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September 9, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0132
Hydro One Brampton Networks Inc. – 2011 Cost of Service Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1, issued by the Board on August 26, 2010, please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) of in respect of Hydro One Brampton Networks Inc. in the EB-2010-0132 proceeding. An electronic version of this communication will be forwarded in PDF format.

Energy Probe has reviewed the September 2, 2010 update filed by the Applicant and has added Interrogatories No. 53 and No. 54 to its previously prepared questions in response. As there now appears to be some doubt as to the actual date of adoption of the International Financial Reporting Standards (IFRS), Energy Probe has not removed any of its original IFRS based interrogatories. The record will thus be more complete if the proposed IFRS recommendation is not accepted.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Scott Miller, Hydro One Brampton Networks Inc. (By email)
Michael Engelberg, Hydro One Networks Inc. (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One
Brampton Networks Inc. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective January 1, 2011.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 9, 2010

**HYDRO ONE BRAMPTON NETWORKS INC.
2011 RATES REBASING CASE
EB-2010-0132**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 3, Schedule 3.0

In July, 2010, the Accounting Standards Board issued an exposure draft that proposes that qualifying entities with rate-regulated activities be permitted, but not required, to continue applying the account standards in Part V of the Handbook for an additional two years and that adoption of the IFRSs in part 1 of the Handbook by qualifying entities would be mandatory for interim and annual financial statements related to annual periods beginning on or after January 1, 2013.

If rate-regulated entities were to be granted a two year deferral on the adoption of IFRS for accounting purposes, would HOBNI agree that its revenue requirement for the 2011 test year should be estimated CGAAP rather than IFRS? If not, why not?

Interrogatory # 2

Ref: Exhibit 1, Tab 3, Schedule 3.1

- a) Please confirm that the increase in the OM&A under IFRS relative to CGAAP is the result of expenses that would be capitalized under CGAAP, but not under IFRS. Other than this change in capitalization, is there any other factor contributing to the increase in OM&A under IFRS?**
- b) Please confirm that the decrease in amortization expense, interest expense, PILs and return on equity are all driven by a lower rate base under IFRS relative to CGAAP. Other than the reduction in rate base (due to the change in allowed capitalization), is there any other factor contributing to the decrease in any of these items under IFRS?**

Interrogatory # 3

Ref: Exhibit 1, Tab 3, Schedule 7.0, page 2

The evidence states that HOBNI is seeking recovery of the life-to-date revenue requirement related to capital and operating expenditures for smart meters installed to the end of 2009 and has therefore included all smart meter related costs in rate base.

- a) Do the smart meter related costs related to the meters installed to the end of 2009 include any costs that are proposed to be recovered through the smart meter deferral account referenced on page 1? If yes, please explain why this is not double counting of these costs.**
- b) Have the smart meter related costs that are proposed to be included in rate base for the meters installed by the end of 2009 been reduced to reflect the depreciation expense associated with these meters and included in the deferral account?**
- c) Please provide a schedule showing the determination of the cost of the smart meters installed to the end of 2009 to be included in the 2011 rate base.**
- d) Has HOBNI claimed CCA on the smart meters in the year they were purchased/installed?**

Interrogatory # 4

Ref: Exhibit 1, Tab 3, Schedule 7.0, page 2

Please explain the significance and impact of the proposed treatment of stranded meters.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 1

The evidence states that HOBNI has calculated the depreciation expense for the 2010 bridge year and 2011 test year using a full year's depreciation. The evidence also states that on an actual basis, depreciation commences in the month in which the asset was installed and being used for its intended purpose.

- a) Please confirm that the depreciation expense recorded in each of 2006 through 2009 is not based on the full year methodology, but is based on when the assets actually went into service.
- b) Please explain the rationale for using the full year depreciation methodology for 2010 and 2011?
- c) What is the impact on the 2011 rate base if the half-year rule was used for 2010?
- d) What is the impact on the 2011 depreciation expense if the half-year rule was applied to 2010 and 2011?

Interrogatory # 6

Ref: Exhibit 2, Tab 2, Schedules 1.1 and 1.2

- a) Please explain why no disposals have been forecast for 2010 or 2011 despite the fact that in each of 2006 through 2010, gross asset disposals have been larger than the corresponding disposals shown for accumulated depreciation.
- b) Has HOBNI disposed of any assets as of the most recent information available for 2010? If yes, please provide the amount for each account for each of the following:
 - i) the disposal amount related to cost;
 - ii) the disposal amount related to accumulated depreciation; and,
 - iii) the gain or loss as a result of the disposals.
- c) Please indicate the specific assets included in account 1610 - Miscellaneous Intangible Plant - TS and account 1610- Miscellaneous Intangible Plant - Software. Why are these assets included in account 1610 rather than in another account?
- d) Please explain the substantial reduction in contributions and grants forecast for 2010 (\$9.8 million) in comparison to the \$12.7 million recorded in 2009, \$16.1 million in 2008 and \$18.5 million in 2007.

Interrogatory # 7

Ref: Exhibit 2, Tab 2, Schedule 1.2

Table 1 appears to be incorrect in that the opening balance shown under cost for 2010 is equal to the 2009 net book value rather than the 2009 closing balance for cost. Similarly, the opening balance under accumulated depreciation reflects no accumulated depreciation rather than showing the closing balance for 2009. These changes then appear to be carried on into Table 2 for 2011.

