

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
or fixing just and reasonable rates and other charges
for the distribution of electricity commencing May 1,
2008.

INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION
SET #1

1. Ref: A/10/2, Management's Discussion and Analysis 2007 Quarterly Report:
 - a. Pg. 5, please provide the cost rate for the \$400 million in long-term debt issued in the first quarter of 2007.
 - b. Pg. 9: please provide a copy of the rationalization plan approved by the government on March 19, 2007.
 - c. Pg. 9: Please provide a copy of the agreement, if any, reached with the Society of Professional Engineers by May 31, 2007.

Sustaining OM&A

2. Ref: C1/2/2, pg. 6; Sustaining OM&A: Stations: Planned Station Maintenance
 - a. please provide a breakdown of the \$2 million cost of inspecting Hydro One's stations in 2008.
 - b. Please explain why spending for this activity increases by almost 100% from 2004 (\$6.6 million) to 2008 (\$12.9 million). Please provide a detailed explanation of the drivers of the increase in spending during this time.
 - c. Please provide the number and the average age of distribution and regulating stations and mobile substations owned and operated by Hydro One Distribution, from 2003-2008.
3. C1/2/2, pg. 12:
 - a. Please provide the number of trouble calls that Hydro One Distribution responded to annually, from 2004-2007.

- b. Please break down the annual trouble calls spending (by dollar amount) into the following sub-categories: trouble calls, allowance for non-capitalized storm related costs – vegetation management, allowance for non-capitalized storm related costs – accumulated overtime during storm events, and other (if any).
- c. Please advise why Hydro One didn't apply for a Z-factor rate adder related to 2006 storm damage claims in its 2007 IRM distribution rates application;
- d. Please separately provide details of 2006 storm damage costs that were recorded in other expense / capital line items.
- e. in determining the 2008 budget for Trouble Calls (under Sustaining OM&A-Lines-Trouble Call Response), how was the forecast number of trouble calls (49,100) determined?
- f. How does the cost per trouble call for 2008, \$1,199 (\$58.9 million divided by 49,100 projected calls), compare with the 2004-2007 period? Please explain any variation in per unit cost.
- g. Does the forecasted number of calls for 2008 take into account Hydro One's extensive vegetation management program?

4. Ref: C1/2/2: Sustaining OM&A: Line Maintenance

- a. Pg. 15: Sustaining OM&A: Line Maintenance. Please explain why the budget for Line Patrols, Wood Pole Assessment and Asset Data Collection increases by 65% from 2004 (\$8.1 million) to 2008 (\$13.4 million).
- b. How many kilometres of line/ number of poles were assessed in 2004 versus 2008?
- c. Pg. 15: The evidence states, at line 20, that the approach adopted by Hydro One for line patrols meets the requirements of the Distribution System Code. Was Hydro One in compliance with the Distribution System Code in 2004? If so, what accounts for the 65% increase in spending on line patrols since then?
- d. Line Sustaining OM&A- Other Services: why are the expenditures for these items not included in the total Line Sustaining budget at C2/2//2, pg. 15?
- e. Pg. 22: Please explain the drivers for the increase in the 2007 forecast for Sustaining OM&A: Other Services from \$9.6 million as originally filed (in the August 2007 filing) to \$12.7 million in the updated evidence.
- f. Pg. 22: Please provide a more detailed explanation for the fluctuation in Line Sustaining OM&A- Other Services-Miscellaneous Services from \$2.9 million in 2004 to \$7.7 million in 2007 (up from \$5.6 million in the

evidence filed August 15, 2007), to \$4.9 million in 2008. (With respect to the evidence states only that the increase is due to “an increasing focus on Health and Safety consistent with the company’s strategic goals.”)

5. Ref: C1/T2/S2/pg 17 of 36, Sustaining OM&A – Lines – Line Maintenance

Preventative and Corrective Maintenance

Please complete the following table.

