

**Building Owners and Managers Association (BOMA) INTERROGATORY #1 List 1**

**Interrogatory**

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

Ref: Exhibit A, Tab 7, Schedule 3, Tables 2 and 3

a) Please explain the decrease forecast in the fees payable to Hydro One in 2012 as compared to 2011 for General Counsel and Secretary Services from each of the affiliates shown.

b) Please explain the decrease forecast in the fees payable to Hydro One in 2012 as compared to 2011 for Financial Services from Telecom and Brampton Networks.

c) Please explain why there is no increase shown in the fees payable to Hydro One from Remotes in 2011 and 2012 from the level shown in 2010 for CEO/President Services and Utility Joint Use Services.

d) Please explain the decrease in 2011 and 2012 from the 2010 level shown in the fees payable to Hydro One from Remotes for Utility Operations Services.

e) Please confirm that the total fees payable to Hydro One for services provided to affiliates as shown in Table 2 are as follows. If the figures are not confirmed, please provide corrected values.

Year	Total	% Change
2010	\$6,593	
2011	\$6,610	0.2%
2012	\$6,740	2.0%

f) Please provide the actual fees payable by affiliates to Hydro One at a summary level, similar to that in the table in part (e) above for each for 2007, 2008 and 2009.

g) Please provide the forecasted fees payable by affiliates to Hydro One at a summary level, similar to that in the table in part (e) above for each of 2008, 2009 and 2010 as filed in EB-2008-0272.

h) Please confirm that the total fees payable by Hydro One for services received as shown in Table 3 represent an increase of 5.2% in 2011 and a further 5.2% in 2012.

i) Please provide the actual fees paid by Hydro One for services received as shown in Table 3 for each of 2007, 2008 and 2009.

j) Please provide the forecasted fees paid by Hydro One for services received as shown in Table 3 for each of 2008, 2009 and 2010 as filed in EB-2008-0272.

k) What are the drivers affecting the difference in the increase in fees payable by Hydro One to affiliates (5.2% in 2011 and 2012) as compared to the increase in fees payable by affiliates to Hydro One (0.2% in 2011 and 2.0% in 2012).

**Response**

a) General Counsel and Secretary costs charged to the affiliates decreased from 2011 to 2012 as a result of the expected completion of the Records Management project.

b) Financial Services costs charged by Hydro One Networks to Telecom and Brampton decrease from 2011 to 2012 as a result of lower IFRS costs.

c) The 2011 and 2012 fees for CEO/President Services and Utility Joint Use Services are estimates of the costs required to provide these services to Hydro One Remotes.

d) Utility Operations Services costs change from year to year based on the Remotes work program.

e) Confirmed.

f) Actual fees paid by affiliates to Hydro One Networks for 2007 to 2009 are provided in the table below

Year	Total	% Change
2007	\$ 4,640	
2008	\$ 5,063	9.1%
2009	\$ 5,718	12.9%

g) Forecasted fees payable by affiliates from EB-2008-0272

Year	Total	% Change
2008	\$ 5,536	
2009	\$ 5,954	7.6%
2010	\$ 6,017	1.1%

h) No, the fees payable by Hydro One Networks to affiliates in Table 3 do not increase by 5.2% annually in 2011 and 2012. The actual increases are shown in the table below.

Year	Total	% Change
2010	\$15,014	
2011	\$15,642	4.2%
2012	\$16,247	3.9%

- i) Actual fees paid by Hydro One Networks for services received from affiliates from 2007 to 2009 (as per table 3 of Exhibit A, Tab 7, Schedule 3) are provided in the table below.

Year	Total	% Change
2007	\$ 14,604	
2008	\$ 14,079	-3.6%
2009	\$ 14,415	2.4%

- j) Forecasted fees payable by Hydro One Networks to Affiliates from EB-2008-0272 are shown in the table below.

Year	Total	% Change
2008	\$14,079	
2009	\$14,417	2.4%
2010	\$15,108	4.8%

- k) The actual increase in fees payable by Hydro One Networks to affiliates is not 5.2% in each of 2011 and 2012. Please refer to response h) above for actual calculations.

Fees payable by Hydro One Networks to affiliates increase primarily due to higher Telecommunications Services costs. Please refer to Exhibit I, Tab 4, Schedule 31, part d) for an explanation of the increase in Telecommunications Services costs.

Responses a) and b) above explain the primary reasons for the lower increase in fees payable by affiliates to Hydro One Networks as compared with fees paid by Hydro One Networks to affiliates.

**Building Owners and Managers Association (BOMA) INTERROGATORY #2 List 1**

**Interrogatory**

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

Ref: Exhibit A, Tab 11, Schedule 3, pages 5-6

Please quantify the impact on the revenue requirement if Hydro One were required to follow IAS 16. In particular, please shown the expected increase in OM&A expenses, the reduction in capital expenditures and the impact on payments in lieu of taxes of this change (if any).

**Response**

Please see Exhibit I, Tab 1, Schedule 19, part d. Note that to the extent the tax and accounting treatment are the same, capitalizing lower amounts for accounting purposes will generally result in higher current tax deductions. However, this tax benefit will be offset by lower capital cost allowance from reduced capitalization.

Hydro One is continuing its assessment of claimable expenses, but for purposes of this application, the impact is assumed to be neutral.

**Building Owners and Managers Association (BOMA) INTERROGATORY #3 List 1**

**Interrogatory**

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

Ref: Exhibit A, Tab 12, Schedule 1, page 5

The evidence states at lines 13-15 that "The 2010-2012 Budget and Outlook was subsequently modified to take into account customer concerns with respect to the level of increases proposed for the 2011 and 2012 test years/"

a) Was this modified Budget and Outlook in addition to the update presented at the February 11, 2010 Board of Directors meeting?

b) Was this modified Budget and Outlook approved by the Board of Directors? If not, why not?

c) Please provide a summary of the modifications made to the Budget and Outlook from that approved by the Board of Directors at the February 11, 2010 meeting.

d) What prompted the modification to the Budget and Outlook?

e) What was the impact in each of 2011 and 2012 on the revenue impact of the modified Budget and Outlook?

**Response**

a) through e) Please see Exhibit I, Tab 3, Schedule 1.

**Building Owners and Managers Association (BOMA) INTERROGATORY #4 List 1**

**Interrogatory**

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

Ref: Exhibit A, Tab 12, Schedule 2

a) Please update the economic and interest rate forecasts shown in tables 1 through 7 to reflect the most recent Global Insight and Consensus Economics forecasts available. Please also include updated information based on the latest information available related to Hydro One credit spreads.

b) The exchange rate forecast shown in table 3 is derived from two different sources depending on the time period. Based on the most recent forecasts available, please show the exchange rate forecast from both sources for the period where these two sources overlap.

c) What was the actual CPI - Ontario increase for 2009?

**Response**

a) For updates to Tables 1, 2 and 3 – Please see Exhibit I, Tab 1, Schedule 1. Updates to table 4 to 7 are shown below.

**Table 4**

	Bridge	Test	
	2010	2011	2012
<b>5-Year</b>			
Government of Canada %	2.64	3.14	3.84
Hydro One Credit Spread %	0.86	0.86	0.86
Hydro One Bond Interest Rate %	3.50	4.00	4.70
<b>10-Year</b>			
Government of Canada %	3.40	3.90	4.60
Hydro One Credit Spread %	1.19	1.19	1.19
Hydro One Bond Interest Rate %	4.59	5.09	5.79
<b>30-Year</b>			
Government of Canada %	3.95	4.45	5.15
Hydro One Credit Spread %	1.49	1.49	1.49
Hydro One Bond Interest Rate %	5.44	5.94	6.64

The Hydro One bond interest rates are comprised of the forecast Canada bond yield plus the Hydro One Inc. credit spread applicable to that term. The 10-year Government of Canada bond yield forecasts for 2010 and 2011 are from July 2010 Consensus Forecasts. The 10-year Government of Canada bond yield forecast for 2012 is based on the Long-term Consensus Forecasts from April 2010. The 5- and 30-year Government of Canada bond yield forecasts are derived by adding the July 2010 average spreads (five-year to ten-year for the 5-year forecast and 30-year to 10-year for the 30-year forecast) to the 10-year Government of Canada bond yield forecast. Hydro One's credit spreads over the Government of Canada bonds are based on the average of indicative new issue spreads for July 2010 obtained from the Company's MTN (Medium Term Note) dealer group for each planned issuance term.

**Table 5**

	Bridge	Test	
	2010	2011	2012
3-month T-Bill Rate %	N/A	1.85	3.14
BA - T-Bill spread %		0.31	0.31
3-month BA Rate %	0.32	2.16	3.45
175 basis point spread %	1.75	1.75	1.75
Deemed Short-Term Debt Rate %	2.07	3.91	5.20

The 2010 Deemed Short-term debt rate is based on the OEB's Cost of Capital Parameter Updates for 2010 Cost of Service Applications dated February 24, 2010. The 2011 and 2012 3-month T-Bill Rates are from Global Insight's July 2010 forecast. The BA - T-Bill spread is the average daily spread between 3-month T-Bills and 3-month Bankers' acceptances for July 2010. The basis point spread is as per the OEB's prescribed short term debt spread.

**Table 6**

	Bridge	Test	
	2010	2011	2012
10-year Government of Canada %	N/A	3.90	4.60
All Corporate Mid-Term Bond Spread		1.31	1.31
CWIP Account Rate %	4.45	5.21	5.91

The 2010 CWIP Account Rate is the average of the Q1, Q2 and Q3 CWIP Account Prescribed Interest Rates (per the DEX Mid Term Corporate Bond Index Yield), as provided on the OEB's website. The 10-year Government of Canada bond yield forecast for 2011 is from July 2010 Consensus Forecasts. The 10-year Government of Canada bond yield forecast for 2012 is based on the long term Consensus Forecasts from April 2010. The All Corporate Mid-Term Bond Spread is the July 2010 spread between the average actual 10-year Government of Canada bond yield and the

average DEX Mid Term Corporate Bond Index - Yield inferred from the graph on  
www.pcbond.com.

**Table 7**

**[There is no change from the previous submitted data as shown below]**

	<b>Bridge Test</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Federal Tax Rate (%)	18%	16.5%	15%
Federal Surtax Rate (%)	Nil	Nil	Nil
Provincial Rate (%) (1)	13%	11.75%	11.25%
<b>Total Statutory Tax Rate (%)</b>	<b>31%</b>	<b>28.25%</b>	<b>26.25%</b>
Capital Tax Rate (%) (2)	0.075	Nil	Nil

(1) Represents average rate for year as reductions effective July 1 each year.

(2) Rate change effective January 1, 2010 and is eliminated July 1, 2010. This represents the average rate for the year.

b) See below the exchange rate forecast from both sources for the period where these  
two sources overlap:

Exchange Rate (CDN\$/US\$)	<b>2010</b>	<b>2011</b>	<b>2012</b>
Consensus Forecast	(Please refer response to OEB IR I-01-01)		
Global Insight	1.035	1.016	1.054

The Consensus Forecasts and Global Insight projections are from July 2010.

c) The actual CPI - Ontario increase for 2009 is 0.4%. See Exhibit I, Tab 1, Schedule 1



**Building Owners and Managers Association (BOMA) INTERROGATORY #5 List 1**

**Interrogatory**

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

Ref: Exhibit A, Tab 12, Schedule 2

a) What is the impact on the 2011 and 2012 revenue requirements of a one percentage point change in the transmission cost escalation for construction in 2011 and 2012?

b) What is the impact on the 2011 and 2012 revenue requirements of a one percentage point change in the transmission cost escalation for operations and maintenance in 2011 and 2012?

c) What is the impact on the 2011 and 2012 revenue requirements of a one percentage point change in the CPI - Ontario in 2011 and 2012?

d) The small business corporate tax rate was reduced to 4.5% on the first \$500,000 of business income effective July 1, 2010 and the small business deduction surtax was eliminated. The small business tax rate applies to Canadian-controlled private corporations (CCPCs). Does Hydro One Networks qualify as CCPC? If not, please explain why not.

e) At page 8, reference is made to actuarial determinations made by Mercer Consulting Inc. Please provide a copy of this material and indicate when it was completed. Has Hydro had Mercer or some other external source provide any updates to the analysis? Has Hydro One done any internal updates to the analysis. If yes, please provide.

f) Please provide the estimates related to employee benefits costs during active employment from Mercer and Great West Life referenced on page 8. When were these estimates done? Does Hydro One have any more recent estimates? If so, please provide.

g) Please confirm that the statutory benefit payments (CPP, EI, etc.) referenced on page 8 reflect the most recent and current government schedules.

**Response**

a) b) c) Hydro One's revenue requirement calculation is not specifically linked to macro economic data, such as CPI, or global Transmission cost escalators. These economic indicators are but one of many factors and considerations, including asset condition, asset age, system reliability and safety, legislated and regulatory

requirements among others that go into developing departmental business plans and subsequent costing of programs and projects.

d) Hydro One Networks qualifies as a CCPC. However, Hydro One Networks does not qualify for the small business deduction as its taxable capital employed in Canada exceeds \$10 million.

e) OPRB and OPEB

- The Mercer projections for the period 2008 to 2014 were received December 2008. Refer to Attachment 1 - Consolidated Non-Pension Post Retirement and Post Employment projections lines referenced as "A", "B" and "J".
- Updated projections from Mercer were received December 2009 for the period 2009 to 2015. Refer Attachment 2 - Consolidated Non-Pension Post Retirement and Post Employment projections lines "A", "B" and "J".
- For Hydro One's internal analysis (projection for the planning period 2009 to 2013) please refer to Attachment 3 - Benefit Cost Forecast pages for Consolidated and Networks, lines referenced as "A", "B" and "J".
- Hydro One's updated internal analysis (projection for planning period 2010 to 2014) is in Attachment 4 - Benefit Cost Forecast pages for Consolidated and Networks, lines referenced as "A", "B" and "J".

Supplementary Pension Plan (SPP):

- The Mercer projections for the period 2008 to 2014 were received December 2008. Please see Attachment 5.
- Updated projections from Mercer were received December 2009 for the period 2009 to 2015. Please refer to Attachment 6.
- For Hydro One's internal analysis (projection for the planning period 2009 to 2013) please refer to Attachment 3 - line referenced as "C".
- Hydro One's updated internal analysis (projection for planning period 2010 to 2014) is in Attachment 4 line referenced as "C".

Pension Plan:

- For an update to the pension plan report from Mercer's please see our response to Exhibit I, Tab 1, Schedule 60.
- For Hydro One's internal analysis (projection for the planning period 2009 to 2013) please refer to Attachment 3 line referenced as "I".
- Hydro One's updated internal analysis (projection for planning period 2010 to 2014) is in Attachment 4 line referenced as "I".

Please note that estimates are prepared at the consolidated level. Internal analysis determines the allocation between Transmission and Distribution. The burden rates are reassessed annually. At the time of filing, the most recent information was used.

1 f)

- 2 • For Hydro One's internal analysis (projection for the planning period 2009 to
- 3 2013) please refer to Attachment 3 lines referenced as "D" to "H".
- 4 • Hydro One's updated internal analysis (projection for planning period 2010 to
- 5 2014) is in Attachment 4 lines referenced as "D" to "H".

6  
7 Please note that the estimates are prepared at the consolidated level. Internal analysis  
8 determines the allocation between Transmission and Distribution. The burden rates  
9 are reassessed annually. At the time of filing, the most recent information was used.

