March 14, 2008

Robert B. Warren
T: 416-947-5075
rwarren@weirfoulds.com

VIA COURIER AND EMAIL

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Walli:

Re: EB-2007-0681/Interrogatories from the Consumers Council of Canada for Hydro One Networks Inc.

We are counsel to the Consumers Council of Canada. On behalf of our client we are enclosing herewith three copies of its Written Interrogatories for Hydro One Networks Inc.

Yours very truly,

WeirFoulds LLP

Robert B. Warren

cc: All Parties
1036396.1

ONTARIO ENERGY BOARD

EB-2007-0681

**INTERROGATORIES FOR HYDRO ONE NETWORKS INC.
FROM THE CONSUMERS COUNCIL OF CANADA**

Administration

1. A/T12/S1

HON's rates were reviewed and approved by the Board in its 2006 cost of service rate proceeding. 2007 rates were set using the Board's formula. Please provide a detailed list of any further policy changes, methodological changes, or other changes made by HON in developing rates for 2008 relative to 2006 and 2007 in addition to those set out in this exhibit.

2. A/T8/S3

With respect to HON's Affiliate Services Agreements please provide a list of all changes made since the 2006 distribution rates proceeding. Please indicate the reason for the change and the impact on the distribution OM&A costs and capital costs for 2008.

Load Forecast

3. A/T14/S3

The evidence states that the load forecast methodology described is "similar" to the one used in the 2006 rates case. Please specifically identify what has changed and the rationale. Please explain how those changes may have impacted the results.

4. A/T14/S3/p. 8

Please provide all of the quantitative analysis used to derive the CDM impacts on HON's load. How, specifically, did HON forecast the CDM impacts for 2008 from the following?: improved building codes and more stringent efficiency standards; conservation programs to encourage more efficient use of lighting and appliances;

demand response programs to reduce air conditioning and water heating; smart metering and time of use rates; and programs to increase load supply or reduce demand for large industrial customers.

5. A/T14/S3/p. 8

The evidence states that HON does not have the data required to do a bottom-up analysis of the CDM impact on HON's load forecast from the various CDM programs of the OPA, the Provincial Government and federal Government. What is HON doing to acquire the data? In the absence of any such data why should the Board have confidence in the adjustment?

6. A/T14/S3/p. 10

The evidence states that customer growth in 2007 and 2008 is expected be 9,400 and 9,500 respectively. This compares to 12,000 which represents the average for the period 2002-2006. Please provide the actual number of customer additions in 2007. Please provide a detailed explanation as to how the 9,400 and 9,500 were derived.

Distribution Loss Factors

7. A/T15/S3/p. 5

The total energy loss in HON's distribution system is estimate to be about 5.26% of energy sales. The evidence states that this is in line with typical losses incurred by other utilities. Please provide evidence to support this conclusion.

8. A/T15/S3/p. 5

The evidences states that the Kinetrics study has identified loss reductions to be about $6.5 million. Has this been accounted for in the 2008 revenue requirement? If not, why not?

Cost of Capital

9. A/T14/S2/pp. 4-5

The 2007 and 2008 forecast debt rates and deemed debt rates differ. What rates are used for rate-setting purposes?

Cost of Service

OM&A

10. C1/T2/S1/p. 2

OM&A expenditures have grown by $74 million from 2006 to 2008. Please provide a detailed breakdown of that amount, specifically identifying the major cost drivers.

11. C1/T2/S2/p.30

Please provide a business case for the 2008 vegetation management program.

12. C1/T2/S2/p. 23

Please provide a detailed budget for Miscellaneous Service. Please include 2006 historical and actual numbers.

13. C1/T2/S5/p. 4

Customer Care Base Services are increasing by $3.8 million in 2008 due to a decline in base fees offset by growth in annual volumes, annual COLA amounts and changes in the scope of services. Please specifically identify the changes in scope and the costs associated with those changes for 2008.

14. C1/2/S5/p. 12

Please provide a schedule which sets out bad debt expenses for the period 2000 to 2007. Please include, for each year, budgeted and actual bad debt expense.

