Power Workers Union (PWU) INTERROGATORY #1 List 1

Interrogatory

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).

Response

1. See Exhibit I, Tab 1, Schedule 1 for the updated cost escalation forecasts.

2. Refer to lines 14-32 in Exhibit A, Tab 12, Schedule 2, Page 1 for the requested information.

3. The labour escalation supporting the Cost Escalation for Construction index presented in Page 1 of Appendix A in Exhibit A, Tab 12, Schedule 1 is provided below:

	2009	2010	2011	2012
Labour				
Building Trades Labor: JBLB@NOC	497.0	514.8	526.5	538.1
%	2.9	3.6	2.3	2.2
Heavy Constr. Trades Labor: JBLHV@NOC	490.8	501.8	513.6	525.5
%	3.1	2.3	2.4	2.3
Labour for Reinf. Conc: JBLCRF@NOC	492.0	504.0	515.5	527.2
%	3.5	2.4	2.3	2.3
Common Labour: JBLC@NOC	497.3	510.5	523.9	537.7
%	3.2	2.7	2.6	2.6
Electricians: JBLEL@NOC	528.5	542.3	555.5	568.8
%	1.4	2.6	2.4	2.4
Pipefitters: JBLPF@NOC	516.5	544.7	556.1	569.4
%	3.4	5.5	2.1	2.4
Plumbers: JBLPU@NOC	503.3	539.4	549.4	560.0
%	3.9	7.2	1.9	1.9

Source: Table A5, Power Planner, IHS Global Insight, July 2010

The labour escalation information supporting the Transmission Cost Escalation for Operation and Maintenance index presented in Page 1 of Appendix A in Exhibit A, Tab 12, Schedule 1 is provided below:

	2009	2010	2011	2012
Wages				
Utility Service Workers: CEU4422000008 ($/Hr)	29.56	30.25	30.72	31.40
%	2.5	2.3	1.5	2.2
Electric Power Generation, Transmission & Distr. Workers: CEU4422110008 ($/Hr)	30.86	31.31	32.02	32.77
%	2.0	1.5	2.3	2.4
Managers and Administrators: ECIPWMBFNS (2005:4=100.0)	110.5	112.8	115.3	118.1
%	1.1	2.2	2.2	2.4
Professional and Technical Workers: ECIPWPARNS (2005:4=100.0)	111.9	114.2	117.4	120.2
%	1.8	2.1	2.8	2.3

Source: Table A30, Power Planner, IHS Global Insight, July 2010

4. The Power Planner report is proprietary property of IHS Global Insight, as such Hydro One cannot provide the documents as requested.

Power Workers Union (PWU) INTERROGATORY #2 List 1

Interrogatory

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

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

1. Hydro One states that it's 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.

Response

On September 14, 2009, the Government of Ontario issued a directive requiring Hydro One to adhere to the Ontario Public Service Travel, Meal and Hospitality Expense Directive (Directive). On November 13, 2009 an addendum was issued followed by a further update to the Directive on April 1, 2010. As a result, Hydro One's Business Expense Policy - Travel, Meal & Hospitality (Policy) was revised to conform to the Directive. The Policy specifies the requirements applying to the incurrence and approval for business related travel, meals and hospitality expenses. The policy applies to Hydro One Inc. and all of its subsidiaries. In all cases, however, the terms in this Policy may be superseded by terms of the appropriate governing collective agreement.

The most significant changes to the Policy include:

- The reduction of the allowable limits for meals and the allowable mileage rates for employees not covered by collective agreements.
- The reimbursement for meals not to include alcoholic beverages.
- The requirement for prior written approval from the Deputy Minister of Energy and Infrastructure for the reimbursement of alcoholic beverages at hospitality events.
- The requirement for consultants and professional services providers to not be reimbursed for hospitality, incidental or food expenses.
- The requirement for prior written approval from executive management for travel outside the province but within Canada and the Continental USA.
- The requirement for prior written approval from the Minister of Energy and Infrastructure for travel outside Canada and the Continental USA.