- a) Please provide revised Tables 1 & 2 that reflect the closing balances from 2009 carried forward as the opening balances for 2010 for both costs and accumulated depreciation.
- b) Please provide revised versions of any tables elsewhere in the evidence impacted by this change.

Interrogatory # 8

Ref: Exhibit 2, Tab 2, Schedule 1.2

For each of the components under Account 1610 shown in Table 1 and 2, please identify the CCA class that is applicable.

Interrogatory # 9

Ref: Exhibit 2, Tab 2, Schedule 4.0

Is there any impact on the calculation of rate base in 2010 and 2011 of the movement of assets to miscellaneous intangible plant in 2009? If yes, please quantify the impact on the 2010 and 2011 rate base and explain the impact.

Interrogatory # 10

Ref: Exhibit 2, Tab 4, Schedule 2.0

- a) Please confirm that the cost of power of \$0.0694 per kWh referenced is based on the May 1, 2010 to April 30, 2011 period, based on the Regulated Price Plan as issued by the OEB on April 15, 2010.

- b) Please provide the breakdown in 2009 between RPP and non-RPP volumes. Does HOBNI have any forecast for the 2011 test year that would indicate any change in this ratio between RPP and non-RPP volumes? If yes, please provide the forecast.**
- c) Please calculate the cost of power by applying the \$0.0694 per kWh price to RPP volumes and the HOEP price of \$0.03666 per kWh plus the Global Adjustment of \$0.02772 per kWh as shown in the April 15, 2010 RPP report to the non-RPP volumes.**

Interrogatory # 11

Ref: Exhibit 2, Tab 5, Schedule 1.0

- a) When was the capital expenditure forecast for 2010 and 2011 prepared and finalized?**
- b) Does HOBNI have any more recent capital expenditure forecasts or projections based on activity to date in 2010 and projections for the remainder of the year? If yes, please provide the 2010 projects in the same level of detail as shown in Table 1.**
- c) How do any variances in the current 2010 projections from forecast impact on the forecasted capital expenditures for 2011?**

Interrogatory # 12

Ref: Exhibit 2, Tab 5, Schedules 3.0, 4.0, 5.0, 6.0, 7.0, 8.0

- a) Please explain the low amount of construction work in progress forecast for 2010 and 2011 relative the actual construction work in progress shown for 2006, 2007, 2008 and 2009.**
- b) Are all of the capital expenditures shown in Schedule 7.0 for 2010 on schedule for completion before the end of year, with the exception of the \$31,066 shown? If not, please update this schedule to reflect any change in the level of capital expenditures and the expected level of construction work in progress at the end of 2010.**

Interrogatory # 13

Ref: Exhibit 2, Tab 5, Schedules 2.0, 3.0, 4.0, 5.0

The evidence indicates the HOBNI typically recovers 50% of the labour and equipment costs with the City of Brampton and Region of Peel road widening projects. The evidence also indicates that the cost sharing with the Ministry of Transportation is governed by the MTO Corridor Control and Permit procedures manual.

- a) Please explain why there were no contributions and grants recorded associated with the road widening capital costs of \$4,810,184 in 2005.**
- b) Please explain why there were no contributions and grants recorded associated with the road widening capital cost of \$2,816,334 in 2006.**
- c) Please explain why there were no contributions and grants recorded associated with the road widening capital cost of \$2,735,883 in 2007.**
- d) Please explain why there were no contributions and grants recorded associated with the road widening capital cost of \$3,269,001 in 2008.**

Interrogatory # 14

Ref: Exhibit 2, Tab 5, Schedule 7.0, page 8

- a) Please clarify what HOBNI means by the rework associated with the 4,500 sq ft that is not being utilized "will hinge on when/if the new tenant is found". Does HOBNI mean that it will not spend the \$304,643 included in the 2010 capital budget if a tenant is not found?**
- b) Please provide an update on the status of the search for a new tenant.**
- c) Will HOBNI proceed with the \$60,000 expenditure to reconfigure the old day-care parking area and remove the existing playground areas in 2010 if no replacement tenant is found? If yes, please explain why.**
- d) What was the annual revenue received for the rental of this space?**

Interrogatory # 15

Ref: Exhibit 2, Tab 5, Schedules 7.0 & 8.0

With respect to the road widening expenditures in 2010 and 2011, HOBNI indicates that the information presented is based on preliminary information from the road authorities.

Does HOBNI have any more recent information from the road authorities? If yes, please provide the details and the impact on the capital expenditures forecast for 2010 and 2011.

Interrogatory # 16

Ref: Exhibit 2, Tab 5, Schedules 7.0 & 8.0

HOBNI appears to propose that all of the 2010 and 2011 costs which are to be incurred to make eligible investments for the purpose of enabling the connection of renewable energy generation facilities to the distribution system be recovered from HOBNI's ratepayers. In other words, HOBNI appears to assume that the direct benefits that accrue to the HOBNI customers are equal to or higher than the eligible investment costs. However, HOBNI does not appear to have provided any calculation to support this.

The Board issued the EB-2009-0349 Report of the Board - Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 on June 10, 2010.

