

Board Staff Technical Conference Questions

Hydro One Networks Inc.

Fees Related to Distribution Generation

EB-2010-0228

As identified in the Procedural Order No. 2 dated on September 22, 2010, the Board has directed that parties requesting additional information to the interrogatory responses are to submit questions by Friday October 8, 2010. The following are the Board staff requests.

Joint Use – Physicals

Board staff asked in Interrogatory No. 2 questions about the nature of the facilities for transmitting the power from generators. Board staff would like more information in order to have a better understanding of the nature of applications for Joint Use service.

1. Geographically, where are the generator customers (rural, urban, and remote)?
2. Will all the generators be directly adjacent to existing pole lines/rights of ways?
3. If poles exist but are insufficient for the capacity, is Hydro One anticipating reinforcing in some form to carry the additional capacity requested from generators? What are the reinforcing options?
4. If poles do not exist along the proposed transmission line (in whole or in part) from generator what is Hydro One's proposal?
5. What is the range of the capacity from generation that is to be carried by lines (FIT/microFIT/other)?
6. What are the technical constraints for these various capacities (ground clearance, clearance from other plant on the pole, service taps, working safely, structural integrity of the poles, other)?
7. Who will ensure compliance with the DSC for the generator's attachments?
8. Do generation project proponents come to you as they are doing their business case so that your costs are included in their business models?
9. Do any generation projects get underway before Hydro One is approached?

Joint Use – Economics

Hydro One has posited that the joint use service could be an unregulated service. It pointed out that the joint use charge with distributors is unregulated, and was negotiated with the EDA which Board staff considers to be a knowledgeable negotiator.¹ Board staff in Interrogatories No. 1 and No. 3 asked some clarifying questions. Board staff now would like to understand the negotiating paradigm that Hydro One envisions with the generators, some of which may not be knowledgeable negotiators. The following types of questions are to understand the dynamics of negotiations.

10. If joint use charges for generators are not regulated, how would the level of the charge be calculated (cost components such as assets, O&M, overheads; basis of the component costs such as historical, current, forecasted; types of costs such as average, incremental, DCF life cycle; etc)?
11. Would the outcome under the following three scenarios be different between transmitting for generators using; existing poles, reinforcements, and a new line? If so state the differences and explain.
12. What guarantees are there that all generators would be treated equally in setting rates, so that similar situations result in similar rates?
13. What incentives are there for Hydro One to not maximize revenues through setting a rate which is at or just below the avoided costs of constructing a new line?
14. What guarantees are there that Hydro One will not set a rate which is at or just below the avoided costs of constructing a new line?
15. What guarantees would there be that the negotiations would not interfere with the timely expansion or reinforcement of transmission and distribution facilities, which is a requirement of the Ontario Energy Board Act?
16. It is possible that a generator may want to attach two or more lines within an allotted ten foot space on the pole. Would Hydro One charge for each line attached within the allotted space?
17. Would Hydro One be prepared to publish guidelines with respect to costs, formulas, exceptions, etc. as a framework for the negotiated fee setting?
18. If Hydro One is prepared to publish guidelines, please provide the guideline.
19. How would non-compliance to the guidelines be resolved?
20. How would stalled negotiations be resolved?
21. What guarantees are there that negotiations would result in win-win negotiation rather than zero sum?

¹ Exhibit B Tab 1 Schedule 1 Page 2 line 24

Joint Use – Costing

Board staff would like to understand the relevance of some of the costs underpinning the charges.

22. In response to Board staff Interrogatory No. 5, Hydro One stated that the \$57.22 Joint Use charge for distribution was based on 2005 costs.
 - a.) Therefore, is it fair to say that the \$57.22 is based on costs that are out of date by five years?
 - b.) Why were current costs not used?
 - c.) What are the dollar differences between current component costs and the 2005 component costs that underpin the \$57.22 charge?
 - d.) Please state the average cost for each of the lengths of poles above 50 feet to 100 feet as proposed in Exhibit B Tab 1 Schedule 1 Table 2.
23. Board staff is interested to know if a capital contribution would be requested in any agreement with a generator
 - a.) Under what circumstances would a capital contribution be requested?
 - a.) If a capital contribution is required, how would the amount of the capital contribution be determined?
 - b.) How would the contribution be treated for distribution rate making purposes?
24. Please provide a profile drawing of a 50' pole showing and stating the lengths for the buried portion of the pole, and the above ground spaces for ground clearance, Bell and other telecommunications, distribution, Hydro One, and generators. For the above ground portion, please state the allocators that are used in the formula for determining the joint use rate with the respective space.
25. The costs for establishing the joint use fee are based on poles. If towers are found to be more appropriate for certain situations, state:
 - a.) Hydro One's proposal for charging the generator requiring towers under the proposed array of regulated charges;
 - b.) Hydro One's proposal for charging the generator requiring towers in the unregulated paradigm; and
 - c.) The dollar differences for towers and the underpinning pole costs used to set the \$57.22.

Joint Use – Inflation

Board staff requested Hydro One to explain why it used the CPI as opposed to the GDP-IPI to adjust Joint Use Rates in Interrogatory No. 7. Board staff does not find the response compelling. The CPI is an economy-wide measure while the GDP-IPI final domestic demand ("FDD") used in IRM proceedings before the Board tracks the industrial aspect of the economy.

26. Hydro One has not stated which CPI it is proposing to use. Please specify the CPI that would be used, and state the goods and services included in the CPI basket.
27. The Board chose to use the GDP-IPI FDD stating that *"The Board recognizes that an IPI would track industry input price fluctuations better than an economy-wide measure."* What evidence does Hydro One have that is contrary to the Board's findings which would lead to accepting the CPI as a better factor for adjusting Joint Use rates?
28. Historically, the Specific Service Charges have not been updated on a regular basis. If Hydro One does not regularly update the charges, then with regulated joint use charges, the charges under contract will increase, while new applicants for generation joint use service will be charged at the un-inflated rates. Two different charges for the same service. How does Hydro One plan to not have that happen?

Net Metering and Capacity Allocation Exempt Fees

Board staff is still uncertain as to whether the proposed new \$3,000 fees for net metering and capacity allocation exempt ("CAE") applications are just and reasonable. In response to Board staff Interrogatory No. 8 Hydro One stated:

"Hydro One does not have specific time studies for the new fees. A detailed cost analysis, however, was performed prior to Hydro One's last Distribution Rate filing (EB-2009-0096). This cost-based time study examined the resources required to complete Connection Impact Assessments for applications from large, medium and small generation projects. It supported the fees that were filed in the distribution rate filing for those types of assessments."

29. Please provide the referenced study.

Hydro One also stated in the same interrogatory:

"Hydro One's time requirements to review these projects, however, are lower than those for other small generation projects."

30. Please list the components in the cost-based time study that are either not required, or of reduced effort for both net metering and CAE applications. Please state the estimated percentage reduction by cost component.