Power Workers Union (PWU) INTERROGATORY #3 List 1

Interrogatory

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 was 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				
	OM&A ($M)				
2012					
	OM&A ($M)				
	Sustaining				
	Development				
	Operations				
	Shared Services				
	OM&A ($M)				

6. Please fill out the following chart:

		As per Original Plan	Updated Plan Current Application	Difference	
				$M	%
2011	**Capital Expenditure**				
	Sustaining				
	Development				
	Operations				
	Shared Services				
	OM&A ($M)				
	Capital Expenditure				
	Sustaining				
	Development				
	Operations				
	Shared Services				
	OM&A ($M)				

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.

Response

1. Please refer to Exhibit I, Tab 3, Schedule 1.

2. The statement does not refer to a modification separate from and preceding the one reference in question (1). The Board Memo referenced in question 1 was the mechanism through which the Board of Directors approved the reduction in revenue requirement.

3. Yes, the revised application was approved as per (2) above after the original plan had been approved by Hydro One Board of Directors.

4. Requested chart completed below:

		As per Original Plan	Updated Plan Current Application	Difference	
		$M	$M	$M	%
2011	Revenue Requirement ($M)	$1,502	$1,446	(56)	(3.7%)
	Rate Impact *(compared to the 2010 board-approved revenue requirement)*	21.5%	15.7%		
2012	Revenue Requirement ($M)	$1,602	$1,547	$(55)	(3.4%)
	Rate Impact	9.1%	9.8%		

5. Requested chart completed below:

		As per Original Plan	Updated Plan Current Application	Difference	
				$M	%
2011	**OM&A ($M)**				
	Sustaining	245.9	233.0	(12.9)	(5.2%)
	Development	18.2	18.2	-	-
	Operations	66.3	66.3	-	-
	Shared Services	53.3	46.9	(6.4)	(12.0%)
2012					
	OM&A ($M)				
	Sustaining	254.4	243.1	(11.3)	(4.4%)
	Development	18.9	18.9	-	-
	Operations	68.2	68.2	-	-
	Shared Services	55.0	46.4	(8.6)	(15.6%)

6. Requested chart completed below:

		As per Original Plan	Updated Plan Current Application	Difference	
				$M	%
2011	**Capital Expenditure**				
	Sustaining	424.0	424.0	-	-
	Development	729.1	617.2	(110.4)	(15.2%)
	Operations	44.3	44.3	-	-
	Shared Services	62.5	66.3	(0.8)	(1.2%)
2012	**Capital Expenditure**				
	Sustaining	443.4	443.4	-	-
	Development	708.1	456.8	(260.6)	(36.3%)
	Operations	57.4	57.4	-	-
	Shared Services	45.7	50.6	4.9	10.7%

7. The below noted table identifies specific development capital projects impacted by the change to the original plan.

Project Name	Impact [1]	Project Type
Project D2: Northeast Transmission Reinforcement: Install SVC's at Porcupine TS & Kirkland Lake TS	Delayed	Non-Green Energy
Project D8: Dryden TS – Install a Shunt Capacitor Bank	Deferred	Non-Green Energy
Installation of 100MVar Shunt Capacitor Bank at Algoma TS	Deferred	Non-Green Energy
Installation of two 75MVar Shunt Capacitor Banks at Mississagi TS	Deferred	Non-Green Energy
Installation of +300/-100MVar Static Var Compensator at Mississagi TS	Deferred	Non-Green Energy
Project D16: Commerce Way TS: Build new TS and Line Connection (formerly Woodstock East TS)	Delayed	Non-Green Energy
Project D22: New 230/28 kV Transformer Station in Northern Mississauga & Line Connection	Deferred	Non-Green Energy
Project D23: Enfield TS: Build 230/44 kV DESN and Line Connection (formally Oshawa Area TS)	Deferred	Non-Green Energy
Hanlon TS: Increase Capacity	Cancelled	Non-Green Energy
Project D32: Enabling 230/44kV TS #1 and Short (<2km) Tap	Deferred	Green Energy
Project D33: Enabling 115/44kV TS #1 and Short (<2km) Tap	Deferred	Green Energy
Goderich Enabler	Deferred	Green Energy
Project D34: Algoma x Sudbury Transmission Expansion	Deferred	Green Energy
Project D35: Northwest Transmission Reinforcement	Deferred	Green Energy
Project D36: Static Var Compensator #1 at Existing Station in South Western Ontario	Deferred	Green Energy
Project D37: In-Line Circuit Breakers #1	Adjusted Cashflow	Green Energy
Project D38: In-Line Circuit Breakers #2	Adjusted Cashflow	Green Energy
Project D39: In-Line Circuit Breakers #3	Adjusted Cashflow	Green Energy
Project D40: In-Line Circuit Breakers #4	Adjusted Cashflow	Green Energy
Project D41: In-Line Circuit Breakers #5	Adjusted Cashflow	Green Energy
Project D42: In-Line Circuit Breakers #6	Adjusted Cashflow	Green Energy
Project D46: Various lines and TSs outliers-Inliers	Scaled Down	Non-Green Energy