- a) Did HOBNI review the Report of the Board before filing the current application?**
- b) Please provide an estimate of the direct benefits based on the June 2010 Report of the Board.**
- c) Please provide an estimate of the eligible investment costs that HOBNI is seeking to be determined by the Board.**

- d) If the direct benefits are less than the eligible investment costs, would HOBNI consider reducing its revenue requirement by the difference (i.e. the rate protection to be provided)? If not, why not?
- e) If the Board determines that HOBNI should do the above calculations and some rate protection is required for the ratepayers of HOBNI, would HOBNI request the establishment of a variance account, as contemplated in the Report of the Board?
- f) Please provide a table as illustrated on page 17 (and discussed on pages 16 and 17) of the March 25, 2010 EB-2009-0397 Filing Requirements: Distribution System Plans - Filing under Deemed Conditions of Licence.

Interrogatory # 17

**Ref: Exhibit 2, Tab 5, Schedule 8.0 &
Exhibit B, Tab 6, Schedule 1.1, Appendix E**

With regard to the fleet maintenance capital expenditures for 2011 please provide the following:

- a) A reconciliation, by vehicle number, of the vehicles scheduled to be replaced in 2011 as described on pages 18 and 19 of Exhibit 2, Tab 5, Schedule 8.0 with the fleet replacement schedule shown in Appendix E to Exhibit 2, Tab 6, Schedule 1.1. In particular, please provide an explanation for the following:
 - i) any vehicles shown in the replacement schedule for replacement after 2011, but included in the 2011 capital budget (for example vehicles 9, 49 & 171);
 - ii) any vehicles shown in the replacement schedule for replacement in 2011, but not included in the 2011 capital budget;
 - iii) any vehicles included in the 2011 capital budget, but not included in the replacement schedule for replacement (for example vehicle 76).
- b) Please provide a table for each vehicle that is being replaced in 2011 showing the vehicle number and the market value (from Appendix E of Exhibit 2, Tab 6, Schedule 1.1). Please indicate why some of the vehicles to be replaced in 2011 do not appear to be listed in the table showing the market values. Please also indicate what the remaining net book value is for each of the vehicles to be replaced. How has HOBNI accounted for any market value (or resale value) in excess of net book value?

- c) The evidence indicates that for vehicle #72 the chassis was purchased in 2010 but the bin body and aerial device will be purchased in 2011. Is the capital expenditure forecast to be incurred in 2010 for the chassis included in the opening rate base for 2011? If yes, please explain how the vehicle can be in service without the bin body and aerial device being purchased and installed at the end of 2010. Please also provide the capital expenditure forecast for 2010 and the forecast for 2011 associated with this vehicle.
- d) For vehicle #49, please explain if the purchase of the chassis means that the vehicle will be in service at the end of 2011 even though the remainder of the project will not be completed until 2012.
- e) For each vehicle replacement and addition noted in Exhibit B, Tab 5, Schedule 8.0, please provide the forecast cost, which add up to \$2,168,000 in aggregate.

Interrogatory # 18

**Ref: Exhibit 3, Tab 2, Schedule 1.0, Table 3 &
Exhibit 3, Tab 1, Schedule 1.1, Table 1**

- a) Please explain why the revenues for the residential class is forecast to decline in 2011 as compared to 2010 at existing rates by about 4.0% despite a 1.0% increase in the number of customers and a 0.8% increase in the billed energy.
- b) Please explain why the revenues for the GS < 50 kW class is forecast to increase by only 0.4% in 2011 as compared to 2010 at existing rates despite a 2.1% increase in the number of customers and a 1.8% increase in billed energy.
- c) If the responses to (a) and/or (b) are related to the smart meter rate rider, please provide the revenue forecast for 2010 and 2011 excluding the impact of the rate rider.
- d) Were the residential and/or GS < 50 kW distribution rates charged in January, 2010 through April, 2010 higher or lower than the rates that became effective May 1, 2010?
- e) How many months of actual consumption is included in the 2010 purchases and billed kWh forecasts?
- f) How many MicroFit customers does HOBNI expect to have connected to its system in 2011? How many current MicroFit customers does HOBNI have?

Interrogatory # 19

Ref: Exhibit 3, Tab 2, Schedule 2.0

- a) Please provide the forecast GDP growth rates for 2010 and 2011 used by HOBNI as published by the Ministry of Finance. Please also provide the estimated 2009 growth rate.**
- b) What is the date of the forecast from the Ministry of Finance used by HOBNI?**
- c) Has the Ministry of Finance published any more recent forecasts for GDP growth in 2010 and 2011 and the estimated growth for 2009? If yes, please provide these forecasts and indicate the impact on the forecast that the more recent forecast would have.**
- d) Please provide a table showing the most recent publically available GDP forecasts for Ontario for 2010 and 2011 and estimated 2009 growth from the major Canadian financial institutions (available at the following addresses) and indicate the date of each forecast in the table:**

<http://www.td.com/economics/forecasts.jsp>

<http://www.bmonesbittburns.com/economics/welcome/publications.asp>

<http://www.rbc.com/economics/microec.html>

http://www.scotiabank.com/cda/content/0,1608,CID8339_LIDen,00.html

<http://research.cibcwm.com/res/Eco/EcoResearch.html>

Please also include the calculation of the growth rates for 2009, 2010 and 2011 based on the average of the five forecasts noted.

