Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL

August 23, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0228, Hydro One Networks Inc. Joint Use Rates for Generator use of Distribution Poles and Fees for Connection Impact Assessments

Further to the Board's Procedural Order No. 1, dated August 18, 2010, please find attached the Board Staff interrogatories. Please forward the attached to the respective parties and all intervenors in this proceeding.

Yours truly,

Original Signed By

Christie Clark
Case Manager

Enclosure

Board Staff Interrogatories
Hydro One Networks Inc. EB-2010-0228
Miscellaneous Charges

Competitive Market for Joint Use of Poles

1. Hydro One Distribution has requested a decision from the Ontario Energy Board as to whether joint use charges require Board approval. Hydro One Distribution states that "each generator has the option of supplying its own support structure by constructing, installing, and maintaining its own utility poles." [1] Board staff needs clarification of this point.

    a. Is Hydro One Distribution stating that the generators have the economic alternative to construct poles in situations where Hydro One Distribution already can accommodate the generators?

    b. Is Hydro One Distribution stating that where it has existing support structures that are not technically sufficient to include the generator's assets that there is an economic alternative for the generator to construct and maintain its own support structures?

    c. Is Hydro One Distribution suggesting that a ceiling for negotiated rates is the avoided cost of a generator constructing its own parallel transmission line?

2. Hydro One Distribution states that having generators erect their own facilities may increase the cost to Hydro One Distribution to connect new customers, as Hydro One Distribution may be required to enter into a joint use tenancy agreement for the use of a generator's pole[2]. Please explain in what circumstances would Hydro One request access to the generator's pole?

3. The Board in its Decision and Order on the CCTA Application, RP-2003-0249, stated:

---

[1] Exhibit B, Tab 1, Schedule 1, page 8, lines 1-2.

[2] Exhibit B, Tab 1, Schedule 1, page 8, lines 4-6.

> *"The Board agrees that power poles are essential facilities. It is a well established principle of regulatory law that where a party controls essential facilities, it is important that non-discriminatory access be granted to other parties. Not only must rates be just and reasonable, there must be no preference in favour of the holder of the essential facilities.* ***Duplication of poles is neither viable nor in the public interest*** *[emphasis added]"*[3]

The RP-2003-0249 Order and Decision also stated:

> *"There has been some evidence on both sides with respect to abuse. In the end the CCTA says that the electricity distributors do have monopoly power and the fact that the parties have been unable to come to an agreement for over a decade demonstrates the exercise of that monopoly power whether this results in abuse or not.*
>
> *The Board agrees. A showing of abuse is not necessary to justify the intervention of this Board in this matter. The fact is the parties have been unable to reach an agreement in over a decade. This degree of uncertainty is not in the public interest."*[4]

The Ontario Energy Board Act (the "Act"), in setting the Board's objectives for electricity, states that the Board should be guided by a set of principles, one of which is:

> *"To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario,* ***including the timely expansion or reinforcement of transmission systems and distribution systems*** *[emphasis added] to accommodate the connection of renewable energy generation facilities."*[5]

a. Please explain why Hydro One Distribution suggests that duplication of the poles would now be viable and in the public interest.

---

[3] Decision and Order, RP-2003-0249, page 3

[4] *Ibid*

[5] S.O. 1998, CHAPTER 15 Schedule B sec. 1. (1) 5.

b. Were the Board to refrain from regulating pole rental charges for generators, please explain the measures that Hydro One Distribution would put in place to ensure that any negotiations would not impair "the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities."

Joint Use Rates

4. Board staff understands that Hydro One Distribution's proposal for establishing the level for the new joint use rates is based on the following:

   a. The methodology is the same as found in Appendix 2 of the RP-2003-0249 Decision and Order. The only values found in the appendix that would change are line G, the Capital Carrying Cost, and line I, the Allocation Factor. Please confirm that this understanding is correct. Otherwise, please clarify Hydro One Distribution's proposal.

   b. Line G (Capital Carrying Cost), in Appendix 2 of the RP-2003-0249 Decision and Order, will be replaced by the value in line A of Table 3 found at Exhibit B Tab 2 Schedule 1 which is labelled Cost of Power Space. Please confirm that this understanding is correct. Otherwise, please clarify Hydro One Distribution's proposal with supporting detailed calculations.

   c. Line I (Allocation Factor), in Appendix 2 of the RP-2003-0249 Decision and Order, will be replaced by the Generator % of Power Space Allocation in Table 4 found at Exhibit B Tab 2 Schedule 1 in order to establish the array of rates that vary by pole height and size of space. Please confirm that this understanding is correct. Otherwise, please clarify Hydro One Distribution's proposal with supporting detailed calculations.