15. C1/2/S5/p. 3

Regulatory compliance costs are increasing by $2.9 million in 2008 over 2007. Please provide a detailed breakdown of the $3.6 million budget for 2008.

16. C2/T2/S1/pp. 1-2

Please provide a schedule in the same format as "Comparison of OM&A Expense by Major Category" which includes 2006 and 2007 Board approved numbers.

17. C2/T2/S1

Has HON done an OM&A forecast for the period 2009 and 2010? If so, please provide that detailed budget in the same format.

Human Resource Costs

18. C2/T3/S1

For each of the three Tables provided in this Exhibit please provide the forecast numbers for 2006 and 2007.

19. A/T14/S1/p. 3

For all MCP employees HON has assumed an annual increase of 4% per year in base pay for the "entire period". How was the 4% level derived? (Exhibit A/T14/S2 states that the escalation factors were provided by HON senior management) What is the "entire period"? What is the range of increases assumed for the MCP group for 2008? What has been used to develop the forecast of labour expenses?

CDM

20. A/T13/S1/p. 8

Please confirm that beyond April 30, 2008, HON will only be undertaking CDM programs through the OPA funded framework. Are there any costs included in the 2008 revenue requirement related to CDM? If so, please identify where those costs are accounted for.

Rate Base

21. A/T3/S1/p. 12

The evidence states that, "Substantial new generation appears likely to connect to Hydro One's distribution system over the next few years." HON has indicated that this will lead to an expanded scope for distribution system planning going forward. Please expand on the challenges HON is facing regarding new generation connections. What are the potential cost impacts going forward? Specifically, how is HON expanding the scope for distribution system planning? How does this impact the 2008 revenue requirement?

22. D2/T2/S1

With respect to the "Comparison of Capital Expenditures" please provide Board approved amounts for 2006.

23. D1/T3/S5/pp. 16-21

The Cornerstone Project was presented for approval in HON's most recent transmission case. Please identify any changes in cost or scope associated with Phase I of the project. The evidence states that, "Included in 2008 are project start up and initiation costs for subsequent phases." Please identify the cost components included in the 2008 capital budget that are related to the subsequent Phases.

24. D1/T3/S5/p. 19

The evidence states that HON commenced with Phase I of the Cornerstone Project after obtaining HON Board approval in February 2007. Please provide copies of all materials/presentations etc. that were provided to the HON Board as part of the Cornerstone Project approval process.

Revenue Requirement

25. A/T10/S2

In the Management's Discussion and Analysis provided in the quarterly reports for 2007 it states that Distribution Revenues increased by $109 million, or 3% in 2007. Please provide a schedule which sets out the components of HON's revenue for the years 2006-2010 (forecast where appropriate). Please provide a variance account for each of those years and any assumptions used in the forecast numbers.

External Revenues

26. E3/T2/S1/p. 1

Please provide the 2006 Board approved amount for each component of "External Revenues".

Smart Meters

27. A/T10/S2/p. 14

The evidence states that HON is piloting the "Smart Network" initiative. Please provide a comprehensive description of this initiative and provide the costs for 2008.

28. F1/T1/S1p. 5

Please provide the following information regarding HON's smart meter program:

1. A detailed breakdown of all smart meter expenditures incurred to December 31, 2006 (capital and operating costs).
2. A detailed breakdown of all smart meter expenditures incurred to December 31, 2007 (capital and operating costs).
3. A detailed breakdown of all smart meter expenditures (actual and forecast) for the period January 1, 2008 to April 30, 2008.
4. For each of the periods listed above the revenue recovered from HON's customers through the rate riders related to smart meter costs.
5. For 2008 a detailed breakdown of all smart meter costs (capital and operating costs) Please specifically identify all costs that meet minimum functionality and all costs that exceed minimum functionality.
6. A forecast of smart meter costs expected for 2009. This should include all one-time costs and ongoing annual costs.