- e) What is the impact on the forecast if the average growth rate for 2009 through 2011 calculated above in part (d) was used in the forecast equation in place of the Ministry of Finance forecasted used by HOBNI?**

Interrogatory # 20

Ref: Exhibit 3, Tab 2, Schedule 3.0

- a) Please confirm that the t-statistic on the population coefficient of 0.62 indicates that the coefficient is not statistically significant at a 60% level of confidence.**

- b) Did HOBNI try a regression equation using the number of customers (not connections) in place of the population variable? If yes, please provide the regression results in the same format as shown in Table 1 of Exhibit 3, Tab 2, Schedule 3.1. If not, please estimate the equation using the number of customers in place of the population variable and provide the regression results.
- c) If the equation requested in (b) above results in an equation that has a statistically significant coefficient for the customer variable (at an 80% confidence level) and the proper sign, please provide the 2011 predicted kWh purchases.

Interrogatory # 21

Ref: Exhibit 3, Tab 2, Schedules 1.0, 2.0 & 3.0

- a) It is not clear how HOBNI has forecast heating and cooling degree days for 2010 and 2011. At page 3 of Exhibit 3, Tab 2, Schedule 2.0, HOBNI indicates that a 30 year average is calculated for both heating and cooling degree days with these averages applied in the bridge and test years. However, at page 5 of Exhibit 3, Tab 2, Schedule 3.0, the evidence states that the weather normalized forecast quantities for the bridge and test years use the average monthly heating and cooling degree days which have occurred from January 2003 to December 2009, a period of only 7 years. Please clarify which average of heating and cooling degree days has been used in the forecast for 2010 and 2011.
- b) HOBNI references the Toronto Hydro forecasting methodology on page 1 of Exhibit 3, Tab 2, Schedule 1.0. How many years did Toronto Hydro use in the calculation of the average heating and cooling degree days used in their multifactor regression model? If the average is different from the average used by HOBNI (as clarified above in part (a)), please provide the 2011 test year predicted kWh purchases using the same length of time as used by Toronto Hydro for heating and cooling degree days.

Interrogatory # 22

Ref: Exhibit 3, Tab 2, Schedules 1.0, 2.0 & 3.0

- a) Tables 4 and 5 of Schedule 3.0 do not appear to match the customer figures shown in Tables 2 and 3 of Schedule 1.0. Please provide corrected tables to whichever tables need correction.

- b) Please confirm that the exponential smoothing methodology used results in the exponentially smoothed number of residential customers being less than the actual number of customers in year over the entire period, by an average of more than 500 customers. Please explain how this methodology provides an accurate estimate for 2010 and 2011 when it under forecast in each historical year.
- c) Please confirm that the exponential method under forecast the column labeled USL in 6 out of the 7 historical years.
- d) Please confirm that the exponential method under forecast the GS >50 (or GS < 50) class in all but one of the historical years.
- e) Is HOBNI aware of any LDC having used, and the Board having approved, the exponential smoothing methodology to forecast customers? If so, please provide references. In particular, did any of the distributors noted on page 1 of Exhibit 3, Tab 2, Schedule 1.0 use the exponential smoothing methodology?
- f) Please provide a revised forecast of customers in Table 8 using the geometric mean growth rate used by Burlington Hydro in EB-2009-0259 based on the actual historical number of customers shown in Table 5 in place of the exponential smoothing methodology.
- g) What is the impact on the revenue deficiency shown in Revenue Requirement Work Form in Exhibit 1, Tab 2, Schedule 3.1 (page 8 of 10) if the customer forecast was modified as requested in part (f) above and the remainder of the forecast methodology remained as proposed by HOBNI?
- h) Please reconcile the forecast addition of 1,336 residential customers in 2010 and the addition of 1,283 residential customers in 2011 with the 2010 projection of 4,000 low density residential lots in 2010 (Exhibit 2, Tab 5, Schedule 7.0) and the connection of an additional 4,500 low density residential services in 2011 (Exhibit 2, Tab 5, Schedule 8.0).
- i) Is the data shown in Table 5 the number of customers at the end of each year or the average number of customers for each year?
- j) Please provide the actual number of customers for each rate class based on the most recent month available for 2010.

Interrogatory # 23

Ref: Exhibit 3, Tab 2, Schedule 3.0

- a) Please confirm that the average use figures shown in Table 9 are actual use per customer and not normalized use per customer figures.
- b) Please confirm that the geometric mean shown in Table 10 is independent of the figures for 2004 through 2008 and can be calculated directly from the 2003 and 2009 values alone. If this cannot be confirmed, please explain why not.
- c) Does HOBNI agree that the geometric mean shown in Table 10 is determined by the 2003 and 2009 values and that these values reflect the actual heating and cooling degree days in those years?
- d) Please confirm the following figures. If they cannot be confirmed, please provide the correct figures.

	2003	2009
Heating Degree Days	3,981.3	3,807.7
Cooling Degree Days	325.6	197.9

- e) Please confirm that if the 2009 actual consumption were adjusted or "normalized" to reflect the 2003 heating and cooling degree days, the 2009 kWh purchases would be 61,847,062 kWh higher based on the coefficients estimated in the equation shown in Table 1. The calculation of this figure is shown below:

$$(2003 \text{ HDD} - 2009 \text{ HDD}) \times 49,250.1 + (2003 \text{ CDD} - 2009 \text{ CDD}) \times 417,362.92 = \\ (3,981.3 - 3,807.7) \times 49,250.1 + (325.6 - 197.9) \times 417,362.92 = 173.6 \times 49,250.1 + 127.7 \times 417,362.92 = 61,847,062.$$

If the degree days shown in the table in part (d) above are not correct, please replace them in the above formula and calculate the change in the kWh for 2009 based on 2003 heating degree days.

