Consumers Council of Canada (CCC) INTERROGATORY #1 List 1

Interrogatory

Issue 1.3

(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;

Response

1. Please see Attachment 1.

2. Please refer to Exhibit 1, Tab 1, Schedule 98.

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

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

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

2011/2012 Transmission Rate Application

Preliminary Shared Services Costs

March 2, 2010

Stefanie Stocco

Manager, Regulatory Finance

What are Shared Services

- Hydro One Shared Services comprised of:
  - Corporate Functions & Services (e.g. HR, Finance & Law)
  - Asset Management Services
  - Information Technology and Cornerstone
  - Facilities & Real Estate
  - Transport, Work & Service Equipment
  - Cost of Sales
  - Other

Tx Shared Services Preliminary OM&A

Shared Services OM&A – Tx ($M)	2008 Actual	2009 Actual	2010 Forecast	2011 Test	2012 Test
Asset Management Costs	33	40	34	37	37
Facilities & Real Estate	19	24	29	30	31
Information Technology/Cornerstone	51	60	61	59	56
Common Corporate Functions & Services	44	47	52	53	60
Cost of Sales	21	14	16	15	9
Other OM&A (incl. capex recovery)	(108)	(112)	(143)	(141)	(138)
Total	59	73	48	54	55

Tx Shared Services Preliminary Capital

Shared Services Capital – Tx ($M)	2008 Actual	2009 Actual	2010 Forecast	2011 Test	2012 Test
Transport, Work & Service Equipment	18	14	37	22	17
Information Technology/Cornerstone	68	60	25	15	14
Facilities & Real Estate	4	6	27	26	14
Other Capital	1	5	-	-	-
Total	90	85	89	63	46

Questions?

DISCLOSURE NOTE:

FORWARD LOOKING STATEMENTS AND INFORMATION

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Export Transmission Service (ETS) Tariff Study & Recommendations

2011 – 2012 Hydro One Transmission Rate Application
Stakeholder Consultation Session – March 2, 2010

ieso Power to Ontario. On Demand.

Background

- The ETS tariff has not changed since its original inception in 1999
- As a result of the decision in Hydro One's transmission rate proceeding for 2007/2008 the IESO was identified as the entity to undertake a study of an "appropriate" ETS tariff and, through negotiation with neighbouring jurisdictions, to pursue acceptable reciprocal arrangements with the intention to jointly eliminate all ETS tariffs
- The IESO established a Stakeholder initiative and undertook the study over a period of 9 months from December 2008 – August 2009
- The IESO filed its report and recommendations for an appropriate ETS charge for Ontario in August 2009

ETS Tariff Options Considered

- ETS tariff design and rate options considered:
  - Option 1 – status quo (baseline scenario),
  - Option 2 – equivalent average embedded network rate (~$/MWh),
  - Option 3 – reciprocal tariff treatment,
    - The mutual elimination of all ETS tariffs between jurisdictions
    - Reciprocal treatment based on avg. embedded network cost in each jurisdiction, except New York where it was eliminated
  - Option 4 – Ontario unilaterally eliminates ETS tariff (Per stakeholder request)
    - Unilateral ETS tariff elimination, all hours
    - Unilateral ETS tariff elimination, off-peak hours only

Power to Ontario. On Demand.

Recap of ETS Tariff Study

- The IESO reviewed the potential incremental impacts of ETS tariff options with respect to HOEP, export revenues, export and import volumes and Ontario market efficiency
  - Aim was not to optimize these parameters; rather, to ascertain the incremental impact on each of these key parameters
- The potential incremental impacts on air emissions, given state of current and emerging emissions policies was also assessed
- In addition, the IESO reviewed the potential impacts of the various tariffs on surplus base-load generation (SBG) events (e.g., magnitude, duration and timing)
- Reviewed and assessed potential regulatory and legal implications, and reliability and operability consequences associated with ETS tariff option.

Recap of ETS Tariff Study Cont..

- The IESO engaged in discussions with neighbours regarding reciprocal treatment of ETS tariff, including potential tariff elimination
  - With the exception of New York, our discussions concluded that elimination of the ETS tariff was not considered a priority for our neighbours at that time
  - Although the results of discussions were not overly favourable they nevertheless informed the choice of ETS tariff options and study approach

Key Findings and Conclusions

- Based on the principles that were considered appropriate at the time of undertaking the study (i.e., simplicity, consistency with neighbouring rates, fairness and net benefit), the results showed Option 2 best meeting these criteria.
- The ETS tariff study findings and recommendation served to highlight the operational benefits of the export electricity market to Ontario
- Consideration of ETS tariff design principles, or an ETS tariff, that will maximize the benefits of integrated regional electricity markets and trades is a desirable goal
- The IESO should continue to proactively engage willing neighbours to pursue joint elimination of the export tariff (starting with New York)

Key Findings and Conclusions cont...

- The electricity sector is undergoing significant changes as a result of economic conditions, the introduction of the Green Energy Act and increased occurrences of surplus baseload generation
- The IESO recommends that we maintain the ETS tariff of $1.00/MWh throughout the period of the current planned transformation of the electricity industry in Ontario or until the IESO has engaged and concluded discussions with willing neighbouring system and market operators regarding reciprocal elimination of the export tariffs with respective jurisdiction(s).
- Any reciprocal agreement(s) negotiated by the IESO would supersede the existing ETS tariff applicable to transactions between the agreeable jurisdictions , subject to the approval of the Ontario Energy Board

Transmission Green Energy Plan

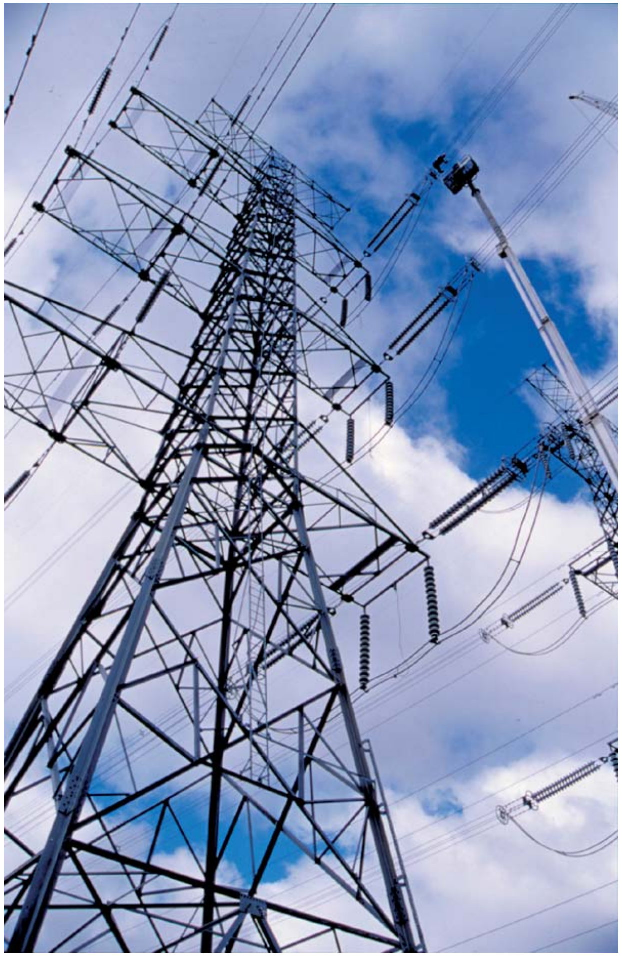
Transmission Rate Application 2011-2012

Hydro One Networks
Briefing for Stakeholders
March 2, 2010

PRELIMINARY

Green Energy Plan: Scope

- A strategic overview of Hydro One's response to the *Green Energy & Green Economy Act, 2009*
- Descriptions of projects for which development work will be undertaken in 2011 and 2012
- Details for the four projects for which CWIP is requested for 2011 and 2012



PRELIMINARY

Goals

- Support the Government of Ontario's objectives in green energy
  - Expedite expansion of transmission capacity to remove bottlenecks to renewable generation
- Responsibly steward the use of ratepayers' funds
  - Work on projects for which the OPA has indicated potential need and urgency is highest
    - Need will be confirmed by the OPA in the Section 92 application.