10  
11 g) Statutory benefit payments reflected the most recent scheduled rates at the time of  
12 filing. Changes since then have been marginal.  
13

# Consolidated Non-Pension Post Retirement + Post Employment projections

**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Filed: August 16, 2010

EB-2010-0002

Exhibit I-6-5

Attachment 1

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## Appendix B

Projected Expense for Fiscal Years 2008-2014 at 7.25% per annum

(in \$000's)

Non-Pension Post Retirement Benefit Plan

Fiscal Year	2008	2009	2010	2011	2012	2013	2014
<b>Components of Expense- Hydro One</b>							
Service Cost	15,341	13,860	14,989	16,211	17,532	18,593	19,718
Interest Cost	52,655	55,313	57,742	60,246	62,827	65,471	68,192
Amortization of Past Service Cost	3,272	3,272	3,272	2,808	2,632	2,632	1,319
Amortization of (Gains)/Losses	16,257	-	-	-	-	-	-
<b>Net Expense/(Income)</b>	<b>87,525</b>	<b>72,445</b>	<b>76,003</b>	<b>79,265</b>	<b>82,991</b>	<b>86,696</b>	<b>89,229</b>
<b>Components of Expense- Inergi</b>							
Service Cost	-	-	-	-	-	-	-
Interest Cost	1,574	1,614	1,685	1,753	1,819	1,880	1,937
Amortization of Past Service Cost	17	17	17	17	3	-	-
Amortization of (Gains)/Losses	280	-	-	-	-	-	-
<b>Net Expense/(Income)</b>	<b>1,871</b>	<b>1,631</b>	<b>1,702</b>	<b>1,770</b>	<b>1,822</b>	<b>1,880</b>	<b>1,937</b>
<b>Components of Expense- Total</b>							
Service Cost	15,341	13,860	14,989	16,211	17,532	18,593	19,718
Interest Cost	54,229	56,927	59,427	61,999	64,646	67,351	70,129
Amortization of Past Service Cost	3,289	3,289	3,289	2,825	2,635	2,632	1,319
Amortization of (Gains)/Losses	16,537	-	-	-	-	-	-
<b>Net Expense/(Income)</b>	<b>89,396</b>	<b>74,076</b>	<b>77,705</b>	<b>81,035</b>	<b>84,813</b>	<b>88,576</b>	<b>91,166</b>

## Post Employment

Fiscal Year	2008	2009	2010	2011	2012	2013	2014
<b>Components of Expense- Hydro One</b>							
Service Cost	5,119	3,518	3,650	3,793	3,937	4,079	4,229
Interest Cost	2,043	2,344	2,357	2,350	2,338	2,329	2,317
Amortization of Past Service Cost	-	-	-	-	-	-	-
Amortization of (Gains)/Losses	(6,723)	(6,607)	(5,779)	(5,055)	(4,423)	(3,870)	(3,388)
<b>Net Expense/(Income)</b>	<b>439</b>	<b>(745)</b>	<b>228</b>	<b>1,088</b>	<b>1,852</b>	<b>2,538</b>	<b>3,158</b>

Consolidated Non-Pension Post Retirement + Post Employment  
projections from Mercer

Filed: August 16, 2010

EB-2010-0002

Exhibit I-6-5

Attachment 2

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**Appendix A**

**Projected Expense for Fiscal Years 2010-2015 at 6.50% per annum**  
**(in \$000)**

**Non-Pension Post Retirement Benefit Plan**

Fiscal Year	2009	2010	2011	2012	2013	2014	2015
<b>Compnents of Expense - Hydro One</b>							
Service Costs	13,860	19,090	21,047	22,541	24,141	25,602	27,151
Interest Costs	55,313	57,561	60,109	62,742	65,469	68,294	71,220
Amortization of PSC	3,272	3,272	2,808	2,632	2,632	1,319	-
Amortization of (G)/L	-	-	-	-	-	-	-
<b>Total</b>	<b>72,445</b>	<b>79,923</b>	<b>83,964</b>	<b>87,915</b>	<b>92,242</b>	<b>95,215</b>	<b>98,371</b>
<b>Compnents of Expense - Inergi</b>							
Service Costs	1,614	1,701	1,764	1,823	1,878	1,930	1,977
Interest Costs	17	17	17	3	-	-	-
Amortization of PSC	(47)	-	-	-	-	-	-
Amortization of (G)/L	-	-	-	-	-	-	-
<b>Total</b>	<b>1,584</b>	<b>1,718</b>	<b>1,781</b>	<b>1,826</b>	<b>1,878</b>	<b>1,930</b>	<b>1,977</b>
<b>Compnents of Expense - Total</b>							
Service Costs	15,474	20,791	22,811	24,364	26,019	27,532	29,128
Interest Costs	55,330	57,578	60,126	62,745	65,469	68,294	71,220
Amortization of PSC	3,225	3,272	2,808	2,632	2,632	1,319	-
Amortization of (G)/L	-	-	-	-	-	-	-
<b>Total</b>	<b>74,029</b>	<b>81,641</b>	<b>85,745</b>	<b>89,741</b>	<b>94,120</b>	<b>97,145</b>	<b>100,348</b>

**Post Employment**

Fiscal Year	2009	2010	2011	2012	2013	2014	2015
<b>Compnents of Expense - Hydro One</b>							
Service Costs	3,518	3,699	3,832	3,964	4,097	4,238	4,395
Interest Costs	2,344	2,150	2,138	2,125	2,109	2,099	2,079
Amortization of PSC	(6,388)	(5,516)	(4,827)	(4,224)	(3,698)	(3,239)	(2,838)
Amortization of (G)/L	-	-	-	-	-	-	-
<b>Total</b>	<b>(526)</b>	<b>333</b>	<b>1,143</b>	<b>1,865</b>	<b>2,508</b>	<b>3,098</b>	<b>3,636</b>

Internal Hydro One Analysis: Projection for 2009 to 2013

Consolidated Hydro One  
Benefit Cost Forecast (\$M)

Filed: August 16, 2010

EB-2010-0002

Exhibit I-6-5

Dec-08-2008

Attachment 3

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	2008 Projection	2009 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
A Non-Pension Post-Ret (H,D,GLI,OHP,RB)	85.837	72.445	76.003	79.265	82.991	86.696
B Long Term Disability	0.363	-0.745	0.228	1.088	1.852	2.538
C Supplementary Pensions	4.099	1.709	2.294	2.873	3.454	4.012
D Health During Employment	11.788	12.944	14.393	15.951	17.551	19.138
E OHP	2.273	2.380	2.525	2.656	2.774	2.871
F Dental During Employment	7.077	7.554	8.166	8.797	9.411	9.976
G GLI During Employment	0.597	0.620	0.651	0.682	0.709	0.729
H Maternity	0.405	0.420	0.441	0.462	0.480	0.494
	<u>112.438</u>	<u>97.327</u>	<u>104.701</u>	<u>111.774</u>	<u>119.222</u>	<u>126.454</u>
I Pension	101.082	104.722	109.530	113.889	117.813	121.039
Special Supplementary Pensions	0.000	0.000	0.000	0.000	0.000	0.000
J Non-Pension Post-Ret re Inergi	1.814	1.631	1.702	1.770	1.822	1.880
WC	4.790	5.285	5.447	5.629	5.874	6.147
CPP	15.048	15.751	16.249	17.423	18.357	19.200
EI	6.673	6.677	6.940	7.177	7.471	7.703
EHT	12.354	12.769	13.295	13.794	14.400	15.055
	<u>38.865</u>	<u>40.462</u>	<u>41.931</u>	<u>44.023</u>	<u>46.101</u>	<u>48.106</u>
Total Benefits	<u>254.199</u>	<u>244.162</u>	<u>257.864</u>	<u>271.456</u>	<u>284.958</u>	<u>297.479</u>
Base Pensionable Earnings	374.970	392.654	416.342	437.815	457.142	473.036
Total Remuneration	633.548	654.840	681.812	707.406	738.449	772.068
Non-Stat Non Pension Benefits per BPE	30.0%	24.8%	25.1%	25.5%	26.1%	26.7%
Pension per BPE	27.0%	26.7%	26.3%	26.0%	25.8%	25.6%
Statutory Benefits per TR	6.1%	6.2%	6.1%	6.2%	6.2%	6.2%
Special Supplementary Pensions	0.000	0.000	0.000	0.000	0.000	0.000
Non-Pension Post-Ret re Inergi as a % of BPE	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%

# Internal Hydro One Analysis: Projection for 2009 to 2013

Networks

Dec-08-2008

## Benefit Cost Forecast (\$M)

		2008	2009	2010	2011	2012	2013
		Projection	Forecast	Forecast	Forecast	Forecast	Forecast
A	Non-Pension Post-Ret (H,D,GLI,OHP,RB)	84.195	71.064	74.551	77.764	81.430	85.070
B	Long Term Disability	0.363	-0.745	0.228	1.088	1.852	2.538
C	Supplementary Pensions	3.990	1.661	2.233	2.799	3.368	3.914
D	Health During Employment	11.555	12.689	14.110	15.639	17.211	18.768
E	OHP	2.273	2.380	2.525	2.656	2.774	2.871
F	Dental During Employment	6.876	7.341	7.936	8.552	9.150	9.700
G	GLI During Employment	0.597	0.620	0.651	0.682	0.709	0.729
H	Maternity	0.405	0.420	0.441	0.462	0.480	0.494
		110.254	95.429	102.674	109.642	116.974	124.084
I	Pension	98.597	102.107	106.788	111.053	114.894	118.042
	Special Supplementary Pensions	0.000	0.000	0.000	0.000	0.000	0.000
J	Non-Pension Post-Ret re Inergi	1.814	1.631	1.702	1.770	1.822	1.880
	WC	4.732	5.223	5.382	5.563	5.807	6.078
	CPP	14.721	15.447	15.934	17.086	18.005	18.832
	EI	6.526	6.552	6.809	7.042	7.333	7.560
	EHT	11.991	12.390	12.897	13.382	13.975	14.619
		37.970	39.612	41.023	43.072	45.119	47.089
	Total Benefits	248.635	238.779	252.187	265.537	278.809	291.095
	Base Pensionable Earnings	362.741	379.882	402.882	423.807	442.653	458.095
	Total Remuneration	614.933	635.397	661.398	686.256	716.654	749.668
	Non-Stat Non Pension Benefits per BPE	30.4%	25.1%	25.5%	25.9%	26.4%	27.1%
	Non-Pension Post-Ret re Inergi as % of BPE	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%
	Non-Stat Non Pension Benefits per BPE (incl. OPRB - Inergi)	30.9%	25.5%	25.9%	26.3%	26.8%	27.5%
	Pension per BPE	27.2%	26.9%	26.5%	26.2%	26.0%	25.8%
	Statutory Benefits per TR	6.2%	6.2%	6.2%	6.3%	6.3%	6.3%
	Special Supplementary Pensions	0	0	0	0	0	0

Internal Hydro One Analysis: Projection for 2010 to 2014

Consolidated Hydro One  
Benefit Cost Forecast (\$M)

Filed: August 16, 2010

EB-2010-0002

Exhibit I-6-5

Dec-08-2009

Attachment 4

Page 1 of 2

	2009 Projection	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast
A Non-Pension Post-Ret (H,D,GLI,OHP,RB)	79,123	79,923	83,964	87,915	92,242	95,215
B Long Term Disability	0,028	0,333	1,143	1,865	2,508	3,098
C Supplementary Pensions	2,030	4,464	5,108	5,722	6,353	6,983
D Health During Employment	13,124	14,938	17,382	19,414	21,358	23,415
E OHP	2,358	2,549	2,818	2,989	3,121	3,248
F Dental During Employment	8,384	9,276	10,491	11,391	12,182	12,984
G GLI During Employment	1,300	1,395	1,534	1,619	1,682	1,742
H Maternity	0,532	0,571	0,628	0,663	0,689	0,713
	<u>106,880</u>	<u>113,450</u>	<u>123,069</u>	<u>131,578</u>	<u>140,136</u>	<u>147,400</u>
I Pension	<u>111,913</u>	<u>116,743</u>	<u>126,255</u>	<u>132,300</u>	<u>137,014</u>	<u>141,538</u>
Special Supplementary Pensions	<u>0,000</u>	<u>0,000</u>	<u>0,000</u>	<u>0,000</u>	<u>0,000</u>	<u>0,000</u>
J Non-Pension Post-Ret re Inergi	<u>1,771</u>	<u>1,718</u>	<u>1,781</u>	<u>1,826</u>	<u>1,878</u>	<u>1,930</u>
WC	5,349	5,893	6,404	6,750	7,006	7,247
CPP	17,258	17,434	18,353	19,849	20,974	21,974
EI	7,635	7,330	7,785	8,126	8,432	8,682
EHT	13,619	14,513	15,833	16,686	17,348	18,011
	<u>43,861</u>	<u>45,171</u>	<u>48,375</u>	<u>51,412</u>	<u>53,760</u>	<u>55,915</u>
Total Benefits	<u>264,425</u>	<u>277,082</u>	<u>299,480</u>	<u>317,115</u>	<u>332,788</u>	<u>346,783</u>
Base Pensionable Earnings	418,477	451,875	498,728	528,508	551,729	574,015
Total Remuneration	698,405	744,273	811,949	855,710	889,642	923,666
Non-Stat Non Pension Benefits per BPE	25.5%	25.1%	24.7%	24.9%	25.4%	25.7%
Pension per BPE	26.7%	25.8%	25.3%	25.0%	24.8%	24.7%
Statutory Benefits per TR	6.3%	6.1%	6.0%	6.0%	6.0%	6.1%
Special Supplementary Pensions	0,000	0,000	0,000	0,000	0,000	0,000
Non-Pension Post-Ret re Inergi as a % of BPE	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%



Internal Hydro One Analysis: Projection for 2010 to 2014

Networks

Dec-08-2009

Benefit Cost Forecast (\$M)

	2009	2010	2011	2012	2013	2014
	Projection	Forecast	Forecast	Forecast	Forecast	Forecast
A Non-Pension Post-Ret (H,D,GLI,OHP,RB)	77.601	78.374	82.401	86.316	90.581	93.511
B Long Term Disability	0.028	0.333	1.143	1.865	2.508	3.098
C Supplementary Pensions	1.970	4.356	4.992	5.597	6.217	6.836
D Health During Employment	12.838	14.623	17.033	19.033	20.943	22.965
E OHP	2.358	2.549	2.818	2.989	3.121	3.248
F Dental During Employment	8.154	9.030	10.225	11.109	11.884	12.669
G GLI During Employment	1.300	1.395	1.534	1.619	1.682	1.742
H Maternity	0.532	0.571	0.628	0.663	0.689	0.713
	104.783	111.232	120.774	129.189	137.627	144.784
I Pension	109.060	113.800	123.195	129.158	133.790	138.229
Special Supplementary Pensions	0.000	0.000	0.000	0.000	0.000	0.000
J Non-Pension Post-Ret re Inergi	1.771	1.718	1.781	1.826	1.878	1.930
WC	5.283	5.819	6.328	6.671	6.925	7.164
CPP	16.900	17.089	17.997	19.468	20.577	21.559
EI	7.467	7.189	7.638	7.975	8.277	8.523
EHT	13.237	14.117	15.419	16.260	16.910	17.561
	42.887	44.214	47.381	50.375	52.689	54.807
Total Benefits	258.500	270.965	293.132	310.548	325.984	339.749
Base Pensionable Earnings	404.732	437.524	483.664	512.936	535.677	557.470
Total Remuneration	678.826	723.943	790.739	833.864	867.197	900.546
Non-Stat Non Pension Benefits per BPE	25.9%	25.4%	25.0%	25.2%	25.7%	26.0%
Non-Pension Post-Ret re Inergi as % of BPE	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%
Non-Stat Non Pension Benefits per BPE (incl. OPRB - Inergi)	26.3%	25.8%	25.3%	25.5%	26.0%	26.3%
Pension per BPE	26.9%	26.0%	25.5%	25.2%	25.0%	24.8%
Statutory Benefits per TR	6.3%	6.1%	6.0%	6.0%	6.1%	6.1%
Special Supplementary Pensions	0	0	0	0	0	0

# Consolidated Supplementary Pension Projections from Mercer

Filed: August 16, 2010  
EB-2010-0002  
Exhibit I-6-5  
Attachment 5  
Page 1 of 1

## Appendix A

### Projected Fiscal Years 2008 – 2014 Expense for SERP Total at 7.25%

(All amounts in \$000)

