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March 13, 2008

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2007-0681
Hydro One Networks Inc. – 2008 Rates Rebasing Application
Energy Probe Interrogatories Set # 1

Pursuant to Procedural Order No. 2, issued February 22, 2008, please find three hard copies of the interrogatories of Energy Probe Research Foundation (Energy Probe) Set #1. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Glen MacDonald, Hydro One Networks Inc. (By email)
D.H. Rogers, Q.C., Rogers Partners LLP (By email)
Peter Faye, Energy Probe Counsel (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

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 an Application by Hydro One
Networks Inc. for an order approving or fixing just and
reasonable rates and other charges for the distribution of
electricity.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

SET NUMBER 1

March 13, 2008

**HYDRO ONE NETWORKS INC.
2008 RATES REBASING
EB-2007-0681**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES – SET NUMBER 1**

Interrogatory # 1

Ref: Exh. D1/T 2/S 1, p. 16 of 20

Issue 3.2: Is the 2008 vegetation management budget appropriate?

Page 16 of 20 of the schedule discusses vegetation management and concludes that an increased percentage of rights of way are in the *poor* or *very poor* categories. The increase is attributed to underachievement of 2005 and 2006 target workloads. The 2006 underachievement is attributed to the need to redeploy staff to deal with storm damage.

Please provide details of the unusually high number of storms in 2006 and the amount of damage caused by these storms compared with a normal year.

Interrogatory # 2

Ref: Exh. D1/T 2/S 1, p. 16 of 20

Issue 3.2: Is the 2008 vegetation management budget appropriate?

The underachievement of 2005 target workload is attributed to a labour disruption. Energy Probe is under the impression that the 2005 labour disruption involved management and professional staff not the trades staff that carry out vegetation management programs.

If this is so, please explain how this labour disruption adversely affected achievement of right of way vegetation management.

Interrogatory # 3

Ref: Exh. C2/T 3/S 1, p. 1 of 3

Issue 3.6: Are the 2008 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate?

The table on Page 1 of 3 shows representative earnings for a Regional Maintainer Lines (PWU represented). Overtime is approximately 47% of annual base salary. Please explain the following:

- a) What are the base working hours included in base salary?
- b) How many overtime hours are represented by the overtime pay?
- c) What percentage of employees in this group work more overtime hours than those represented by the overtime pay in this table?
- d) Does Hydro One have any policies and/or practices in place to monitor how much overtime individual employees work in a year? If so, please describe them.
- e) Does Hydro One have any policies and/or practices in place to define what it would consider to be excessive overtime and to identify individual employees working excessive overtime? If so please describe them.

Interrogatory # 4

Ref: Exh. D2/T 2/S 3 (Ref#: S3)

Issue 4.2: Are the amounts proposed for 2008 Capital Expenditures appropriate?

- a) This schedule discusses Distribution Station Refurbishment, listing those stations scheduled of refurbishment in the test year. Were any of these stations previously owned by municipal utilities acquired by Hydro One since 1998? If so, please state which ones.
- b) Were any of the stations refurbished by Hydro One over the past 10 years previously owned by municipal utilities acquired by Hydro One since 1998? If so, please provide details.

Interrogatory # 5

Ref: Exh. D2/T 2/S 3 (Ref#: S16)

Issue 4.2: Are the amounts proposed for 2008 Capital Expenditures appropriate?

This schedule discusses the need to rebuild a 2.4 kV feeder in the Town of Thessalon acquired in the purchase of the local municipal utility.

- a) How much was spent on Phase 1 of this project?**
- b) Please provide details of the acquisition of the municipal utility specifically:**
 - i) The cost of the acquisition**
 - ii) Any studies that Hydro One conducted on the value of the utility**
 - iii) Any reports that Hydro One had on the condition of the utility's assets**

Interrogatory # 6

Ref: Exh. D2/T 2/S 3 (Ref#: D8)

Issue 4.2: Are the amounts proposed for 2008 Capital Expenditures appropriate?

- a) This schedule discusses the need to upgrade the 44 kV supply and distribution system in the Brockville area. How much of the system to be refurbished was originally owned by the municipal utility acquired by Hydro One?**
- b) Please provide details of the acquisition of the municipal utility specifically:**
 - i) The cost of the acquisition**
 - ii) Any studies that Hydro One conducted on the value of the utility**
 - iii) Any reports that Hydro One had on the condition of the utility's assets**

Interrogatory # 7

Ref: Exh. D1/T 2/S 1, p. 15 of 20

Issue 4.3: Are the 2008 sustaining capital expenditures for Asset Replacement appropriate?

Page 15 of 20 of the schedule presents wood pole age demographics and predicts replacements of wood poles might increase to 50,000 per year.

Does Hydro One analyze its wood pole data to determine if early replacement of poles is correlated with species and/or treatment type? If so please provide the data.