PRELIMINARY

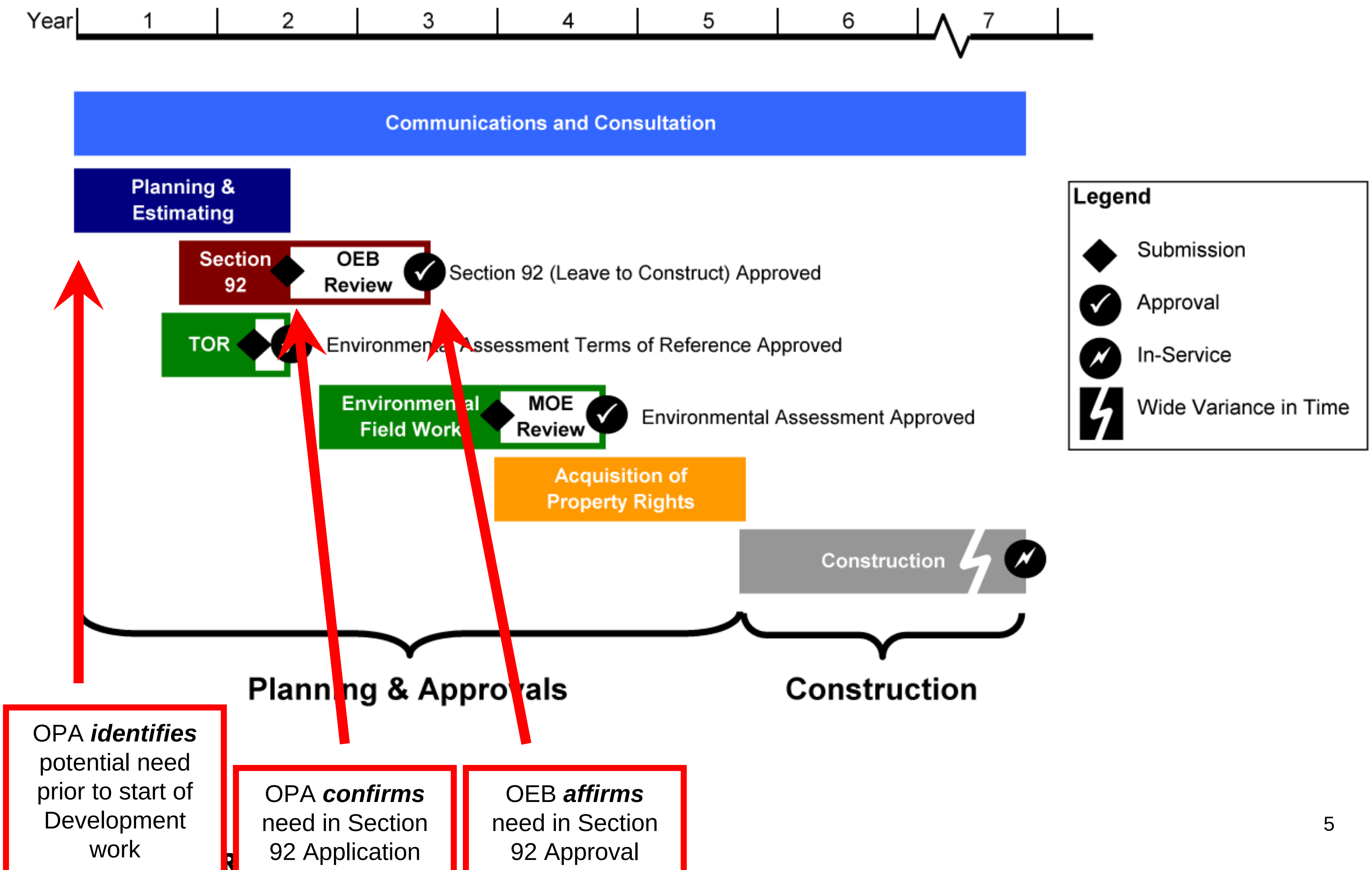
Request for CWIP Inclusion in Rate Base

- Hydro One is requesting CWIP in rate base treatment for 4 projects following guidelines in the OEB's report on infrastructure investment issued in January of this year;
- The Plan will include sufficient project information for the OEB to affirm the need for the projects and why CWIP treatment is being sought.

Development Timelines: Lines

Illustrative Timelines for Major Transmission Projects

(Actual timelines will vary for each individual project.)



Projects for which development work has begun or is planned

Lines:

Northwest Transmission Expansion*

Algoma x Sudbury Transmission Expansion

Goderich Area Enabler

North-South Transmission Expansion

Manitoulin Island Enabler

East-West Transmission Tie

West of London

Stations:

Toronto Short Circuit Uprate (Hearn, Leaside, & Manby)

PRELIMINARY

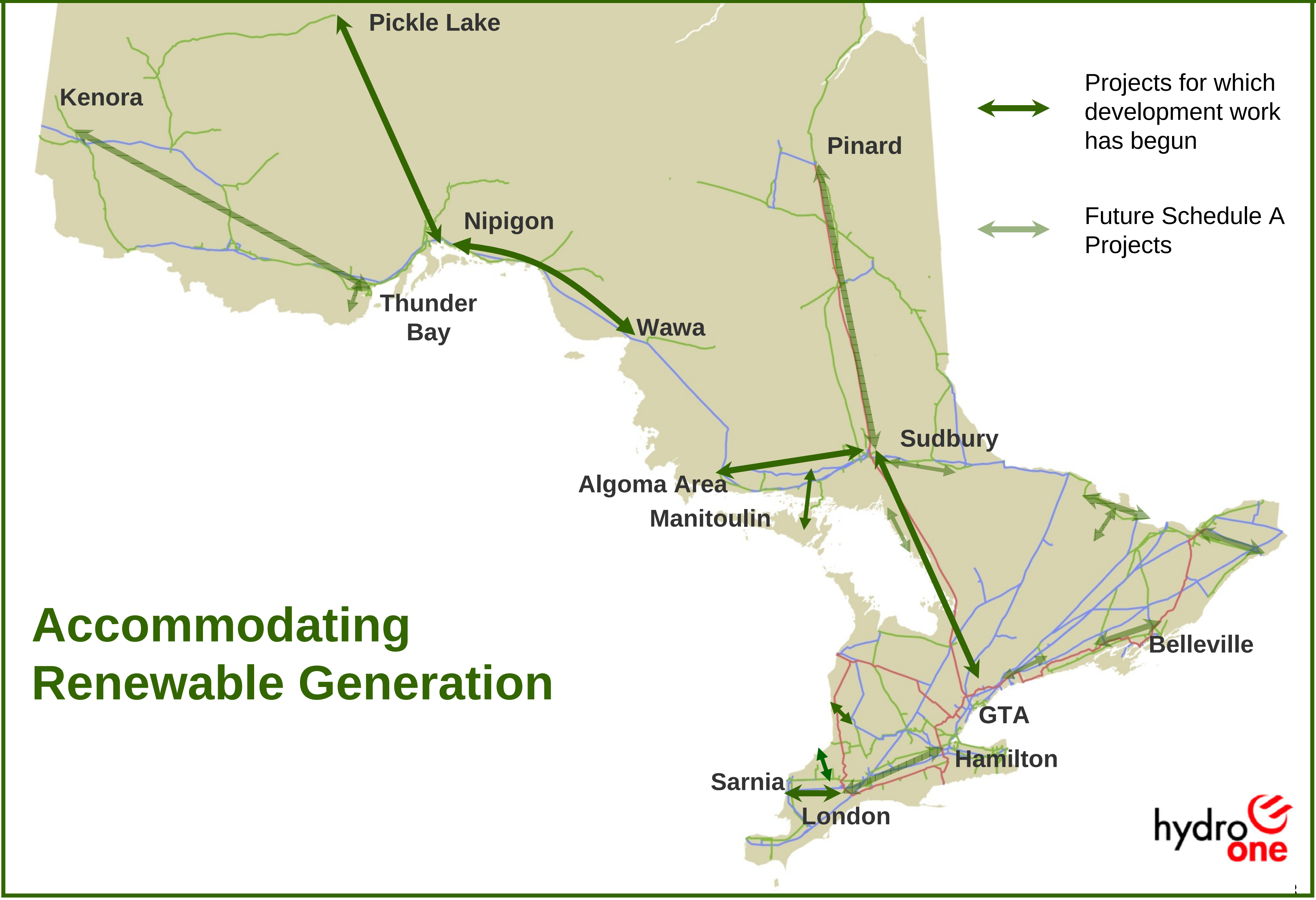
CWIP Projects

		Cash Flow for Construction	
		2011	2012
S92	Northwest Transmission Expansion	$17.9M	$136.2M
S92	Goderich Area Enabler	-	$5.1M
S92	Algoma x Sudbury Transmission Expansion	$6.0M	$66.1M
	Toronto Short Circuit Uprate	$85.6M	$59.2M

S92 Section 92 (Leave to Construct) approval from the OEB is required for these projects prior to the start of construction.

PRELIMINARY

TRANSMISSION LINES PROJECTS



Accommodating Renewable Generation

hydro one

PRELIMINARY

2011/2012 Transmission Rate Application

Preliminary Revenue Requirement

March 2 , 2010

Stefanie Stocco

Manager, Regulatory Finance

Presentation Overview

- Overview of preliminary revenue requirement
  - 2011, 2012
- Calculation of rates revenue requirement
- Regulatory asset recovery

2011 Preliminary Revenue Requirement

Cost of Debt
5.51%*

Capital Structure
60/40

Cost of Equity
10.16%*

Rate Base
$8,888M

x

Cost of Capital
7.37%

Return on Capital $655M
+ AFUDC Recovery $6M
+ Income Tax $82M

+

Cost of Service
$769M

Revenue Requirement
$1,512M

* To be updated prior to 2011 rate order

PRELIMINARY

2012 Preliminary Revenue Requirement

Cost of Debt
5.56% *

Capital Structure
60/40

Cost of Equity
10.41% *

Rate Base
$9,876M

x

Cost of Capital
7.50%

Return on Capital $741M
+ AFUDC Recovery $6M
+ Income Tax $72M

+

Cost of Service
$815M

Revenue Requirement
$1,634M

* To be updated prior to 2012 rate order

Key Elements

2011 Cost of Service

OM&A
$455M

Dep. & Am.
$314M

Total Cost of Service
$769M

2012 Cost of Service

OM&A
$470M

Dep. & Am.
$345M

Total Cost of Service
$815M

PRELIMINARY

Preliminary Revenue Requirement

$Millions	**10 Forecast**	**11**	**12**
OM&A	426	455	470
Capital Tax	6	0	0
Dep. & Am.	281	314	345
Income Tax	54	82	72
Return On Debt	256	300	336
Return on Equity	298	361	411
Preliminary Revenue Req.	1,321	1,512	1,634
Rate Base	7,636*	8,888	9,876
Capex	1,152	1,260	1,255

* Board-approved.

Transmission Preliminary Revenue Requirement

	2011 [$M]	2012 [$M]
Total Revenue Requirement	1,512	1,634
Less: **Credits**	(52)	(32)
Plus: **LVSG**	12	13
Rates Revenue Requirement	1,472	1,615

Regulatory Asset Recovery

Regulatory Assets as of December 31, 2009, plus forecasted interest

– Export Service Revenue	($5M)
– External Revenue	($8M)
– Pre-IPSP Development Costs	$ 2M
– Pension Cost Diff.	$ 3M
TOTAL CUSTOMER REFUND	($7M)

Negative balances refunded over a 1-year period

Transmission Revenue Requirement

Questions?