- f) Please add the figure from part (e) above to the actual 2009 kWh purchases and use the HOBNI methodology to allocate the increase to each of the rate classes and provide the resulting average use per customer for 2009 for each rate class that reflects the same heating and cooling degree days as those recorded in 2003.

Interrogatory # 24

**Ref: Exhibit 3, Tab 2, Schedule 2.0 &
Exhibit 3, Tab 2, Schedule 3.0 &
Exhibit 3, Tab 2, Schedule 1.0, Table 2**

HOBNI states, at page 2 of Exhibit 3, Tab 2, Schedule 2.0, that it "has elected to use 2007 usage patterns to allocate this adjustment as the total predicted purchases for the 2011 Test Year most closely reflect total purchased kWh from 2007. This is again stated at page 11 of Exhibit 3, Tab 2, Schedule 3.0, although the comparison is now stated to be based on the retail kWh figures.

- a) Please confirm that the total predicted kWh purchases for 2011 (3,898,527,442) is closer to the actual levels shown for 2005, 2006 and 2008 than for 2007.**
- b) Please confirm that the closest actual level to that forecast for kWh purchases for 2011 occurred in 2008.**
- c) Please confirm that the total billed kWh forecast for 2011 (3,772,317,241) is closer to the actual levels shown for 2005, 2006 and 2008 than for 2007.**
- d) Please confirm that the closest actual level to that forecast for billed kWh for 2001 occurred in 2008.**
- e) Please provide the figures in Table 14 if the adjustments are based on using the 2008 actual data in place of the 2007 data (for 2011 only).**
- f) Please provide the figures in Table 14 if the adjustments are based on using the 2009 actual data in place of the 2007 data (for 2011 only).**
- g) Please show all the calculations and assumptions used to create the consumption adjustment weighting factors shown in Table 13.**
- h) Please show the calculations that result in the consumption adjustments (for 2011 only) for each rate class shown in Table 14.**

Interrogatory # 25

**Ref: Exhibit 3, Tab 2, Schedule 2.0 &
Exhibit 3, Tab 2, Schedule 3.0**

Please explain where in Schedule 3.0 the adjustment related to the CDM impact of 64 GWh is shown.

Interrogatory # 26

Ref: Exhibit 3, Tab 2, Schedule 6.0

- a) Please provide a table that shows the actual historical ratio of kW/kWh for 2003 through 2009 and the average for each of the 4 rate classes over this 7 year period.**
- b) Please provide the resulting kW forecast for 2011 as shown in Table 2, but using the averages calculated in part (a) above.**
- c) What is the revenue impact (at current rates) of the response to part (b) above?**
- d) Please explain what the reference to Table 3-19 in schedule 3 refers to.**

Interrogatory # 27

**Ref: Exhibit 3, Tab 3, Schedule 2.0 &
Exhibit 1, Tab 1, Schedule 8.0**

- a) The evidence indicates in Exhibit 1 that HOBNI is considered a host distributor because it supplies a distribution substation in Hydro One Network Inc.'s service territory. Please explain where the revenue associated with this customer is shown in Schedule 2 of Exhibit 3, Tab 3. In particular, which rate class contains this customer?**
- b) Why is there not a separate rate class for this customer?**
- c) Please confirm that the transformer allowance cost for the GS > 50 kW and GS 700 to 4,999 kW classes are recovered only from customers in those rate classes.**

Interrogatory # 28

Ref: Exhibit 3, Tab 4, Schedule 1.0

Please provide the most recent year-to-date actual revenues for 2010 in the same level of detail as shown in Table 1. Please provide the same year-to-date period revenues recorded in 2009.

Interrogatory # 29

Ref: Exhibit 3, Tab 4, Schedule 1.1

- a) Please explain the reduction of \$40,000 in account 4082 in 2011 as compared to 2010.**
- b) Please explain the reduction of more than \$40,000 in account 4210 in 2011 as compared to 2010. If this reduction is related to the reduction in rent related to the day-care rental, please indicate the lost revenue associated with this.**
- c) Please explain why there is no revenue shown in account 4355 for 2011 when there are a significant number of vehicles forecast to be replaced in 2011? What are the forecasted market values of the vehicles being replaced?**
- d) Please explain the increase of more than \$100,000 in account 4390 in 2011 as compared to 2010.**
- e) Please provide the assumptions used for 2011 for the calculation of the interest and dividend income in account 4405. Please compare the interest rate forecast and the cash balance forecast for 2011 with the actual average values for 2009.**
- f) Please explain why there have been no arrears certificates since 2006 (as shown in Table 2).**
- g) Please explain why there is no revenue shown for 2011 for Miscellaneous Energy Charges (was Bell Co) shown in Table 2.**

Interrogatory # 30

**Ref: Exhibit 4, Tab 1, Schedule 1.0 &
Exhibit 1, Tab 2, Schedule 2.0**

- a) Please provide a breakdown of the \$3.6 million noted on line 27 of page 1 into each of its components: new Asset Management department, costs related to GEGEA, CDM costs, and inflationary impacts.
- b) Please provide a version of Table 1 that uses CGAAP for 2010 and 2011 rather than IFRS.