Fiscal Year	1-Jan-08 31-Dec-08	1-Jan-09 31-Dec-09	1-Jan-10 31-Dec-10	1-Jan-11 31-Dec-11	1-Jan-12 31-Dec-12	1-Jan-13 31-Dec-13	1-Jan-14 31-Dec-14
<b>Components of Expense – Hydro One</b>							
Current Service Cost	\$1,621	\$1,010	\$1,069	\$1,131	\$1,197	\$1,242	\$1,289
Letter of Credit Fee *	247	265	284	305	328	353	379
Interest Cost	2,998	2,939	3,152	3,382	3,634	3,903	4,196
Amortization of Past Service Costs	285	285	285	285	285	285	285
Amortization of Net Actuarial Losses/(Gains) *	<u>-1,227</u>	<u>-2,800</u>	<u>-2,520</u>	<u>-2,268</u>	<u>-2,041</u>	<u>-1,837</u>	<u>-1,653</u>
<b>Net Expense/(Income)</b>	<b>\$3,924</b>	<b>\$1,699</b>	<b>\$2,270</b>	<b>\$2,835</b>	<b>\$3,403</b>	<b>\$3,946</b>	<b>\$4,496</b>
<b>Components of Expense – Inergi</b>							
Current Service Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Letter of Credit Fee *	7	7	8	8	9	10	10
Interest Cost	84	81	86	93	99	107	114
Amortization of Past Service Costs	0	0	0	0	0	0	0
Amortization of Net Actuarial Losses/(Gains) *	<u>-35</u>	<u>-78</u>	<u>-70</u>	<u>-63</u>	<u>-57</u>	<u>-51</u>	<u>-46</u>
<b>Net Expense/(Income)</b>	<b>\$56</b>	<b>\$10</b>	<b>\$24</b>	<b>\$38</b>	<b>\$51</b>	<b>\$66</b>	<b>\$78</b>
<b>Components of Expense – Total</b>							
Current Service Cost	\$1,621	\$1,010	\$1,069	\$1,131	\$1,197	\$1,242	\$1,289
Letter of Credit Fee *	254	272	292	313	337	363	389
Interest Cost	3,082	3,020	3,238	3,475	3,733	4,010	4,310
Amortization of Past Service Costs	285	285	285	285	285	285	285
Amortization of Net Actuarial Losses/(Gains) *	<u>-1,262</u>	<u>-2,878</u>	<u>-2,590</u>	<u>-2,331</u>	<u>-2,098</u>	<u>-1,888</u>	<u>-1,699</u>
<b>Net Expense/(Income)</b>	<b>\$3,980</b>	<b>\$1,709</b>	<b>\$2,294</b>	<b>\$2,873</b>	<b>\$3,454</b>	<b>\$4,012</b>	<b>\$4,574</b>
<b>Balances at the End of the Period</b>							
Expected (Assets) at the End of the Period	(\$1,433)	(\$1,699)	(\$1,985)	(\$2,292)	(\$2,621)	(\$2,975)	(\$3,356)
Expected ABO at the End of the Period	<u>\$41,174</u>	<u>\$44,137</u>	<u>\$47,356</u>	<u>\$50,852</u>	<u>\$54,650</u>	<u>\$58,747</u>	<u>\$63,168</u>
Deficit/(Excess) at the End of the Period	\$39,741	\$42,438	\$45,371	\$48,560	\$52,029	\$55,772	\$59,812
Unrecognized Prior Service Cost	(1,924)	(1,639)	(1,354)	(1,069)	(784)	(499)	(214)
Unrecognized (Losses)/Gains	<u>28,774</u>	<u>25,896</u>	<u>23,306</u>	<u>20,975</u>	<u>18,877</u>	<u>16,989</u>	<u>15,290</u>
<b>Accrued Benefit Liability</b>	<b>\$66,591</b>	<b>\$66,695</b>	<b>\$67,323</b>	<b>\$68,466</b>	<b>\$70,122</b>	<b>\$72,262</b>	<b>\$74,888</b>

\* The Letter of Credit Fee and the Amortization of Net Actuarial Losses / (Gains) have been allocated between Hydro One and Inergi based on the ratio of expected accrued benefit obligations (ABO) at the beginning of each fiscal year.

# Consolidated Supplementary Pension projections from Mercer

Filed: August 16, 2010  
EB-2010-0002  
Exhibit I-6-5  
Attachment 6  
Page 1 of 1

## Appendix A

### Projected Fiscal Years 2009 – 2015 Expense for SERP Total at 6.50%

(All amounts in \$000)

Fiscal Year	1-Jan-09 31-Dec-09	1-Jan-10 31-Dec-10	1-Jan-11 31-Dec-11	1-Jan-12 31-Dec-12	1-Jan-13 31-Dec-13	1-Jan-14 31-Dec-14	1-Jan-15 31-Dec-15
<b>Components of Expense – Hydro One</b>							
Current Service Cost	\$1,010	\$1,430	\$1,547	\$1,625	\$1,708	\$1,776	\$1,848
Letter of Credit Fee *	1,032	1,114	1,198	1,290	1,388	1,493	1,608
Interest Cost	2,939	3,339	3,591	3,862	4,155	4,468	4,807
Amortization of Past Service Costs	285	285	285	285	285	285	214
Amortization of Net Actuarial Losses/(Gains) *	<u>-2,784</u>	<u>-1,779</u>	<u>-1,601</u>	<u>-1,441</u>	<u>-1,297</u>	<u>-1,168</u>	<u>-1,052</u>
<b>Net Expense/(Income)</b>	<b>\$2,482</b>	<b>\$4,389</b>	<b>\$5,020</b>	<b>\$5,621</b>	<b>\$6,239</b>	<b>\$6,854</b>	<b>\$7,425</b>
<b>Components of Expense – Inergi</b>							
Current Service Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Letter of Credit Fee *	35	32	34	36	38	41	43
Interest Cost	87	93	99	105	112	120	127
Amortization of Past Service Costs	0	0	0	0	0	0	0
Amortization of Net Actuarial Losses/(Gains) *	<u>-94</u>	<u>-50</u>	<u>-45</u>	<u>-40</u>	<u>-36</u>	<u>-32</u>	<u>-28</u>
<b>Net Expense/(Income)</b>	<b>\$28</b>	<b>\$75</b>	<b>\$88</b>	<b>\$101</b>	<b>\$114</b>	<b>\$129</b>	<b>\$142</b>
<b>Components of Expense – Total</b>							
Current Service Cost	\$1,010	\$1,430	\$1,547	\$1,625	\$1,708	\$1,776	\$1,848
Letter of Credit Fee *	1,067	1,146	1,232	1,326	1,426	1,534	1,651
Interest Cost	3,026	3,432	3,690	3,967	4,267	4,588	4,934
Amortization of Past Service Costs	285	285	285	285	285	285	214
Amortization of Net Actuarial Losses/(Gains) *	<u>-2,878</u>	<u>-1,829</u>	<u>-1,646</u>	<u>-1,481</u>	<u>-1,333</u>	<u>-1,200</u>	<u>-1,080</u>
<b>Net Expense/(Income)</b>	<b>\$2,510</b>	<b>\$4,464</b>	<b>\$5,108</b>	<b>\$5,722</b>	<b>\$6,353</b>	<b>\$6,983</b>	<b>\$7,567</b>
<b>Balances at the End of the Period</b>							
Expected (Assets) at the End of the Period	(\$2,496)	(\$3,638)	(\$4,866)	(\$6,187)	(\$7,608)	(\$9,137)	(\$10,782)
Expected ABO at the End of the Period	<u>\$51,882</u>	<u>\$55,733</u>	<u>\$59,937</u>	<u>\$64,472</u>	<u>\$69,367</u>	<u>\$74,626</u>	<u>\$80,279</u>
Deficit/(Excess) at the End of the Period	\$49,386	\$52,095	\$55,071	\$58,285	\$61,759	\$65,489	\$69,497
Unrecognized Prior Service Cost	(1,639)	(1,354)	(1,069)	(784)	(499)	(214)	0
Unrecognized (Losses)/Gains	<u>18,285</u>	<u>16,456</u>	<u>14,810</u>	<u>13,329</u>	<u>11,996</u>	<u>10,796</u>	<u>9,716</u>
<b>Accrued Benefit Liability</b>	<b>\$66,032</b>	<b>\$67,197</b>	<b>\$68,812</b>	<b>\$70,830</b>	<b>\$73,256</b>	<b>\$76,071</b>	<b>\$79,213</b>

\* The Letter of Credit Fee and the Amortization of Net Actuarial Losses / (Gains) have been allocated between Hydro One and Inergi based on the ratio of expected accrued benefit obligations (ABO) at the beginning of each fiscal year.

**Building Owners and Managers Association (BOMA) INTERROGATORY #6 List 1**

**Interrogatory**

**2.1 Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?**

Ref: Exhibit A, Tab 12, Schedule 3

a) At page 4 it is indicated that an update to the load forecast was made in May 2010 to account for the actual load in 2009 and revised annual CDM impact for 2010-2012. Did Hydro One also update the load forecast to reflect more recent (i.e. post September, 2009) economic forecast information? If not, why not?

b) If Hydro One did not update its load forecast in May 2010 using more recent economic forecasts, please update the forecast to reflect the use of the most recent economic forecast data available. Please update Appendix 5 to reflect this information as well.

c) At page 16, it is indicated that Hydro One Transmission conducted a customer load forecast survey in the spring of 2009 with customers having more than 5 MW of load. Has Hydro One Transmission conducted a more recent customer load forecast survey? If yes, please provide a summary of the changes. If not, please explain why not.

**Response**

a) Economic information as of May 2010 was also taken into consideration.

b) Please see Exhibit I, Tab 1, Schedule 21 for the latest economic forecast.

c) Hydro One has not conducted another customer load forecast survey. Hydro One only conducts the customer load forecast survey on an as required basis due to the major effort required to undertake the survey.

**Building Owners and Managers Association (BOMA) INTERROGATORY #7 List 1**

**Interrogatory**

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

Ref: Exhibit C1, Tab 2, Schedule 11, Table 1 and Exhibit E1, Tab 1, Schedule 2, Table 1

a) Please provide a table for each of the Station Maintenance and Engineering & Construction categories for 2007 through 2012 that shows the revenues, costs and net margin associated with each of the two categories.

b) Please explain any trends or significant changes from year to year in the net margins shown in part (a) above.

**Response**

a)

\$M	Revenues	Cost of Sales	Margin
<b>Station Maintenance</b>			
2007 Historic	13.2	9.8	3.4
2008 Historic	12.5	11.0	1.5
2009 Historic	14.6	9.7	4.9
2010 Bridge <sup>1</sup>	5.6	4.9	0.7
2011 Test	4.6	4.0	0.6
2012 Test	3.0	2.6	0.4

<sup>1</sup> Revenues in the 2010 Bridge Year are gross revenues. The amount in the pre-filed evidence is net of \$2.7 M forecasted in the External Station Maintenance and E&CS revenue variance account.

\$M	Revenues	Cost of Sales	Margin
<b>Engineering &amp; Construction</b>			
2007 Historic	5.0	4.7	0.3
2008 Historic	9.4	9.5	(0.1)
2009 Historic	3.2	2.9	0.3
2010 Bridge <sup>1</sup>	11.0	10.4	0.6
2011 Test	11.0	10.4	0.6
2012 Test	6.0	5.4	0.6

<sup>1</sup> Revenues in the 2010 Bridge Year are gross revenues. The amount in the pre-filed evidence is net of \$9.5 M forecasted in the External Station Maintenance and E&CS revenue variance account.

Filed: August 16, 2010

EB-2010-0002

Exhibit I

Tab 6

Schedule 7

Page 2 of 2

1    b) Station Maintenance

2        Starting in year 2010 the plan was to reduce our station maintenance work for OPG  
3        and Bruce Power. This work contributes high margins and as a result trends for  
4        margin in 2010 and onwards have been reduced to reflect the exclusion of the work.

5  
6        Engineering & Construction

7        From 2007 to 2009 margins averaged approximately 5%, 2010 – 2011 are reflective  
8        of this average with increased revenues associated with meter upgrades. In 2012 the  
9        margin increases to 10% due to the weighting of work with a higher margin.

**Building Owners and Managers Association (BOMA) INTERROGATORY #8 List 1**

**Interrogatory**

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

Ref: Exhibit E1, Tab 1, Schedule 2, Table 1 and Exhibit C1, Tab 2, Schedule 11

a) Please provide a table similar to Table 1 of Exhibit E1, Tab 1, Schedule 2, showing 2009 actual as compared to the EB-2008-0272 forecast for 2009.

b) Please provide a table similar to Table 1 of Exhibit E1, Tab 1, Schedule 2, showing 2010 forecast as compared to the EB-2008-0272 forecast for 2010.

c) Please provide a table similar to Table 1 of Exhibit C1, Tab 2, Schedule 11 showing 2009 actual as compared to the EB-2008-0272 forecast for 2009.

d) Please provide a table similar to Table 1 of Exhibit C1, tab 2, Schedule 11 showing 2010 forecast as compared to the EB-2008-0272 forecast for 2010.

**Response**

a)

**External Revenues (\$Millions)**

<b>\$M</b>	<b>2009 Actual</b>	<b>2009 Forecast EB-2008-0272</b>	<b>Variance</b>
Secondary Land Use	14.2	11.4	2.8
Station Maintenance	14.6	3.4	11.2
Engineering & Construction	3.2	1.5	1.7
Other External Revenues	3.1	2.3	0.8
<b>Totals</b>	<b>35.1</b>	<b>18.6</b>	<b>16.5</b>

b)

**External Revenues (\$Millions)**

<b>\$M</b>	<b>2010 Bridge</b>	<b>2010 Test EB-2008-0272</b>	<b>Variance</b>
Secondary Land Use	12.5	11.3	1.2
Station Maintenance	5.6	2.9	2.7
Engineering & Construction	11.0	1.5	9.5
Other External Revenues	3.2	2.3	0.9
<b>Totals</b>	<b>32.3</b>	<b>18.0</b>	<b>14.3</b>

c)

**Cost of Sales – Transmission External Work (\$Millions)**

<b>\$M</b>	<b>2009 Actual</b>	<b>2009 Forecast EB-2008-0272</b>	<b>Variance</b>
Station Maintenance	9.7	2.6	7.1
Engineering & Construction	2.9	1.5	1.4
<b>Totals</b>	<b>12.6</b>	<b>4.1</b>	<b>8.5</b>

d)

**Cost of Sales – Transmission External Work (\$Millions)**

<b>\$M</b>	<b>2010 Bridge</b>	<b>2010 Forecast EB 2008-0272</b>	<b>Variance</b>
Station Maintenance	4.9	2.2	2.7
Engineering & Construction	10.4	1.5	8.9
<b>Totals</b>	<b>15.3</b>	<b>3.7</b>	<b>11.6</b>



**Building Owners and Managers Association (BOMA) INTERROGATORY #9 List 1**

**Interrogatory**

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

**Interrogatory # 9**

Ref: Exhibit E1, Tab 1, Schedule 2

a) Is Hydro One requesting the continuation of the External Secondary Land Use Revenue Account that was created as a result of the Board's EB-2008-0272 Decision? If not, why not?

b) Is Hydro One requesting the continuation of the External Station Maintenance and E&CS Revenue Account that was created as a result of the Board's EB-2008-0272 Decision? If not, why not

**Response**

a) Hydro One is not requesting the continuation of the External Secondary Land Use Revenue Account. As per EB-2008-0272, the Board established this variance account for 2009-2010 rates only.

b) Hydro One is not requesting the continuation of the External Station Maintenance and E&CS Revenue Account. As per EB-2008-0272, the Board established this variance account for 2009-2010 rates only.

**Building Owners and Managers Association (BOMA) INTERROGATORY #10 List 1**

**Interrogatory**

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

Ref: Exhibit E1, Tab 1, Schedule 2

In EB-2008-0272 Hydro One forecast Other External revenues of \$2.3 million for 2009. Actual 2009 was \$3.1 million, or nearly 35% above forecast.

- a) Please explain this significant variance from forecast.
- b) What is the current projection, based on the most recent year-to-date actual data for other external revenues in 2010?
- c) Does Hydro One believe that customers should receive the full benefit of these other external revenues and that Hydro One should not be at risk for its forecast? If not, why not.
- d) Does Hydro One agree that a variance account should be used for Other External Revenues, in the same manner as the Board decided was appropriate in EB-2008-0272 for secondary land use and station maintenance & E&CS services? If not, why not?