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Transmission OM&A and Capital

2011/2012
Transmission Rate Application
Stakeholder Consultation

March 2, 2010

George Juhn

Director,
Sustainment Investment
Planning

hydro one

The System

Transmission Stations
281

Transmission Lines
500kV - 3784km
230kV - 13824km
115kV - 10953km

Underground Cable
230kV - 46km
115kV - 221km

PRELIMINARY

Transmission OM&A and Capital Investment Drivers

Investment Drivers:

- public and employee safety
- maintain transmission reliability
- compliance with regulatory requirements such as the Transmission System Code, Northeast Power Coordinating Council (NPCC), North American Electrical Reliability Corporation (NERC) and environmental requirements
- meeting system growth requirements
- Green Energy Act and Feed – in Tariff

Transmission Program Expenditures

- Categories:
  - Sustaining
  - Development
  - Operations
  - Shared Services
  - Property Taxes

Transmission OM&A Expenditures ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Sustaining	206	187	213	226	246	254
Development	8	9	14	17	18	19
Operations	54	52	53	65	66	68
Property Taxes & Rights	63	65	65	69	71	72
Total	**331**	**313**	**345**	**377**	**401**	**413**
Total % Change (Year to Year)		(5)%	10%	9%	6%	3%

PRELIMINARY

Transmission OM&A Sustaining

- Investments required to maintain existing transmission lines and stations facilities so that they will continue to function as originally designed.
- Stations
  - Maintain existing assets located within transmission stations including power system and telecommunication facilities.

Lines

- Maintain overhead transmission lines and underground cables, including vegetation control on transmission lines rights-of-way.

Engineering and Environmental Support

- Specialized and administrative support needed to assist with decision making processes in managing the transmission assets.

PRELIMINARY

Transmission OM&A – Sustaining Expenditures ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Stations	150	134	151	167	182	186
Lines	47	43	49	49	53	57
Engineering & Environmental	9	10	12	11	11	12
Total	**206**	**187**	**213**	**226**	**246**	**254**
Total % Change (Year to Year)		(9)%	14%	6%	9%	3%

PRELIMINARY

Transmission OM&A Development

- Development Activities
  - Fund research and development as well as the development of new standards.
  - Development work comprising of pre-engineering and approvals to respond to the Green Energy Act and Feed – in Tariff.

Transmission OM&A Development Expenditures ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Standards & Technology	8	9	14	17	18	19
Total % Change (Year to Year)		12%	55%	21%	5%	5%
Major Projects in Deferral Account			2	33	34	42

Transmission OM&A
Operations

- <u>Operators</u>
  - Manage transmission assets in real time (24X7) including planning of transmission outages.
  - manage relationships with transmission-connected industrial customers, LDCs, and generators.
- <u>Operations Support</u>
  - maintenance of the computer tools and systems for the operations function.
- <u>Environmental, Health and Safety</u>
  - support environmental, health and safety activities to meet requirements (i.e. legal obligations, due diligence, corporate health and safety objectives).

Transmission OM&A – Operations ($ Millions)

Description	Historic 2007	Historic 2008	Historic 2009	Bridge 2010	Test 2011	Test 2012
Operators	28	29	30	32	33	33
Operations Support	18	17	17	24	25	26
Environmental, Health and Safety	3	2	2	4	3	4
Generator & Customer Relations	4	4	4	5	5	5
Total	**54**	**52**	**53**	**65**	**66**	**68**
Total % Change (Year to Year)		(4)%	2%	23%	2%	3%

PRELIMINARY

Transmission Capital Expenditures
($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Sustaining	210	280	296	346	424	443
Development	273	311	516	692	729	708
Operations	5	23	20	26	44	57
Total	**488**	**614**	**832**	**1,064**	**1,197**	**1,208**
Total % Change (Year to Year)		26%	36%	28%	13%	1%

PRELIMINARY

Transmission Capital Sustaining

- Investments required to replace or refurbish components to ensure that the transmission system functions as originally designed.

Stations

- capital investments required to refurbish/replace existing power equipment assets located within transmission stations, and existing telecommunication assets, that have reached end of life.

Lines

- capital investments required to refurbish/ replace existing assets associated with overhead and underground transmission lines that have reached end of life.

Transmission Capital Sustaining Expenditures ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Stations	143	224	220	262	337	357
Lines	67	57	76	84	87	86
Total	**210**	**280**	**296**	**346**	**424**	**443**
Total % Change (Year to Year)		33%	6%	17%	23%	4%

PRELIMINARY

Transmission Capital Development

- Investments required to upgrade or enhance transmission system capabilities to:
  - Maintain performance of Hydro One's transmission system in alignment with Customer Delivery Point Performance ("CDPP") Standards.
  - Provide adequate capacity to reliably deliver electricity to local areas and customers.
  - Provide inter-area network transfer capability to enable electricity to be delivered from sources of supply to load centers.
  - Connect generating stations and load customers to the Hydro One transmission system.
  - Meet the Company's transmission license requirements.

Transmission Capital – Development Expenditure ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Performance Enhancement & Risk Mitigation	3	3	19	32	28	12
Local Area Supply	98	91	94	100	148	98
Inter-Area Network	81	153	343	470	351	320
Smart Grid	0	0	0	13	2	1
Load Connection	54	47	54	56	91	82
Station Upgrades	0	0	0	9	86	157
P&C for Enablement	0	0	1	11	24	37
Generator Connection	38	18	5	0	0	0
Net Total	**273**	**311**	**516**	**692**	**729**	**708**
Total % Change (Year to Year)		14%	66%	34%	5%	(3%)

PRELIMINARY

Transmission Capital – Cash Flow of Top 5 Projects ($ Millions)

Description	Bridge 2010	Test 2011	2012	Target In-Service Date
Bruce x Milton	191	186	85	Late 2012
Mississagi SVC	3	42	12	Late 2012
Rebuild Hearn TS	7	56	25	Mid 2012
Leaside x Bridgman	22	31	37	Mid 2013
Leaside / Manby Improvements	9	27	29	Late 2012

Transmission Capital Operations

- Investments in infrastructure required to sustain the Central Transmission Operations function, which is operated from Hydro One's Ontario Grid Control Centre.

- Modifications and expansion of infrastructure to respond to added Operating requirements associated with expanded regulatory and system requirements.

Transmission Capital – Operations Expenditures ($ Millions)

	Historic			Bridge	Test	
Description	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Operating and Control Facilities	2	17	11	18	23	18
Operating Infrastructure	3	6	9	7	22	39
Total	**5**	**23**	**20**	**26**	**44**	**57**
Total % Change (Year to Year)		360%	(13)%	30%	69%	29%

PRELIMINARY

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Transmission Cost Allocation and Rates

2011/2012 Transmission Rate Application Stakeholder Consultation

March 2, 2010

PRELIMINARY

Michael Roger

Manager - Pricing

hydro one

Presentation Overview

- Major Contributing Factors to Increase
- Primary Rate Pools
- Allocation of Assets and Costs
- Preliminary Revenue Requirement
- Preliminary Charge Determinants
- Projected Rates
- Projected Impacts

Major Contributing Factors to Increase (%)

	2011	2012
Growth in Asset	8.3	7.1
Increase in OM&A	1.4	1.4
Increase in Cost of Capital	1.2	0.8
Reduction in Load	1.4	0.2
Bruce to Milton CWIP	3.5	0.8
Taxes	(0.5)	(1.4)
Riders	0.8	0.8
Other	0.1	0.1
Total Impacts	16.2	9.8

PRELIMINARY

Primary Rate Pools -- no change

Network Pool

- Paid by all transmission customers. Includes integrated Transmission system assets serving all customers
- **Includes network portion of Dual Function Lines and Generator portion of line and transformation**

Line Connection Pool

- Paid by customers using Transmission Lines and related functions dedicated to one or few customers
- **Includes connection portion of Dual Function Lines**

Transformation Connection Pool

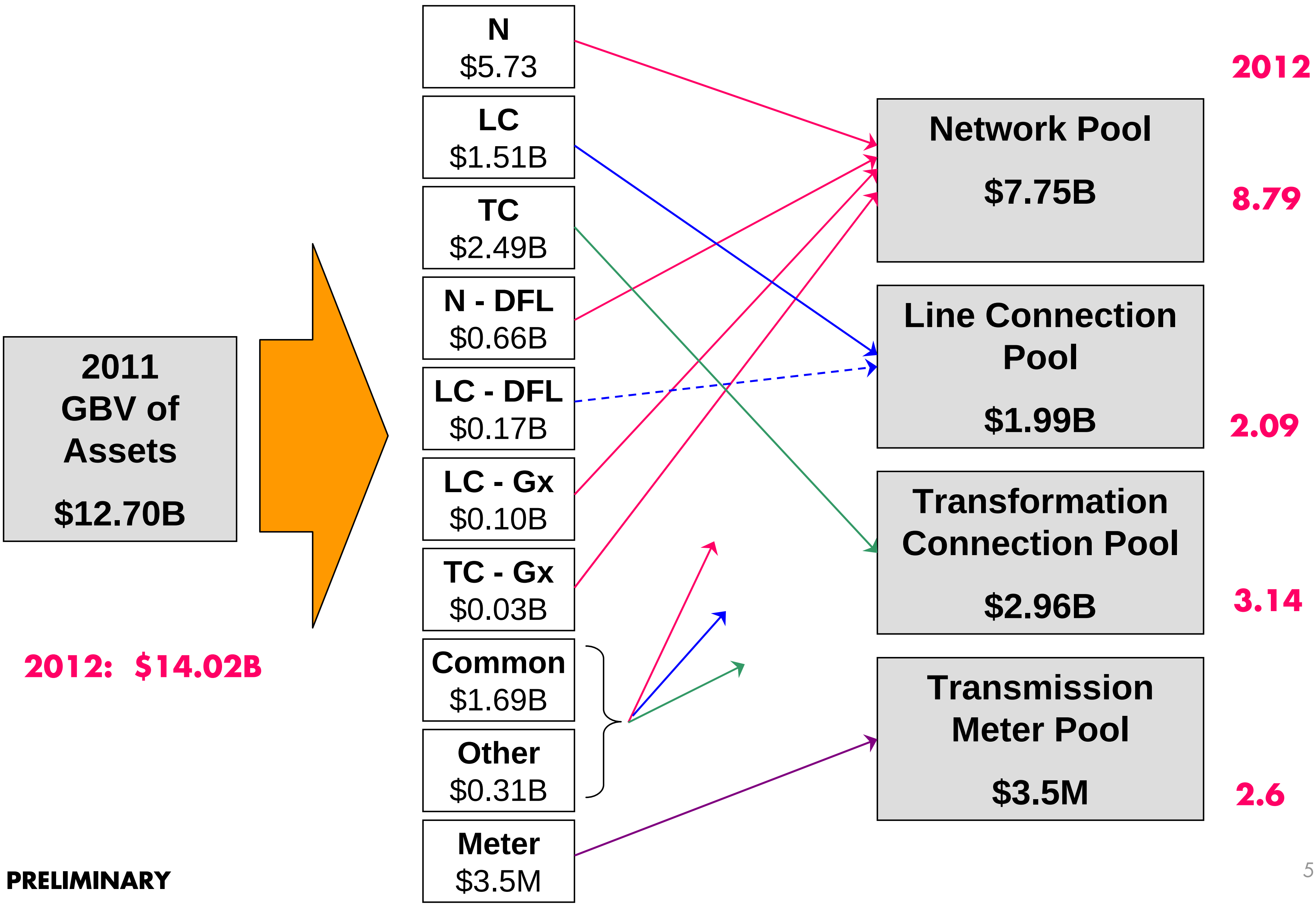
- Paid by customers using Transmission station assets that step-down voltage from above 50kV to below 50kV