[1] Where the terms used are defined as follows:
Adjusted Cashflow – expenditures in 2011 and 2012 decreased from original plan, but total project cost and in-service date remained unchanged.
Cancelled – no future expenditures are expected.
Delayed – projects within the engineering and/or construction phase, experiencing a delay in in-service date.
Deferred – projects prior to start of project, experiencing a delay in in-service date.
Scaled Down – expenditures in 2011 and 2012 have been reduced.

8. The deferral of spending on the projects listed in Part 7 will have no impact on system reliability or service quality. The majority of projects listed in Part 7 – Development Capital are required to facilitate customer or renewable generation connections.

9. Requested chart completed below:

	Revenue Requirement	Rate Impact	Bill Impact
	($M)	%	%
2008	1,170.1	(2.5%)	(0.2%)
2009	1,179.0	1.2%	0.1%
2010	1,257.3	10.2%	0.8%
2011	1,445.5	15.7%	1.2%
2012	1,547.4	9.8%	0.7%

Power Workers Union (PWU) INTERROGATORY #4 List 1

Interrogatory

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.

Response

1. The following tables list the NERC and NPCC Reliability Standards that apply to Hydro One. These standards are public domain and can be found at: http://www.npcc.org/documents/regStandards/Directories.aspx for the NPCC Reliability Standards and at http://www.nerc.com/page.php?cid=2|20 for NERC Reliability Standards.

Table 1 – List of NPCC Regional Criteria That Apply to Hydro One

Document Number	Text of Requirement / Standard
A-01	Criteria for Review and Approval of Documents
A-02	Basic Criteria for Design and Operation of Interconnected Power Systems
A-05	Bulk Power System Protection Criteria
A-06	Operating Reserve Criteria
A-07	NPCC Glossary of Terms
A-08	NPCC Reliability Compliance And Enforcement Program
A-10	Classification of Bulk Power System Elements
A-10	Classification of Bulk Power System Elements Implementation Plan
A-15	Disturbance Monitoring Equipment Criteria
Dir # 12	UFLS Program Requirements
Dir # 2	Emergency Operations
Dir # 3	Maintenance Criteria for BPS Protection
Dir # 7	Special Protection Systems
Dir # 8	System Restoration

Table 2 – List of NERC Reliability Standards That Apply to Hydro One

Standard Number	Text of Requirement / Standard
BAL-005-0.1b	Automatic Generation Control
CIP-001-1	Sabotage Reporting
CIP-002-2	Cyber Security - Critical Cyber Assets Identification
CIP-003-2	Cyber Security - Security Management Controls
CIP-004-2	Cyber Security - Personnel and Training
CIP-005-2	Cyber Security - Electronic Security Perimeter(s)
CIP-006-2	Cyber Security - Physical Security
CIP-007-2	Cyber Security - Systems Security Management
CIP-008-2	Cyber Security - Incident Reporting and Response Planning
CIP-009-2	Cyber Security - Recovery Plans for Critical Cyber Assets
COM-001-1.1	Telecommunications

