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Andrew Skalski

Director – Major Projects and Partnerships
Regulatory Affairs

BY COURIER

September 7, 2011

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

**EB-2011-0085 – Erie Thames Powerlines Corporation Application for Service Area
Amendment – Hydro One Networks Inc. Interrogatory Questions on Economic Evaluation**

I am attaching two (2) copies of Hydro One Networks (“Hydro One”) interrogatory questions on Erie Thames Powerlines Corporation’s Economic Evaluation.

A copy of this cover letter and the attached interrogatory questions have been filed in text-searchable electronic form through the Ontario Energy Board's Regulatory Electronic Submission System and the confirmation slip is also enclosed.

Sincerely,

ORIGINAL SIGNED BY ANDREW SKALSKI

Andrew Skalski

c. Mr. Chris White, Erie Thames Powerlines Corporation

**Erie Thames Powerlines Corporation
EB-2011-0085**

Hydro One Networks Inc. Interrogatory Questions

ECONOMIC EVALUATION

Reference: Distribution System Code Sections 3.3.3 and 3.3.4 and Appendix B Common Elements of the DCF model, Capital Costs, item (d)

Section 3.3.3, 3.3.4 and Appendix B of the DSC indicate that distributors are required to include a per kilowatt estimate of enhancement costs in the Discounted Cash Flow model until the first time a distributor's rates are set in a cost of service review following the 2010 rate year. After that, distributors are to bear the costs of enhancements. The referenced provisions follow:

- 3.3.3 Subject to section 3.3.4, the distributor shall bear the cost of constructing an enhancement or making a renewable enabling improvement, and therefore shall not charge:
- (a) A customer a capital contribution to construct an enhancement; or
 - (b) A customer that is connecting a renewable energy generation facility a capital contribution to make a renewable enabling improvement.
- 3.3.4 Section 3.3.3 (a) shall not apply to a distributor until the distributor's rates are set based on a cost of service application for the first time following the 2010 rate year.
- Appendix B, B.1 Common Elements of the Discounted Cash Flow, Capital Costs
- (d) A per kilowatt enhancement cost estimate – the per kilowatt enhancement cost estimate shall be set annually and shall be based on a historical three to five year rolling average of actual enhancement costs incurred in system expansions.
 - (d.1) Paragraph (d) shall cease to apply to a distributor as of the date on which the distributor's rates are set based on a cost of service application for the first time following the 2010 rate year.

Interrogatory # 1

- a) Please confirm that the last cost of service application that Erie Thames Powerlines (ETP) submitted and had approved by the OEB was EB-2007-0928 for 2008 distribution rates.
- b) If part a) above is confirmed, please indicate where the enhancement costs referred to in Appendix B above of the DSC are included in ETP's economic evaluation of the Sifton subdivision, and show the amounts.
- c) If enhancement costs have not been included, please explain why not and indicate what method ETP uses to recover the costs of system enhancements. Specifically, if enhancement costs are not recovered on a \$/kW basis on each expansion, please

specify the method used to recover these costs that is consistent with the referenced DSC provisions.

- d) ETP's previously filed evidence and cost estimate indicate that an expansion of ETP's system is required to reach the Sifton subdivision. If enhancement costs have not been included, please estimate ETP's annual average enhancement costs on a \$/kW basis using the Appendix B methodology and indicate what the enhancement amount chargeable to the Sifton Subdivision new connection would be, if an enhancement cost were included.