Transmission Meter Pool

- Paid by customers for whom Hydro One provides regulated Meter service

PRELIMINARY

Allocation of Assets to Primary Pools



PRELIMINARY

Rate Pool Terminology

- N = Network
- LC = Line Connection
- TC = Transformation Connection
- N-DFL = Network Dual Function Lines
- LC-DFL= Line Connection Dual Function Lines
- LC-Gx = Line Connection Generation
- TC-Gx = Transformation Connection Generation
- Meter = Transitional Wholesale Meter

Allocation Of OMA Costs excl Taxes
Preliminary

	Network	Line	Transf	Meter	Total
2011 [$M]	226	44	114	1	385
	59%	11%	30%	0%	100%
2012 [$M]	237	44	117	0.4	398
	60%	11%	29%	0%	100%

PRELIMINARY

Allocation Of Depreciation Costs
Preliminary

	Network	Line	Transf	Meter	Total
2011 [$M]	178	41	79	0.1	298
	60%	14%	26%	0%	100%
2012 [$M]	202	43	83	0.1	329
	62%	13%	25%	0%	100%

PRELIMINARY

Allocation of Other Costs

Other Revenue Requirement

	2011 ($M)	2012 ($M)
Asset Removal Costs (- capitalized dep'n)	9	9
Amortization	7	8
Return on Debt	300	335
Return on Equity	361	411
Taxes	152	145
Non-Rate Revenues	(52)	(33)
Total	777	875

PRELIMINARY

RATE BASE SHARE

2011	2012
Network $475M 61%	Network $548M 63%
LC $123M 16%	LC $129M 15%
TC $179M 23%	TC $198M 23%
Mtr $0.2M .02%	Mtr $0.2M .02%

Summary of Preliminary Rates Revenue Requirement

Rate Pool	2011 ($M)	2012 ($M)
Network	878.6	986.6
Line Connection	207.7	215.3
Transformation Connection	384.9	411.5
Meter	0.9	0.7
Total	1,472.1	1,614.2

Primary Pool Charge Determinants

Rate Pool	Determinant Basis	2011 (Avg MW/mo)	2012 (Avg MW/mo)
Network	Higher of CP or 85% NCP (7am-7pm)	19,922	19,845
Line Connection	NCP	19,284	19,286
Transformation Connection	NCP	16,664	16,667
Transmission Meter	# of meter points mid year	100	75

PRELIMINARY

Projected Provincial Rates

- Uniform Transmission Rates = UTR
- Used the existing model with updates
- New H1N-Tx Rates Revenue Requirement and Charge Determinants by Rate Pool
- Assumed constant levels for other transmitters
  - Jan 1, 2010 Uniform Transmission Rate per motion

PRELIMINARY

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors
for Rates Effective January 1, 2011

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$3,092,193	$731,055	$1,354,753	$5,178,000
CNPI	$2,754,454	$651,207	$1,206,782	$4,612,443
GLPL	$20,773,123	$4,911,171	$9,101,128	$34,785,422
H1N (Note 1)	$878,585,412	$207,714,704	$384,926,135	$1,471,226,251
All Transmitters	$905,205,182	$214,008,136	$396,588,797	$1,515,802,116

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	44.9	44.9	44.9	
CNPI	583.4	668.6	668.6	
GLPL	4,150.5	2,847.0	2,777.9	
H1N (Note 2)	239,065.9	231,405.8	199,971.3	
All Transmitters	243,844.7	234,966.3	203,462.8	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates ($/kW-Month)	**3.71**	**0.91**	**1.95**	
FNEI Allocation Factor	**0.00342**	**0.00342**	**0.00342**	
CNPI Allocation Factor	**0.00304**	**0.00304**	**0.00304**	
GLPL Allocation Factor	**0.02295**	**0.02295**	**0.02295**	
H1N Alocation Factor	**0.97059**	**0.97059**	**0.97059**	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Hydro One Networks (H1N) Revenue Requirement per Exhibit 6.2 in Hydro One Networks'
Note 2: Hydro One Networks (H1N) Charge Determinant per Exhibit 6.3 in Hydro One Networks'
Note 3: Data for Other Transmitters per Exhibit 4.1 in Hydro One Networks' submission to the
Note 4: Calculated data in shaded cells.

PRELIMINARY

Uniform Transmission Rates Revenue Requirement

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors
for Rates Effective January 1, 2011

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$3,092,193	$731,055	$1,354,753	$5,178,000
CNPI	$2,754,454	$651,207	$1,206,782	$4,612,443
GLPL	$20,773,123	$4,911,171	$9,101,128	$34,785,422
H1N (Note 1)	$878,585,412	$207,714,704	$384,926,135	$1,471,226,251
All Transmitters	$905,205,182	$214,008,136	$396,588,797	$1,515,802,116

Uniform Transmission Rates Charge Determinants

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors

for Rates Effective January 1, 2011

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	44.9	44.9	44.9	
CNPI	583.4	668.6	668.6	
GLPL	4,150.5	2,847.0	2,777.9	
H1N (Note 2)	239,065.9	231,405.8	199,971.3	
All Transmitters	243,844.7	234,966.3	203,462.8	

PRELIMINARY

Uniform Transmission Rates and Revenue Allocators

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors
for Rates Effective January 1, 2011

Transmitter	Uniform Rates and Revenue Allocators			
	Network	**Line Connection**	**Transformation Connection**	
Uniform Transmission Rates ($/kW-Month)	**3.71**	**0.91**	**1.95**	
FNEI Allocation Factor	**0.00342**	**0.00342**	**0.00342**	
CNPI Allocation Factor	**0.00304**	**0.00304**	**0.00304**	
GLPL Allocation Factor	**0.02295**	**0.02295**	**0.02295**	
H1N Alocation Factor	**0.97059**	**0.97059**	**0.97059**	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Hydro One Networks (H1N) Revenue Requirement per Exhibit 6.2 in Hydro One Networks'
Note 2: Hydro One Networks (H1N) Charge Determinant per Exhibit 6.3 in Hydro One Networks'
Note 3: Data for Other Transmitters per Exhibit 4.1 in Hydro One Networks' submission to the
Note 4: Calculated data in shaded cells.

Projected Uniform Transmission Rates

Rate Pool	**Jan1, 2010***	**2011**	**2012**
Network	3.13	3.71	4.17
Line Connection	0.77	0.91	0.94
Transformation Connection	1.79	1.95	2.08
Meter	$7,000	$8,700	$8,700

*2010 UTR per Motion

Note: N, LC and TC Rates are $ / kW – month
Meter Rate is per meter point per year

PRELIMINARY

Projected UTR Tx Impacts – 2011

	Jan 1, 2010 [$M]	Proposed 2011 [$M]	$Incr [$M]	% Incr	Range	Total Bill %
Directs	74.9	88.6	13.7	18.3	15.2 to 18.5	1.5
LDCs	1,202.9	1,391.0	188.2	15.6	12.9 to 18.5	2.0
Generators	6.6	7.8	1.2	18.2	14.7 to 18.5	2.0
Total	1,284.4	1,487.5	203.1	15.8	12.9 to 18.5	1.9

PRELIMINARY

Projected UTR Tx Impacts 2012 vs 2011

	Proposed 2011 [$M]	Proposed 2012 [$M]	$Incr [$M]	% Incr	Range %	Total Bill %
Directs	88.6	97.8	9.1	10.3	3.5 to 12.4	1.0
LDCs	1,391.0	1,523.9	132.9	9.6	7.9 to 12.4	1.4
Generators	7.8	8.7	0.9	11.8	3.3 to 12.4	1.5
Total	1,487.5	1,630.4	142.9	9.6	3.3 to 12.4	1.3

PRELIMINARY

Consumers Council of Canada (CCC) INTERROGATORY #2 List 1

Interrogatory

Issue 1.3

(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.

Response

Input received from the first Stakeholder Consultation Session (November 16, 2009) was incorporated into the Request for Proposal (RFP) Terms of Reference for the provision of the Network Charge Determinants Analysis (the Power Advisory Study).

Consumers Council of Canada (CCC) INTERROGATORY #3 List 1

Interrogatory

Issue 1.3

(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.

Response

Efficiency improvements identified on pages 2-5 are generally focused on creating more available productive time for our work force. Examples where cost savings have been quantified are as follows:

Trade Trainings Program – attributable to both Transmission & Distribution
Efficiencies are realized from implementation of computer Based Training (CBT) products as opposed to Instructor led training. Hydro One has increased the use of technology in training via the use of Smart Board, Network Management System (NMS) Simulator, Mobile Learning computer training, and E Learning CBT. Savings attributable to E-Learning are estimated as follows:

- Estimated average annual savings is $167K per course. WM&T currently offers 19 e-Learning courses for corporate wide distribution
  - 5 new e-Learning courses in 2009 (approx. cost savings over ILT for these 5 courses in $835K)
  - 3 New courses in 2010 YTD (cost savings $500K)

Fleet Management – attributable to both Transmission & Distribution

- Fleet Services has established a Warranty Coordinator position which is dedicated to logging, documenting and following up on all possible warranty claims and goodwill initiatives which have been identified by our field locations. This position contracts our external vendors directly to ensure these claims are honoured and processed. Our expected warranty cost savings for 2010 is a minimum of $200,000.