Standard Number	Text of Requirement / Standard
COM-002-2	Communication and Coordination
EOP-001-1	Emergency Operations Planning
EOP-002-2.1	Capacity and Energy Emergencies
EOP-003-1	Load Shedding Plans
EOP-004-1	Disturbance Reporting
EOP-005-1	System Restoration Plans
EOP-008-0	Plan for Loss of Control Center Functionality
FAC-001-0	Facility Connection Requirements
FAC-002-0	Coordination of Plans for New Generation, Transmission and End-User
FAC-003-1	Transmission Vegetation Management Program
FAC-008-1	Facility Ratings Methodology
FAC-009-1	Establish and Communicate Facility Ratings
IRO-001-1.1	Reliability Coordination — Responsibilities and Authorities
IRO-005-3	Reliability Coordination — Current Day Operations
IRO-010-1	Reliability Coordinator Data Specification and Collection
MOD-004-1	Capacity Benefit Margin
MOD-008-1	Transmission Reliability Margin Calculation Methodology
MOD-010-0	Steady-State Data for Modeling and Simulation of the Interconnected Transmission System
MOD-011-0	Maintenance and Distribution of Steady-State Data Requirements and Reporting Procedures
MOD-012-0	Dynamics Data for Modeling and Simulation of the Interconnected Transmission System
MOD-017-0.1	Aggregated Actual and Forecast Demand and Net Energy for Load
MOD-018-0	Treatment of Nonmember Demand Data and How Uncertainties are Addressed in the Forecast of Demand and Net Energy for Load
MOD-019-0 .1	Reporting of Interruptible Demands and Direct Control Demand Management
MOD-020-0	Providing Interruptible Demands and Direct Control Load Management Data to System Operators and Reliability Coordinators
MOD-021-0.1	Documentation of the Accounting Methodology for the Effects of Controllable Demand-Side Management in Demand and Energy Forecasts

Standard Number	Text of Requirement / Standard
NUC-001-1	Nuclear Interface
PER-001-0.1	Operating Personnel Responsibility and Authority
PER-002-0	Operating Personnel Training
PER-003-0	Operating Personnel Credentials
PER-005-1	System Personnel Training
PRC-001-1	System Protection Coordination
PRC-004-1	Analysis and Mitigation of Transmission and Generation Protection System Misoperations
PRC-005-1	Transmission and Generation Protection System Maintenance and Testing
PRC-007-0	Assuring Consistency of Entity Underfrequency Load Shedding Programs with Regional Reliability Organizations' Underfrequency Load Shedding Program Requirements
PRC-008-0	Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program
PRC-009-0	Analysis and Documentaion of Underfrequency Load Shedding Performance Following an Underfrequency Event
PRC-010-0	Technical Assessment of the Design and Effectiveness of Undervoltage Load Shedding Program
PRC-011-0	Undervoltage Load Shedding System Maintenance and Testing
PRC-015-0	Special Protection System Data and Documentation
PRC-016-0.1	Special Protection System Misoperations
PRC-017-0	Special Protection System Maintenance and Testing
PRC-018-1	Disturbance Monitoring Equipment Installation and Data Reporting
PRC-021-1	Undervoltage Load Shedding Program Data
PRC-022-1	Under-Voltage Load Shedding Program Performance
PRC-023-1	Transmission Relay Loadability
TOP-001-1	Reliability Responsibilities and Authorities
TOP-002-2a	Normal Operations Planning
TOP-005-2	Operational Reliability Information

Standard Number	Text of Requirement / Standard
TOP-006-2	Monitoring System Conditions
TOP-007-0	Reporting System Operating Limit (SOL) and Interconnection Reliability Operating Limit (IROL) Violations
TOP-008-1	Response to Transmission Limit Violations
TPL-001-0.1	System Performance Under Normal (No Contingency) Conditions (Category A)
TPL-002-0a	System Performance Following Loss of a Single Bulk Electric System Element (Category B)
TPL-003-0a	System Performance Following Loss of Two or More Bulk Electric System Elements (Category C)
TPL-004-0	System Performance Following Extreme Events Resulting in the Loss of Two or More Bulk Electric System Elements (Category D)
VAR-001-1a	Voltage and Reactive Control

2. "Serious Lost Time Incidents" is referred to as "Serious Lost time Injuries" in the table. These high risk incident types are: electrical incidents, falls to a different level, preventable motor vehicle incidents, falling objects, incidents involving work equipment, and asset equipment failure and represented a subset of all incidents reported at Hydro One. These incidents are recorded by Hydro One. The value reported represents the number of these incidents that have occurred in a particular calendar year.

3. Table 3 below provides Hydro One's performance against the CDPP standard on an annual basis for each year since the standard was adopted. Results are presented in a similar fashion as presented in the pre-filed evidence Exhibit A, Tab 13, Schedule 1, Page 13, Table 4.

