROM THE CONSUMERS COUNCIL OF CANADA**

**GENERAL
Issue 1.3**

1. (A/T15/S1) HON held a number of Stakeholder Consultation sessions prior to the filing of its Application. At the March 2 meeting, assuming that the ROE Motion was denied HON was projecting an 22.3% revenue requirement increase for 2011 (16.2% if the motion was granted for 2011 and 9.8% for 2012). The Application now seeks a revenue requirement increase of 15.7% for 2011 and 9.8% in 2012. Please provide the following:
 1. All of the slides presented at the March 2, 2010 Stakeholder Consultation Session;
 2. All correspondence between the HON and its shareholder between March 2 and May 19 regarding the Transmission application;
 3. All presentations or reports made to the Board of Directors during that period;
 4. A detailed description of the process HON followed in terms of revising its budgets that flowed from the initial budgeting process;
 5. A chart explaining the key differences between the original budget and the budgets now contained in the evidence in support of the Application;
2. (A/T15/S1/p. 24) Please identify all changes made to HON's application and evidence as a result of the input received from Stakeholders at the Stakeholder Consultation Sessions.
3. (A/T14/S1/pp. 2-5) HON has identified a number of initiatives that have resulted in efficiency improvements. For each of these initiatives please quantify, where possible, the associated costs reductions arising from each of these initiatives.
4. (A/T3/S1) What is the revenue requirement impact of HON Transmission's Green Energy Plan in each of the test years?
5. (A/T3/S1) What is the revenue requirement impact in each of the test years that results from the passage of the Green Energy and Economy Act?
6. (A/T3/S1) The evidence states that the increase in total revenue requirement is largely attributable to the impact of rate base growth reflected in the increase in capital carrying costs and depreciation, the increase in work program OM&A requirements, the request for CWIP recovery for the Bruce to Milton project, increased common equity return by following the Board's new cost of capital methodology, partially offset by lower income taxes. Please quantify the impact on 2011 and 2012 for each of these items.
7. (A/T3/S1/p. 2) Please explain, specifically, how HON meets its strategic objective of "satisfying our customers' needs for affordable, reliable power".
8. Given the new requirements imposed on HON by the GEGEA, how has HON revised its planning processes? In effect, drivers such as asset condition, growth, reliability etc.

have been in the past an integral part of the planning processes. How does HON reconcile that type of planning process with one that is now largely driven by external factors such as the introduction of the FIT program and directives from the Minister identifying specific projects to proceed with?

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Issue 3.1

9. (C1/T2/S1/p. 2) Please recast Table 1 to include Board approved amounts for 2007-2009.

Issue 3.2

10. (A/T7/S3/p. 8) Telecommunication Services are provided to HON by Telecom. Please explain in detail why the cost of these services are increasing by more than \$500,000 in 2011 and again in 2012.
11. (C1/T2/S6/p. 3) Please recast Table 1 to include Board approved amounts for 2007-2010.
12. (C1/T2/S7/p. 2) Please recast Table 1 to include Board approved amounts for 2007-2010.
13. (C1/T2/S7/p. 12) Please provide a detailed breakdown of all of the elements of the Corporate Communications Function. Please provide that breakdown for the years 2007-2012. The evidence states that Corporate Communications will increase by \$5 million as a result of additional work requirements to support the GEGEA. Please provide details of that additional work.
14. (C1/T2/S7/p. 15) The General Counsel and Secretary Function increase by more than 10% from 2010 to 2011. Please provide a detailed explanation for this increase.
15. (C1/T2/S7/p. 18) For each year 2007-2012 please provide a detailed breakdown of HON's Regulatory Affairs Function. Please include all internal and external costs.
16. (C1/T2/S7/p. 18) The evidence indicates that the 2011 to 2012 regulatory costs are expected to increase by \$1.9 million as a result of a new National Energy Board cost recovery fee. Please provide evidence that this has been approved. In addition, please provide the basis for the \$1.9 million amount.
17. (C1/T2/S7/p. 23) The Real Estate & Facilities Function costs have increased significantly since 2008. Please explain how HON is attempting to manage these cost increases.
18. (C1/T2/S8/p. 6) The Strategy and Business Development Budget is increasing significantly in 2010, 2011 and 2012 relative to previous levels. Please provide a detailed budget for this function for each year 2007-2012. Please identify all of the key projects for 2011 and 2012 and the associated costs.