Interrogatory # 31

Ref: Exhibit 4, Tab 1, Schedule 4.0

- a) Please update Table 1 to show the most recent forecasts for 2010 and 2011 if more recent forecasts are available.
- b) How much of the increase due to inflation is due to each of the inflation escalators shown in Table 1.

Interrogatory # 32

Ref: Exhibit 4, Tab 2, Schedule 1.1

- a) Please provide a complete Table 1 (the final column is missing on the current version).
- b) For each of the 5 OM&A cost categories shown in Table 1, please quantify the increase in 2010 over 2009 and the change in 2011 over 2010 that is directly associated with the change from CGAAP to IFRS in 2010.
- c) Please provide the most recent year-to-date costs incurred for 2010 in the same level of detail as shown in Table 1. Please also provide the same year-to-date costs incurred in 2009 for each category of costs. Please confirm that the year-to-date actuals are based on CGAAP for 2009 and IFRS for 2010. Please show separately the increase in the 2010 year-to-date figures that are attributable to the change to IFRS.

Interrogatory # 33

Ref: Exhibit 4, Tab 2, Schedule 1.2

- a) Will any of the meter expense (account 5065) identified on page 7 be capitalized? If not, why not?
- b) Will any of the meter expense identified on page 7 be recovered through the smart meter account referenced on line 18 of Exhibit 6, Tab 1, Schedule 1.0, page 1?
- c) Please explain the difference between the \$1,010,849 increase and the sum of the three components described, which total \$820,000.
- d) Please provide the most recent year-to-date bad debt expense in 2010 and the figure for the same period in 2009, excluding the portion of the auto sector (\$233,000) one-time bankruptcies.
- e) Is the increase of \$221,000 in Hydro One Corporate charges on account of Finance charges related to IFRS implementation a onetime charge for 2010 or is it an on-going cost?
- f) Please provide more explanation related to the increase in meter reading expense in 2011 as described on page 8. Is the \$848,611, or some portion thereof, currently included in the smart meter variance account? Is this a one-time charge or will the meter reading expense remain at a level of more than \$1 million per year after the 2011 test year?

Interrogatory # 34

Ref: Exhibit 4, Tab 2, Schedule 1.3, Table 1

- a) What is the percentage increase in 2010 over 2009 after removing the disallowable costs in capital?
- b) What is the percentage increase in 2011 over 2010 if the disallowable costs in capital are removed from both years?
- c) Please explain why some of the differences shown by account in Table 1 do not match the differences in the figures provided in Table 1 of Exhibit 4, Tab 2, Schedule 1.2 (for example 5010 Load Dispatching).

Interrogatory # 35

Ref: Exhibit 4, Tab 2, Schedule 1.3, pages 10-12

- a) For each of the positions noted under Wages and Benefits, please indicate whether the positions have been filled.**
- b) Please disaggregate the \$837,021 into each of the components listed in the explanation (prior year staff additions, retirements, promotions, resignations and terminations). For each of these categories, please explain if these are onetime costs or whether then are ongoing costs and please explain why.**
- c) Please provide the total postage and stationery cost for 2009 and the forecast cost for 2010 and 2011. Please explain the increase of \$216,297 in terms of the increase in postage noted (5.56% and 3.92%) and the percentage growth in the number of customers in 2010 and 2011.**
- d) If the load dispatching costs for 2010 are comparable to the previous year, please explain the increase of more than \$95,000.**
- e) Please explain the technology upgrades resulting in the increase in general administrative salaries and expenses. Does this increase include any increases related to salaries? If yes, is this not double counting the increase noted under wages and benefits?**
- f) Please provide the most recent year-to-date collecting expense for 2010 and the corresponding figure for the same period in 2009. Please remove any expenses incurred in 2009 related to the bankruptcies of the large auto related accounts (if required).**

Interrogatory # 36

Ref: Exhibit 4, Tab 2, Schedule 1.3, pages 13-15

- a) Please explain why the increase in wages and benefits of \$205,135 in 2011 over 2010 is in addition to the \$837,021 shown in 2010 as compared to 2009.**
- b) Please provide all assumptions and calculations used to calculate the increase of \$848,611 related to meter reading. Is HOBNI requesting any variance account related to the costs associated with MDR?**

Interrogatory # 37

Ref: Exhibit 4, Tab 2, Schedule 3.0

- a) **What is the total cost associated with the current cost of service application? Are there any costs other than the intervenor and legal costs shown in Table 6?**
- b) **Does HOBNI intend to amortize the one-time costs associated with the current cost of service application over two or more years? If not, why not?**
- c) **When does HOBNI expect to be back before the Board with its next cost of service application?**

Interrogatory # 38

Ref: Exhibit 4, Tab 4, Schedule 9.0

- a) **Please provide a table that shows for each of Executive, Management and Non-Union, the total incentive compensation related cost for each of 2006 through 2009 and the forecast for 2010 and 2011.**
- b) **For each year and for each employee group noted above in (a), please indicate the actual incentive cost represented as a percentage of the total incentive available. Please provide the forecasted percentages for each employee group for the 2010 bridge and 2011 test years.**
- c) **Approximately what percentage of the scorecard results are based on shareholder value/benefits and what percentage of the results are based on ratepayer value/benefits?**

Interrogatory # 39

Ref: Exhibit 4, Tab 5, Schedule 1.0

Are any of the fees paid to HOI related to HOI's Board of Directors? If yes, please indicate the amount included in the test year forecast.

