

1 **UNDERTAKING**

2
3 **Undertaking**

4
5 TO PROVIDE CORRECTION TO I-4-29.

6
7 **Response**

8
9 Please see attached an updated version of I-4-29.

10
11 The correction to the OM&A Table has been made as per the Undertaking. Upon a
12 further review, a minor correction has been made to the Capital Table for the 2012
13 Sustaining category to reflect an omission of the \$10.0M minimum level for
14 Transmission Lines Re-Investment.

15
16 Please note, the minimum levels are established at the beginning of the business planning
17 process and are not reset.

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #29 List 1**

2
3 **Interrogatory**

4
5 **Issues:** 3.1 and 4.2

6
7 **References:** i) EB-2008-0272, Exhibit J2.7
8 ii) Exhibit A, Tab 12, Schedule 5, pages 4-8

- 9
10 a) Please provide an updated version of Exhibit J2.7 that sets out the minimum and
11 proposed OM&A and Capital Spending for 2011 and 2012 as established by Hydro
12 One Networks' Investment Prioritization Process.

13
14
15 **Response**

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17 a) By definition, the Business Plan represents the minimum aggregate set of investments
18 as determined through the investment planning process outlined in Exhibit A, Tab 12,
19 Schedule 5.

20
21 The investment planning process requires a number of alternatives for each category
22 of investment and the lowest expenditure level is referred to as the Minimum and
23 upper levels are generally a level 2 or 3. In most cases, with the exception of demand
24 work, the level of investment that mitigates risks to an acceptable degree is between
25 the minimum and upper level. The plan in this submission has gone through the
26 prioritization process and represents the levels of investment to manage risks at
27 acceptable levels over the test years.

28
29 Hydro One applies the risk based prioritization process to establish a uniform view of
30 investments, recognizing that the investments differ in many ways, e.g., protection
31 and controls as compared to vegetation management. In order to arrive at this
32 common understanding of risk, the process requires a number of alternatives for each
33 investment category to derive the appropriate level of investment. The minimum in
34 most cases is used to facilitate the process, or provide a lower bound in order to zero
35 in on the acceptable level from a perspective of risk mitigation. In most cases the
36 process requires the selection of an extreme lower bound that would plan for a
37 medium likelihood of severe occurrences, such as just recently occurred at Manby
38 TS, refer to Exhibit I, Tab 1, Schedule 12. Hydro One would never plan for such
39 events, but that could be the consequence of selecting a minimum level without a
40 detailed understanding of the prioritization process and the possible outcome.
41 Furthermore, if one were to reduce a number of investments to the minimum level,
42 the likelihood of a severe event would increase.

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EB-2010-0002

Exhibit I

Tab 4

Schedule 29

Page 2 of 3

1 As well, the minimum levels do not provide for long term sustainability of the assets. For
 2 example, in a number of cases reliability would drift lower and at some point in the
 3 future, investments would need to increase to renew the condition and performance of
 4 these assets.

5
 6 Considering these aspects, using the minimum as a point of reference is discouraged,
 7 as it truly does not represent a plan that is in the best interest of the rate payers and
 8 the province.
 9

**HYDRO ONE NETWORKS INC.
 TRANSMISSION OM&A 2011/2012 PLAN**

	2011			2012		
	Filed	Minimum Level	Variance	Filed	Minimum Level	Variance
Sustaining						
Stations						
Land Assessment and Remediation	1.1	0.9	0.2	1.1	0.9	0.2
Environmental Management	14.0	10.5	3.5	15.4	11.4	4.0
Power Equipment	67.4	62.3	5.1	67.7	65.9	1.9
Protection, Control, Monitoring, Metering and Telecommunications	44.5	43.6	0.9	46.6	45.0	1.6
Ancillary Systems Maintenance	15.8	16.1	-0.3	16.6	17.7	-1.1
Infrastructure Maintenance	27.9	23.9	4.0	28.7	24.9	3.9
Total Stations	170.7	157.4	13.3	176.3	165.8	10.5
Lines						
Vegetation Management	27.5	24.8	2.7	28.3	25.4	3.0
Overhead Lines Programs	20.2	18.0	2.2	23.0	16.3	6.8
Underground Cable Program	3.8	2.7	1.1	4.0	2.8	1.2
Total Lines	51.4	45.5	5.9	55.4	44.4	11.0
Engineering and Environmental Support	11.0	9.2	1.8	11.8	9.7	2.1
Total Sustaining	233.0	212.0	21.0	243.5	220.0	23.6
Development						
Research and Development	6.4	6.3	0.1	6.6	6.5	0.1
Standards Development	7.8	3.9	3.9	8.3	4.2	4.1
IPSP Development Projects	35.7	33.7	2.0	46.7	41.6	5.1
Smart Grid	4.0	4.0	0.0	4.0	4.0	0.0
Total Development	53.9	47.9	5.9	65.7	56.4	9.3
Operations						
Operation	38.0	38.0	0.0	38.3	38.3	0.0
Operations Support	24.8	21.2	3.6	25.9	22.2	3.8
Environmental, Health & Safety	3.5	2.8	0.7	4.0	3.3	0.7
Total Operations	66.3	62.1	4.2	68.2	63.7	4.5
TOTAL Sustaining, Development & Operations	353.2	322.0	31.1	377.4	340.0	37.4
Shared Services and Other Costs						
Asset Management costs	34.6	34.6	0.0	34.9	34.9	0.0
Common Corporate Functions & Services costs	100.8	100.8	0.0	98.3	98.3	0.0
Customer care	1.1	1.1	0.0	0.6	0.6	0.0
Information Technology	58.2	52.8	5.4	58.8	54.2	4.7
Cost of Sales	14.9	14.9	0.0	8.5	8.5	0.0
Cornerstone	-12.5	-12.5	0.0	-21.4	-21.4	0.0
Other	-184.6	-182.6	-2.0	-179.4	-174.3	-5.1
Total Shared Services and Other Costs	12.4	9.0	3.4	0.4	0.8	-0.4
Property Taxes & Rights Payments	70.8	70.8	0.0	72.2	72.2	0.0
TOTAL Transmission OM&A	436.3	401.8	34.5	450.0	413.0	37.0