19. (C1/T2/S9/p. 2) HON has negotiated a three-year contract extension of the contract with Inergi for outsourced IT services. Was the work subject to a public tendering process? If not, why not. Please provide evidence to demonstrate that the three-year extension was the most cost-effective approach for HON.
20. (C1/T2/S9/p. 4) Please explain in detail the significant increases in IT Sustainment from 2008 to 2012.
21. (C2/T2/S1/p. 1) Please recast Schedule 1 "Comparison of OM&A Expense by Major Category" to include Board approved amounts for each year 2007-2010.

Issue 3.3

22. (C1/T3/S1/p. 1) The evidence states that by December 31, 2009 approximately 1000 Networks Staff were eligible for an undiscounted retirement. How many of those employees opted for retirement?

Issue 3.5

23. (C1/T5/S1/p.2) B&V conducted a review of the common cost allocation methodology in 2010. What is the impact on the 2011 and 2012 revenue requirement resulting from the changes made in response to the B&V report.

CAPITAL EXPENDITURES AND RATE BASE

Issue 4.2

24. (D1/S1/p. 2) Please recast Table 1 to include Board approved numbers for each year 2007-2010. Within each capital expense category please identify how much of those budgets are being driven by the passage of the GEGEA. In addition, within each budget please identify how much is related to the projects identified by the Minister in September 2009.
25. (D2/T2/S1/p. 1) Please recasts Schedule 1 "Comparison of Net Capital Expense by Major Category" to include Board approved numbers for 2007-2010.
26. (D1/T3/S8/p. 4) Please provide the following for the Head Office Improvement Program:
 1. The initial budget including all cost components for each year of the project;
 2. The current budget and any variance analysis between that budget and the original budget;
27. (D1/T3/S3/Appendix B) HON has filed a document entitled, "OPA Information Regarding Proposed Transmission Facilities in Hydro One's 2011-2012 Transmission Rate Application". Please explain how this document was prepared. Did the OPA and HON collaborate in the preparation of the document? What is the purpose of the document? For all of the projects discussed in the document which entity decides whether the project should proceed?

28. Please provide a current detailed budget for the Bruce to Milton project. Please compare the current budget to that filed in the Leave to Construct Proceeding and provide a variance analysis.

COST OF CAPITAL/CAPITAL STRUCTURE

Issue 5.2

29. Please provide HON Transmissions actual and forecast ROE for each year 2007, 2008 and 2009.
30. Please provide all correspondence between HON and its shareholder regarding HON's application to seek a higher ROE.

Issue 5.3

31. (B1/T2/S1/p.5) The evidence indicates that HON Transmission's forecast borrowing requirements are \$200 million remaining for 2010. When does HON plan to issue that debt? Why has HON chosen to split the amount into 5 and 10 year terms?

CHARGE DETERMINANTS

32. (H1/T5/S1/p. 1) Please explain, in detail, why HON is of the view that the \$1 MWh applicable to export service remains appropriate? Please explain HON's view as to why Option 2 was not ultimately recommended by the IESO as it was determined to be the best option in its report.

GREEN ENERGY PLAN ("GEP")

Issue 9.1

33. Exhibit A, Tab 11, Schedule 4 sets out the GEP. It would appear that the GEP is comprised of projects that were included in a letter dated September 21, 2009, from the Minister of Energy and Infrastructure to Hydro One. The evidence indicates that some of those projects will be the subject of applications under section 92 of the *Ontario Energy Board Act*. Please explain the relief which HON is seeking with respect to its GEP. Assuming that the relief sought is the approval of the GEP, what are the implications, for the section 92 applications, of that approval?
34. (A/T11/S4) The letter from the Minister of Energy and Infrastructure, dated September 21, 2009, sets out the transmission projects that HON is directed to proceed with. How many of those transmission projects had been included in HON's plans prior to the Minister's letter? Did HON drop of its planned transmission projects, whether for new projects or for upgrades to existing facilities, as a result of the Minister's letter of September 21, 2009? If so, which projects were dropped? What is the net increase in HON's forecast spending, for both Capital and OM&A, as a result of having to undertake the projects set out in the letter from the Minister dated September 21, 2009.
35. (A/T11/S4) Please explain how, if at all, HON's Green Energy plan was revised between March 1 and May 19.