Table 3 – Hydro One Performance Relative to CDPP Standard 2005-2009

Performance Standard Criterion	Number and Proportion of Customer Delivery Point Performance Outliers				
	2005	2006	2007	2008	2009
Population of Tx Delivery Points	850	854	858	871	873
2.1 - Group CDPP Standards	88	98	102	104	91
% of Hydro One Delivery Points Considered Outliers by Group Criteria	10%	11%	12%	12%	10%
2.2 - Individual CDPP Standards	34	56	56	34	52
% of Hydro One Delivery Points Considered Outliers by Individual Criteria	4%	7%	7%	4%	3%
Total (Mutually Exclusive Composite Result)	110	131	140	127	120
% of Hydro One Delivery Points Considered outliers (Mutually Exclusive Composite Result)	13%	15%	16%	15%	14%

Power Workers Union (PWU) INTERROGATORY #5 List 1

Interrogatory

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?**

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.

Response

1. Capital and O&M Costs ($) per Asset Value ($) was a new metric in the 2009 Corporate Scorecard, we do not have 2009 benchmark community data at this time as the benchmark results are not yet published.

Power Workers Union (PWU) INTERROGATORY #6 List 1

Interrogatory

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.

Response

1. Please refer to Exhibit I, Tab 4, Schedule 35.

2. As of June 30, 2010, 62 employees have left (either retirement, voluntary termination, or involuntary termination). The projected retirements for 2011 and 2012 are approximately 150 and 160 employees. Hydro One does not predict voluntary and involuntary terminations.

3. 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 $4.7M. Operations expenses are shown in detail in Exhibit C1, Tab 2, Schedule 5, Page 3, Table 1 (Operations OM&A Allocated to Transmission ($ Millions)] The Operations category funds the work required to conduct the safe and reliable operation of the transmission system and includes the direct funding for operating staff. This category was under spent by $2.9M in 2009 due in part to attrition of 13 compared to an expected attrition of 5. A related contributor to the Operations under-spend in 2009 is that a higher proportion of staff are trainees that are at a lower wage level.

4. Please refer to Attachment 1.

5. Collective bargaining involves a number of processes and steps. First, Hydro One works with internal stakeholders to develop a list of potential bargaining items. This list is filtered to form a bargaining agenda, and the bargaining mandate is set by Hydro One's Board. Agendas are then exchanged with the union, and bargaining meetings are held to work toward and reach an agreement.

   Myriad considerations and factors affect the final agreement, including history, geography, legislation, shareholder/government directives, financial performance, work programs, industry salary trends, political environment, First Nations and Metis relations, customer needs, safety, reliability, employee engagement, recruitment, retention, sustainability, business strategy, cost, forecasting, demographics, the union's mandate, and the union/management relationship. This list is not intended to be exhaustive, as it is not possible to enumerate all the factors/considerations that are

applied during each round of collective bargaining. Each round is different, and the relevant factors, as well as each factor's relative importance, vary.

6. See Exhibit I, Tab 1, Schedule 57, for wage escalation rates in other collective agreements. The wage escalation rates for the PWU and Society are as follows:

Year	PWU	Society
1999	2.50%	2.50%
2000	3.00%	2.50%
2001	3.00%	3.00%
2002	3.00%	2.00%
2003	3.00%	3.00%
2004	3.00%	3.00%
2005	3.50%	January 1 - 1.00% April 1 - 3.00%
2006	3.50%	3.00%
2007	3.00%	3.00%
2008	3.00%	3.00%
2009	3.00%	3.00%
2010	3.00%	3.00%
2011		2.50%
2012		2.50%

7. For an explanation of the difference in Total wages from the current and previous application, please see Exhibit I, Tab 1, Schedule 55.