- Fuel discounts are reviewed on an annual basis between ARI (Automotive Resources International) and our major fuel vendors. The discounts will be maintained at current levels for 2010 based on the negotiated contract between Hydro One and ARI. Our expected fuel cost savings for 2010 is $300,000.

- The Vehicle Standardization Program involves the pre-order of vehicles based on the same design. The savings realized from this initiative is reflected in the purchase price as the manufacturers are able to produce large quantities of the same vehicle, without having to customize each individual order. Our last discussion with our manufacturers indicated a cost savings of 5% per vehicle.

Strategic Sourcing – attributable to Transmission

Hydro One's strategic sourcing initiatives is designed to realize cost savings in our commodity prices through leveraging spend, minimizing number of times commodities are tendered, standardization and securing long term demand for major and critical commodities.

This initiative has focused on major commodities such as auto transformers, power transformers, conductor and circuit breakers. Elements of process include developing a Critical Materials Long-Term Forecast through a collaborative planning process, developing minimum set of standards to go to market, developing minimum commitments to yield savings, and issuing an RFP attracting global interests.

The savings forecast over the 2010-2012 period, which are built into the work program costs amount to: $13M in 2010; $15M in 2011; $16M in 2012

Consumers Council of Canada (CCC) INTERROGATORY #4 List 1

Interrogatory

Issue 1.3

(A/T3/S1) What is the revenue requirement impact of HON Transmission's Green Energy Plan in each of the test years?

Response

The revenue requirement impact in each of the test years that results from Hydro One Transmission's Green Energy Plan is $0.9M in 2011 and $10.3M in 2012.

Consumers Council of Canada (CCC) INTERROGATORY #5 List 1

Interrogatory

Issue 1.3

(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?

Response

Please refer to Exhibit I, Tab 10, Schedule 04 for the revenue requirement impact in each of the test years from the passage of the Green Energy and Economy Act.

Consumers Council of Canada (CCC) INTERROGATORY #6 List 1

Interrogatory

Issue 1.3

(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.

Response

The impact on 2011 and 2012 of the above noted items can be found in the pre-filed evidence, Exhibit E1, Tab 1, Schedule 1, Tables 2 and 3 for 2011 and Tables 4 and 5 for 2012.

Also, please note that from 2010 to 2011, income tax included in revenue requirement does not decrease as stated in the question; it is the income tax rate that has decreased, and for the 2011 to 2012 period, both total income taxes and the income tax rate has decreased.

Consumers Council of Canada (CCC) INTERROGATORY #7 List 1

Interrogatory

Issue 1.3

(A/T3/S1/p. 2) Please explain, specifically, how HON meets its strategic objective of "satisfying our customers' needs for affordable, reliable power".

Response

Hydro One's customers are a prime focus of the company's strategy and decision making. To achieve Hydro One's strategic objective of satisfying our customers' needs for affordable, reliable power, Hydro One employs good utility practices and a commercial mindset guided by stringent compliance requirements to build and maintain a reliable and cost-effective transmission. Hydro One carefully manages its sustainment programs in order to maintain a robust and reliable grid. The Company meets load and generation growth demands through prudent expansion and associated maintenance. Reliability and cost impacts, as well as customer satisfaction, are explicit consideration in Hydro One's risk based investment planning process. Hydro One also pursues continuous productivity improvement and cost savings through such means as utilizing strategic procurement and tendering processes to obtain products and services at the most economic price point.

Consumers Council of Canada (CCC) INTERROGATORY #8 List 1

Interrogatory

Issue 1.3

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?

Response

Please see Exhibit I, Tab 1, Schedule 9 and Exhibit I, Tab 1, Schedule 10.

Consumers Council of Canada (CCC) INTERROGATORY #9 List 1

Interrogatory

Issue 3.1

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

Response

Table 1

Summary of Transmission OM&A Budget Vs. Board Approved ($ Million)

Description	**2007**		**2008**		**2009**		**2010**	**2011**	**2012**
	Hist.	BA	Hist.	BA	Hist.	BA	Bridge	Test	
Sustaining	205.9	200.1	187.5	200.9	213.5	211.5	224.4	233.0	243.1
Development	8.4	8.0	9.2	8.1	14.0	13.9	19.0	18.2	18.9
Operations	54.0	49.9	51.7	49.7	52.6	57.3	62.1	66.3	68.2
Shared Services and Other OM&A	80.9	61.9	59.4	52.2	70.8	61.1	58.6	46.9	46.4
Customer Care	1.2	1.6	1.3	1.6	0.9	1.5	1.1	1.1	1.2
Property Taxes & Rights Payments	62.5	72.8	64.8	75.1	65.2	69.7	69.4	70.8	72.2
TOTAL	**412.9**	**394.1**	**373.8**	**387.5**	**417.1**	**415.0**	**434.5**	**436.3**	**450.0**

Consumers Council of Canada (CCC) INTERROGATORY #10 List 1

Interrogatory

Issue 3.2

(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.

Response

The increases in Telecom Services cost in 2011 and 2012 are due to increases in labour costs as per collective agreements and increases in service capacity to continue to meet HONI business and power system operations demands.

Consumers Council of Canada (CCC) INTERROGATORY #11 List 1

Interrogatory

Issue 3.2

(C1/T2/S6/p. 3) Please recast Table 1 to include Board approved amounts for 2007-2010.

Response

Table 1
Allocated Transmission Shared Services and Other OM&A Costs ($ Millions)

Description	Historic						Bridge		Test	
	2007		2008		2009		2010		2011	2012
	Hist.	BA	Hist.	BA	Hist.	BA	Forecast	BA		
Common Corporate Functions and Services	64.1	62.9	64.5	63.0	71.8	74.8	81.3	74.6	79.7	86.6
Asset Management	25.9	31.1	31.8	29.0	40.0	46.2	33.0	48.2	35.5	36.0
Information Technology	46.2	45.4	50.7	44.9	56.2	49.9	68.1	51.3	67.5	68.5
Cornerstone	2.7	3.6	1.5	3.5	4.0	(3.4)	(9.4)	(8.8)	(12.5)	(21.4)
Cost of Sales	14.5	10.5	20.5	9.9	13.5	4.1	15.8	3.7	14.9	8.5
Other OM&A	(72.5)	(91.6)	(109.6)	(98.1)	(114.7)	(110.5)	(130.3)	(113.2)	(138.3)	(131.8)
Total	**80.9**	**61.9**	**59.4**	**52.2**	**70.8**	**61.1**	**58.6**	**55.8**	**46.9**	**46.4**

<u>Consumers Council of Canada (CCC) INTERROGATORY #12 List 1</u>

<u>Interrogatory</u>

Issue 3.2

(C1/T2/S7/p. 2) Please recast Table 1 to include Board approved amounts for 20017-2010.

<u>Response</u>

Table 1
Total 2007-2010 CCF&S Costs and 2011/2012 Allocation to Transmission ($ Millions)

Description	Historic						Bridge		Test		Tx Allocation	
	2007		2008		2009		2010		2011	2012	2011	2012
	Hist.	BA	Hist.	BA	Hist.	BA	Hist.	BA				
Corporate Management	5.6	7.6	6.0	7.8	6.0	6.0	5.3	6.1	5.2	5.2	2.6	2.7
Finance	22.4	25.0	27.7	24.4	30.7	37.6	30.1	37.0	29.1	28.8	14.5	14.4
Human Resources	12.2	11.0	13.6	11.3	15.6	14.0	17.6	14.3	18.6	19.3	9.6	10.0
Corporate Communications	7.0	6.7	8.3	7.0	10.1	8.3	11.7	8.5	12.4	16.6	6.0	10.3
General Counsel and Secretariat	7.9	6.8	6.4	7.0	6.6	8.2	8.1	8.4	9.2	8.6	4.8	4.5
Regulatory Affairs	21.3	23.3	19.3	22.1	19.5	20.7	20.2	18.6	20.7	22.6	11.3	13.2
Corporate Security	1.7	2.3	2.1	2.4	2.1	2.6	2.7	2.6	2.8	2.9	1.3	1.3
Internal Audit	2.6	2.8	2.5	2.9	2.7	2.9	2.9	3.0	3.0	3.1	1.9	1.9
Real Estate & Facilities	37.5	39.8	41.9	40.5	50.6	46.5	58.6	49.1	54.0	55.0	27.6	28.3
Total CCF&S Costs	**118.1**	**125.2**	**127.7**	**125.2**	**143.8**	**146.8**	**157.2**	**147.6**	**155.0**	**162.1**	**79.7**	**86.6**

Consumers Council of Canada (CCC) INTERROGATORY #13 List 1

Interrogatory

Issue 3.2

(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.

Response

Organizationally, the Corporate and Regulatory Affairs business unit includes the following functions: First Nations and Métis, Supply Chain Services, Corporate Communications, Regulatory Affairs, Major Projects and External Affairs and Facilities and Real Estate. Regulatory Affairs and Facilities and Real Estate costs are presented separately in the referenced exhibit, while the remaining functions of the business unit are rolled up under the Corporate Communications group for presentation purposes.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Corporate Communications	5.8	5.0	5.5	5.2	4.9	4.9
VP Corporate & Regulatory Affairs		0.7	1.0	0.8	0.8	0.9
First Nations & Métis Relations		0.3	0.6	2.1	3.5	3.6
Outsourcing Services	1.2	2.2	3.0	3.5	3.2	2.3
Major Project Coordination & External Relations						4.9
Total	**7.0**	**8.3**	**10.1**	**11.7**	**12.4**	**16.6**

Please refer to Exhibit C1, Tab 2, Schedule 7, page 13, lines 11-20 for a description of the additional work requirements associated with the GEGEA.

Consumers Council of Canada (CCC) INTERROGATORY #14 List 1

Interrogatory

Issue 3.2

(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.

Response

General Counsel and Secretary costs increase from 2010 to 2011 primarily due to the Records Management project and higher labour costs.

Consumers Council of Canada (CCC) INTERROGATORY #15 List 1

Interrogatory

Issue 3.2

(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.

Response

A description of Hydro One Networks' Regulatory Affairs functions can be found in Exhibit C1, Tab 2, Schedule 7 page 18 to 20.

Internal costs are mainly labour. External costs, which make up approximately 15% of the total Regulatory Affairs costs, are made up of consultant costs, printing costs, advertising and communication costs, courier costs and publication and subscription costs.