36. (A/T11/S4) The evidence states that HON's strategy is to begin the preliminary Development Work on priority GE projects, those with the highest need as identified in consultation with the OPA and based on the information presently available. The evidence states that "determination of need will be developed in consultation with the OPA..." (page 4 of 47). Please describe the respective roles of HON and the OPA in the determination of need? In particular, please explain, in detail, the process that HON is undertaking with the OPA to determine the projects "with the highest need". Who ultimately decides if a project should go ahead, the OPA or HON? Through this process how does HON ensure that it is pursuing its objective to provide its customers with affordable, reliable power?
37. (A/T11/S4) What are the transmission requirements related to the Korean Consortium Agreement? Please indicate how, if at all the Korean Consortium Agreement will impact the 2011 and 2012 revenue requirements.
38. On page 7 of 47, the following statement appears:
- The economic development objectives of the GEGEA will lead to commercial arrangements such as the Korean Consortium (Samsung) agreement where in exchange for job creation and other economic benefits, some companies may be guaranteed capacity on the Transmission system and Hydro One will have to accommodate these need.
- What is the meaning of that statement? Has HON undertaken a cost/benefit analysis of the projects contained in the GEP? If so, please produce those cost/benefit analyses. Is HON aware of cost/benefit analyses for these projects prepared by the Ministry, the OPA or third parties? If so, please produce these analyses.
39. (A/T11/S4/pp. 10-28) What are current projected in-service dates for the 18 projects for which development work is currently underway? For each of the projects listed how will HON prioritize them? How does the development of these projects fit into the HON Business Planning process?
40. (A/T11/S4/p. 41) At page 41 of 47, reference is made to the possibility that the level of need for the projects included in the GEP may dissipate in the future. The evidence further states that " This risk is further mitigated since the chance of this happening would be 19 confined to only the Green Projects with the highest need and not the entire list of 20 Green Projects, and uncertainty about the need is managed through close and regular 21 consultation with the OPA." What is the "need" that is being referred to? How is that "need" determined and by whom? What is the basis for the assertion that the risk would be confined only to the Green Projects with the highest need, and not the entire list of 20 Green Projects?
41. Please provide copies of all correspondence, including e-mails, between HON and the OPA with respect to the need for the projects included in the GEP. Please produce copies of all correspondence, including e-mails, between the Minister and HON with respect to the projects included in the GEP.

42. What evidence does HON have that the projects in the GEP will result in reliable supplies of electricity at the lowest cost? What evidence does HON have that the projects in the GEP will result in the lowest reasonable transmission cost for consumers?
43. (A/T11/S4/p. 29) Please explain why the Hearn, Leaside and Manby TS upgrades are considered "Green" projects. The evidence states that the OPA has recommended that HON proceed with these projects. In the absence of the OPA's recommendations would HON be proceeding with these projects? What criteria did the OPA use in determining that these projects should proceed?
44. (A/T11/S4 p. 47) At page 47 of 47, the evidence states that "Hydro One is considering the need for a mechanism to recover these costs as incurred and might propose a rate rider mechanism." When, and in what circumstances, would HON propose that rate rider mechanism?
45. (A/T11/S4 p. 37) HON is proposing "Accelerated Cost Recovery of CWIP" for the Northwest Transmission Reinforcement Project and the Sudbury to Algoma Area Project. What would be the impact on the 2011 and 2012 revenue requirement if HON's proposed regulatory treatment was not approved?
46. (A/T11/p. 46) HON has set out in Table 5 a budget for Development Work for Major Green Projects. What type of relief is HON seeking with respect to these budgets? How were the costs for each project derived?
47. (A/T11/S4/Appendix A) The evidence includes the September 21, 2009, letter from the Minister directing HON to immediately proceed with the planning, development and implementation of Transmission projects outlined in an Appendix to the letter. Please indicate whether a more updated request from the Government has been made to HON.

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