Variance in Headcount between Tx and Dx Applications

	Tx Application			Dx Application			Variance	
	2010	2011		2010	2011		2010	2011
MCP	710	714		732	748		-22	-34
Society	1,479	1,613		1,362	1,396		117	217
PWU	3,667	3,838		3,754	3,909		-87	-71
Non-Regular	2,554	2,623		3,705	4,192		-1,151	-1,569
Total	**8,410**	**8,788**		**9,552**	**10,245**		**-1,142**	**-1,457**

8. Please see Exhibit I, Tab 2, Schedule 37.

Contract Management Group Turn Key Projects Overview

AR		Project	% Complete	Forecast IS Date	Actual IS Date	Variance	Budjet	Actual	Variance	Variance %
18839		New 500 kV Bruce to Milton Double Circuit Line	10%	31-Dec-12	31-Dec-12	TBD	$695,500,000	$695,500,000	$0	100.00
18719		CLAIRVILLE 230kV GIS ITE REPLC	100% (Summer 2009)	30-Sep-09	24-Jul-09	-68 Days	$120,900,000	$104,311,000	$16,589,000	86.28
17240		Cherrywood TS x Claireville TS: Unbundle 500kV circuits C550V/C551V	94%	31-Dec-10	30-Nov-10	TBD	$116,871,000	$112,894,000	$3,977,000	96.60
17128		Nanticoke TS: Add 500 kV 350 MVAr SVC and 2x150 MV	45%	May-11	May-11	TBD	$85,020,000	$85,020,000	$0	100.00
17859		Detweiler TS: Add 230 kV, 350 MVAR SVC	40%	1-May-11	1-Apr-11	TBD	$79,760,000	$73,696,000	$6,064,000	92.40
17260		Northeast Transmission Reinforcement: Install SVC's at Porcupine TS	75%	1-Nov-10	1-Nov-10	TBD	$57,935,000	$59,147,000	-$1,212,000	102.09
18390		Kirkland Lake SVC	25%	Mar-11	Mar-11	TBD	$50,880,000	$50,880,000	$0	100.00
17052		Hurontario Station and Transmission Line Reinforcement Project	100%	7-Mar-10	1-Feb-10	-35 Days	$47,620,000	$45,620,000	$2,000,000	95.80
18623		Nobel SS: Install series capacitor bank	95%	31-Aug-10	22-Oct-10	TBD	$46,326,000	$50,221,000	-$3,895,000	108.41
17215		Build two 3-km circuits from Hurontario SS to Jim Yarrow Junction	100%	1-Nov-09	11-Feb-10	103 Days	$42,000,000	$28,200,000	$13,800,000	67.14

Note - Actual Cost for projects which are yet to be completed is the current forecast of required cost to compl

Power Workers Union (PWU) INTERROGATORY #7 List 1

Interrogatory

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?

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?

Response

1. Table 1 below outlines planned accomplishments for the test years.

	Line Clearing (km)	Brush Control (ha)
2011	2,800	11,500
2012	2,800	11,500

Power Workers Union (PWU) INTERROGATORY #8 List 1

Interrogatory

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.

Response

1. The 2010 forecast rate base is less than the Board approved amount due to lower gross plant values as well as higher accumulated depreciation. Please see the response to Exhibit I, Tab 6, Schedule 25 for an explanation of both factors.

2. The projected asset demographics at the end of 2015 are noted in the following tables for major asset categories.

Table 1 - Wood Pole Structures*

		Voltage Level			(%)
		115 kV	230 kV	Total	
Age Group	0-10 yrs	7,906	3,636	11,542	28%
	11-20 yrs	5,189	722	5,911	14%
	21-30 yrs	6,598	937	7,536	18%
	31-40 yrs	5,339	12	5,350	13%
	41-50 yrs	4,784	7	4,790	11%
	>50 yrs	6,313	464	6,777	16%
	Total	36,129	5,778	41,907	100%
	(%)	86%	14%	100%	

* Please refer to Appendix A of this exhibit for updated demographics for year end 2009

Table 2 – Underground Cable

		Circuit Length (Circuit - km)	(%)
Age Group	0-10 yrs	18.9	7.0%
	11-20 yrs	25.6	9.4%
	21-30 yrs	39.4	14.5%
	31-40 yrs	58.7	21.6%
	41-50 yrs	61.5	22.6%
	>50 yrs	67.5	24.9%
	Total	271.6	100%

Table 3 - Overhead Conductor

		Circuit Length (Circuit - km)	(%)
Age Group	0-10 yrs	941	3%
	11-20 yrs	1,387	5%
	21-30 yrs	1,915	7%
	31-40 yrs	3,835	13%
	41-50 yrs	4,357	15%
	>50 yrs	16,003	56%
	Total	28,438	100%