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**HYDRO ONE NETWORKS INC.
 TRANSMISSION CAPITAL 2011/2012 PLAN**

	2011			2012		
	Filed	Minimum Level	Variance	Filed	Minimum Level	Variance
Sustaining						
Stations						
Circuit Breakers	23.6	20.3	3.3	24.9	25.3	-0.4
Station Facility Re-investment	84.0	70.0	14.0	84.7	83.2	1.4
Power Transformers	63.5	54.8	8.7	65.7	63.2	2.4
Other Power Equipment	19.6	11.8	7.8	21.2	12.2	9.0
Protection, Control, Monitoring and Telecommunications	93.8	88.4	5.3	107.5	99.8	7.7
Ancillary Systems	18.0	13.1	4.9	18.1	13.3	4.9
Transmission Site Facilities and Infrastructure	26.5	10.6	15.9	26.4	11.3	15.1
Stations Environment	8.4	4.2	4.2	8.5	4.3	4.3
Total Stations	337.3	273.1	64.1	356.9	312.6	44.4
Lines						
Overhead Lines Refurbishment and Component Replacement	55.6	43.7	11.9	57.6	44.0	13.6
Transmission Lines Re-Investment	8.9	10.5	-1.6	7.3	10.0	-2.7
Underground Lines Cable Refurbishment and Replacement	22.2	12.5	9.7	21.6	13.1	8.5
Total Lines	86.7	66.6	20.1	86.5	67.1	19.3
Total Sustaining	424.0	339.8	84.2	443.4	379.7	63.7
Development						
Inter Area Network Transfer Capability	307.9	349.8	-41.9	139.3	317.4	-178.1
Local Area Supply Adequacy	150.5	145.7	4.8	101.4	94.7	6.7
Load Customer Connection	81.8	89.9	-8.1	84.7	81.8	2.9
P&C Enablement for Generation Connections	11.4	23.5	-12.1	36.0	37.4	-1.4
TS Upgrades to Facilitate Distribution Generation	33.8	69.0	-35.2	81.4	114.0	-32.6
Performance Enhancement and Risk Mitigation	24.0	21.8	2.2	7.2	6.2	1.0
Smart Grid	7.8	1.5	6.3	6.8	1.2	5.6
Total Development	617.2	701.4	-84.2	456.8	652.7	-195.9
Operating						
Grid Operating and Control Facilities	22.6	12.9	9.7	18.5	12.3	6.2
Integrating Operating Infrastructure	21.7	24.1	-2.4	38.9	25.7	13.2
Total Operating	44.3	36.9	7.4	57.4	38.0	19.4
TOTAL Sustaining, Development & Operations	1085.5	1078.2	7.3	957.6	1070.4	-112.8
Shared Services and Other Costs						
Transport, Work & Service Equipment	21.6	20.4	1.1	17.0	15.8	1.2
Information Technology	17.2	10.3	6.9	13.3	9.0	4.4
Cornerstone	3.7	2.3	1.4	1.3	0.5	0.8
Facilities and Real Estate	23.9	22.3	1.6	19.1	5.2	13.9
Conservation and Demand Management	0.0	0.0	0.0	0.0	0.0	0.0
Total Shared Services and Other Costs	66.4	55.3	11.1	50.7	30.5	20.2
TOTAL Transmission Capital	1151.9	1133.5	18.4	1008.3	1100.9	-92.6

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