**Response**

- a) The number filed is \$3.2 million. The major variance in the historic year 2009 versus Forecast is the result of providing more services than forecasted to Hydro One's subsidiary companies, in particular Hydro One Remotes.

\$M	2009 Historic EB-2010-002	2009 Test EB-2008-0272	Variance
Inergi Royalties	1.0	1.0	0.0
Other Miscellaneous Revenues	2.2	1.3	0.8
Total	3.2	2.3	0.8

- b) There is no update to external revenue projection filed.
- c) The margin from other external revenues is minimal and Inergi Royalties are a straight recoup of fixed costs.
- d) No, as per our response to c) above we believe no variance account is necessary.

**Building Owners and Managers Association (BOMA) INTERROGATORY #11 List 1**

**Interrogatory**

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

Ref: Exhibit E1, Tab 1, Schedule 1

- a) Please provide the actual export revenue credit for 2007, 2008 and 2009.
- b) What is driving the decrease in the export revenue credit forecast from \$12.0 million in 2010 to \$10.1 million in 2011?
- c) Is Hydro One proposing the continuation of the Export Service Credit Revenue variance account in 2011 and 2012? If not, why not?

**Response**

- a) Actual Export Revenues for the years requested are:
  - 2007 \$14.1 million
  - 2008 \$24.6 million
  - 2009 \$16.8 million
- b) In determining the export revenues tariff, historically Hydro One has used the export volumes forecasted by the IESO. The decrease from to \$10.1 million in 2011 reflects the IESO's new 2011 forecast.
- c) Hydro One is not proposing the continuation of an Export Service Credit Revenue variance account in 2011 and 2012. We have sufficient history to allow for a more accurate forecast of this stream of revenue.

**Building Owners and Managers Association (BOMA) INTERROGATORY #12 List 1**

**Interrogatory**

**3.1 Are the proposed spending levels for, Sustaining, Development and Operations OM&A in 2011 and 2012 appropriate, including consideration of factors such as system reliability and asset condition?**

**Interrogatory # 12**

Ref: Exhibit C1, Tab 2, Schedule 1

a) Please provide a version of Table 1 with the actual and bridge forecast figures for 2007 through 2009 replaced with the Board approved figures for those years.

b) How much of the overall increase shown in Table 2 is a result of "Hydro One's inability to achieve the Board ordered compensation reduction due to union contract obligations"?

c) How much of the overall increase shown in Table 3 is a result of "Hydro One's inability to achieve the Board ordered compensation reduction due to union contract obligations"?

d) When was the 2010 projection shown in Table 3 made?

e) Does Hydro One have a more recent projection for 2010 expenditures that includes some actual data for 2010? If yes, please provide the current 2010 project and the year-to-date actual expenditures for the most recent month available in the same level of detail as shown in Table 3.

**Response**

a)

Description	2007	2008	2009	Bridge	Test	Test
	OEB Approved	OEB Approved	OEB Approved	2010	2011	2012
Sustaining	200.1	200.9	211.5	224.4	233.0	243.1
Development	8	8.1	13.9	19.0	18.2	18.9
Operations	45.8	46.2	53.7	62.1	66.3	68.2
Shared Services and Other OM&A	67.4	57.1	67.6	58.6	46.9	46.4
Customer Care	0	0	0	1.1	1.1	1.2
Property Taxes & Rights Payments	72.8	75.1	69.7	69.4	70.8	72.2
<b>TOTAL</b>	<b>394.1</b>	<b>387.5</b>	<b>415</b>	<b>434.5</b>	<b>436.3</b>	<b>450.0</b>

b) and c) Other than the management compensation adjustments noted in Exhibit C1, Tab 3, Schedule 2 pages 7 to 8, Hydro One was not able to achieve the Board ordered compensation reductions due to union contract obligations and therefore a portion of the variance would be attributable to the inability to achieve the compensation reductions.

d) The 2010 projection was made in March 2010.

e) The 2010 projection remains as provided in Exhibit C1, Tab 2, Schedule 1. Please see table below showing June 2010 year-to-date expenditures.

<b>OM&amp;A Categories</b>	<b>2010 June YTD Actual (\$ million)</b>
Sustaining	105.0
Development	6.4
Operations	28.8
Shared Services & Other Costs	35.8
Customer Care	0.4
Taxes other than Income Taxes	32.9
<b>Total</b>	<b>209.3</b>

**Building Owners and Managers Association (BOMA) INTERROGATORY #13 List 1**

**Interrogatory**

**3.1 Are the proposed spending levels for, Sustaining, Development and Operations OM&A in 2011 and 2012 appropriate, including consideration of factors such as system reliability and asset condition?**

Ref: Exhibit C1, Tab 2, Schedule 7, page 8

Please provide details of the deteriorated loss experience compared to 2009 in reference to the increase in the self insurance cost.

**Response**

Hydro One has a number of outstanding claims which are at various stages of litigation or negotiation for settlement. Examples of such claims are:

Date claim received	Claimant	Amount of claim
June 20, 2001	Party 1	\$8,000,000
June 9 2003/ Mar 17 2005	Party 2	\$11,500,000
November 1, 2000	Party 3	\$10,000,000

Activity on these claims has accelerated resulting in increased legal costs, and insurers raising reserves and premiums. In order to mitigate rising insurance premiums Hydro One increased the deductible under the liability program which increases self insurance costs.

**Building Owners and Managers Association (BOMA) INTERROGATORY #14 List 1**

**Interrogatory**

**3.1 Are the proposed spending levels for, Sustaining, Development and Operations OM&A in 2011 and 2012 appropriate, including consideration of factors such as system reliability and asset condition?**

Ref: Exhibit C1, Tab 2, Schedule 7, pages 29-30

- a) Given the unexpected and non-recurring expenses of Transmission Other Costs shown Table 15, please explain how Hydro One forecasts these expenses for 2010 through 2012.
- b) Please provide the actual Transmission Other Costs for 2005 and 2006.
- c) What is the current estimate of the amount to be recorded in 2010 for Transmission Other Costs based on the most recent year-to-date information available? What is this most recent-year-to-date figure? Please also provide the corresponding figure for the same year-to-date period in 2009.

**Response**

- a) Hydro One only includes recurring items like the Gregorian adjustment and vacation reserve in its expense plans for Transmission Other Costs. The historical results include unexpected and non-recurring costs.
- b) The actual Transmission Other Costs for 2005 and 2006 are (\$15.8) million and (\$21.9) million respectively.
- c) The 2010 Transmission Other Costs remain as filed in Exhibit C1, Tab 2, Schedule 7, Table 11.  
  
June year-to-date actuals for Transmission Other Costs were (\$9.5) million for 2010 and (\$3.4) million for 2009.

**Building Owners and Managers Association (BOMA) INTERROGATORY #15 List 1**

**Interrogatory**

**3.3 Are the 2011/12 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?**

Ref: Exhibit A, Tab 12, Schedule 1, Appendix A

- a) What is the term of the current collective agreement with Society Staff?
- b) What is the impact on the revenue requirement of a 1 percentage point reduction (i.e. from 2.5% to 1.5%) in the April 1, 2011 economic increase for Society Staff on 2011 and 2012?
- c) In addition to the 1 percentage point reduction in the April 1, 2011 economic increase for Society Staff in part (b) above, what is the impact of a 1 percentage point reduction (i.e. from 2.5% to 1.5%) in the April, 2012 economic increase for Society Staff on the 2012 revenue requirement?
- d) The evidence indicates that as of October 1, 2008 there were 1029 Society represented staff, of whom 440 are at the terminal step.
  - i) Based on this number, what is the dollar impact in 2011 and 2012 of the annual progressions?
  - ii) Please provide the most recent number available for the number of Society represented staff and the number that are at the terminal step.
  - iii) Based on the response to (ii) above, what is the dollar impact in 2011 and 2012 of the annual progressions?
- e) Please confirm that the economic increases for April 1, 2009 and 2010 for Society Staff was 3%. If this cannot be confirmed, please provide the actual economic increases for these dates.
- f) Please provide the actual economic increases effective April 1 for 2008, 2009 and 2010 for PWU Staff.
- g) What is the term of the current collective agreement with the PWU?
- h) What is the impact on the revenue requirement in 2011 and 2012 if the economic increases for April 1, 2011 and 2012 were reduced from 3.0% to 2.0%?



1 i) The evidence indicates that 14.7% of PWU staff received progressions in 2007. Please  
2 provide the corresponding actual figures for 2008 and 2009. Does Hydro One have  
3 projections for 2010, 2011 and/or 2012? If so, please provide.

4  
5 j) What was the impact on the 2011 and 2012 revenue requirement of the base pay freeze  
6 for all other MCP staff?

7  
8 k) Please explain what is meant by the Band 7 category of MCP staff and indicate why a  
9 base pay freeze is not applicable for them.

10  
11 l) What is the total labour costs associated with the MCP employees in the Band 7  
12 category and what percentage is this costs relative to all MCP employees?

13  
14 m) Please provide the actual and forecasted MCP Short Term Incentive Plan payouts, as  
15 well and the actual and forecasted payout percentage for each of 2007, 2008 and 2009.

16  
17  
18 **Response**

19  
20 a) The term of the current collective agreement is July 1, 2007 to March 31, 2013.

21  
22 b) The impact on revenue requirement of a 1 percentage point reduction (i.e. from 2.5%  
23 to 1.5%) in the April 1, 2011 economic increase for Society Staff is \$0.2M and \$0.3M  
24 in 2011 and 2012, respectively. However, Hydro One has signed a collective  
25 agreement with the Society, which expires in 2013 and includes 2.5% economic  
26 increases for 2011 and 2012. Collective agreements are legally binding documents,  
27 and as such the economic increases are fixed for this period.

28  
29 c) In addition to the 1 percentage point reduction in the April 1, 2011 economic increase  
30 for Society Staff in part (b) above, the impact of a 1 percentage point reduction (i.e.  
31 from 2.5% to 1.5%) in the April, 2012 economic increase for Society Staff on 2012  
32 revenue requirement is \$0.3M.

33  
34 d)  
35 i) The dollar impact for Society step progressions is \$1.454 million for 2011 and  
36 \$1.535 million for 2012.  
37 ii) As of the end of the second quarter of 2010, the total number of Society  
38 employees is 1,329 Society, of those 514 are at the terminal step.  
39 iii) The dollar impact for Society step progressions is \$2.367 million for 2011 and  
40 \$2.499 million for 2012, based on the number of Society employees as of the  
41 second quarter of 2010.

42  
43 e) The increases referred to are 3%.

- f) The negotiated economic increase in each of these three years was 3%.
- g) The term of the current PWU collective agreement is April 1, 2008 to March 31, 2011.
- h) The dollar impact is \$0.7M in 2011 and \$1.6M in 2012.
- i)

**PWU Employees Eligible for Step Progressions**

Year	Number who received step progression	Percentage
2008	635	15.20%
2009	806	18.50%

Hydro One does not have projections for 2010, 2011 and 2012.

- j) The dollar impact is \$0.7M in 2011 and \$0.8M in 2012. This adjustment has been reflected in Other OM&A. Please refer to Exhibit I, Tab 1, Schedule 38.
- k) For details please see, Exhibit C1, Tab 3, Schedule 2, page 8, lines 3 to 7.
- l) Based on 2009 year end, the total labour cost for MCP Band 7 employees is approximately \$39 million. This represents 46% of the total labour cost for MCP employees.
- m)

**MCP Short Term Incentive Plan payouts (\$M)\***

	Budgeted STI	Payout	Percentage of budgeted
<b>2007</b>	8.596	6.644	77%
<b>2008</b>	9.992	8.074	81%
<b>2009</b>	9.401	9.191	98%

\*MCP STI is budgeted at 75% of the total possible payout

**Building Owners and Managers Association (BOMA) INTERROGATORY #16 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C1, Tab 2, Schedule 13

- a) Please provide the most recent year-to-date actual costs associated with property tax and rights payments for the 2010 bridge year.
- b) Please provide the corresponding year-to-date figure for 2009 for the property tax and rights payments categories.
- c) Please explain what is driving the forecasted increase in 2010 in property taxes, including any projections related to assessed value and tax rates.
- d) Please provide all calculations and assumptions used in the forecasts for 2011 and 2012 shown in Table 2 for transmission lines and stations and buildings, including proxy tax.

**Response**

- a) The actual property tax and rights payments reported as of second quarter YTD 2010 are \$30.1 million and \$2.8 million respectively.
- b) The actual property tax and rights payments reported as of second quarter YTD 2009 are \$29.6 million and 2.4 million respectively.
- c) The main factors driving the forecasted increase in 2010 in property taxes are due to projected increases in property taxes of 2% as result of increases in assessed value of Hydro One properties and 2% due to municipal tax increases.
- d) The funding forecast for test years 2011 and 2012 are based on the following assumptions listed below:
  - An annual 2% municipal tax increase
  - Assumes increases in property taxes of 2% for 2011 and 2% in 2012 as result of re-assessment.
  - Assumes increases in Right Of Way (ROW) rates 2% for 2011, and 2% in 2012
  - Assumes no legislative or other tax changes (including changes to municipal assessments) relative to Hydro One properties.

**Building Owners and Managers Association (BOMA) INTERROGATORY #17 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C1, Tab 2, Schedule 13

With respect to rights payments, the evidence at pages 5-6 reflects that Hydro One is unable to predict the outcome or the timing of future negotiated agreements and the amount that it will have to pay to secure the crossing or occupational rights with railway companies or First Nations. For planning purposes, Hydro One is forecasting an increase to \$4.5 million from \$2.4 million in 2009.

a) Please explain the reduction in rights payments from 2007 (\$2.8) to 2008 (\$2.7) to 2009 (\$2.4).

b) Please breakout the \$2.4 million cost shown for 2009 into the components associated with railway companies and with First Nations.

c) Has Hydro One reached any agreements related to the costs associated with the crossing or occupational costs with either railway companies or First Nations? If yes, please provide the details and the estimated cost impact.

d) Would Hydro One be open to the use of a variance account to deal with the uncertainty in the outcome and the timing associated with rights payments? If not, why not?

**Response**

a) The actual rights payments variance reported from 2007 to 2009 level is due to variables that include one time payments and timing of payments issued.

b) The 2.4 million reported in rights payments in 2009 include \$0.7 million for First Nations payments and 1.7 million for non First Nations payments of which approximately \$1 million include payments made in 2009 to railway companies.

c) Hydro One has not reached agreement to date related to the costs associated with the rights payments which include crossing or occupational costs with either railway companies or First Nations.

d) Hydro One would not request a variance account as it considers the forecast of rights payments to be part of the test years' normal forecast process.

**Building Owners and Managers Association (BOMA) INTERROGATORY #18 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 1, Attachment 1, and Exhibit C5, Tab 5, Schedule 2, Attachment 1

In Exhibit C2, Tab 5, Schedule 1, Attachment a, line 14 of the schedule is labeled Ontario Education Credits. Line 21 also includes a reference to these credits.

a) Please explain how the amount of these credits has been calculated for 2011 and 2012, including the number of positions available for these credits in each year.

b) How many such positions qualified for the Ontario Education Tax Credit (CETC) in each of 2007, 2008 and 2009?

c) Has Hydro One used the CETC rate of 25% of salaries and wages paid to a limit of \$3,000 per work placement? If not, why not?

d) The 2008 CETC claimed was \$330,000 (CT23, page 7 of 20). Please provide the CETC claimed for 2009.

**Response**

The reference to Ontario Education Credits in Exhibit C2, Tab 5, Schedule 1, Attachment A, line 14 of the schedule is labeled "Ontario Education Credits". Line 21 also includes a reference to these credits. Please note that the line "Ontario Education Credits" includes the Ontario Education as well as the Ontario and Federal Apprenticeship tax credits.

a) The \$2.2 million tax credits for 2011/2012 were estimated in November 2009 at approximately 120% of the 2008 tax credits per Hydro One Networks Inc. tax return, filed on June 24, 2009. The tax credits data per the 2009 tax return filed on June 29, 2010 was not available during the planning stage used for this submission.

b) Refer to Attachment 1 for eligible positions in 2007, 2008 and 2009.

c) No. See response to part a) above.

d) The 2009 CETC claimed for Hydro One Networks Inc. was \$1,036,194. Refer to Attachment 1 noted in response to b) above.