	2004	2005	2006	2007	2008
Reclosers (#) maintained					1850
Line Regulators (#) maintained					150
3 phase switches (#) maintained					150
Pad mounted transformers (#) maintained					500
Wash Insulators (#) maintained					8000
OM&A spending for the above 5 items(\$ Millions) [1]					\$ 3.8 M
EPAC insulators replaced (#)					6500
Other insulators replaced (#)					3850
Other Defects (#)					9000
OM&A spending for the above 3 items(\$ Millions) [2]					\$9.9 M
Total [1] + [2]	\$7.2M	\$9.7M	\$12.3M	\$13.4M	\$13.7M

6. Ref C1/T2/S2/pg 25 of 36, Sustaining OM&A – Metering – Customer Retail Meters & Smart Meters

a. Please complete the following table.

	2004	2005	2006	2007	2008
Customer Retail Meters OM&A Spending (\$ Millions)	\$8 M	\$7.2 M	\$8.1 M	\$9.1 M	\$6M
# retail meters					
Unit OM&A Cost –retail meters (\$/retail meter)					
Smart Meter OM&A Spending (\$ Millions)	0	\$2.4M	\$4.9M	\$8.8M	\$9.7M
# Smart Meters in Service					
OM&A cost per meter smart meter					

7. Ref: C1/2/2, pg. 27: Sustaining OM&A: Smart Meters

- a. The evidence sets out the OM&A costs for smart meters associated with both minimum and incremental functionality. Please provide what portion of the 2008 budget of \$9.7 million is related to each of the bulleted items listed. Where applicable, please provide the relevant unit cost and what assumptions Hydro One made regarding the number of units for 2008 (for example, the first bullet point on pg. 28 refers to one of the costs of incremental functionality as being caused by “responding to a higher number of customer inquiries as a result of pre- and post-installation of smart meters on customer premises”- what assumptions did Hydro One make regarding the increased number of calls and what was the cost per call?)
- b. Pg. 28, lines 12-18: What assumptions did Hydro One make regarding the anticipated savings in other areas as a result of smart meter spending?

8. Ref: C1/2/2, pg. 29 and following: Sustaining OM&A: Vegetation Management

- a. C1/2/2- Line Clearing: please provide the annual accomplishment (KM's of lines cleared) for 2004-2008.
- b. Please provide the annual accomplishments for brush control for 2004 to 2008.
- c. Please provide greater detail as to what the extra 15% (2008 budget of \$7.9 million) in Customer Notification spending will accomplish and how specifically the extra funds will be spent.
- d. C1/2/2, pg. 35- Table 10 shows the contribution of trees to system interruptions has been consistent for several years. Why wasn't the problem addressed sooner?
- e. Asset condition assessment is generally completed 2 years prior to the time projected for line clearing. Information obtained includes vegetation height, tree and brush densities and clearances to conductors. The information is then used to schedule work. Please advise whether and to what extent the vegetation information gathered 2 years prior to the initiation of line clearing would be outdated in determining the priority of work.

9. Ref: C1/T2/S2/Pg 34 & 35 of 36, Sustaining OM&A – Vegetation Management – Line Clearing, Brush Control

- a. Please separately identify Line Clearing and Brush Control spending attributable to the 2006 summer storms.
- b. The Line Clearing OM&A spending projected in 2008 of \$77 million is about 45% over historical year average of \$53 million. On page 34, it states that the increased spending was attributed to a volume increase of 35%. Does this also suggest an increase in the unit cost of 7.4%? Please explain any variation in the per-unit cost.

Development OM&A

10. Ref: C1/2/3: Development OM&A

- a. Please provide greater detail as to how the additional funding (in the amount of \$2.4 million over the 2006 level) for Data Collection, Engineering and Technical Studies will be spent as well as how the \$2.6 million in Standards and Technology will be spent. Please provide any cost-benefit analysis prepared to justify this additional spending.
- b. Please provide the planned and actual spending for these items for 2006 and 2007 and explain any variation.
- c. Is the 2008 spending on these items impacted by HON having spent less than forecast in 2006? If so, how?

