

PETER C.P. THOMPSON, Q.C.
T 613.787.3528
pthompson@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St. Suite 1100
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
F 613.787.3558 (IP)
blg.com



By Electronic Filing

December 22, 2011

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

Dear Ms Walli,

Hydro One Networks Inc.
2012 Revenue Requirement
Board File No.: EB-2011-0399
Our File No.: 339583-000003

We enclose the Interrogatories of Canadian Manufacturers & Exporters ("CME") for Hydro One Networks Inc. ("Hydro One").

Yours very truly,

A handwritten signature in blue ink, appearing to read 'Peter Thompson', with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT\slc\kt
Enclosure

c. Susan Frank (Hydro One)
Anne-Marie Reilly (Hydro One)
Don Rogers (Rogers Partners)
Intervenors in EB-2011-0268 and EB-2009-0096
Paul Clipsham (CME)

OTT01\4847611\w1

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

AND IN THE MATTER OF an Application by Hydro One Networks Inc. for an order or orders approving a distribution revenue requirement and rates and other charges for the distribution of electricity.

AND IN THE MATTER OF a request by Hydro One Networks Inc. for Approval for the use of the USGAAP accounting standard for Rate Setting, Regulatory Accounting and Regulatory Reporting, as of January 1, 2012, in its Distribution business.

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
TO HYDRO ONE NETWORKS INC. ("HYDRO ONE")**

References: Exhibit A, Tab 3, Schedule 1, page 3, lines 16 to 19; and page 4, lines 19 to 25
Exhibit C, Tab 1, Schedule 1, page 1, and Attachments 1, 2 and 3
Exhibit D, Tab 1, Schedule 1, page 2, lines 20 to 26
Hydro One's December 1, 2011 letter to the Board at page 2

Preamble

1. The use of US GAAP in place of MIFRS produces a 2012 revenue requirement and resulting rates that will be lower than the revenue requirement and rates that would result under MIFRS. We also note that Hydro One Distribution is proposing that its approved 2011 distribution rates continue into 2012 with all appropriate costs to be tracked in Board-approved deferral and variance accounts, including its Green Energy related expenditures for Smart Grid, express feeders and other renewal generation.

We seek clarification of whether Board approval of this application effectively precludes Hydro One from bringing a cost of service application for new Board-approved rates for 2012, i.e. whether Hydro One is proposing to accept its existing Board-approved 2011 distribution rates as just and reasonable rates for 2012.

We also would like to better understand what the approval of this application means for total deferral account balances at December 31, 2011, and estimated deferral account balances at December 31, 2012 under US GAAP compared to the situation that would likely ensue under US GAAP.

We also need some information pertaining to the new deferral account Hydro One proposes.

Questions

In the context of this preamble, please provide the following information:

- (a) Is Hydro One proposing to bring a cost-of-service application during 2012 for new Board-approved rates for 2012; or is Hydro One accepting its existing Board-approved 2011 distribution rates as just and reasonable rates for 2012?
- (b) Please provide sufficient information to show the likely difference between the Board-approved 2011 distribution revenue requirement and rates, and Hydro One's 2012 revenue requirement and rates under US GAAP.
- (c) If Hydro One is proposing to seek new Board-approved rates for 2012 under US GAAP, then when is its application for those rates anticipated to be filed?
- (d) Please provide a list of all existing Board-approved deferral and variance accounts; the balances currently recorded in each of those accounts, and the total for all accounts.
- (e) Over what period of time have these balances accumulated? Have they accumulated from January 1, 2010 or January 1, 2011?
- (f) Please provide estimates of the balances of each of these deferral accounts at December 31, 2011.
- (g) Under the proposals Hydro One is making in this proceeding to continue operating in 2012 under the auspices of 2011 Board-approved rates and existing deferral and variance accounts, does Hydro One contemplate clearing December 31, 2011 deferral account balances before December 31, 2012? If so, when?
- (h) Assuming no clearance of December 31, 2011 deferral account balances before December 31, 2012, what are the expected December 31, 2012 balances, and the grand total of balances likely to be in the deferral and variance accounts at December 31, 2012?
- (i) What would the December 31, 2012 balances in the existing deferral and variance accounts likely be if Hydro One operated in 2012 under MIFRS rather than US GAAP? In other words, to what extent, if any, would total estimated deferral and variance account balances at December 31, 2012 likely be lower under MIFRS compared to US GAAP?
- (j) In connection with Hydro One's proposal for a new deferral account for "Impact for US GAAP", please elaborate upon and describe in detail each of the types of "debits" or "credits" that Hydro One proposes to record in this account.
- (k) With respect to each of these types of "debits" or "credits", please provide the amounts Hydro One has incurred in 2011 to date for each item.
- (l) Please describe the circumstances that are likely to cause such amounts to be incurred in 2012 and provide estimates of the magnitude of the amounts likely to be incurred in 2012.