Filed: August 16, 2010  
EB-2010-0002  
Exhibit I  
Tab 6  
Schedule 18  
Page 2 of 2

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Calculation of Utility Income Taxes  
Historic Years  
2007, 2008 & 2009 Education Tax Credit Allocation to DX and TX  
Year Ending December 31  
(\$ Millions)

Line No.		<u>2007</u>		
		<u>HONI</u>	<u>TX</u>	<u>DX</u>
1	Ont Coop Education Tax Credit	\$ 294,531	\$ 176,983	\$ 117,548
2	Eligible positions	223	134	89
3				
4	ON Apprenticeship	\$ 1,366,396	\$ 821,063	\$ 545,333
5				
6	Fed Apprenticeship	\$ 620,156	\$ 372,650	\$ 247,506
7				
8	SRED	\$ 746,178	\$ 447,707	\$ 298,471
9	TOTAL	<u>\$ 3,027,484</u>	<u>\$ 1,818,536</u>	<u>\$ 1,208,948</u>
10				
11				
12		<u>2008</u>		
13	Ont Coop Education Tax Credit	<u>HONI</u>	<u>TX</u>	<u>DX</u>
14	Eligible positions	\$ 330,000	\$ 197,411	\$ 132,589
15		224	134	90
16	ON Apprenticeship	\$ 1,399,641	\$ 837,285	\$ 562,356
17	Eligible positions	347	208	139
18				
19	Fed Apprenticeship	\$ 636,693	\$ 380,879	\$ 255,814
20	Eligible positions	340	204	136
21	SRED	\$ 623,232	\$ 373,939	\$ 249,293
22	TOTAL	<u>\$ 2,990,477</u>	<u>\$ 1,790,060</u>	<u>\$ 1,200,417</u>
23				
24	<b>Note:</b>			
25	\$2.2 million tax credits reflected in 2010/2011 was estimated in November 2009 at			
26	approximately 120% of the 2008 tax return credit. filed on June 24, 2009. The 2009			
27	tax returns were filed on June 29, 2010, as such tax credits information was not			
28	available at time of EB 2009-0096 submission.			
29				
30		<u>2009</u>		
31	Ont Coop Education Tax Credit	<u>HONI</u>	<u>TX</u>	<u>DX</u>
32	Eligible positions	\$ 1,036,194	\$ 621,188	\$ 415,006
33		392	235	157
34	ON Apprenticeship	\$ 3,044,299	\$ 1,825,026	\$ 1,219,273
35	Eligible positions	374	224	150
36				
37	Fed Apprenticeship	\$ 498,838	\$ 299,048	\$ 199,790
38	Eligible positions	251	151	100
39	SRED	\$ 624,007	\$ 374,404	\$ 249,603
40	TOTAL	<u>\$ 5,204,355</u>	<u>\$ 3,120,276</u>	<u>\$ 2,084,079</u>

**Building Owners and Managers Association (BOMA) INTERROGATORY #19 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 1, Attachment 1

- a) Where are the provincial Apprenticeship Training Tax Credits shown?
- b) Where are the federal apprenticeship job creation tax credits shown?
- c) Please add a column to the schedule to show the 2010 Bridge year calculations.

**Response**

- a) The reference to Ontario Education Credits in Exhibit C2, Tab 5, Schedule 1, Attachment 1, line 14 of the schedule is labeled "Ontario Education Credits". Line 21 also includes a reference to these credits. Please note that the line "Ontario Education Credits" includes the Ontario Education as well as the Ontario and Federal Apprenticeship tax credits.
- b) See response a) above.
- c) The 2010 Bridge year estimate was based on approximately 120% of the credits reflected in the 2008 tax return filed.



**Building Owners and Managers Association (BOMA) INTERROGATORY #20 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 1, Attachments 3 and 4

a) Please add 2009 actual figures to Attachment 3.

b) Please replace the 2009 CCA calculations shown in Attachment 4 with the actual figures for 2009.

**Response**

a) Please see Exhibit I, Tab 6, Schedule 21.

b) The figures shown in Exhibit C2, Tab 5, Schedule 1 Attachment 4 are the actual 2009 figures.

**Building Owners and Managers Association (BOMA) INTERROGATORY #21 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 2

Please provide equivalent attachments A, B and C for actual 2009 income taxes.

**Response**

Refer to Exhibit I, Tab 1, Schedule 63, Attachment 1 for the 2009 tax return.

For the calculation of Capital Cost Allowance (Transmission and Distribution) refer to Attachment 1.

For the calculation of Utility Income Taxes (Transmission and Distribution) refer to Attachment 2.

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Calculation of Capital Cost allowance (CCA)  
Historic Year  
2009 Networks Tax Return CCA Allocation to TX and DX  
Year Ending December 31  
(\$ Millions)

**2009 Distribution Schedule 8 :**

**2009 DX**

CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate	CCA	Closing UCC
1	1,953.7	2.3	1,956.0	0.1	1,954.8	4%	78.2	1,877.8
2	372.6	-	372.6	-	372.6	6%	22.4	350.2
3	14.1	0.4	14.6	-	14.4	5%	0.7	13.8
6	8.3	1.0	9.3	0.4	8.8	10%	0.9	8.4
8	50.5	6.1	56.7	7.7	53.6	20%	10.7	45.9
9	4.1	1.1	5.2	1.8	4.6	25%	1.2	4.0
10	71.3	30.1	101.4	15.2	86.4	30%	25.9	75.5
12	30.2	71.5	101.6	30.2	65.9	100%	65.9	35.7
13	1.3	0.3	1.6	-	1.5	10	0.3	1.3
17	2.6	0.3	2.9	0.1	2.8	8%	0.2	2.6
42	0.3	-	0.2	-	0.2	12%	0.0	0.2
45	4.4	-	4.4	-	4.4	45%	2.0	2.4
46	-	0.3	0.3	-	0.1	45%	0.0	0.3
47	883.5	386.6	1,270.1	163.4	1,076.8	8%	86.1	1,183.9
50	10.0	(0.1)	9.9	5.2	9.9	55%	5.4	4.5
52	-	4.7	4.7	5.2	4.7	100%	4.7	-
<b>Dx CCA</b>	<b>3,406.9</b>	<b>504.6</b>	<b>3,911.5</b>	<b>229.1</b>	<b>3,661.4</b>		<b>304.7</b>	<b>3,606.41</b>
<b>Dx CEC Continuity</b>	<b>36.8</b>		<b>36.8</b>		<b>36.8</b>	7%	<b>2.6</b>	<b>34.2</b>

**2009 Transmission Schedule 8 :**

**2009 TX**

CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate ( CCA	Closing UCC
1	2,701.0	2.8	2,703.9	1.4	2,702.4	4%	2,595.8
2	826.0	-	826.0	-	826.0	6%	776.4
3	260.4	-	260.4	-	260.4	5%	247.4
6	22.7	4.1	26.8	2.1	24.7	10%	24.3
7	0.1	-	-	-	-	15%	-
8	21.6	7.1	28.6	3.6	25.1	20%	23.6
9	3.4	0.4	3.9	0.2	3.6	25%	3.0
10	80.7	16.8	97.5	8.4	89.1	30%	70.8
12	32.7	92.4	125.1	46.2	78.9	100%	46.2
13	0.1	0.2	0.3	0.1	(0.0)	6.0	0.3
17	12.9	7.2	20.1	3.6	16.5	8%	18.8
35	0.4	-	0.4	-	0.4	7%	0.4
42	63.3	44.4	107.7	22.2	85.5	12%	97.4
45	6.9	-	6.9	-	6.9	45%	3.8
46	8.6	0.6	9.3	0.3	8.9	30%	6.6
47	768.2	386.9	1,155.1	193.5	961.6	8%	1,078.2
50	26.3	-	26.3	-	26.3	55%	11.8
52	-	17.9	17.9	9.0	17.9	100%	-
TX UCC	4,835.3	580.8	5,416.2	290.4	5,134.2		5,004.8
TX CEC continuity	68.6	0.7	69.3		69.3	7%	64.4
TOTAL Networks UCC	8,242.2	1,085.4	9,327.7	519.5	8,795.6		8,611.2
TOTAL Networks CEC	105.4	0.7	106.1	-	106.1		98.7

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Calculation of Utility Income Taxes  
Historic Year  
2009 Networks Tax Return Allocation to DX and TX  
Year Ending December 31  
(\$ Millions)

Line No.	Particulars	NETWORKS	TX	DX
	<u>Calculation of Federal and ON Taxable Income</u>			
1	Net Income Before Tax (NIBT)	\$ 483.3	\$ 294.7	\$ 188.6
2	<b><u>Required Adjustments to accounting NIBT</u></b>			
3	<b>Recurring items included in Revenue Requirement (RR):</b>			
4	Other Post Employment Benefit expense	44.2	20.2	24.0
5	Other Post Employment Benefit payments	(42.0)	(18.2)	(23.8)
6	Depreciation and amortization	505.4	240.0	265.4
7	Capital Cost Allowance	(716.1)	(411.4)	(304.7)
8	Removal costs	(6.7)	(0.5)	(6.2)
9	Environmental costs paid	(9.5)	(0.9)	(8.6)
10	Non-deductible items (50% M&E / interest)	6.8	4.1	2.7
11	R & D Fed ITC/ Apprenticeship (prior yr addback)	0.4	0.3	0.1
12	Ontario hiring credits (Co op & Apprentice)	2.5	1.5	1.0
13	Capitalized overhead costs deducted	(40.9)	(25.2)	(15.7)
14	Pension cost deductions	(45.4)	(17.7)	(27.7)
15		\$ (301.3)	\$ (207.8)	\$ (93.5)
16	<b>Deferral accounts not part of RR:</b>			
17	RSVA	1.4	0.0	1.4
18	RARA and other Revenues deferred	4.8	0.0	4.8
19	Smart meter costs deferred	(13.9)	0.0	(13.9)
20	Tx Export credit/Earnings Sharing mechanism	(12.0)	(12.0)	0.0
	TX Excess Exp Def Revenue	4.8	4.8	0.0
21	Revenue accrued not received	(24.8)	0.0	(24.8)
22	Regulatory costs previously deducted	3.4	5.4	(2.0)
23		\$ (36.3)	\$ (1.8)	\$ (34.5)
24	<b>Reversal of accounting adjustments not part of RR:</b>			
25	Contingent liability movement	(1.0)	0.2	(1.2)
26	Capitalized interest deductible for tax	(56.5)	(45.4)	(11.1)
27		\$ (57.5)	\$ (45.2)	\$ (12.3)
28	<b>Recurring items not part of RR:</b>			
29	Cumulative Eligible Capital	(7.4)	(4.9)	(2.6)
30		(7.4)	(4.9)	(2.6)
31	<b>Immaterial items not in business plan detail:</b>			
32	Capital additions deducted for accounting	3.1	0.9	2.2
33	Reverse Insurance proceeds included in NIBT	(2.4)	(2.4)	0.0
34	Net Underwriting/Finance costs	(3.6)	(2.4)	(1.2)
35	WSIB	(1.8)	(0.8)	(1.0)
36	Tenant Inducement	(0.5)	(0.3)	(0.2)
37	Capital tax provision vs. return	1.2	0.8	0.4
	Taxable Capital Gain	1.1	1.1	0.0
38	Other	(0.4)	(0.3)	(0.1)
39		(3.3)	(3.4)	0.1
40				
41	NET Adjustments to Accounting NIBT	\$ (405.8)	\$ (263.0)	\$ (142.8)
42				
43	Taxable Income	\$ 77.5	\$ 31.7	\$ 45.8
Line No.	Particulars	NETWORKS	TX	DX
48	Taxable Income	\$ 77.5	31.7	45.8
49				
50	<u>Corporate Income Tax Rate</u>	33.00 %	33.00 %	33.0 %
51				
52	Subtotal	\$ 25.6	\$ 10.5	\$ 15.1
53	Less: Tax credits	(5.2)	(3.1)	(2.1)
54	Income Tax	\$ 20.4	\$ 7.4	\$ 13.0

**Building Owners and Managers Association (BOMA) INTERROGATORY #22 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 2

The provincial ATTC shown at page 7 of 20 of form CT23 in Attachment A shows a credit of \$1,399,641 for 2008 and is based on 347 eligible positions.

a) Please provide the corresponding figures for 2009 (credit amount and number of eligible positions).

b) Please provide the forecasted number of eligible positions for 2010, 2011 and 2012.

c) Please provide the forecasted ATTC credit for 2011 and 2012.

d) Has Hydro One reflected the rules that allow a deduction of 35% of wages and salaries paid to a maximum credit of \$10,000 per apprentice, and extending the period for the first 48 months of an apprenticeship in the 2011 and 2012 forecasts? If not, why not?

**Response**

a) The 2009 ATTC of \$3,044,299 pertains to 374 eligible positions. Please see Exhibit I, Tab 6, Schedule 18, Attachment 1.

b) Total tax credits estimated were based on approximately 120% of the 2008 tax return credit. See Exhibit I, Tab 6, Schedule 18.

c) Please see response to part b) above.

d) No. See part a) of Exhibit I, Tab 6, Schedule 18.

**Building Owners and Managers Association (BOMA) INTERROGATORY #23 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule 2

The federal Apprenticeship Job Creation figures shown in Attachment A show a total credit of \$636,693 based on 340 positions.

a) Please provide the corresponding figures for 2009 (credit amount and number of eligible positions).

b) Please provide the forecasted number of eligible positions for 2010, 2011 and 2012.

c) Please provide the forecasted federal credit for 2011 and 2012.

**Response**

a) 2009 Federal apprenticeship credit \$498,838 on 251 eligible positions, see Exhibit I, Tab 6, Schedule 18, part a) and b).

b) and c) Please see response to part a) above.

**Building Owners and Managers Association (BOMA) INTERROGATORY #24 List 1**

**Interrogatory**

**3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?**

Ref: Exhibit C2, Tab 5, Schedule , Attachments 2 & 4

a) Please explain why a rate of 100% with no half rule applied is applicable to all the assets in Class 50 in 2010. In particular, why are the opening assets of \$11.8 not subject to the 55% rate for Class 50 as in 2009 as compared to the 100% rate (with no half year rule) associated with Class 52 in 2009?

b) Should the additions of \$8.4 shown in 2010 for Class 50 actually be included in Class 52, as was the case in 2009?

c) Does Hydro One expect to add any of the \$7.3 million in Class 50 assets shown for 2011 before February, 2011? If so, please show the addition of the forecasted amount to Class 52 in 2011.

d) Please provide updated CCA schedules for 2010, 2011 and 2012 based on the responses provided above to reflect the UCC from Class 50 in 2010 being carried forward to 2011 and 2012 and any change to 2011 based on the response to (c) above. Please also reflect any CCA changes for all classes based on the actual 2009 CCA claimed.

**Response**

a) Please see Attachment 1 for updated 2009 CCA calculations.

b) Yes, please see Attachment 1 for updated CCA calculations.

c) The current application did not have this assumption; however, the updated schedule reflects 1/12 as Class 52 additions.

d) Please refer to Attachment 1 & 2.

