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ONTARIO ENERGY BOARD

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VOLUME: 2 **REDACTED - PUBLIC**

DATE: February 24, 2009

BEFORE: Cynthia Chaplin **Presiding Member**

Paul Vlahos **Member**

Ken Quesnelle **Member**

THE ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF a review of an application filed by Hydro One Networks Inc. under section 78 of the *Ontario Energy Board Act, 1998*, seeking changes to the uniform provincial transmission rates.

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Tuesday, February 24th, 2009,
commencing at 9:31 a.m.

VOLUME 2

BEFORE:

CYNTHIA CHAPLIN	Presiding Member
PAUL VLAHOS	Member
KEN QUESNELLE	Member

1 Staff just to double through an external link that in fact
2 we are off the air? I know sometimes we have checked
3 through -- and internally it's been off the air, but
4 externally it was not. So, thank you.

5 MR. STEPHENSON: It would sort of defeat the purpose,
6 wouldn't it?

7 MS. CHAPLIN: All right, Mr. Stephenson.

8 CROSS-EXAMINATION BY MR. STEPHENSON (CONTINUED):

9 MR. STEPHENSON: Thank you, Madam Chair.

10 Mr. Rogers, does the panel have Exhibit I-4-2?

11 MR. ROGERS: I hope so.

12 MR. STEPHENSON: It's the executive summary to the
13 business plan.

14 MR. GRAHAM: Yes, I have it at least.

15 MR. STEPHENSON: Okay. Let me ask a couple of
16 questions about this document. The document we're looking
17 at is a -- as I understand it, is the executive summary to
18 the 2009-2011 Hydro One business plan dated August 14,
19 2008. Okay.

20 MR. GRAHAM: As submitted to the board, that's
21 correct.

22 MR. STEPHENSON: As submitted to the board. As I
23 understand it, this would have been approved by the board
24 in the form we see it here?

25 MR. GRAHAM: Yes.

26 MR. STEPHENSON: Okay. I take it you've seen this
27 document before?

28 MR. GRAHAM: I have.

1 MR. STEPHENSON: Okay. And does this document
2 continue to be an accurate reflection of the Hydro One
3 business plan as of today?

4 MR. GRAHAM: Yes, it does.

5 MR. STEPHENSON: Okay. The reason I'm going to ask
6 you about this is I want to come back to the issue of the
7 risk, the reliability risk, on the transmission system for
8 the business planning period.

9 You recall I asked you some questions about that
10 before the lunch break?

11 MR. GRAHAM: I recall.

12 MR. STEPHENSON: Okay. If I can just take you, on
13 page 1 of the document, under the heading "Key Highlights",
14 the third bullet point reads as follows. It says:

15 "As a result of transmission development
16 requirements and limitations on resources, some
17 sustainment work has been deferred, increasing
18 risks to reliability and customer satisfaction in
19 the short and medium term. Addressing this risk
20 will be a key focus of the 10-year transmission
21 plan."

22 Do you see that?

23 MR. GRAHAM: Yes, I do.

24 MR. STEPHENSON: Okay. I'm assuming that when it
25 refers to the short and medium term, it is referring, at a
26 minimum, to the 2009-2011 period; is that fair?

27 MR. GRAHAM: I would assume so, certainly to the test
28 years.

1 MR. STEPHENSON: Okay. And so what I asked you
2 before, was the plan of work in the sustainment area that
3 you were proposing, assuming it was approved as proposed
4 and assuming it was in fact executed, whether that would
5 result in an increase or a decrease to the level of
6 reliability risk on the system, this document appears to
7 indicate the answer to that question is that there will be
8 an increase in the reliability risk; fair?

9 MR. GRAHAM: Well, I think, as I tried to respond to
10 your question earlier, there is a relationship between
11 development sustainment work, and this document clearly
12 sets that out in the way that if there's really major
13 priorities driving one area, we may have short term and
14 medium term, as is set out in this document, implications
15 for another area.

16 Our goal continues to be to provide reliable service
17 both in the immediate areas, and certainly towards the long
18 term, to achieve the corporate targets. In the case of
19 this business plan, it is fair to say that the priorities,
20 as we see it, driving development were such that we have to
21 do some short-term deferral of some sustainment work, and
22 that -- I don't know that that will increase
23 unreliability. It does increase the risk, though, to your
24 point.

25 MR. STEPHENSON: Fair enough. If I can, not to flog a
26 dead horse, this issue is revisited on page 4 of the
27 document.

28 Let me just ask you one question before I get there.

1 The prior business plan, am I correct that would be the
2 business plan for the period of 2007-2009?

3 MR. GRAHAM: Well, this actually was -- it's done
4 annually, so there was a business plan for 2008 to 2012, as
5 well.

6 MR. STEPHENSON: Okay. So you see the first -- I am
7 now looking at the last paragraph of the document. The
8 first sentence reads:

9 "System reliability risk has increased from the
10 prior business plan."

11 And so when it refers to the "prior business plan",
12 that is the document you just referred to, I take it, the
13 2000 -- sorry, what years?

14 MR. GRAHAM: Eight to twelve.

15 MR. STEPHENSON: Eight to twelve. So even in the span
16 of one year, they are assuming increased risk; fair?

17 MR. GRAHAM: I think that would be fair for two
18 reasons. As is laid out in this submission, there were
19 certain sustainment pieces of work that didn't get done in
20 2007, which this would have recognized.

21 And, as well, as you say, the sustainment investment
22 may not have been what we would ideally optimally have
23 looked for, having less pressure, if you will, on the
24 development side.

25 MR. STEPHENSON: Okay. And then the second sentence
26 of the final paragraph reads:

27 "Given development requirements and funding and
28 execution constraints, the level of work required