29. D2/T2/S1/p. 1 and C2/T2/S1

The total capital expenditures related to smart meters for 2008 is $164.8 million. The total OM&A costs are $9.7 million. Please provide a detailed breakdown of these amounts. Does this include <u>all</u> smart meter expenditures for 2008. If not, please identify where the other costs are accounted for.

30. D2/T2/S1/p. 1 and C2/T2/S1

With respect to HON smart meter costs for 2008 ($164.8 million in capital and $9.7 million in OM&A) is HON proposing variance account treatment to ensure only <u>actual</u> costs are recovered from customers? If not, why not? If HON spends less than forecast (and recovered through rates) on its smart meter program how will the ratepayers be compensated?

31. F1/T1/S1p. 5

Please provide the number of smart meters installed in 2006 and 2007. Please provide the forecast of the number of meters expected to be installed in 2008. Please provide the number of remaining meters to be installed beyond 2008.

32. F1/T1/S1p. 5

Please provide a copy of HON's smart meter implementation plan that was filed with the Board in December 2006. Please provide any updated implementation plans, if available.

Cost Allocation and Rate Design

33. G1/T1/S1p. 3

Please provide a detailed list of all of the reasons why HON is seeking to harmonize its rate classes across its service territory. Did HON consider other alternative approaches to setting rates across its service territory? If so, what were those approaches and why were they rejected?

34. G1/T2/ S3/p. 2

Please provide the rationale for the definition of Urban Residential – 3000 or more customer customers with a line density of at least 60 customers per kilometer. Specifically, what is the rationale for 3000 or more customers? How was the cut-off point of 60 customers per kilometer determined? Did HON consider other criteria? If not, why not? If so, why were those criteria rejected?

35. G1/T2/S3/p. 3

Please provide a schedule setting out the current customer classes and rates for Caledon. Please indicate how those customers are being mapped into the new proposed customer classes.

36. G1/T2/S3/pp. 4-5

Please explain the difference between the Urban General Service Energy Billed class and the General Service Energy Billed class. Is the only difference whether the customers meet the urban Density criteria?

37. G1/T2/S3/p. 7

Please identify any impacts on HON's other customers resulting from the creation of the Distributed Generator rate class.

38. G1/T2/S5

For each of the Acquired LDCs please provide a schedule which sets out the existing residential rate classes, the current rates (fixed and variable) and the targeted rates.

39. G1/T3/S1/p. 3

The evidence states that the revenue to cost ratio for the DG class is being moved from 1.63 to 1.0. Please provide a detailed explanation as to HON arrived at 1.0. Please explain how are the costs allocated to that class being reallocated to the other classes? Please provide a detailed calculation of the $.4 million revenue requirement allocated to the DG class.

40. G1/T3/S1/p. 3

If HON is proposing to move the DG revenue to cost ratio to 1.0, why would HON not be proposing to move the Street Lighting and Sentinel Light classes to 1.0 as well?

41. G1/T3/S1/p. 4

HON is proposing to adjust revenue to cost ratios resulting in a revenue requirement shortfall of $2.5 million. HON's proposal is to record this shortfall in a variance account to be recovered from customers at a future date. How will these costs be allocated and recovered in the future? Can HON point to any regulatory precedent which would support this proposed treatment?

42. G1/T4/S2/p. 1

HON is proposing a $1 per account monthly charge for Street Lighting and Sentinel Lights. What is the basis for this charge? What are the total fixed costs associated with these customer classes?

43. G1/T4/S2/p. 1

HON has set out the fixed charge ranges as per the cost Allocation study. For each rate class please explain how the proposed fixed charges were determined.

44. G1/T7/S1

HON is proposing to phase in rate adjustments to mitigate customer class impacts to less than 10% of the total bill per year. This is on an average basis. How does HON propose to treat customers that may experience bill impacts greater than 10%?

45. G2/T2/S1

HON is proposing a rate harmonization plan for all of its acquired LDCs. For some customers the rate changes will be significant and therefore a mitigation plan is also being proposed. Please indicate how HON has, or intends to, inform all of its customers about the changes in their rates. Please provide copies of all correspondence/materials made available to HON customers related to the proposed rate changes.

1036370.1