**HYDRO ONE NETWORKS INC.**  
**TRANSMISSION**  
Calculation of Utility Income Taxes  
Historical and Bridge Years (2009 and 2010)  
Capital Cost Allowance  
Year Ending December 31  
(\$ Millions)

**2009 Transmission:**

CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate (%)	CCA	Closing UCC
1	2,701.0	5.3	2,706.3	2.6	2,703.6	4%	108.1	2,598.1
2	826.0	-	826.0	-	826.0	6%	49.6	776.5
3	260.4	(0.1)	260.3	(0.0)	260.4	5%	13.0	247.3
6	22.7	4.1	26.8	2.0	24.7	10%	2.5	24.3
7	0.1	-	0.1	-	0.1	15%	0.0	0.1
8	21.6	7.1	28.7	3.5	25.2	20%	5.0	23.7
9	3.4	0.4	3.8	0.2	3.6	25%	0.9	2.9
10	80.7	17.4	98.1	8.7	89.4	30%	26.8	71.3
12	32.7	90.7	123.4	45.4	78.0	100%	78.0	45.4
13	0.1	0.2	0.3	0.1	0.3	0.2	0.1	0.3
17	12.9	7.1	20.0	3.5	16.5	8%	1.3	18.7
35	0.4	-	0.4	-	0.4	7%	0.0	0.4
42	63.3	43.8	107.1	21.9	85.2	12%	10.2	96.9
45	6.9	-	6.9	-	6.9	45%	3.1	3.8
46	8.6	0.7	9.3	0.2	8.7	30%	2.6	6.6
47	768.2	377.2	1,145.4	188.6	956.8	8%	76.5	1,068.8
50	26.3	-	26.3	-	26.3	55%	14.5	11.8
52	-	16.9	16.9	8.4	16.9	100%	16.9	-
<b>TX UCC</b>	<b>4,835.3</b>	<b>570.8</b>	<b>5,406.1</b>	<b>285.2</b>	<b>5,129.1</b>		<b>409.2</b>	<b>4,996.9</b>
<b>TX Cumulative</b>								
<b>Eligible Capital</b>	<b>68.6</b>	<b>0.7</b>	69.3	-	69.3	7%	4.9	64.4
						Total CCA	414.1	
						Less Five Nations	(0.4)	
						<b>Total Tx CCA</b>	<b>413.7</b>	

**2010 Transmission:**

CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate (%)	CCA	Closing UCC
1	2,598.1	-	2,598.1	-	2,598.1	4%	103.9	2,494.2
2	776.5	-	776.5	-	776.5	6%	46.6	729.9
3	247.3	37.1	284.4	18.5	265.8	5%	13.3	271.1
6	24.3	3.6	28.0	1.8	26.1	10%	2.6	25.3
7	0.1	-	0.1	-	0.1	15%	0.0	0.0
8	23.7	10.2	33.9	5.1	28.8	20%	5.8	28.1
9	2.9	0.4	3.4	0.2	3.2	25%	0.8	2.6
10	71.3	51.8	123.1	25.9	97.2	30%	29.1	93.9
12	45.4	8.2	53.6	4.1	49.5	100%	49.5	4.1
13	0.3	0.0	0.3	0.0	0.3	0.2	0.1	0.2
17	18.7	2.8	21.5	1.4	20.1	8%	1.6	19.9
35	0.4	0.1	0.4	0.0	0.4	7%	0.0	0.4
42	96.9	14.5	111.4	7.3	104.2	12%	12.5	98.9
45	3.8	-	3.8	-	3.8	45%	1.7	2.1
46	6.6	1.0	7.6	0.5	7.1	30%	2.1	5.4
47	1,068.8	549.6	1,618.4	274.8	1,343.6	8%	107.5	1,510.9
50	11.8	-	11.8	-	11.8	55%	6.5	5.3
52	-	8.4	8.4	4.2	8.4	100%	8.4	-
<b>TX UCC</b>	<b>4,996.7</b>	<b>687.8</b>	<b>5,684.5</b>	<b>343.9</b>	<b>5,344.8</b>		<b>392.0</b>	<b>5,292.5</b>
<b>TX Cumulative</b>								
<b>Eligible Capital</b>	<b>64.4</b>	<b>-</b>	64.4	-	64.4	7%	4.5	59.9
						Total CCA	396.5	
						Less Five Nations	(0.3)	
						<b>Total Tx CCA</b>	<b>396.2</b>	



**HYDRO ONE NETWORKS INC.**  
**TRANSMISSION**  
Calculation of Utility Income Taxes  
Test Years (2011 and 2012)  
Capital Cost Allowance  
Year Ending December 31  
(\$ Millions)

**2011 Transmission:**

<u>CCA Class</u>	<u>Opening UCC</u>	<u>Net Additions</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate (%)</u>	<u>CCA</u>	<u>Closing UCC</u>
1	2,494.2	-	2,494.2	-	2,494.2	0.04	99.8	2,394.4
2	729.9	-	729.9	-	729.9	6%	43.8	686.1
3	271.1	41.5	312.6	20.8	291.9	5%	14.6	298.0
6	25.3	3.9	29.2	1.9	27.3	10%	2.7	26.5
7	0.0	-	0.0	-	0.0	15%	0.0	0.0
8	28.1	8.9	37.1	4.5	32.6	20%	6.5	30.5
9	2.6	0.4	3.0	0.2	2.8	25%	0.7	2.3
10	93.9	52.7	146.6	26.3	120.3	30%	36.1	110.5
12	4.1	1.9	6.1	1.0	5.1	100%	5.1	1.0
13	0.2	0.0	0.3	0.0	0.3	20%	0.1	0.2
17	19.9	3.1	23.0	1.5	21.4	0.1	1.7	21.2
35	0.4	0.1	0.5	0.0	0.4	7%	0.0	0.4
42	98.9	15.2	114.1	7.6	106.5	12%	12.8	101.3
45	2.1	-	2.1	-	2.1	45%	0.9	1.1
46	5.4	0.8	6.3	0.4	5.9	30%	1.8	4.5
47	1,510.9	613.8	2,124.7	306.9	1,817.8	8%	145.4	1,979.3
50	5.3	6.7	12.0	3.4	8.7	55%	4.8	7.2
52	-	0.6	0.6	0.3	0.6	100%	0.6	-
<b>TX UCC</b>	<b>5,287.2</b>	<b>749.6</b>	<b>6,042.2</b>	<b>374.9</b>	<b>5,667.7</b>		<b>377.4</b>	<b>5,664.8</b>
<b>TX Cumulative Eligible Capital</b>	<b>59.9</b>	<b>-</b>	<b>59.9</b>	<b>-</b>	<b>59.9</b>	<b>7%</b>	<b>4.2</b>	<b>55.7</b>
						Total CCA	<b>381.6</b>	
						Less Five Nations	<b>(0.3)</b>	
						<b>Total Tx CCA</b>	<b>381.3</b>	

**2012 Transmission:**

<u>CCA Class</u>	<u>Opening UCC</u>	<u>Net Additions</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate (%)</u>	<u>CCA</u>	<u>Closing UCC</u>
1	2,394.4	-	2,394.4	-	2,394.4	4%	95.8	2,298.6
2	686.1	-	686.1	-	686.1	6%	41.2	644.9
3	298.0	86.6	384.6	43.3	341.3	5%	17.1	367.6
6	26.5	7.7	34.2	3.8	30.3	10%	3.0	31.2
7	0.0	-	0.0	-	0.0	15%	0.0	0.0
8	30.5	4.2	34.7	2.1	32.6	20%	6.5	28.2
9	2.3	0.7	3.0	0.3	2.6	25%	0.7	2.3
10	110.5	49.4	160.0	24.7	135.2	30%	40.6	119.4
12	1.0	32.8	33.8	16.4	17.4	100%	17.4	16.4
13	0.2	0.1	0.3	0.0	0.3	0.2	0.1	0.2
17	21.2	6.2	27.4	3.1	24.3	8%	1.9	25.5
35	0.4	0.1	0.5	0.1	0.5	7%	0.0	0.5
42	101.3	29.4	130.7	14.7	116.0	12%	13.9	116.8
45	1.1	-	1.1	-	1.1	45%	0.5	0.6
46	4.5	1.3	5.8	0.7	5.2	30%	1.6	4.3
47	1,979.3	1,270.7	3,250.0	635.3	2,614.6	8%	209.2	3,040.8
50	7.2	5.6	12.8	2.8	10.0	55%	5.5	7.3
<b>TX UCC</b>	<b>5,664.8</b>	<b>1,494.8</b>	<b>7,159.5</b>	<b>747.4</b>	<b>6,412.2</b>		<b>454.9</b>	<b>6,704.7</b>
<b>TX Cumulative Eligible Capital</b>	<b>55.7</b>	<b>-</b>	<b>55.7</b>	<b>-</b>	<b>55.7</b>	<b>7%</b>	<b>3.9</b>	<b>51.8</b>
						Total CCA	<b>458.8</b>	
						Less Five Nations	<b>(0.3)</b>	
						<b>Total Tx CCA</b>	<b>458.5</b>	

**Building Owners and Managers Association (BOMA) INTERROGATORY #25 List 1**

**Interrogatory**

**4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?**

Ref: Exhibit D1, Tab 1, Schedule 1, Table 3 and Table 4

a) Please explain why the gross plant was significantly lower in each of 2009 and 2010 as compared to the Board approved levels.

b) Please explain why the accumulated depreciation in 2009 and 2010 was higher than the Board approved figures despite the lower gross plant in service.

**Response**

a) Gross plant was lower in 2009 and 2010 as compared to the Board approved levels due largely to lower in-service additions in both years. The shifts in planned in-service vis-à-vis Board Approved levels include the 500kV Bruce to Milton Double Circuit Line project (delays in approval and property rights issues), installation of static var compensators at Kirkland Lake TS, and the Orangeville TS air blast circuit breaker re-investment.

b) Accumulated depreciation at the end of 2009 and 2010 was higher than the Board approved figures largely due to the cumulative effect of lower retirement levels in 2008, 2009 and 2010. Depreciation for the period was actually lower mainly due to the lower in-service levels.

**Building Owners and Managers Association (BOMA) INTERROGATORY #26 List 1**

**Interrogatory**

**4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?**

Ref: Exhibit D1, Tab 1, Schedule 1, Tables 3 & 4 and Exhibit D1, Tab 1, Schedule 4, Table 1

Please reconcile the 2009 and 2010 figures shown in Table 1 of Schedule 4 with the figures shown in Tables 3 and 4 of Schedule 1. Is all of the difference related to the CICA Handbook Section 3031 adoption?

**Response**

Please see the update to our pre-filed evidence, Exhibit D1, Tab 1, Schedule 1, Tables 3 and 4, which now reflects the annual average as per Exhibit D1, Tab 1, Schedule 4, Table 1.

**Building Owners and Managers Association (BOMA) INTERROGATORY #27 List 1**

**Interrogatory**

**4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?**

Ref: Exhibit D1, Tab 1, Schedule 1, Table 2 and Exhibit D1, Tab 1, Schedule 4, Table 1

The increase in inventory shown in Table 1 of Schedule 4 in 2011 compared to 2010 is approximately 37%, while the increases shown in Table 2 of Schedule 1 for in-service additions and closing asset balances over the same period are significantly lower. Please explain what is driving the significant increase in inventory levels in 2011 as compared to 2010 given the level of additions and closing asset balances.

**Response**

Please see Exhibit I, Tab 2, Schedule 55.

**Building Owners and Managers Association (BOMA) INTERROGATORY #28 List 1**

**Interrogatory**

**4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?**

**Interrogatory # 28**

Ref: Exhibit D1, Tab 4, Schedule 1

a) Please update the calculation of the 2010 AFUDC to reflect the quarterly prescribed CWIP rates of 4.34% for the first and second quarter of 2010 and 4.66% for the third quarter of 2010. Please assume a rate of 4.66% for the fourth quarter of 2010.

b) Please update Table 1 for 2011 and 2012 to reflect the most recent ten year Government of Canada forecast and the most recent spread between the ten year Government of Canada bond yield and the average DEX Mid-Term Corporate Bond Index Yield.

**Response**

a) Below is the calculation of the 2010 AFUDC that reflects the prescribed CWIP rates of 4.34% for the first and second quarter of 2010 and 4.66% for the third quarter of 2010. 4.66% is assumed for the fourth quarter of 2010.

**Table 1**  
**Allowance for Funds Used During Construction**

<b>Year</b>	<b>AFUDC Rate</b>	<b>AFUDC (\$ millions)</b>
2010	4.5%	69.0

b)

**Table 1**  
**Allowance for Funds Used During Construction**

<b>Year</b>	<b>AFUDC Rate</b>	<b>AFUDC (\$ millions)</b>
2011	5.21%	51.2
2012	5.91%	61.1

For explanation of the AFUDC rate, please see Table 6 and the associated explanation within part A of Exhibit I, Tab 6, Schedule 4.

**Building Owners and Managers Association (BOMA) INTERROGATORY #29 List 1**

**Interrogatory**

**4.5 Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?**

Ref: Exhibit D1, Tab 1, Schedule 3, Table 2

Please update the GST Cash Working Capital Requirement to reflect an HST cash working capital requirement based on the rate of 13%.

**Response**

Please refer to Exhibit I, Tab 4, Schedule 41.

**Building Owners and Managers Association (BOMA) INTERROGATORY #30 List 1**

**Interrogatory**

**5.1 Is the proposed capital structure appropriate?**

Ref: Exhibit B2, Tab 1, Schedule 1

a) Please explain how the preference shares of \$239 million are factored, if at all, into the overall cost of capital. If the preference shares are not included in the cost of capital calculation for 2011 or 2012, please explain why not.

b) Did the issue of preference shares and their treatment arise during the EB-2009-0084 consultation? Please provide details.

**Response**

a) The preference shares were not factored into the overall cost of capital. The preference shares are not included as part of the regulated capital structure consistent with the Board's December 20, 2006 Cost of Capital Report.

b) The issue of preference shares and their treatment did not arise during the EB-2009-0084 consultation. The Report of the Board confirmed that its current policy with regard to capital structure for all regulated utilities continues to be appropriate.

**Building Owners and Managers Association (BOMA) INTERROGATORY #31 List 1**

**Interrogatory**

**5.2 Is the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rates appropriate?**

Ref: Exhibit B1, Tab 1, Schedule 1

a) For comparative purposes, please update the return on common equity for each of the 2011 and 2012 test years using the most recent information available. Please provide all the data and calculations involved.

b) For comparative purposes, please update the deemed short term debt rate for each of the 2011 and 2012 test years using the most recent information available. Please provide all the data and calculations involved.

c) Please explain how Hydro One has estimated a spread of 150 basis points to be charged to be charged to it to obtain a short-term loan in the bank market. What is the current estimate of this spread?

d) At pages 2 and 3, the evidence indicates that for rates effective January 1, 2011, the Board would determine the short term debt rate for Hydro One Transmission based on the September 2010 Bank of Canada data which would be available in October 2010 plus the average spread. A similar proposal is made for the 2012 rates.

Given that the average spread referred to above is calculated by Board Staff and is calculated once a year, in January, please explain how this timing would fit into the Hydro One proposal. In particular, is Hydro One requesting that the Board Staff calculate the average spread in September of each year?

e) The spread obtained by Staff is based on R1-low utility over the 3-month Bankers' Acceptance rate. However, Hydro One indicates that it has an R1-middle rating (Exhibit B1, Tab 2, Schedule 1, Table 1). Please explain how this should impact on the spread used by Hydro One in determining a deemed short-term debt rate.



**Response**

- a) The table below provides details for the update of the return on common equity for each of the 2011 and 2012 test years using the most recent information available.

	<u>2011</u>	<u>2012</u>
<b>Initial ROE</b>	<b>9.75%</b>	<b>9.75%</b>
<b>Change in LCBF from September 2009</b>		
10 Year GoC from July 2010 Consensus Forecast	3.900%	
10 Year GoC from April 2010 Long term Consensus Forecast		4.600%
Actual spread of 30 year over 10 year GoC July 2010	<u>0.550%</u>	<u>0.550%</u>
Long Canada Bond Forecast (LCBF)	<u>4.450%</u>	<u>5.150%</u>
Base LCBF	<u>4.250%</u>	<u>4.250%</u>
Difference	<u>0.200%</u>	<u>0.900%</u>
0.5 x Difference	0.100%	0.450%
<b>Change in A Rated Utility Bond Spread from Sept. 2009</b>		
A Rated Utility Bond Spread July 2010 (Series C29530Y)	1.490%	1.490%
Base A Rated Utility Bond Yield Spread	<u>1.415%</u>	<u>1.415%</u>
Difference	<u>0.075%</u>	<u>0.075%</u>
0.5 x Difference	0.038%	0.038%
<b>Return on Equity Based on Most Recent Data</b>	<u><b>9.89%</b></u>	<u><b>10.24%</b></u>

- b) Please see Exhibit I, Tab 06, Schedule 04.

