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March 14, 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 # 2

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 #2. 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)
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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 2

March 14, 2008

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

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

Interrogatory # 17

Ref: Exh. A/T 3/S 1, pp. 1-2, Table 1

Issue 1.4: Are Hydro One's Economic and Business Planning Assumptions for 2008 appropriate?

- a) Please explain why the Applicant uses "business values" to represent "strategic goals" when these two business concepts are normally highly differentiated.
- b) Why aren't there quantitative figures attached to the Applicant's 2010 performance targets for Reliability and Employees in Table 1?

Interrogatory # 18

Ref: Exh. A/T 14/S 1, p. 3

Issue 1.4: Are Hydro One's Economic and Business Planning Assumptions for 2008 appropriate?

- a) Please explain why there are no evident consumer inputs in the formation of the Applicant's "strategic direction." Successful strategic planning normally requires a very heavy influence from the organization's environment, and yet none appears to be evident in this submission. Why?
- b) Has the Applicant undertaken a broad encompassing visioning process or charrette since it emerged from Ontario Hydro?

Interrogatory # 19

Ref: Exh. A/T 14/S 5, p. 3

Issue 1.4: Are Hydro One's Economic and Business Planning Assumptions for 2008 appropriate?

Please report the results of the "customer satisfaction survey" identified in Table 1.

Interrogatory # 20

Ref: Exh. A/T 14/S 3, p. 20, Table 4

Issue 1.5: Is the load forecast and methodology appropriate and have the impact of Conservation and Demand Management initiatives been suitably reflected?

Does the "(total) load forecast, after deducting the impact of CDM," indicate rising electricity demand in 2008 compared to 2007 and 2006 in Table 4? If so, is this rising electricity demand consistent with the Ministerial Directive of June 13, 2006 and consistent with apparently anticipated flat electricity demand identified in the Applicant's Bruce to Milton Transmission application to the OEB (EB-2007-0050, Exh. B, Tab 4, Sch. 3, page 2, lines 2-3)?

Interrogatory # 21

Ref: Exh. A/T 15/S 1, p. 6, Table 1

Issue 1.6: Is the service quality on the OEB specified performance indicators acceptable?

Please report the 2007 "telephone accessibility" results relevant to the entries in Table 1.

Interrogatory # 22

Ref: Exh. A/T 15/S 2, pp. 1-2
Exh. C1/T 2/S 6, pp. 52-53
Exh. C1/T 3/S 2

Issue 1.6: Is the service quality on the OEB specified performance indicators acceptable?

Has the Applicant carried out labour productivity studies with a focus on individual, team or department performance outputs, within the last three years? If so, please report the results. If not, why not?

Interrogatory # 23

Ref: Exh. C1/T 2/S 5, pp. 5-7, 11

Issue 1.6: Is the service quality on the OEB specified performance indicators acceptable?

Does the Applicant regularly carry out professional market research as an evaluation tool for its Customer Care Management system? If so, please report the results for the last three years. If not, why not?

Interrogatory # 24

Ref: Exh. C1/T 2/S 2, p. 22

Exh. C1/T 2/S 3, pp. 1, 4-5

Issue 3.1: Are the overall levels of the 2008 Operation, Maintenance and Administration budgets appropriate?

- a) **Has the Applicant developed or plan to develop a Farm Stray Voltage program featuring protocols on testing and measuring in 2008? If so, what are the details of the program? If not, why not?**
- b) **Is the Applicant preparing for the expected OEB decision on Farm Stray Voltage in 2008, in terms of hiring personnel and re-considering protocols related to the Transmission Code?**

Interrogatory # 25

Ref: Exh. C1/T 2/S 6, Attachment A

Issue 3.1: Are the overall levels of the 2008 Operation, Maintenance and Administration budgets appropriate?

How many Inergi or Vertex employees serving Hydro One are outsourced, i.e. how many “warm bodies” does Inergi and Vertex employ outside Canada and Ontario to serve the current Hydro One contract? What categories of Inergi and Vertex employees are outsourced outside of Canada and Ontario, if they have been outsourced? How long have these categories of employees been outsourced by Inergi and Vertex, if they have been outsourced?

Interrogatory # 26

Ref: Exh. C1/T 2/S 6, Attachment A
Issue 3.1: Are the overall levels of the 2008 Operation, Maintenance and Administration budgets appropriate?

- a) What kind of performance bond(s) does the Applicant sustain in its contract with Inergi? What are the details of this performance bond(s), if they exist?
- b) Is Inergi and Vertex Canada currently ISO certified?

Interrogatory # 27

Ref: Exh. C1/T 3/S 1
Issue 3.6: Are the 2008 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate?

What succession planning initiatives is the Applicant undertaking to replace retiring top managers/executives over the next five years?

Interrogatory # 28

Ref: Exh. G1/T 2/S 3, p. 4, Table 4
Issue 7.1: Are Hydro One's proposed new Customer Rate Classes appropriate?

Please define in detail *existing* customer classes R3 and R4, i.e. provide precise descriptors for these two current classes.

Interrogatory # 29

Ref: Exh. G1/T 2/S 5, p. 2
Exh. G1/T2/S 5, p.9
Issue 7.8: Are the customer bill impacts resulting from the proposed rate impact mitigation plan reasonable?

Please explain why the Applicant chooses a *four-year* phase-in approach for harmonization; why specifically four years?

Interrogatory # 30

Ref: Exh. G1/T 2/S 5, p. 2

Issue 7.7: Is the proposal for harmonization of rates appropriate?

Issue 7.8: Are the customer bill impacts resulting from the proposed rate impact mitigation plan reasonable?

- a) Why did the Applicant choose to have an “average total yearly bill impact of less than *10 percent* in its harmonization plan;” i.e. why was the 10 percent level chosen or arrived at for Acquired LDCs?
- b) Did the Applicant anticipate that the plan would produce on average +/- 8-9 percent bill impact for Acquired LDCs? What was the methodology for this outcome?
- c) Assuming +/- 8-9 percent is the average bill impact, what are the ranges of bill impacts for all existing customer classes?

Interrogatory # 31

Ref: Exh. G1/T 3/S 1, p. 5, Table 3

Exh. G1/T 5/S 1, p. 5, Table 1

Exh. G1/T 7/S 1, p. 6, Table 4

Issue 7.8: Are the customer bill impacts resulting from the proposed rate impact mitigation plan reasonable?

- a) Please explain why the Applicant is placing such a significant bill impact burden on seasonal class customers (154,000 Ontario residents) compared to other proposed classes. Moreover, why is the Applicant placing such an extraordinary burden on the existing R3 customer class with a total bill impact of 23.3% for 2008 -- notwithstanding mitigation efforts?
- b) Why are new seasonal class customers subsidizing every other new customer class except “street lighting and “sentinel lighting”?

Interrogatory # 32

Ref: Exh. C1/T 2/S 2, pp. 26-28
 Exh. C1/T 2/S 5, p. 10

Issue 8.1: Is the smart meter O&M budget appropriate?

- a) How many smart meters did the Applicant install in the period up to Dec. 31, 2007?
- b) Has the applicant undertaken a cost-benefit analysis of its smart meter program since installations began? If so, please report the results of this cost-benefit analysis. If (a) cost-benefit analysis(es) has/have not been undertaken, why not?
- c) What obstacles, if any, exist to prevent the undertaking of a cost-benefit analysis of the Applicant's smart meter program? Does the Applicant plan to undertake a cost-benefit analysis if none has been undertaken?