Table 4 – Protections*

	Voltage Class						
AGE	**<50kV**	**115kV**	**230kV**	**345kV**	**500kV**	**Total**	**%**
0-10 yrs	910	796	1087	26	185	**3004**	**22.8%**
11-20 yrs	1074	645	986	0	196	**2901**	**22.0%**
21-30 yrs	868	354	448	0	81	**1751**	**13.3%**
31-40 yrs	1163	569	880	0	145	**2757**	**20.9%**
41-50 yrs	1114	668	822	0	75	**2679**	**20.3%**
>50 yrs	65	45	0	0	0	**110**	**0.8%**
Total	**5195**	**3077**	**4222**	**26**	**681**	**13201**	**100.0%**
%	**39.4%**	**23.3%**	**32.0%**	**0.2%**	**5.2%**	**100.0%**	

* Please refer to Appendix A of this exhibit for updated demographics for year end 2009

Table 5 – Oil Circuit Breakers

Oil Circuit Breakers						
		Voltage Level				
		<50 kV	**115 kV**	**230 kV**	**Total**	**%**
Age Group	**0-10 yrs**	26	10	2	38	1.98%
	11-20 yrs	196	112	22	330	17.21%
	21-30 yrs	132	60	13	205	10.69%
	31-40 yrs	282	43	79	404	21.07%
	41-50 yrs	519	65	50	634	33.07%
	>50 yrs	216	63	20	299	15.60%
	Unknown	0	3	4	7	0.37%
	Total	1371	356	190	1,917	100.00%
	(%)	71.52%	18.57%	9.91%	100.00%	

Table 6 – SF6 Circuit Breakers

SF6							
		Voltage Level					
		<50 kV	**115 kV**	**230 kV**	**500 kV**	**Total**	**%**
Age Group	**0-10 yrs**	227	97	245	19	588	41.55%
	11-20 yrs	150	52	100	3	305	21.55%
	21-30 yrs	378	39	70	0	487	34.42%
	31-40 yrs	12	13	9	0	34	2.40%
	41-50 yrs	0	0	0	0	0	0.00%
	>50 yrs	0	1	0	0	1	0.07%
	Unknown	0	0	0	0	0	0.00%
	Total	767	202	424	22	1,415	100.00%
	(%)	54.20%	14.28%	29.96%	1.55%	100.00%	

Table 7 - Air Blast Circuit Breakers

ABCB							
		Voltage Level					
		<50 kV	115 kV	230 kV	500 kV	Total	%
Age Group	0-10 yrs	0	0	0	0	0	0.00%
	11-20 yrs	0	0	0	0	0	0.00%
	21-30 yrs	0	0	1	0	1	0.68%
	31-40 yrs	0	1	6	2	9	6.16%
	41-50 yrs	5	1	82	20	108	73.97%
	>50 yrs	28	0	0	0	28	19.18%
	Unknown	0	0	0	0	0	0.00%
	Total	33	2	89	22	146	100.00%
	(%)	22.60%	1.37%	60.96%	15.07%		

Table 8 – Metalclad Switchgear

MetalClad						
		Voltage Level				
		<50 kV	115 kV	230 kV	Total	%
Age Group	0-10 yrs	231	0	0	231	30.68%
	11-20 yrs	97	0	0	97	12.88%
	21-30 yrs	237	0	0	237	31.47%
	31-40 yrs	124	0	0	124	16.47%
	41-50 yrs	64	0	0	64	8.50%
	>50 yrs	0	0	0	0	0.00%
	Unknown	0	0	0	0	0.00%
	Total	753	0	0	753	100.00%
	(%)	100.00%	0.00%	0.00%		

Table 9 – Power Transformers

Power Transformers							
		Voltage Level					
		<50 kV	115 kV	230 kV	500 kV	Total	%
Age Group	0-10 yrs	6	32	45	5	88	11.50%
	11-20 yrs	0	26	14	5	45	5.88%
	21-30 yrs	0	25	83	11	119	15.56%
	31-40 yrs	0	35	80	8	123	16.08%
	41-50 yrs	0	53	116	3	172	22.48%
	>50 yrs	0	176	30	0	206	26.93%
	Unknown	0	12	0	0	12	1.57%
	Total	6	359	368	32	765	100.00%
	(%)	0.78%	46.93%	48.10%	4.18%	100.00%	