Interrogatory # 40

Ref: Exhibit 4, Tab 6, Schedule 1.2

- a) How does HOBNI account for the revenue from the sales of scrap metal? Is the revenue used to offset OM&A costs, or are these revenues recorded in one the accounts shown in Exhibit 3, Tab 4, Schedule 1.1, Table 1. If so, please explain which account this revenue is recorded in.**
- b) What is the forecast for the sale of scrap metal in 2010 and 2011 and where is the impact on the test year revenue requirement shown in the evidence?**

Interrogatory # 41

Ref: Exhibit 4, Tab 7, Schedule 1.2

- a) The opening balance shown for 2007 and 2008 is equal to the opening balance for the previous year, plus the additions for that the previous year. However, the opening balance for 2009 is \$468,980,295, which is more than the opening balance for 2008 (\$435,851,987) plus the 2008 additions of \$28,073,070. Please explain the incremental \$4,955,238.**
- b) The opening balance for 2010 is significantly lower than the closing balance for 2009 and the additions shown for 2009. Further, the net for depreciation adds in significant amounts (rather than subtracting amounts) for fully depreciated assets. Please explain the change in format used for 2010 and 2011.**

Interrogatory # 42

**Ref: Exhibit 4, Tab 7, Schedule 1.2 &
Exhibit 2, Tab 5, Schedule 1.0, Table 1**

Please explain why the capital additions shown for 2006 through 2010 (Tables 1 through 5 in Exhibit 4, Tab 7, Schedule 1.2) are different from the capital additions shown in Tale 1 of Exhibit 2, tab 5, Schedule 1.0, while the 2011 test year figures are the same. In particular, please explain the addition of an incremental \$5.2 million in 2010 for depreciation purposes over and above the capital additions shown in Schedule 1.0.

Interrogatory # 43

Ref: Exhibit 4, Tab 7, Schedule 1.2

Tables 1 through 4 (for 2006 through 2009) appear to use the half year rule for assets added in the current year. This is reflected in the column labeled "Total for Depreciation" and the formula that follows it that indicates 0.5 of the additions are added into the total for depreciation.

However, a review of the figures provided in Tables 5 & 6 (2010 and 2011) show that the half year rule has not been applied.

- a) Please explain why HOBNI has not used the half year rule for additions in the current year in 2010 and 2011.
- b) Please provide versions of Tables 4 and 5 with the half year rule applied to the additions in the current year.
- c) What is the net increase in the 2011 rate base as a result of applying the half year rule to 2010 and 2011?
- d) What is the net decrease in the depreciation expense in 2011 as a result of applying the half year rule to 2010 and 2011?

Interrogatory # 44

Ref: Exhibit 4, Tab 7, Schedules 1.0 & 1.2

- a) The depreciation expense shown in Table 5 for 2010 in Schedule 1.2 is \$12.2 million, a decrease of \$5.3 million from the \$17.5 million shown for 2009. How much of this decrease is directly attributable to the new proposed depreciation rates for 2010?
- b) Please explain why HOBNI is proposing the Board approve the proposed depreciation rates retroactively to 2010?
- c) What is the impact on the 2011 rate base if the new depreciation rates are applied beginning January 1, 2011 and the existing depreciation rates were continued to be used in 2010?

- d) Based on existing depreciation rates, and application of the half year rule on capital additions in 2010, please indicate the total depreciation expense that would be recorded for 2010 and compare this to the amount that would be recorded for 2010 if the new depreciation rates were applied, but the half year rule was also applied.

Interrogatory # 45

Ref: Exhibit 4, Tab 8, Schedule 1.1

Please explain why HOBNI has not calculated the CCA excluding the half year rule for Class 52 in 2011, as it did in 2010.

Interrogatory # 46

Ref: Exhibit 4, Tab 8, Schedule 1.0

- a) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first \$500,000 of taxable income was reduced to 4.50%.
- b) Has HOBNI included a tax reduction of \$36,250 related to the Ontario small business tax rate on the first \$500,000 in taxable income (calculated as \$500,000 times the difference between 11.75% and 4.50%)? If not, why not?
- c) Has HOBNI made any adjustments to the PILs calculation to reflect the Ontario apprenticeship training tax credit and/or the federal apprenticeship job creation tax credit? If not, why not?
- d) Please provide a calculation of the Ontario apprenticeship training tax credit, showing the number of eligible positions and the amount that can be claimed for each position for the 2011 test year.
- e) Please provide a calculation of the Federal Apprenticeship Job Creation Tax Credit, showing the number of eligible positions and the amount that can be claimed for each position for the 2011 test year.
- f) Has HOBNI included any tax credits related to the cooperative education tax credit? If not, why not? Please show the number of positions that qualify for the credit and the average amount of the credit, along with the total credit that could be claimed in 2011.