11. Ref: C1/T2/S3/pg 5 of 5, Development OM&A – Standards & Technology

Hydro One's Technology program provides the funding to monitor emerging technologies through its participation in industry interest groups. Projects were jointly funded with other utilities having similar interests or challenges.

- a. Please identify the "other utilities" actively participated in the emerging technology interest groups, explain the joint expenditure sharing mechanism and the % share of the Technology program expenditures that are allocated to Hydro One.
- b. On page 5, Hydro One states that reduced funding in Technology program would lead to increased longer term costs as opportunities to utilize emerging technologies would be missed. Please provide examples of major projects where the emerging technologies and/or new tools and methods funded by the Technology program were implemented.

- c. Please provide examples of realized benefits (to quantify if possible) as a result of utilizing the emerging technologies and/or new tools and methods funded by the Technology program.

12. Ref: C1/T2/S3/pg 2 of 5, Development OM&A – Data Collection, Engineering and Technical Studies

Data collection and analysis of the distribution system, equipment and feeder operating characteristics are ongoing activities.

On page 3, Hydro One has identified 3 factors that caused a 100% increase of the Data Collection & Engineering spending, from historical average of \$2.5 million to \$5.4 million in 2007 and projected \$5.2 million in 2008.

- a. Please set out what studies Hydro One intends to undertake in 2008 and the cost of each.

Operations OM&A

13. C1/2/4: Operations OM&A

- a. Pg. 6: Operations OM&A: Operations- how was the 2008 budget for Operations (\$9.5 million, up from \$8.5 million in 2007 and down from \$10.8 million in 2006) determined? What accounts for the \$1 million increase from 2007 to 2008?
- b. Operations OM&A- Operations Support- how was the 2008 budget for this program (\$3.9 million, up from \$2.6 million in 2007) determined? What accounts for the \$1.3 million increase in expenditures from 2007 to 2008?

Customer Care OM&A

14. Ref: C1/2/5: Customer Care OM&A:

- a. C1/2/5- please file a copy of the contract with Inergi LP.
- b. How much of the \$103.8 million budget for Customer Care OM&A is forecast to be paid to Inergi LP and how much represents internal HON costs?

15. Ref: C1/2/5: Customer Care OM&A- Base Services- Meter Reading

- a. C1/2/5- how many customers are forecast to be on time of use bills in 2008?
- b. Why are meter reading costs for 2008 forecast to be close to their 2007 level despite Hydro One's large smart meter expenditures in 2008?
- c. What assumptions did Hydro One make regarding forecast savings in 2008 meter reading costs derived from the smart meter program?

16. Ref: C1/2/5: Customer Care OM&A- Base Services- Other Service Support Costs

- a. Please provide a detailed explanation for the \$1.2 million increase for this program from 2007 to 2008. How exactly will the extra funds be spent?

17. Ref: C1/2/5- Customer Care OM&A- Base Services- Customer Care Management

- a. Please provide a more detailed explanation as to how each of the factors listed at C1/2/5, pg. 11 ("supporting the corporate objectives of improved customer satisfaction"; "refining management practices associated with the Inergi contract to assist in raising service quality to customers"; preparing for time of use billing related to the incorporation of smart meters") leads to an \$3.1 million increase in this program from 2006 to 2008.

18. Ref: C1/2/5: Customer Care OM&A- Regulatory Compliance

- a. Explain why spending for this program was just \$0.7 million in 2007, compared to \$4.1 million in 2006 and forecast of \$3.6 million in 2008. What functions were performed in 2006 and (forecast to be) performed in 2008? Why were these functions not performed in 2007?