5. In Table 3 found at Exhibit B Tab 2 Schedule 1, line A, the explanation states that the cost of power space was negotiated with the EDA and is $57.22.

   a. Please provide the calculation of this amount, with full explanation of the source and reasons for the amounts used and determination of $57.22.

b. Please state from which year these costs were developed.

c. Do the capital and/or operating costs for poles vary by height?

d. If the capital and/or operating costs for support structures vary by height, please explain why Hydro One is proposing just one set of costs based on fifty foot poles for Depreciation Expense, Pole Maintenance Expense, and Capital Carrying Cost as applied in Appendix 2 of the RP-2003-0249 Decision and Order.

6. The proposed range of rates for joint use is predicated upon generators requiring poles taller than 50 feet. Fifty feet is the basis for the current joint use rate. Board staff needs clarification of the proposal for allocating the incremental height and related costs above 50 feet.

   In Exhibit B Tab 1 Schedule 1 Hydro One Distribution explains in Section 3.1.1 that the portion of available power space is 56.2% of the incremental height. In RP-2003-0249, the allotment for communication space was a fixed height, as was the allotment for street lighting. This gave rise to the percentage allocation of 43.8% for both communications and street lighting. That left 56.2% to be shared by Hydro One Distribution assets and other power providers. The proposal to allocate 56.2% of the incremental height to power space implies that 43.8% of the incremental height would be a cost for communications and street lighting.

   a. Please explain why any of the incremental height requested by generators should be borne by Hydro One Distribution customers?

   b. Please expand Table 3 of Exhibit B Tab 1 Schedule 1 to include each of the eleven proposed pole heights to provide a comparison of the incremental revenue requirement and the respective proposed revenues from generators. Please provide details of assumptions used in determining the costs and revenues.

   c. Hydro One's proposal to allocate 43.8% of the pole height to communications and street lights irrespective of pole height results in more space being allocated for these uses as height increases. Please explain why the allocator for communications and street lighting were not recalculated in order to maintain the fixed dimensional space required for their assets.

7. Hydro One states that the terms for agreements with generators is typically 20 years. Hydro One Distribution is proposing to adjust the joint use fees annually and to rebase every 5th year. To adjust the joint use rates, Hydro One proposed a formula that adjusts the rate using the Consumer Price Index ("CPI'). The Board in the past has used the GDP- IPI as an inflator for both electricity and natural gas under the incentive regulation mechanism ("IRM') framework.

    a. Please explain why the CPI was proposed rather than the GDP-IPI.

    b. If the CPI or GDPI-PI were used, please explain why a productivity factor is not proposed.

CIA Fees

8. Hydro One is proposing two new CIA fees, one each for net metering generators and capacity allocation exempt generators.

    a. Please provide the cost analysis performed to determine the respective fees.

    b. Please explain the source (labour rates, facility costs, consumables, etc) and rationale for the items and calculations used to determine the fees.

    c. Please explain whether average, incremental or other cost types were used.

    d. If the costs are not based on the most recently approved costs, or costs that underpin the most recently approved Hydro One Distribution test year, please explain why the most recently approved costs were not used.

    e. Please explain and develop any forecast information used.

9. Hydro One is proposing to reduce the current CIAs by 50% for any projects that have rescinded their applications and for all revised applications.

    a. Please provide the cost justification with supporting rationale for 50%.

b. If there is no cost justification, please provide any surveys, studies or rationale to support the 50%.

c. Who will subsidize the lower revenues, the distribution rate payer or the shareholder?

10. In EB-2009-0096 Hydro One was directed to implement CIA Charges – Small & Medium of $10,335 and the CIA Charges – Large of $10,405. The proposal in this application is to phase-in those charges with the following rates in effect prior to September 1, 2010:

CIA – small	$3,000
CIA – Mid-Size	$5,000
CIA – Large	$6,000

a. Please provide the cost justification with supporting rationale for the determination of these fees.

b. If there is no cost justification, please provide any surveys, studies or rationale to support the lower rates.

11. With the phasing-in of existing CIA's, revenues would be lower than expected. Who will subsidize the lower revenues, the distribution rate payer or the shareholder?

12. The proposed new rate for net metering and capacity allocation produces a new revenue stream for Hydro One. How does Hydro One propose to account these new found revenues?