Consumers Council of Canada (CCC) INTERROGATORY #16 List 1

Interrogatory

Issue 3.2

(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.

Response

Please see Attachment 1 to this Exhibit for the NEB Letter amending the National Energy Board's Cost Recovery Regulations dated December 9, 2009.

The increase of $1.9 million is a result of new National Energy Board cost recovery fees as well as higher incremental rate hearing costs. Hydro One estimated the 2011 and 2012 recovery fees based on a 2010 invoice received from the NEB.

National Energy Board | Office national de l'énergie

File Ad-GA-RG-CR 01 01
9 December 2009

To: Cost Recovered Companies
All power line companies regulated by the Board
Companies participating in the Cost Recovery Liaison Committee
Canadian Electricity Association

Dear Madam or Sir:

Amendment of the *National Energy Board Cost Recovery Regulations*

The National Energy Board (NEB) has completed the process for amending the *National Energy Board Cost Recovery Regulations* (the Regulations). The amended Regulations received Governor in Council approval on 19 November 2009, and were published in the *Canada Gazette*, Part II on 9 December 2009. The Regulations will come into force on 1 January 2010.

The substantive changes in the Regulations affect regulated electricity companies only. The amendments are designed to ensure a more equitable recovery of costs from the electricity industry and improve the clarity and effectiveness of the cost recovery system. They require that costs currently recovered from electricity exporters be instead recovered from NEB-regulated power line companies that transport electricity. Each company is allocated a levy based on the annual amount of energy that it transmits. There will also be a levy on newly approved power line companies equal to 0.2% of the capital cost to construct the applied-for facilities.

The amended Regulations contain minor revisions to the existing definitions relating to pipeline companies. The definitions better mirror the wording in the *National Energy Board Act* and now include a reference to both construction and operation. These changes do not affect the administration of the Regulations nor the application or amount of cost recovery from pipeline companies.

The amended *National Energy Board Cost Recovery Regulations* can be accessed via the NEB website at: www.neb-one.gc.ca. Click on "Acts and Regulations" then on "Rules, Regulations, Guidelines, Guidance Notes and Memoranda of Guidance pursuant to the National Energy Board Act" and "Cost Recovery".

.../2

The NEB will be communicating in the near future with affected companies regarding these changes. For more information, please contact Dan Philips (dan.philips@neb-one.gc.ca), Senior Financial Advisor, at 403-299-7884, or contact the Board at its toll free number: 1-800-899-1265.

Yours truly,

AnneMarie Erickson

Anne-Marie Erickson
Acting Secretary of the Board

Consumers Council of Canada (CCC) INTERROGATORY #17 List 1

Interrogatory

Issue 3.2

(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.

Response

Please refer to Exhibit I, Tab 1, Schedule 49.

Consumers Council of Canada (CCC) INTERROGATORY #18 List 1

Interrogatory

Issue 3.2

(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.

Response

Three areas of responsibility are included in the Strategy and Business Development budget, noted as follows:

$M	2007	2008	2009	2010	2011	2012
"Strategy and Business Development Functions"						
Office of the Senior Vice President [(1)]	4.6	4.5	5.5	5.7	6.1	6.4
Distribution Development	0.7	1.2	1.1	2.0	1.9	2.0
Strategy and Conservation	0.6	0.6	0.9	3.4	4.5	4.6
	5.9	6.3	7.5	11.2	12.5	13.0

[(1)] Includes funding for property, boiler and machinery insurance in the amounts of $3.2M, $3.3M, $3.8M, $3.9M, $4.2M and $4.5M for 2007 - 2012 respectively

The growth in costs from 2009 – 2012 results from the additional responsibilities undertaken by the Strategy and Conservation area. These are government directed responsibilities that include the oversight and management of Conservation Demand Management and Green Energy Initiatives. Key projects are noted as follows:

- Participate in joint design of OPA Province Wide programs, assess the financial requirements, and negotiate associated contracts for Hydro One.
- Design, develop, assess, and deliver or procure delivery of CDM programs required to meet peak MW and energy savings GWH targets as envisioned by the Green Energy and Green Economy Act.
- Assess potential customer opportunities that leverage smart meters / smart grid investment and enable conservation and demand management.
- Assess strategy, or develop potential strategic responses, for changes in external environment.

Consumers Council of Canada (CCC) INTERROGATORY #19 List 1

Interrogatory

Issue 3.2

(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.

Response

This extension was not subject to a public tendering process because the original outsourcing contract with Inergi provided an option for a 3-year extension, which Hydro One chose to exercise.

The cost effectiveness of this three-year extension was ensured with the following:

- Engaged an outsourcing advisory firm to facilitate the negotiation process and provide market comparators
- Base cost reductions are embedded in the extended contract, with continuous improvement and service level improvements.
- Negotiations were time-boxed; if Inergi was unable to commit to an extended agreement that met Hydro One's objectives for continued cost reduction and improved service by May 1, 2010, Hydro One would have taken the work to a competitive tendering process.
- Hydro One avoided the additional cost and risk of transitioning to a new service provider.

Consumers Council of Canada (CCC) INTERROGATORY #20 List 1

Interrogatory

Issue 3.2

(C1/T2/S9/p. 4) Please explain in detail the significant increases in IT Sustainment from 2008 to 2012.

Response

Please refer to Exhibit I, Tab 1, Schedule 52.

Consumers Council of Canada (CCC) INTERROGATORY #21 List 1

Interrogatory

Issue 3.2

(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.

Response

Comparison of OM&A Expenses by Major Category

	2007		2008		2009		2010		Test	
	Hist.	**BA**	**Hist.**	**BA**	**Hist.**	**BA**	**Hist.**	**BA**	**2011**	**2012**
Transmission OM&A ($ millions)										
Sustaining										
Transmission Stations										
Land Assessment and Remediation	3.9	3.9	2.8	3.7	2.0	1.6	1.6	1.4	1.1	1.1
Environment Management	8.4	8.6	(1.7)	8.6	3.5	4.1	10.9	9.8	14.0	15.4
Power Equipment	69.4	56.5	57.9	57.0	67.9	69.7	67.0	65.7	67.4	67.7
Ancillary System Maintenance	9.6	14.4	12.1	15.0	12.4	13.2	14.9	16.7	15.8	16.6
Protection, Control, Monitoring, Metering and Telecommunications	37.7	37.6	36.4	37.1	38.6	39.4	44.4	45.3	44.5	46.6
Site Infrastructure Maintenance	21.0	21.7	26.4	22.4	27.0	24.7	26.2	26.6	27.9	28.7
Total Transmission Stations OM&A	**150.0**	**142.7**	**133.9**	**143.8**	**151.5**	**152.7**	**164.9**	**165.5**	**170.6**	**176.1**
Transmission Lines										
Rights of Way	27.0	20.5	20.7	21.0	25.7	23.3	26.6	26.6	27.5	28.3
Overhead Lines	16.5	24.2	19.0	22.9	19.4	22.1	17.9	19.1	20.2	23.0
Underground Cables	3.5	3.7	3.7	3.9	4.4	3.3	3.5	3.5	3.8	4.0
Total Transmission Lines OM&A	**47.0**	**48.4**	**43.5**	**47.8**	**49.4**	**48.7**	**48.0**	**49.2**	**51.4**	**55.3**
Engineering & Environmental Support	8.9	9.0	10.1	9.3	12.5	10.2	11.5	10.6	11.0	11.8
Total "Sustaining"	**205.9**	**200.1**	**187.5**	**200.9**	**213.5**	**211.6**	**224.4**	**225.3**	**233.0**	**243.1**
Development										
Technical Standards and Technology	8.4	8.0	9.2	8.1	14.0	13.9	15.0	13.1	14.2	14.9
Smart Grid	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	4.0	4.0

Total Development OM&A	**8.4**	**8.0**	**9.2**	**8.1**	**14.0**	**13.9**	**19.0**	**13.1**	**18.2**	**18.9**
Operations										
Operations Contracts	18.3	13.5	16.6	13.8	16.6	17.1	22.6	17.5	24.8	25.9
Environmental, Health and Safety	2.9	1.9	1.9	1.4	1.5	2.1	2.6	2.1	3.5	4.0
Operators	28.4	30.4	29.1	31.0	30.2	33.1	31.8	34.0	32.7	32.8
Large Customer & Generator Relations	4.3	4.1	4.1	3.5	4.3	5.0	5.2	5.2	5.3	5.5
Total "Operations"	**54.0**	**49.9**	**51.7**	**49.7**	**52.6**	**57.3**	**62.1**	**58.8**	**66.3**	**68.2**
Customer Care	**1.2**	**1.6**	**1.3**	**1.6**	**0.9**	**1.5**	**1.1**	**1.5**	**1.1**	**1.2**
Shared Services and Other Costs										
Asset Management	25.9	31.1	31.8	29.0	40.0	46.2	33.0	48.2	35.5	36.0
Common Corporate Functions & Services	64.1	62.9	64.5	63.0	71.8	74.8	81.3	74.6	79.7	86.6
Information Technology	46.2	45.4	50.7	44.8	56.2	49.9	68.1	51.4	67.5	68.5
Cornerstone	2.7	3.6	1.5	3.5	4.0	(3.4)	(9.4)	(8.9)	(12.5)	(21.4)
Cost of Sales	14.5	10.5	20.5	9.9	13.5	4.1	15.8	3.7	14.9	8.5
Other	(72.5)	(91.6)	(109.6)	(98.1)	(114.7)	(110.5)	(130.3)	(113.2)	(138.3)	(131.8)
Total Shared Services & Other Costs	**80.9**	**61.9**	**59.4**	**52.2**	**70.8**	**61.1**	**58.6**	**55.8**	**46.9**	**46.4**
Property Taxes & Rights Payments	**62.5**	**72.8**	**64.8**	**75.1**	**65.2**	**69.7**	**69.4**	**71.8**	**70.8**	**72.2**
Total Transmission OM&A	**412.9**	**394.1**	**373.8**	**387.5**	**417.1**	**415.0**	**434.5**	**426.2**	**436.3**	**450.0**

Consumers Council of Canada (CCC) INTERROGATORY #22 List 1

Interrogatory

Issue 3.3

(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?