Table 10 – Capacitor Banks

Capacitor Banks						
		Voltage Level				
		<50 kV	115 kV	230 kV	Total	%
Age Group	0-10 yrs	29	8	8	45	12.75%
	11-20 yrs	88	15	9	112	31.73%
	21-30 yrs	122	9	7	138	39.09%
	31-40 yrs	4	2	3	9	2.55%
	41-50 yrs	1	0	0	1	0.28%
	>50 yrs	0	0	0	0	0.00%
	Unknown	45	2	1	48	13.60%
	Total	289	36	28	353	100.00%
	(%)	81.87%	10.20%	7.93%	100.00%	

Appendix A

Updated Wood Pole Structures and Protection Demographics for 2009

In Exhibit C1, Tab 2, Schedule 1, Appendix A, please replace the following tables as noted below.

Page 95

Table 21: Protection Profile

	Voltage Class						
AGE	**<50kV**	**115kV**	**230kV**	**345kV**	**500kV**	**Total**	**%**
0-10 yrs	1149	973	1671	0	370	**4162**	**31.5%**
11-20 yrs	1000	318	300	0	21	**1640**	**12.4%**
21-30 yrs	736	390	595	26	140	**1887**	**14.3%**
31-40 yrs	1590	749	1164	0	150	**3653**	**27.7%**
41-50 yrs	639	586	480	0	0	**1704**	**12.9%**
>50 yrs	81	62	11	0	0	**154**	**1.2%**
Total	**5195**	**3077**	**4222**	**26**	**681**	**13201**	**100.0%**
%	**39.4%**	**23.3%**	**32.0%**	**0.2%**	**5.2%**	**100.0%**	

Page 110

Table 24: Wood Pole Structure Age Demographics

		Voltage Level			(%)
		115 kV	**230 kV**	**Total**	
Age Group	**0-10 yrs**	7,852	1,537	9,389	22%
	11-20 yrs	5,532	955	6,487	15%
	21-30 yrs	7,378	1,167	8,545	20%
	31-40 yrs	4,352	622	4,974	12%
	41-50 yrs	4,768	704	5,472	13%
	>50 yrs	6,247	793	7,040	17%
	Total	36,129	5,778	41,907	100%
	(%)	86%	14%	100%	

Power Workers Union (PWU) INTERROGATORY #9 List 1

Interrogatory

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?

Response

1. Hydro One is not seeking approval for any of the 18 projects in this application. Approvals will be sought in Section 92 applications.

2. Please see Exhibit I, Tab 1, Schedule 101.

3. Hydro One is using the same approach as the EB-2009-0096 distribution application case for the development work for the Green Energy projects. Those costs will accumulate in a deferral account, which will be subject to a prudence review and cleared as part of Hydro One's next transmission rate case. Hydro One is only seeking approval for the Green Energy capital projects that are forecast to come into service in the test years. Please see Exhibit I, Tab 1,Schedule 99.

Power Workers Union (PWU) INTERROGATORY #10 List 1

Interrogatory

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.

Response

1. CWIP in ratebase is proposed in this application only for the Bruce to Milton project. Requests for CWIP in ratebase for future projects will be made in the section 92 proceedings per the direction in the Board's *Report on Infrastructure Incentives*.

2. The $23M difference is made up of estimated remediation costs. These costs will be incurred after the in-service date.

3. Exhibit I, Tab 1, Schedule 18 shows the 2010 to 2012 Rates Revenue Requirement and the percentage of transmission charges in an average customer's total bill (7.5%). Using this data the impact of the proposed accelerated cost recovery mechanism for Bruce-Milton project for 2011 and 2012 is calculated below.

	2010	**2011**	**2012**
Rates Revenue Requirement ($M)	$1,217.7	$1,405.8	$1,527.5
Accelerated cost recovery impact ($M)		$43.6	$26.0
Impact as % of prior year's revenue requirement		3.6%	1.8%
Impact on average customer's total bill		0.3%	0.1%

4. Please see Exhibit I, Tab 2, Schedule 85, part a) and Exhibit I, Tab 1, Schedule 122.

5. Please see Exhibit I, Tab 1, Schedule 122.