Interrogatory # 8

Ref: Exh. D1/T 2/S 1, p. 20

Issue 4.3: Are the 2008 sustaining capital expenditures for Asset Replacement appropriate?

Page 20 of the schedule discusses underground and submarine cables. Does Hydro One conduct any in situ diagnostic testing of these cables? If yes, please provide details of the testing and results. If not, please explain why Hydro One does not think that diagnostic testing is a useful technique to evaluate the condition and remaining service life of cables.

Interrogatory # 9

Ref: Exh. D1/T 3/S 3, p. 10 of 18

Issue 4.4: Are the 2008 amounts proposed for Development capital appropriate?

Page 10 of 18 of the schedule describes Hydro One Distribution's plans to install real time data acquisition equipment at strategic locations in its system. Does Hydro One Distribution currently have staff in the OGCC that can be devoted to monitor this data stream or will additional staff be required for this function? If so, how much will this additional monitoring effort cost?

Interrogatory # 10

Ref: Exh. D1/T 3/S 3, p. 12 of 18

Exh. D2/T 2/S 3, p. 7 of 46

Issue 4.4: Are the 2008 amounts proposed for Development capital appropriate?

Page 12 of D1/T3/S3 discusses the costs associated with connecting generators to the distribution system. Starting at line 19 the following statement appears:

“Upgrades to Hydro One’s distribution lines (poles in particular) may also be required in cases where the customer chooses to make use of Hydro One facilities rather than build their own. Based on Hydro One’s experience with joint use, it is anticipated that in these situations, Hydro One will be accountable for 83% of the upgrade costs and the customer will contribute 17%. ”

Page 7 of D2/T2/S3 (Ref: S6) discusses Joint Use and Line Relocations. Under the Joint Use subheading the following statement appears:

“The cost sharing provisions in joint use agreements allow Hydro One Distribution to recover its costs resulting from requests to add new attachments to poles. Costs recovered include those to increase pole class to accommodate changes in pole loading, increased height to obtain appropriate ground clearances for public safety, as well as costs associated with premature retirement of in-service assets.”

Please explain how these two statements should be reconciled.

Interrogatory # 11

Ref: Exh. D1/T 3/S 3, p. 13 of 18

Issue 4.4: Are the 2008 amounts proposed for Development capital appropriate?

Page 13 of 18 of this schedule discusses the need for power quality monitoring equipment in the vicinity of wind generation connected to Hydro One’s distribution system. Please explain why the cost of this equipment should not borne by the wind generator.

Interrogatory # 12

Ref: Exh. D1/T 3/S 5, p. 33 of 40

Issue 4.6: Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate?

This part of the schedule discusses the increased costs associated with replacing aging transport and work equipment. Table 8 on page 33 shows \$39.2 M planned for Dx expenditures on TW&E for 2008.

- a) Does Hydro One have a policy requiring new vehicles to be flex fuel capable? If so, please provide it. If not, please explain why such a policy would not be prudent in light of fuel price and availability uncertainty.**
- b) Please describe the process for disposing of vehicles once they have reached the end of their service life.**

Interrogatory # 13

Ref: Exh. D2/T 3/S 3, Ref#: IT1

Issue 4.6: Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate?

This schedule discusses the need to implement new IT infrastructure and contains the statement:

“We will not customize the product to accommodate current business processes; rather, we will replace current business processes with industry standard practices”

- a) Please explain why this decision was made.**
- b) What is the impact on IT staffing levels of this decision?**

Interrogatory # 14

Ref: Exh. C1/T 2/S 6, p. 3 of 84

Issue 4.6: Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate?

Table 1 on page 3 of 84 shows allocated distribution, shared services and other costs. The line entitled “Other Shared Services” contains credit entries for which the 2007 entry is significantly lower than historic or test year entries.

Please explain what this category includes, why they are credit entries and why the number for 2007 is significantly different than the other years shown.

Interrogatory # 15

Ref: Exh. D1/T 3/S 2, p. 27 of 31

Issue 8.2: Is the proposed 2008 capital spending for the Smart Meter program appropriate?

Page 27 of 31 of the schedule, starting at line 18, describes the “incremental functionality” of Hydro One’s smart meter installations. Please confirm that this term means “greater than minimum functionality”. If so, has the Board previously approved the cost of this increased functionality or is Hydro One seeking approval for it in this application? If not, please explain why Hydro One has addressed “incremental functionality” as a distinct subject in the smart meter part of the application.

Interrogatory # 16

Ref: Exh. D1/T 3/S 3, p. 6 of 18

Issue 8.2: Is the proposed 2008 capital spending for the Smart Meter program appropriate?

Page 6 of 18 of the schedule discusses non smart meter planned expenditures. Please explain why any new or upgraded service could not be metered with a smart meter thus avoiding the cost of replacing a conventional meter later.