Response

Of those eligible for undiscounted pension as of December 31, 2009, 111 employees opted for retirement.

Consumers Council of Canada (CCC) INTERROGATORY #23 List 1

Interrogatory

Issue 3.5

(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.

Response

The OEB cost allocation methodology has been used in the 2006, 2008, 2009 and 2010 reviews as described on page 1 of Exhibit C1, Tab 5, Schedule 1, Attachment 1. As noted in Exhibit C1, Tab 5, Schedule 1, Attachment 1, page 5, "B&V found that all of the changes to the CF&S Model were consistent with the OEB-approved B&V cost allocation methodology". Therefore there was no impact on 2011 and 2012 revenue requirement as a result of changes in the common cost methodology.

Consumers Council of Canada (CCC) INTERROGATORY #24 List 1

Interrogatory

Issue 4.2

(D1/S1/p. 2) Please recast Table 1 to include Board approved numbers for each year 20007-2010. 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.

Response

Hydro One Networks Inc. Transmission Statement of Utility Rate Base ($millions)				
Particulars	2007 Board Approved	2008 Board Approved	2009 Board Approved	2010 Board Approved
Gross plant at cost	9,923.6	10,297.8	10,940.0	11,768.2
Less: accumulated depreciation	(3,620.3)	(3,682.5)	(3,954.4)	(4,179.6)
Net utility plant	6,303.3	6,615.3	6,985.6	7,588.6
Working Capital				
Cash Working capital	12.5	11.3	9.4	8.6
Material and Supplies Inventory	27.8	30.5	36.7	38.7
Total Working Capital	40.3	41.8	46.1	47.3
Total Rate Base	6,343.6	6,657.2	7031.7	7,635.9

Per Exhibit I, Tab 1, Schedule 104, the amount included for GEGEA in 2009 and 2010 rate base are $1.7 million and $3.6 million respectively. There are no costs associated for GEGEA in 2007 and 2008.

Consumers Council of Canada (CCC) INTERROGATORY #25 List 1

Interrogatory

Issue 4.2

(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.

Response

Comparison of Net Capital Expense By Major Category

	Historic						Bridge		Test	
	2007	**2007 BA**	**2008**	**2008 BA**	**2009**	**2009 BA**	**2010**	**2010 BA**	**2011**	**2012**
Transmission Capital ($ millions)										
Sustaining Transmission Stations										
Circuit Breakers	0.6	7.6	11.6	9.1	16.6	12.5	30.8	21.1	23.6	24.9
Station Reinvestment	48.9	64.5	71.1	76.6	34.6	64.6	16.8	43.5	84.0	84.7
Power Transformers	18.7	33.9	40.7	35.0	48.7	50.6	71.3	62.5	63.5	65.7
Other Power Equipment	11.5	14.9	9.0	16.7	13.1	12.0	15.4	21.6	19.6	21.2
Ancillary Systems	8.9	15.6	9.9	17.1	6.0	13.6	9.1	17.2	18.0	18.1
Stations Environment	5.9	7.1	6.2	5.6	3.0	4.3	2.8	3.7	8.4	8.5
Protection, Control, Monitoring, and Telecommunications	44.1	68.2	55.2	58.7	82.0	39.2	72.5	64.9	93.8	107.5
Transmission Site Facilities and Infrastructure	4.0	17.3	20.3	15.1	20.1	12.1	23.1	13.2	26.5	26.4
Total Transmission Stations Capital	**142.7**	**229.2**	**223.9**	**234.0**	**224.1**	**208.8**	**241.8**	**247.7**	**337.3**	**357.0**

Transmission Lines										
Overhead Lines Refurbishment and Component Replacement	46.4	43.9	44.0	44.9	56.8	49.1	54.9	53.4	55.6	57.6
Transmission Lines Reinvestment	6.2	6.8	7.3	7.9	15.2	16.5	9.8	16.1	8.9	7.3
Underground Lines Cable Refurbishment & Replacement	14.6	8.2	5.3	8.7	4.1	5.6	1.9	4.4	22.2	21.6
Total Transmission Lines Capital	**67.2**	**58.9**	**56.5**	**61.6**	**76.0**	**71.2**	**66.6**	**74.0**	**86.7**	**86.5**
Total Sustaining Capital	**210.0**	**288.1**	**280.4**	**295.6**	**300.1**	**279.9**	**308.3**	**321.6**	**424.0**	**443.4**
Development										
Inter Area Network Transfer Capability	80.5	86.9	152.6	132.7	343.1	389.0	424.5	497.1	307.9	139.3
Local Area Supply Adequacy	97.4	98.6	91.0	192.7	93.7	101.3	61.9	50.4	150.5	101.4
Load Customer Connection	53.7	59.0	46.8	69.7	54.4	39.0	31.9	54.1	81.8	84.7
Generator Customer Connection	38.4	57.7	17.6	3.9	4.5	6.0	0.0	23.1	0.0	0.0
Performance Enhancement & Risk Mitigation	2.5	16.6	2.9	16.6	19.2	7.2	17.5	14.2	24.0	7.2
TS Upgrades to Facilities Distribution Generation	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	33.8	81.4
P&C Enablement for Generation Connections	0.0	0.0	0.0	0.0	0.9	0.0	0.6	0.0	11.4	36.0
Smart Grid	0.0	0.0	0.0	0.0	0.4	3.5	1.4	3.4	7.8	6.8
Total Development	**272.6**	**318.8**	**310.9**	**415.6**	**516.2**	**545.9**	**537.9**	**642.3**	**617.2**	**456.8**
Operations										
Grid Operating and Control Facilities	2.0	15.1	16.8	17.2	11.3	15.1	8.8	9.8	22.6	18.5
Operating Infrastructure	2.7	4.9	6.3	3.2	8.7	3.1	1.4	19.1	21.7	38.9
Total "Operations"	**4.7**	**20.1**	**23.1**	**20.4**	**20.0**	**18.2**	**10.1**	**28.9**	**44.3**	**57.4**

Shared Services and Other Costs										
Transport, Work & Service Equipment	13.3	13.5	17.5	12.5	14.0	14.5	19.8	16.2	21.6	17.0
Information Technology	13.3	10.1	9.2	10.2	9.2	10.5	17.0	12.3	18.9	14.4
Cornerstone	35.2	57.0	59.1	15.8	50.9	50.9	11.1	28.4	2.0	0.2
Facilities & Real Estate	3.2	4.0	3.5	4.2	6.3	16.3	25.8	7.9	23.9	19.1
Other	7.1	0.0	0.5	0.0	1.1	0.2	0.0	0.1	0.0	0.0
Total Shared Services & Other Costs	**72.2**	**84.6**	**89.8**	**42.8**	**81.5**	**92.4**	**73.6**	**64.9**	**66.3**	**50.6**
Total Transmission Capital	**559.5**	**711.6**	**704.2**	**774.4**	**917.8**	**936.5**	**930.0**	**1057.6**	**1151.8**	**1008.3**

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Consumers Council of Canada (CCC) INTERROGATORY #26 List 1

Interrogatory

Issue 4.2

(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;

Response

1. The Head Office Capital Investment consists of leasehold improvements and replacement of furniture systems. The initial gross leasehold improvements were estimated in total cost of $19.4M and $20.4M in years 2010 and 2011 respectively. The furniture systems were estimated in total cost of $7.7M in both years 2010 and 2011.

2. There are no changes to the initial project budget

Consumers Council of Canada (CCC) INTERROGATORY #27 List 1

Interrogatory

Issue 4.2

(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?

Response

The referenced document was prepared by the OPA in order to provide supporting information regarding specific projects in Hydro One’s rate application. Hydro One and the OPA discussed which projects would be aided by OPA support and the OPA provided supporting information regarding those projects.

The OPA can recommend that Hydro One proceed with a project, but it is Hydro One’s decision whether to seek OEB approval for expenditures on a particular project.

Consumers Council of Canada (CCC) INTERROGATORY #28 List 1

Interrogatory

Issue 4.2

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.

Response

Please see Attachment 1

Bruce x Milton Transmission Reinforcement Project Financial Data to 30 June 2010

WBS Category	Budget ($M) Original	Budget ($M) Current	Budget ($M) Notes	Actuals ($M) Cash and Accruals	Actuals ($M) Committed	Actuals ($M) Total	Remaining to Commit ($M)	Forecast Total ($M)	Variance ($M)	Variance Justification
Line Project Activities										
Real Estate	109.1	109.1		48.8		48.8	52.8	101.6	7.5	Surplus budget
Project Management	22.6	22.6		11.1	0.1	11.2	11.6	22.8	-0.2	Reduced contract costs
Engineering	26.8	26.8		16.6		16.6	10.2	26.8	0.0	
Materials	120.5	120.5		108.6	4.6	113.2	7.6	120.8	-0.3	Net change from additional tower extensions
Forestry	6.3	6.3		0.8	3.5	4.3	1.5	5.8	0.5	Contract bids lower than anticipated
Access Roads	42.3	42.3		3.5		3.5	38.8	42.3	0.0	
Foundations	56.2	56.2		2.3		2.3	53.9	56.2	0.0	
Assemble/Erect Towers	100.3	100.3		14.7	83.2	97.9	0.0	97.9	2.4	Contract holding costs for project delay start to Sept/10
Line Stringing	34.8	34.8		0.0	34.8	34.8	0.0	34.8	0.0	
Road Removals	11.7	11.7		0.0		0.0	11.7	11.7	0.0	
Subtotal - Lines	**530.6**	**530.6**		**206.3**	**126.2**	**332.5**	**188.1**	**520.6**	**10.0**	
Station Projects										
Milton SS	23.8	23.8		14.3		14.3	9.5	23.8	0.0	
Middleport Line	7.1	7.1		4.0		4.0	3.2	7.1	0.0	
Bruce 'A' Exp'n	9.6	9.6		6.8		6.8	3.8	10.6	-1.0	Additional civil work required
Bruce 'B' Exp'n	9.8	9.8		3.2		3.2	6.6	9.8	0.0	
Bruce Junction	0.0	1.9	**1	0.1		0.1	4.3	4.4	-2.5	Work not accounted for when NAC contract cancelled
Claireville TS	0.0	0.4	**2	0.1		0.1	0.3	0.4	0.0	
Subtotal - Stations	**50.3**	**52.6**		**28.5**	**0.0**	**28.5**	**27.6**	**56.1**	**-3.5**	
Contingency	29.3	27.0						34.5	-7.5	
Equipment Sale	-8.7	-8.7		0.0				-8.7	0.0	
Total Direct cost	**601.5**	**601.5**		**234.8**	**126.2**	**361.0**	**215.7**	**602.5**	**-1.0**	
Interest	24.8	24.8		12.6		12.6		20.8	4.0	
Overhead	69.2	69.2		30.0		30.0		71.7	-2.5	
Project Total	**695.5**	**695.5**		**277.5**	**126.2**	**403.7**	**215.7**	**695.0**	**0.5**	

Notes:
**1 Work required at Bruce Junction not provided for in original budget and funded from contingency
**2 Work required at Claireville not provided for in original budget and funded from contingency

Consumers Council of Canada (CCC) INTERROGATORY #29 List 1

Interrogatory

Issue 5.2

Please provide HON Transmissions actual and forecast ROE for each year 2007, 2008 and 2009.