Shared Services Costs:

19. Ref: C1/T2/S6/pg 13 of 82, OM&A Shared Services and Other – Common Corporate Costs – Finance – Treasury

- a. Please update the reference on line 24: Distribution Portion of treasury costs charged to cost of debt

20. Ref: C1/2/6: shared services costs

With respect to the shared services costs approved by the Board in Hydro One's 2007 Transmission rate application, the Shared Services OM&A for Hydro One

Transmission for the 2008 test year was \$57.1 million [Decision with Reasons in EB-2006-0501, pg. 19] please:

- a. Provide an expanded Table 2 at C1/2/6 to show the total Shared Services OM&A approved by the Board in EB-2006-0501 [the 2007 Hydro One Transmission rate application] for the 2008 test year. Please include the total claimed for 2008 in EB-2006-0501 and the allocation to the Transmission business.
- b. Please explain any discrepancies between the 2008 figure from the Transmission application and the 2008 figure in the current proceeding.
- c. It appears that Customer Care was included under Shared Services and Other Costs in the Transmission proceeding but is not included in Shared Services and Other OM&A in the current application. Please explain.

21. Ref: C1/2/6: Shared Services: Comparison between Transmission and Distribution Applications

The following table shows the Shared Services costs in the current application as compared to the Shared services in the Transmission application.

	2007 Costs			2008 Costs		
Description	Distribution (current) application [C1/2/6, pg. 4]	Transmission Application [EB-2006-0501, Ex. C1/2/5, pg. 4]	Difference*	2008 costs: Distribution (current) application	2008 costs: Transmission application	Difference*
Common Corporate Functions	76.0	80.9	(4.9)	84.2	81.4	2.8
Asset Management	93.8	97.5	(3.7)	118.9	96.4	22.5
Information Management Services	98.2	98.2	0	99.3	98.7	0.6
Cost of Sales	Not available	18	N/a	11.5	17.4	(5.9)
Other Shared Services	Not available	(149.2)	N/a	(165.3)	(\$164.3)	(1.0)
Customer Care*	97.1	106.9	(9.8)	\$103.8	\$106.8	(3.0)
Total		244.0		252.3	236.4	15.9

*Part of Shared Services in Transmission application but listed separately in this application.

** Between 2007, or 2008 as the case may be, costs in Distribution application vs. costs in the Tx application.

Please:

- a. confirm that the figures above from Hydro One's pre-filed evidence in EB-2006-0501 (the 2007 Transmission application) are correct. If not, please make the necessary corrections;
- b. fill in the missing information in the table.
- c. explain why 2007 Customer Care costs in the Transmission application were \$106.9 million and 2007 Customer Care costs as stated in the current application are \$97.1 million.
- d. explain whether any portion of the 2008 Customer Care costs in the current application represent work, previously included in 2007 Transmission rates, deferred from 2007 to 2008.
- e. explain why Common Corporate Functions, which were approved at 80.9 million for 2007 in the Transmission application, are stated at \$76 million in the current proceeding.
- f. explain whether any portion of 2008 spending in this proceeding represents expenditures deferred from 2007.
- g. explain why the 2007 Asset Management function was \$97.5 million in the Transmission application but \$93.8 million in the current application.
- h. Explain whether any portion of the 2008 spending for Asset Management represents expenditures, previously approved in the 2007 Transmission application, that were deferred from 2007 to 2008.
- i. explain the differences in 2008 spending as between the amount stated in the Transmission application and that stated in the current application. In particular, please explain the \$22.5 million difference in spending in Asset Management function (a 23.3% difference) as between the two applications. Please explain whether any portion of the difference in 2008 spending is due to spending deferred in 2007 and pushed to 2008.
- j. In particular, please explain why 2008 System Investment spending went from \$21.9 million in the Transmission application to \$32.2 million in the current application.

22. Ref: C1/2/6, pg. 15: Shared Services

- a. Please explain why Hydro One's self-insured insurance expense increases by \$1.4 million in 2008 over 2007 (a 140% increase in one year) when other insurance premiums increase by about 4% (\$5.3 million versus \$5.1 million).
- b. On page 40, the insurance costs increase in 2008 (over 2006) by \$1.2 million due to cost escalation. Please confirm whether the insurance costs are for Hydro One's Property and Boiler and Machinery insurance as identified on page 41.
- c. Please explain why insurance costs increase by \$1.2 million in 2008.

