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By electronic filing

October 7, 2010

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

Dear Ms Walli,

Hydro One Networks Inc. ("Hydro One")

2011-2012 Transmission Rate Case

Board File No.: EB-2010-0002

Our File No.: 339583-000057

Please find attached the responses to the questions posed by Hydro One to our expert, Mr. Bruce Sharp.

Yours very truly,

A handwritten signature in black ink, appearing to be 'VJ DeRose', with a long horizontal flourish extending to the right.

Vincent J. DeRose

VJD\slc
enclosure

c. Intervenors EB-2010-0002
Paul Clipsham

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Hydro One Questions on CME Evidence

Commodity

Question 1

Does Mr. Sharp agree that the forecast of future cost increases related to renewable generation requires a forecast of when this generation will come into service, the type of renewable generation that will be granted FIT contracts, and the capacity factors for the various generation types (including estimates of how often and at what times they will operate, and how much they will produce when they are operating) – all of which are not accurately quantifiable at this time, or for the foreseeable future?

Answer 1

There is uncertainty related to these factors, as there is with all forecasts. Concerning the largest factor, the quantity of FIT generation, as noted in the analysis we chose to use the amount of applications reported by the OPA as of April 2010, plus the 2,500 MW from Samsung. Concerning capacity factors, we used values consistent with those assumed by the OPA.

Question 2

How has CME's evidence factored in the broader impact of changing customer load, generation availability and changing supply mix in the province into an estimate of future commodity prices?

Answer 2

We have not projected spot market prices because of our assumptions concerning the interaction between spot prices and the Global Adjustment (as set out in our written report). Concerning customer load, as noted in the analysis, we assumed total consumption will be flat through the analysis period. Concerning generation availability, we used energy projections from OPG, capacity factors from the OPA and other, conservative estimates. Concerning the supply mix, we did not factor this in per se, rather our analysis focused on increases arising from increased costs for existing generation, new generation sources and increased CDM efforts.

Hydro One Questions on CME Evidence

CDM

Question 3

Does Mr. Sharp agree that the development of CDM programs per the requirements of the CDM Code issued by the OEB on June 22, 2010 is still underway and that the costs of those programs are not currently well defined?

Answer 3

Agreed.

Question 4

Given that targets have only been recently established, what confidence can be placed on LDCs achieving those targets?

Answer 4

In our analysis, we made no specific quantitative judgments about the effectiveness of CDM itself. That said, our view is that quickly rising electricity prices will play a role in eliminating or limiting load growth.

Question 5

What assumptions has Mr. Sharp used on the amount of CDM load reduction that will be achieved?

Answer 5

In our analysis, we made no specific quantitative judgments about the effectiveness of CDM.

Hydro One Questions on CME Evidence

Delivery

Question 6

Does Mr. Sharp agree that the impact on distribution system investments required to incorporate renewable distributed generation are currently uncertain, and that it is not appropriate to extrapolate the magnitude of investments planned by Hydro One to all LDCs in Ontario given the large disparity in the number of renewable distributed generators connecting to Hydro One's distribution system versus that of other LDCs in Ontario?

Answer 6

The scale and impact of distribution system investments required to incorporate renewable generation is uncertain. That said, we believe that with respect to the extrapolation of planned Hydro One investments, our assumptions are conservative. These are set out at Table 12 of our analysis (see table T12).

Question 7

What assumptions has Mr. Sharp made with respect to the number and timing of Transmission investments in response to the May 7th letter from the Minister of Energy to the OPA?

Answer 7

Assumptions and sources used are noted in analysis tables T10a, T10b and 10c. All sources used were received by the OEB on May 19, 2010.