Response

The Board allowed ROE per year is as follows:

2007	8.35%
2008	8.35%
2009	8.01%

As per Exhibit A, Tab 8, Schedule 1, Attachments 1, 2, and 3 applying a CGAAP approach, actual ROE for HON Transmission is as follows:

2007	9.75%
2008	11.49%
2009	8.82%

Consumers Council of Canada (CCC) INTERROGATORY #30 List 1

Interrogatory

Issue 5.2

Please provide all correspondence between HON and its shareholder regarding HON's application to seek a higher ROE.

Response

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

Consumers Council of Canada (CCC) INTERROGATORY #31 List 1

Interrogatory

Issue 5.3

(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?

Response

HON plans to issue the $200 million remaining for 2010 over the remainder of the year. HON has chosen to split the amount into 5 and 10 year terms for planning purposes. As discussed on lines 18 to 20 of page 1, Exhibit B1, Tab 2, Schedule 1, the standard maturity terms preferred by investors are five, ten and 30 year terms. Actual issuance may be in any of these terms, depending on market conditions and investor receptiveness for particular terms at the time of issuance.

Consumers Council of Canada (CCC) INTERROGATORY #32 List 1

Interrogatory

Issue 5.3

(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.

Response

In the Board's Settlement Proposal Decision of April 18, 2007 in connection with Proceeding EB-2008-0272 (Hydro One Networks Inc Transmission Revenue Requirement and Rates 2009 and 2010) the parties agreed to maintain the status quo ETS Tariff of $1/MWh until the 2010 transmission rate setting process. On October 6, 2009 the OEB issued a letter stating that the export tariff issue would be considered in Hydro One Transmission's 2011 and 2012 rate hearings, and that in the meantime no change would be made to the approved export service rate for 2010.

Hydro One Transmission is committed to adopting whatever export service rate the Board deems to be the appropriate based on consideration of the evidence filed on this issue. Hydro One Transmission understands the rationale for the IESO's recommendation to maintain the $1/MWh to be that documented in Section 3.0 of the IESO's report provided as Attachment 1 to Exhibit H1, Tab 5, Schedule 2.

Consumers Council of Canada (CCC) INTERROGATORY #33 List 1

Interrogatory

Issue 9.1

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?

Response

The approval of the Schedule B projects that are forecast to come into service in the test years is being sought in this proceeding. Please see Exhibit I, Tab 1, Schedule 104. There is no implication for the future Section 92 applications as a result of this.

Consumers Council of Canada (CCC) INTERROGATORY #34 List 1

Interrogatory

Issue 9.1

(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.

Response

The following projects were included in Hydro One’s previous rate filing (EB-2008-0272):

- North-South Tie: Sudbury Area x Barrie
- Barrie x GTA
- Sudbury Area x Algoma Area
- Bowmanville x GTA
- Pickle Lake x Nipigon
- Goderich Enabler
- Manitioulin Island Enabler
- Sudbury North
- Leaside and Manby TS

Hydro One did not drop any planned Transmission projects as a result of the Minister's letter of September 21, 2009. Please see Exhibit I, Tab 1, Schedule 98.

Consumers Council of Canada (CCC) INTERROGATORY #35 List 1

Interrogatory

Issue 9.1

(A/T11/S4) Please explain how, if at all, HON's Green Energy plan was revised between March 1 and May 19.

Response

There were no material revisions to the Green Energy Plan during this period.

Consumers Council of Canada (CCC) INTERROGATORY #36 List 1

Interrogatory

Issue 9.1

(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?

Response

Please see Exhibit I, Tab 1, Schedule 98 and Exhibit I, Tab 1, Schedule 102.

Consumers Council of Canada (CCC) INTERROGATORY #37 List 1

Interrogatory

Issue 9.1

(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.

Response

There are two projects related to the Korean Consortium Agreement. Please see Exhibit D2, Tab2, Schedule 3, Project D30 for the project specifics with respect to the Chatham Wind Generation Connection. The other project is the Nanticoke Wind Generation Connection, which is just a standard line tap connection similar to many other transmission connected wind farms. Both projects are expected to be in-service in 2012. As indicated in Exhibit D1, Tab 3, Schedule 3, Appendix A, Table 5 these projects are expected to be fully recoverable through capital contribution from the customer; and hence will have no impact on the 2011 and 2012 revenue requirement. When these projects have advanced sufficiently to the System Impact Assessment (SIA) stage, the SIA may identify further system requirements for network facilities that could be pool-funded as per the OEB Compliance Bulletin #200606. Based on the information available to Hydro One at this time, the risk of additional pool funded expenditures is expected to be low.

Consumers Council of Canada (CCC) INTERROGATORY #38 List 1

Interrogatory

Issue 9.1

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.

Response

It is the expectation of the government, as stated on the front page of the Ministry of Energy and Infrastructure's website, that the GEGEA "will help the government ensure Ontario's green economic future by: building a stronger, greener economy with new investment, creating well-paying green jobs and more economic growth for Ontario". Investments on a number of fronts including new renewable generation projects, suppliers to new renewable generators, conservation and demand management and smart grid, are expected to contribute to these objectives.

For example, the Government has signed an agreement with a Korean consortium, led by Samsung C&T Corporation and the Korea Electric Power Corporation, which means a $7 billion investment in renewable energy in Ontario (see Ministers speech to the GTMA International Leaders Breakfast Club in Ajax, Ontario on March 1, 2010, on the Ministry's website).

The statement above reflects Hydro One's expectation that other similar agreements may be reached to bring investment to, and create jobs in, the province.

Hydro One has not performed, nor is it aware of any cost/benefit analyses of the projects contained in the GEP.

Consumers Council of Canada (CCC) INTERROGATORY #39 List 1

Interrogatory

Issue 9.1

(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?

Response

Target in-service dates for the 18 projects are included in Schedule A of the Minister's September 21, 2009 letter. Hydro One is waiting for sufficient information and direction to proceed on these projects as explained in Exhibit I, Tab 1, Schedule 98.

Consumers Council of Canada (CCC) INTERROGATORY #40 List 1

Interrogatory

Issue 9.1

(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?

Response

Please see Exhibit I, Tab 1, Schedule 98 and Exhibit I, Tab 1, Schedule 102. In the statement the word “need” has the same meaning as “priority.”

Consumers Council of Canada (CCC) INTERROGATORY #41 List 1

Interrogatory

Issue 9.1

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.

Response

Please see Exhibit I, Tab 1, Schedule 98. The two letters from the Minister attached to that Exhibit are the relevant pieces of correspondence.

Consumers Council of Canada (CCC) INTERROGATORY #42 List 1

Interrogatory

Issue 9.1

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?

Response

The OPA's Economic Connection Test (ECT) will establish what transmission is economic to connect renewable generation projects.

Consumers Council of Canada (CCC) INTERROGATORY #43 List 1

Interrogatory

Issue 9.1

(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?

Response

The projects to upgrade Leaside, Hearn and Manby were discussed at the last rate hearing and the Board in its Decision (Section 6.5.3 EB-2008-0272 dated 28 May 2008) had advised that it expected Hydro One to move expeditiously to obtain any approvals to implement the plan. Subsequently, the projects have also been identified in Schedule B of the Minister's letter to Hydro One dated September 21, 2009. These projects will facilitate the connection of renewable resources and higher efficiency combined heat and power generation projects.

These projects would still proceed in the absence of the OPA's recommendations. The Hearn SS rebuild is needed to replace the end-of-life station by 2012. The breakers and associated facilities at Leaside and Manby would be scheduled for end-of-life replacement over the next 7-8 years. The OPA supports the advancement of these replacements. For further discussion regarding the advancement considerations of the Leaside and Manby facilities nearing end-of-life, please refer to Exhibit I, Tab 1, Schedule 113, part d).

Please refer to the OPA supporting evidence for these projects at Exhibit D1, Tab 3, Schedule 3, Appendix B for details on the OPA's support for proceeding with these projects at this time.

Consumers Council of Canada (CCC) INTERROGATORY #44 List 1

Interrogatory

Issue 9.1

(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?

Response

Hydro One is not proposing a rate rider mechanism in this proceeding.

Consumers Council of Canada (CCC) INTERROGATORY #45 List 1

Interrogatory

Issue 9.1

(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?

Response

There would be no impact on the 2011 and 2012 revenue requirement as these projects are not forecast to come into service in the test years. Hydro One will request accelerated cost recovery of CWIP in the Section 92 applications for these projects.

Consumers Council of Canada (CCC) INTERROGATORY #46 List 1

Interrogatory

Issue 9.1

(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?

Response

Hydro One is not seeking any relief for the 2010, 2011 and 2012 costs in this proceeding. Please see Exhibit I, Tab 1, Schedule 102 for an explanation on how the priority projects for early development work were selected

Consumers Council of Canada (CCC) INTERROGATORY #47 List 1

Interrogatory

Issue 9.1

(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.

Response

An updated request to the September 21, 2009 letter from the Government has not yet been made to Hydro One. The Minister did send a related letter dated May 5, 2010 which is attached to Exhibit I, Tab 1, Schedule 98.