Interrogatory # 47

Ref: Exhibit 4, Tab 8, Schedule 3.0

- a) Please explain the reference to the 2010 test year on line 4 of page 1.
- b) Please explain the reference to the 3.5% increase in property taxes noted at line 4 of page 1 when the increase in Table 2 is 2.3% for both 2010 and 2011.
- c) Please update Table 1 for any actual property assessment values that are now available for 2010.
- d) Please update Table 2 for any actual property tax that is now available for 2010.

Interrogatory # 48

Ref: Exhibit 5, Tab 1, Schedule 2.0

- a) Does HOBNI expect the ROE for 2011 to be set based on the January 2010 market interest rate information, as stated at lines 9-10 of page 1? Should this be January 2011?
- b) If the reference noted above should be to market interest rate information available in January 2011, how does HOBNI expect rates to be determined and implemented for January 1, 2011?
- c) Does HOBNI agree that the Board should use market interest rate information available in September 2010 (3 months prior to the implementation date) to determine the ROE? If not, why not?
- d) Does HOBNI agree that the Board should use market interest rate information available in September 2010 (3 months prior to the implementation date) to determine the short-term debt rate? If not, why not?
- e) Has HOBNI obtained any long term debt to date in 2010? If yes, please provide the details, including the amount and the rate.
- f) Please update Table 3 to reflect the most recent information available.

- g) What is the prescribed interest rate for 2010 for CWIP? What is the impact on the calculation of the 2011 rate base of using the Board approved CWIP figures (assuming the Q4 rate for 2010 is equal to the Q3 rate - unless it is available at the time of response) in place of the 4.91% used by HOBNI for 2010?**
- h) Please explain why HOBNI intends to opt for 30 year debt resulting in all of its debt being 30 years in length, rather than a mix of shorter maturities?**
- i) Has HOBNI investigated the potential of replacing the existing \$143 million debt instrument with a mixture of terms at rates lower than 6.95%? If not, why not? If yes, why is HOBNI not proposing to do this?**

Interrogatory # 49

Ref: Exhibit 8, Tab 5, Schedule 1, page 4

Please explain how the total loss factor is applied to the microFit generator service classification.

Interrogatory # 50

Ref: Exhibit 9, Tab 1, Schedule 3.0

HOBNI is requesting a variance account for the losses on early retirement. Is HOBNI also requesting a variance account for the gains in excess of net book value upon retirement? If not, why not?

Interrogatory # 51

**Ref: Exhibit 1, Tab 2, Schedule 1.0 &
EB-2009-0423 Alignment of Rate Year with Fiscal Year for Electricity
Distributors dated April 15, 2010**

At Exhibit 1, Tab 2, Schedule 1.0, HOBNI indicates that it is seeking revised distribution rates to be implemented on January 1, 2011.

- a) Please confirm that HOBNI's current rate year begins May 1.**

- b) In the April 15, 2010 letter related to the alignment of the rate year with the fiscal year, the Board stated that it:

"...expects the distributor to include analysis of the benefits and ratemaking implications, if any, of the alignment as part of its application."

The Board included examples of issues that should be addressed in Appendix B to the letter.

Where has HOBNI provided its analysis/evidence in support of the requested change in the rate year?

- c) In the absence of any analysis, why should the Board approve the requested change?

Interrogatory # 52

Ref: Exhibit 9, Tab 1, Schedule 1

The Group 2 total account balance to be recovered from ratepayers is more than \$4.3 million. This balance relates to balances that accrued prior to the implementation of the HST on July 1, 2010. Please explain:

- a) Whether HOBNI believes that this balance to be recovered from customers should attract the 5% GST of the 13% HST? Please explain, including any discussions with Revenue Canada.
- b) Can HOBNI accommodate billing the rate rider portion of the bill associated with the deferral and variance account balances at the 5% GST, while the remainder of the bill attracts the 13% HST?

Interrogatory # 53

Ref: September 2, 2010 Letter re Update to 2011 Cost of Service Filing & Exhibit 1, Tab 2, Schedule 3.1

- a) Please explain why there does not appear to be any change in the Selected Delivery Charge and Bill Impacts per Draft Rate Order (page 9 of the Revenue Requirement Work Form) despite the reduction in the revenue requirement of \$3.9 million from \$4.042 million to \$0.182 million.

- b) With respect to the Taxes/PILs calculations shown in the Revenue Requirement Work Form, please explain what is driving the change in the adjustments required to arrive at taxable utility income from (\$6,893,703) to (\$7,471,354). Please also show how the change in the adjustments relate to the changes shown Attachment A to the September 2, 2010 letter.
- c) Please explain how the figures in the "Adjusted Revenue Requirement" column of Table 1 in the September 2, 2010 letter are calculated.

Interrogatory # 54

Ref: September 2, 2010 Letter re Update to 2011 Cost of Service Filing

With respect to the increase in the OMERS pension cost increase please provide the following.

- a) The amount currently included in the calculation of the test year revenue requirement for these costs.
- b) Is the \$1.0 M increase an annual increase, or the expected increase in aggregate over the 2011 through 2013 period?
- c) If the approval for the requested deferral account is denied and these incremental costs are included as part of the 2011 revenue requirement, does HOBNI agree that a deferral account would be required to track the reduction in costs post 2013 and prior to the next rebasing application?
- d) Would HOBNI accept the inclusion of the forecast incremental costs in the 2011 revenue requirement, along with a variance account to track the differences between the forecasted amount and actual costs in 2011 and each subsequent year until the next rebasing application? If not, why not?