- c) Hydro One estimated a spread of 150 basis points to obtain a short term loan in the bank market based on spread indications provided by various Canadian Schedule 1 banks during December 2009.

The current estimate of the spread for the purposes of calculating the deemed short term debt rate is the Board Staff calculation in January 2010 of 175 basis points included in the OEB's Cost of Capital Parameter Updates for 2010 Cost of Service Applications dated February 24, 2010.

- d) Yes

- e) Hydro One uses the spread calculated by Board Staff in determining the deemed short term debt rate. Hydro One's rating is not relevant.

**Building Owners and Managers Association (BOMA) INTERROGATORY #32 List 1**

**Interrogatory**

**5.3 Is the forecast of long term debt for 2010-2012 appropriate?**

Ref: Exhibit B1, Tab 2, Schedule 1

a) The evidence indicates at page 4, lines 16-22, that Hydro One can convert \$150 million of transmission mapped notes into a variable or floating rate debt paying an effective interest rate of three-month bankers' acceptance rate plus 40 basis points and this variable rate debt has been included as part of the deemed short-term debt amount equal to 4% of rate base.

Please explain the 40 basis points addition to the three-month bankers' acceptance as compared to the 150 basis point addition discussed in Exhibit B1, Tab 1, Schedule 1.

b) Please update Table 4 based on the most recent Consensus Forecasts and the most recent average spreads (five to ten year for the five year forecast and thirty to ten year for the thirty year forecast) and the most recent information for the Hydro One credit spreads.

c) Please provide the actual Hydro One spread for 5, 10 and 30 year debt for 2006, 2007, 2008 and 2009.

**Response**

a) The 40 basis point addition to three month bankers acceptance on the note converted into variable rate debt was determined by pricing in the debt capital markets and interest rate swap market. The 150 basis point discussed in Exhibit B1, Tab1, Schedule 1, was based on the estimated spread that would be charged to Hydro One to obtain a short term loan in the bank market. Pricing in the debt capital markets can be different than the bank market, and can fluctuate significantly over time.

b) Please see Exhibit I, Tab 6, Schedule 4 (Part (a), Table 4).

c) Please see Exhibit A, Tab 12, Schedule 2 for historic actual Hydro One spreads for 5, 10 and 30 year debt for 2007, 2008 and 2009. As stated in EB-2008-0272 Exhibit A, Tab 14, Schedule 2, Hydro One's historic actual credit spreads for 2006 are as follows:

Hydro One Credit Spread %	2006
5-Year	0.33
10-Year	0.51
30-Year	0.83

**Building Owners and Managers Association (BOMA) INTERROGATORY #33 List 1**

**Interrogatory**

**5.3 Is the forecast of long term debt for 2010-2012 appropriate?**

Ref: Exhibit B2, Tab 1, Schedule 2

- a) Please update the schedules on pages 4, 5 and 6 to reflect any additional actual debt issued in 2010 and the response to part (b) of the previous interrogatory that updated Table 4.
- b) Please explain the significant increase in Treasury OM&A costs from \$1.4 in 2007, \$1.5 in 2008 and \$1.2 in 2009 to \$2.0 in 2010 and to \$2.1 in 2011 in 2012.
- c) What is the current year-to-date expense in 2010 associated with Treasury OM&A costs?
- d) Please explain the significant increase in other financing-related costs from \$1.3 in 2007, \$1.2 in 2008, and \$1.2 in 2009 to \$5.0 in 2010 and to \$5.7 in 2011 and 2012.
- e) What is the current year-to-date expense in 2010 associated with other financing-related costs?

**Response**

- a) Please see Attachment 1. The schedules on pages 4, 5 and 6 have been updated to reflect the response to part (b) of the previous interrogatory that updated Table 4 (see Exhibit I, Tab 6, Schedule 4). No additional actual debt was issued in 2010.
- b) Treasury OM&A costs were lower in 2009 over 2008 levels due to hiring lags related to staff turnover. OM&A levels for 2010 to 2012 are higher than 2008 levels reflecting an expected increase in staff level to support the growing borrowing program.
- c) The June year-to-date expense in 2010 associated with Treasury OM&A is \$0.6 million.
- d) Other financing-related costs increase in 2010, 2011, 2012 due to an increase in fees related to standby credit facility used for liquidity purposes to backstop the long term borrowing program. The fees related to the credit facility increased as a result of an increase in bank stand-by fees and an increase in the size of the facility. Hydro One increased the amount of liquidity from \$1.0 billion to \$1.5 billion as a result of increased annual borrowing requirements. The stand-by fee paid for the new facility

Filed: August 16, 2010

EB-2010-0002

Exhibit I

Tab 6

Schedule 33

Page 2 of 2

- 1           is about 10 times the amount paid on the expiring facility, as a result of increased  
2           costs in the bank lending market.  
3  
4    e)   The June year-to-date expense in 2010 associated with other financing related costs is  
5           \$1.5 million.

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Cost of Long-Term Debt Capital  
Bridge Year (2010)  
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/09 (\$Millions)	at 12/31/10 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	3-Jun-00	7.150%	3-Jun-10	278.4	3.6	274.8	98.70	7.34%	278.4	0.0	128.5	9.4	
2	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
3	22-Jun-01	6.400%	1-Dec-11	174.0	(0.5)	174.5	100.28	6.36%	174.0	174.0	174.0	11.1	
4	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
5	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	87.0	87.0	5.1	
6	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
7	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	189.0	189.0	10.8	
8	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
9	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
10	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
11	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
12	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
13	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
14	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
15	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
16	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
17	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
18	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
19	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8	
20	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
21	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
22	19-Nov-08	3.890%	19-Nov-10	60.0	0.1	59.9	99.78	4.01%	60.0	0.0	50.8	2.0	
23	13-Jan-09	3.890%	19-Nov-10	65.0	(0.4)	65.4	100.67	3.51%	65.0	0.0	55.0	1.9	
24	14-Jan-09	5.000%	12-Nov-13	130.0	(3.7)	133.7	102.87	4.33%	130.0	130.0	130.0	5.6	
25	3-Mar-09	6.030%	3-Mar-39	195.0	1.1	193.9	99.43	6.07%	195.0	195.0	195.0	11.8	
26	16-Jul-09	5.490%	16-Jul-40	210.0	1.3	208.7	99.37	5.53%	210.0	210.0	210.0	11.6	
27	19-Nov-09	3.130%	19-Nov-14	175.0	0.6	174.4	99.64	3.21%	175.0	175.0	175.0	5.6	
28	15-Mar-10	5.490%	16-Jul-40	120.0	(0.7)	120.7	100.59	5.45%	0.0	120.0	92.3	5.0	
29	15-Mar-10	4.400%	1-Jun-20	180.0	0.8	179.2	99.56	4.45%	0.0	180.0	138.5	6.2	
30	15-Jun-10	4.590%	15-Jun-20	100.0	0.5	99.5	99.50	4.65%	0.0	100.0	53.8	2.5	
31	15-Sep-10	3.500%	15-Sep-15	100.0	0.5	99.5	99.50	3.61%	0.0	100.0	30.8	1.1	
32	<b>Subtotal</b>								4031.5	4128.0	4177.7	231.3	
33	Treasury OM&A costs											2.0	
34	Other financing-related fees											5.0	
35	<b>Total</b>								<u>4031.5</u>	<u>4128.0</u>	<u>4177.7</u>	<u>238.2</u>	<u>5.70%</u>

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Cost of Long-Term Debt Capital  
Test Year (2011)  
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal (Dollars)		at 12/31/10 (\$Millions)	at 12/31/11 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
2	22-Jun-01	6.400%	1-Dec-11	174.0	(0.5)	174.5	100.28	6.36%	174.0	0.0	160.6	10.2	
3	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
4	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	87.0	87.0	5.1	
5	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
6	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	189.0	189.0	10.8	
7	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
8	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
9	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
10	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
11	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
12	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
13	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
14	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
15	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
16	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
17	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
18	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8	
19	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
20	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
21	14-Jan-09	5.000%	12-Nov-13	130.0	(3.7)	133.7	102.87	4.33%	130.0	130.0	130.0	5.6	
22	3-Mar-09	6.030%	3-Mar-39	195.0	1.1	193.9	99.43	6.07%	195.0	195.0	195.0	11.8	
23	16-Jul-09	5.490%	16-Jul-40	210.0	1.3	208.7	99.37	5.53%	210.0	210.0	210.0	11.6	
24	19-Nov-09	3.130%	19-Nov-14	175.0	0.6	174.4	99.64	3.21%	175.0	175.0	175.0	5.6	
25	15-Mar-10	5.490%	16-Jul-40	120.0	(0.7)	120.7	100.59	5.45%	120.0	120.0	120.0	6.5	
26	15-Mar-10	4.400%	1-Jun-20	180.0	0.8	179.2	99.56	4.45%	180.0	180.0	180.0	8.0	
27	15-Jun-10	4.590%	15-Jun-20	100.0	0.5	99.5	99.50	4.65%	100.0	100.0	100.0	4.7	
28	15-Sep-10	3.500%	15-Sep-15	100.0	0.5	99.5	99.50	3.61%	100.0	100.0	100.0	3.6	
29	15-Mar-11	5.940%	15-Mar-41	300.0	1.5	298.5	99.50	5.98%	0.0	300.0	230.8	13.8	
30	15-Jun-11	5.090%	15-Jun-21	300.0	1.5	298.5	99.50	5.15%	0.0	300.0	161.5	8.3	
31	15-Sep-11	4.000%	15-Sep-16	300.0	1.5	298.5	99.50	4.11%	0.0	300.0	92.3	3.8	
32	<b>Subtotal</b>								4128.0	4854.1	4599.3	250.9	
33	Treasury OM&A costs											2.1	
34	Other financing-related fees											5.7	
35	<b>Total</b>								<u>4128.0</u>	<u>4854.1</u>	<u>4599.3</u>	<u>258.6</u>	<u>5.62%</u>

HYDRO ONE NETWORKS INC.  
TRANSMISSION  
Cost of Long-Term Debt Capital  
Test Year (2012)  
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/11 (\$Millions)	at 12/31/12 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
2	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
3	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	0.0	73.6	4.3	
4	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
5	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	0.0	159.9	9.1	
6	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
7	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
8	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
9	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
10	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
11	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
12	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
13	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
14	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
15	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
16	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
17	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8	
18	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
19	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
20	14-Jan-09	5.000%	12-Nov-13	130.0	(3.7)	133.7	102.87	4.33%	130.0	130.0	130.0	5.6	
21	3-Mar-09	6.030%	3-Mar-39	195.0	1.1	193.9	99.43	6.07%	195.0	195.0	195.0	11.8	
22	16-Jul-09	5.490%	16-Jul-40	210.0	1.3	208.7	99.37	5.53%	210.0	210.0	210.0	11.6	
23	19-Nov-09	3.130%	19-Nov-14	175.0	0.6	174.4	99.64	3.21%	175.0	175.0	175.0	5.6	
24	15-Mar-10	5.490%	16-Jul-40	120.0	(0.7)	120.7	100.59	5.45%	120.0	120.0	120.0	6.5	
25	15-Mar-10	4.400%	1-Jun-20	180.0	0.8	179.2	99.56	4.45%	180.0	180.0	180.0	8.0	
26	15-Jun-10	4.590%	15-Jun-20	100.0	0.5	99.5	99.50	4.65%	100.0	100.0	100.0	4.7	
27	15-Sep-10	3.500%	15-Sep-15	100.0	0.5	99.5	99.50	3.61%	100.0	100.0	100.0	3.6	
28	15-Mar-11	5.940%	15-Mar-41	300.0	1.5	298.5	99.50	5.98%	300.0	300.0	300.0	17.9	
29	15-Jun-11	5.090%	15-Jun-21	300.0	1.5	298.5	99.50	5.15%	300.0	300.0	300.0	15.5	
30	15-Sep-11	4.000%	15-Sep-16	300.0	1.5	298.5	99.50	4.11%	300.0	300.0	300.0	12.3	
31	15-Mar-12	6.640%	15-Mar-42	225.0	1.1	223.9	99.50	6.68%	0.0	225.0	173.1	11.6	
32	15-Jun-12	5.790%	15-Jun-22	225.0	1.1	223.9	99.50	5.86%	0.0	225.0	121.2	7.1	
33	15-Sep-12	4.700%	15-Sep-17	225.0	1.1	223.9	99.50	4.81%	0.0	225.0	69.2	3.3	
34	<b>Subtotal</b>								4854.1	5253.2	5175.1	280.1	
35	Treasury OM&A costs											2.1	
36	Other financing-related fees											5.7	
37	<b>Total</b>								4854.1	5253.2	5175.1	287.9	5.56%

**Building Owners and Managers Association (BOMA) INTERROGATORY #34 List 1**

**Interrogatory**

**6.1 Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?**

Ref: Exhibit F1, Tab 1, Schedule 1, Table 2

- a) Please provide a list of all other regulatory asset accounts, along with a brief description, other than those shown in Table 2.
- b) If any of the regulatory asset accounts identified in (a) above have a debit or credit balance at the end of 2009 or are forecast to have a debit or credit balance at the end of 2010, please provide the balance and explain why Hydro One is not requesting clearance of these balances in 2011 or 2012.

**Response**

- a) This table lists all other regulatory accounts and a brief description:

<b>Tx Market Ready Recovery Account</b>	Transmission Rate Hearing Decision of August 16, 2007 (EB-2006-0501) allowed Hydro One to recover \$16.4M in Transmission Market Ready costs over a 4 year period (January 1, 2007 to December 31, 2010).
<b>Tx Environmental Costs Account</b>	The balances represent the net present value of estimated future cash flows expected to be required to discharge financial obligations associated with PCB management and the remediation of contaminated lands. These past service obligations are being amortized over the term of the remediation program (to 2025), as expenditures are incurred. As a result of the Environment Canada, September 17, 2008 publication of the final PCB legislation, an adjustment was booked in November 2008 (for September 2008) to recognize the amount required to fulfill Hydro One's obligation under the finalized legislation.
<b>Tx OEB Costs</b>	Transmission Rate Hearing Decision of August 16, 2007 (EB-2006-0501) approved the establishment of an OEB Cost Assessment variance account as agreed to in the Settlement Proposal (filed April 3, 2007, page 18) and in the Settlement Decision (April 18, 2007). The principal is adjusted on a quarterly basis once the quarterly OEB Invoice for Tx is paid. Per the OEB Decision of May 28, 2009 (EB-2008-0272) the approved amount is being drawdown over an 18 month period (July 2009 - Dec 2010).
<b>Tx IFRS Costs Account</b>	Account was created in December 2009 to track difference between actual IFRS costs incurred and amount approved in 2009 Transmission 2009 rates per the OEB APH FAQ dated October 2009.
<b>Tx Tax Changes Recovery Account</b>	The account captured the tax impact from a legislative or regulatory change to the tax rates or rules. Per the OEB Decision of May 28, 2009 (EB-2008-0272) the approved amount is being drawdown over an 18 month period (July 2009 – December 2010).
<b>Tx Export Service Credit Recovery Account</b>	The Tx Rate Hearing Decision of August 16, 2007 (EB-2006-0501) required Hydro One to drawdown the December 2006 balance in the Transmission Export Service Credit account (per the evidence) of \$48,759,171 over 4 years, monthly drawdown will be volumetric therefore requiring a true up at the end of the term, December 31, 2010 (approx monthly drawdown required is \$1M).



b) This table lists the above accounts and the balances as at December 31, 2009, along with a brief explanation as to why Hydro One is not requesting clearance of these balances in 2011 or 2012:

<b>Account Name</b>	<b>Balance as at Dec 31, 2009 (M\$)</b>	<b>Explanation</b>
Tx Market Ready Recovery Account	\$5.0	Recovery of OEB approved amounts over a 48 month period, Jan 1, 2007 to Dec 31, 2010
Tx Environmental Costs Account	\$151.0	Account is amortized to Dec 31, 2020.
Tx OEB Costs	(\$2.8)	Recovery of OEB approved amounts over an 18 month period, July 2009 to Dec 2010 with quarterly principal changes.
Tx IFRS Costs Account	\$0.0	Balance as at December 31, 2009 is \$19k, rounded \$0.0 million.
Tx Tax Changes Recovery Account	(\$9.1)	Recovery of OEB approved amounts over an 18 month period, July 2009 to Dec 2010 with quarterly principal changes.
Tx Export Service Credit Recovery Account	(\$15.3)	Recovery of OEB approved amounts over a 48 month period, Jan 1, 2007 to Dec 31, 2010

**Building Owners and Managers Association (BOMA) INTERROGATORY #35 List 1**

**Interrogatory**

**8.1 Is it appropriate to implement "AMPCO's High 5 Proposal" in place of the status quo charge determinants for Network Service?**

Ref: Exhibit H1, Tab 3, Schedule 1

- a) Is Hydro One able to split the Network revenue requirement into pools by region, taking into account the intra and inter region nature of its various capital expenditures?
- b) Is Hydro One able to split the Network charge determinants into the various regions?

**Response**

- a) No, Hydro One cannot split the Network revenue requirement into pools by region. As stated in Exhibit G1, Tab 2, Schedule 1, page 3, Network assets are defined as transmission facilities that are used for the benefit of all customers in the province and are comprised of transmission facilities that provide the link between generation and major load centers across Ontario. These facilities provide reliability of the integrated transmission system and enhance overall electricity market efficiency, and are not associated with the services provided in any specific region.
- b) No, for the reasons noted above, and the fact that there are no regions defined for the purpose of allocating Network costs and charge determinants.

**Building Owners and Managers Association (BOMA) INTERROGATORY #36 List 1**

**Interrogatory**

**8.1 Is it appropriate to implement "AMPCO's High 5 Proposal" in place of the status quo charge determinants for Network Service?**

Ref: Exhibit H1, Tab 3, Schedule 1, Table 2

- a) Please provide the dates of the 5 highest peak days used in Table 2 and provide the MW for each of those days.
- b) Please provide the MW for each of the next 5 coincident peak days in 2009.
- c) Please provide the MW for the coincident peak demand on the highest day in each month of 2009.
- d) Please provide a breakdown of the network charge determinants shown in Table 2 between LDCs, Directs and Power Producers.
- e) Please provide a breakdown of the response provided to part (b) above between LDCs, Directs and Power Producers.
- f) Please provide a breakdown of the response provided in part (c) above between LDCs, Directs and Power Producers.

**Response**

- a) Subsequent to the filing of its pre-filed evidence Hydro One has determined that the information provided in Table 2 was not based on the correct 5 highest peak days. The information requested for the 5 highest peak days, and the Revised Table 2 information is provided below:

**2009 Highest Peak Days and Demand**

Rank	Date	Hour	Ontario Demand
1	17-Aug	14	24,380 MW
2	18-Aug	16	23,196 MW
3	15-Jan	19	22,983 MW
4	14-Jan	19	22,861 MW
5	16-Jan	19	22,601 MW

1                                    **Revised Table 2 from Exhibit H1, Tab 3, Schedule 1**  
2                                    **Network Charge Determinants Based on AMPCO's "High 5 Proposal"**

		<b>2011*</b>	<b>2012**</b>
Sum of Coincident Peak Demand on 5 highest peak days for all Transmission Customers (MW)	A	108,549	To be determined
All Customers' Average Coincident Peak Demand (MW)	A/5	21,710	To be determined

3        \* 2011 values based on actual 2009 demand for illustrative purposes. In practice, 2010 data would be used.  
4        \*\* 2012 values will be based on actual 2011 demand

5  
6        The corrections noted above also impact the data shown in Tables 14 and 15 of the Power  
7        Advisory on AMPCO's High 5 Proposal. The corrected versions of Tables 14 and 15 are  
8        provided by Power Advisory below:  
9

**Table 14: Impact of Transmission Cost Shifting From Change to High 5 Methodology  
2011 Revenue Requirements (\$ in Millions)  
(Corrected)**

	Current Methodology			High 5 Methodology			Impact
	Determinants (kW)	Proportionate Responsibility	Cost Responsibility	Determinants (kW)	Proportionate Responsibility	Cost Responsibility	
LDCs	221,592,973	90.9%	\$763.6	101,592,082	93.6%	\$785.9	\$22.3
Directs	19,138,492	7.9%	66.0	6,688,037	6.2%	51.7	-14.2
Power Producers	<u>2,935,229</u>	<u>1.2%</u>	<u>10.1</u>	<u>269,079</u>	<u>0.2%</u>	<u>2.1</u>	<u>-8.0</u>
Total	243,666,694	100.0%	\$839.7	108,549,198	100.0%	\$839.7	\$0.0

**Table 15: Transmission Cost Shifting From Change in Methodology and Load Shifting  
2011 Revenue Requirements (\$ in Millions)  
(Corrected)**

	Current Methodology			High 5 Methodology			Impact
	Determinants (kW)	Proportionate Responsibility	Cost Responsibility	Determinants (kW)	Proportionate Responsibility	Cost Responsibility	
LDCs	221,592,973	90.9%	\$763.6	101,592,082	94.0%	\$789.0	\$25.4
Directs	19,138,492	7.9%	66.0	6,258,037	5.8%	48.6	-17.4
Power Producers	<u>2,935,229</u>	<u>1.2%</u>	<u>10.1</u>	<u>269,079</u>	<u>0.2%</u>	<u>2.1</u>	<u>-8.0</u>
Total	243,666,694	100.0%	\$839.7	108,119,198	100.0%	\$839.7	\$0.0

Hydro One 2011 Network Revenue Requirements \$839.7

Reduction in Direct Determinants due to Load Shifting:

Central (MW)	86
Central (kW)	86,000
Times 5 for 5 High Peaks	430,000
Revised Direct Determinants	6,258,037

- b) The table below presents Hydro One Transmission customers' coincident peak demand for each of the next 5 coincident peak days in 2009.

Date	Hour	Sum of Coincident Peak Demand for all Hydro One Transmission Customers (MW)
20-Jan-09	19	20,858
26-Jan-09	19	20,926
24-Jun-09	16	21,026
10-Aug-09	15	20,773
20-Aug-09	15	20,830

- c) The following table shows Hydro One Transmission customers' coincident peak demand on the highest day in each month of 2009.

<b>Month</b>	<b>Day</b>	<b>Sum of Coincident Peak for all Hydro One Transmission Customers (MW)</b>
1	15	21,611
2	4	20,788
3	2	20,185
4	7	17,585
5	21	16,280
6	24	21,026
7	28	18,762
8	17	22,655
9	8	18,441
10	15	17,207
11	30	18,436
12	17	20,314

d) A breakdown of the Charge determinant shown in Table 2 by Customer type is provided below:

<b>Customer Type</b>	<b>Sum of 5 highest peaks (in MW) for Hydro One Transmission Customers in 2009</b>
LDCs	101,592
Directs	6,688
Power Producers	269
Total	108,549

e) The following table is a breakdown of the response provided to part (b)

<b>Date</b>	<b>Hour</b>	<b>LDCs (MW)</b>	<b>Directs (MW)</b>	<b>Power Producer (MW)</b>	<b>Total (MW)</b>
20-Jan-09	19	19,310	1,478	70	20,858
26-Jan-09	19	19,494	1,347	85	20,926
24-Jun-09	16	19,913	1,082	30	21,026
10-Aug-09	15	19,472	1,254	46	20,773
20-Aug-09	15	19,447	1,338	45	20,830

1 f) The following table is a breakdown of the response provided to part (c).  
2

Month	Day	LDCs (MW)	Directs (MW)	Power Producer (MW)	Total (MW)
1	15	20,142	1,399	70	21,611
2	4	19,475	1,220	93	20,788
3	2	18,912	1,236	37	20,185
4	7	16,208	1,316	62	17,585
5	21	15,068	1,173	39	16,280
6	24	19,913	1,082	30	21,026
7	28	17,703	1,018	41	18,762
8	17	21,443	1,190	22	22,655
9	8	17,130	1,208	103	18,441
10	15	15,962	1,166	78	17,207
11	30	17,263	1,122	51	18,436
12	17	19,115	1,162	36	20,314

3

**Building Owners and Managers Association (BOMA) INTERROGATORY #37 List 1**

**Interrogatory**

**8.1 Is it appropriate to implement "AMPCO's High 5 Proposal" in place of the status quo charge determinants for Network Service?**

Ref: Exhibit H1, Tab 3, Schedule 1

a) Please fill in the following table based on actual Network revenue billed for 2009. For the High 5 Methodology, please use the formula shown on page 5 under the assumption that the revenue requirement is equal to the actual Network revenue billed for 2009.

Customer Group	2009 Actual	High Five Proposal	Variance
LDCs			
Directs			
Power Producers			
Total			0

b) Again assuming that the revenue requirement is equal to the actual Network revenue billed for 2009, please complete the following table for the network revenue.

Customer	2009 Actual	High Five Proposal	Variance
Toronto Hydro			
London Hydro			

c) Based on Hydro One's forecasted network revenue requirement as filed and the network charge determinants shown in Table 1, please show the revenues that would be recovered from each of the three customer groups (LDCs, Directs, Power Producers).

d) Based on Hydro One's forecasted network revenue requirement as filed and the network charge determinants shown in Table 2 and the formula shown on page 5, please show the revenues that would be recovered from each of the three customer groups (LDCs, Directs, Power Producers).

e) Is there more or less network revenue variability under the High Five methodology than under the current methodology? Please explain.

f) If the High Five Methodology fixes the current network related costs to each existing customer, does the addition of any new customer to the transmission system result in additional revenue to Hydro One over and above the network's revenue requirement? Please explain.



g) If the High Five Methodology fixed the current network related costs to each existing customer, does this imply that the only benefit to the customer of reducing their current peak is that it might reduce their allocation of the network pool costs in the following year, assuming they reduce their peak in the five hours that will be used to allocate those costs for the following year?

h) How does Hydro One design its transmission system to meet the coincident peak demand? In particular does Hydro One make any assumptions about the demand from the direct customers at the time of a coincident peak or a potential coincident peak? If so, what?

**Response**

a) The 2009 UTR for Network Service (\$2.66/kw) and customer actual billing demand have been used to calculate the actual annual Network revenue (\$648,153,406) billed for Hydro One Transmission customers for the year 2009.

Customer Group	2009 Actual	High Five Proposal	Variance
LDCs	\$ 589,437,308	\$ 606,612,073	\$ 17,174,764
Directs	\$ 50,908,389	\$ 39,934,648	\$ (10,973,741)
Power Producers	\$ 7,807,709	\$ 1,606,686	\$ (6,201,023)
Total	\$ 648,153,406	\$ 648,153,406	0

b) Pursuant to the terms of its Transmission Licence Hydro One Transmission is not permitted to release this type of customer specific information.

c) Based on Hydro One's Network revenue requirement (Exhibit G1, Tab 1, Schedule 1, Table 1) and Network Charge Determinants (Exhibit H1, Tab 3, Schedule 1, Table 1), the following table shows the revenues that would be recovered from each of the three customer group.

Customer Group	2011 Revenue Requirement (\$ Millions)	2012 Revenue Requirement (\$ Millions)
LDCs	\$ 769.6	\$ 855.8
Directs	\$ 64.1	\$ 70.6
Power Producers	\$ 6.1	\$ 6.7
Total	\$ 839.7	\$ 933.0

- d) Based on Hydro One's Network revenue requirement (Exhibit G1, Tab 1, Schedule 1, Table 1) and Network Charge Determinants (Exhibit H1, Tab 3, Schedule 1, Table 2) and the formula shown on page 5 of Exhibit H1, Tab 3, Schedule 1, the following table shows the revenues that would be recovered from each of the three customer groups.

<b>Customer Group</b>	<b>2011 Revenue Requirement (\$ Millions)</b>	<b>2012 Revenue Requirement (\$ Millions)</b>
LDCs	\$ 785.9	To be determined
Directs	\$ 51.7	To be determined
Power Producers	\$ 2.1	To be determined
Total	\$ 839.7	\$ 933.0

- e) Please see Exhibit I, Tab 1, Schedule 94.
- f) Subject to final implementation details, yes, Hydro One Transmission would expect to collect Network revenues from a new transmission customer which could result in revenues above its network revenue requirement. Hydro One Transmission would also expect to collect revenues below its network revenue requirement in cases where existing transmission customers were to go out of business. This situation is no different than under the current circumstances.
- g) Yes.
- h) At a system level, Hydro One assesses the adequacy of the transmission system based on the system coincident peak demand and ensures the system meets all NERC, NPCC and IESO planning standards and criteria. Hydro One makes use of historical data and load forecast data provided by LDC's and other direct customers. This data is typically adjusted to assemble a model of the system load and their relative distribution that is reflective of a coincident peak condition. In performing transmission adequacy assessments at a region or local area levels, the load data is adjusted to reflect the regional or local area peak condition. In designing specific supply facilities to a direct customer, Hydro One will use the load forecast data provided directly by the customer in order to size the required facilities and meet the customer's needs.

**Building Owners and Managers Association (BOMA) INTERROGATORY #38 List 1**

**Interrogatory**

**9.2 Are Hydro One's accelerated cost recovery proposals for the Bruce-to-Milton line and for Green Energy projects appropriate?**

Ref: Exhibit A, Tab 11, Schedule 5

a) Please provide the value of the AFUDC included in the \$393.6 million as of December 31, 2010.

b) Please provide an estimate of AFUDC for 2011 assuming the accelerated cost recovery of CWIP is denied and the assets go into service in 2012.

c) Please provide the total net present value cost under each of the approaches considered. That is, the accelerated cost recovery of CWIP as proposed by Hydro One and the standard approach of capitalizing AFUDC and including the amount in rate base when the assets are put into service. Please use the 2012 capital structure, returns and tax rate for subsequent years in the analysis and provide all assumptions and calculations used.

d) Based on the deemed capital structure and cost of capital figures shown in Table 2, and assuming the same figures as 2012 for years beyond 2012, what is the total revenue requirement (undiscounted) to be recovered from ratepayers over the life of the project under each of the two scenarios below:

i) expenditures, including AFUDC added to rate base in 2012

ii) accelerated cost recovery as proposed by Hydro One.

Please show all calculations, or provide a live Excel spreadsheet that contains all the calculations.

e) Please explain why Hydro One believes it is appropriate to earn a return on equity on CWIP.

f) What would be the impact on the revenue requirement if Hydro One were allowed to earn only a return based on the cost of long-term and short-term debt?

g) What would be the impact on the revenue requirement if Hydro One were allowed to recover only the forecasted AFUDC?

**Response**

- a) The amount of AFUDC included in the YE 2010 CWIP balance of \$393.6M is \$24.8M. This represents the amount incurred (actual plus projected) for AFUDC up to YE 2010.
- b) The forecast amount of 2011 AFUDC if the “CWIP in ratebase” approach is denied is \$26.4M.
- c) Please see Exhibit I, Tab 1, Schedule 122.
- d) Please see Exhibit I, Tab 1, Schedule 122.
- e) Please see Exhibit I, Tab 4, Schedule 74, Part c).
- f) The impact in 2011 and 2012 on the test year revenue requirement if the return on CWIP was set at the long- and short-term cost of debt would be a reduction of \$16.8M in 2011 and \$9.9M in 2012, compared with CWIP in ratebase, as set out in the table below.

<b>(\$ millions)</b>	<b>2011</b>	<b>2012</b>
Revenue Requirement with CWIP in Rate Base using debt + equity return – per Table 2, Exhibit A, Tab 11, Scheduel 5	43.6	26
Revenue Requirement with CWIP in Rate Base using debt-only return	26.8	16.1
Difference	16.8	9.9

- g) Hydro One assumes that the question means that instead of the blended debt and equity rate being used for CWIP in ratebase, the 2011 and 2012 AFUDC rates are used. Please see Exhibit I, Tab 4, Schedule 74, Part a).