23. Ref: Exhibit C1/2/6, pg. 37-53- Shared Services OM&A: Asset Management Function

Pg. 41: with respect to the Distribution Rationalization function, please:

- a. Describe:
 - the Distribution Rationalization plan,
 - the participants of the plan,
 - how the plan could assist Hydro One and other participating utilities improve efficiencies,
 - whether Hydro One has identified any areas in which efficiencies need to be improved.
- b. explain what portion of the \$9.6 million in Strategy and Business Development function is attributed to Distribution Rationalization.
- c. explain how these activities are connected to the operation of the distribution system such that they should be funded by ratepayers.

24. Ref: C1/T2/S6/Pg 37, 40 of 82, OM&A Shared Services and Other – Asset Management Function – Strategy & Business Development

On page 37, the following Asset Management functions are identified: to develop an investment plan that ensures maintenance of critical distribution and transmission infrastructure to meet both the short and long term needs of customers and, to optimize by working with Hydro One's internal business units the bundling and sequencing of the work.

- a. Please describe in detail Hydro One's investment plan for the next 5-10 years.

25. Ref: C1/T2/S6/pg41 of 82, OM&A Shared Services and Other – Asset Management Function – System Investment Function

- a. One of the factors contributing to the increased System Investment Function spending identified by Hydro One is the number of new proposed generation connections. Please provide the number of new generation connections over 2004-2006 and the respective spending in each year.
- b. On page 43, GIS (Geographic Information System) has been identified as one of the new technologies that Hydro One will be testing and utilizing to provide a spatial representation of its physical assets. Please describe the current technology that will be replaced with the new GIS system, the estimated cost of the GIS system.

26. Ref: C1/T2/S6/ pg 46 of 82, OM&A Shared Services and Other – Asset Management Function – Business Integration Function

The evidence states that work program standard costing rates have been developed by Hydro One, and Hydro One also performs analysis of the work program costs and results.

- a. Please provide Hydro One's current and estimated work program standard costing rates, for the period 2004-2008, by each type of work program.

27. Within shared services, Finance costs increase from \$22.3 million in 2006 to \$26.9 million by 2008. The evidence [at C1/2/6, pg. 9] explains the increase as follows:

The increase in costs in 2004 - 2008 are primarily attributed to the costs of complying with the requirements of Bill 198 on a continuing basis, as well as increased work requirements related to the Securities Commission and Provincial Audit issues.

- a. Please provide a more detailed explanation for the increase in Finance costs. Specifically, what are the costs of complying with Bill 198 and what are the increased work requirements related to Securities Commission and Provincial audit issues. Please provide a breakdown of the additional costs from 2006 to 2008 including incremental staffing costs and external costs.

28. Ref: A/8/3, pg. 7: Affiliate Services- Please explain the increase in fees, from \$6.4 million in 2006 to \$9 million on 2008 (a 40% increase in two years), paid by HON to Hydro One Telecom for Telecommunications Services.

29. Ref: A/8/3: Affiliate Services- Please explain the nature of telecommunications services provided by HON to Hydro One Telecom (in the amount of \$195,000 in 2008, as per A/8/3, pg. 5, Table 1)

30. Ref: A/8/3, Affiliate Services

- a. Appendix “A” (Hydro One Inc. service provision to Networks, Telecom, etc.), pg. 8: Please provide a breakdown of the \$4.1 million in “President/CEO/Chairman Services” provided by Hydro One Inc. to Hydro One Networks in 2007.
- b. A/8/3, Appendix “B” (Networks service provision to HONI, Telecom, etc.):
 - i. Please provide details of the \$180,000 in General Counsel and Financial Services provided by Networks to HONI;
 - ii. Please provide details, including quantum and how costs is determined, of the \$1.685 million in services provided by Networks to Telecom.
 - iii. Please provide a copy of Hydro One Telecom’s 2007 financial statements.

31. Ref: C1/T3/S2/pg 1 of 11

- a. Please complete the following table, and also provide similar results for 2004-2007.

2008 Year	Test	HC	Overtime (Hr)	Base (\$M)	Overtime (\$M)	Incentive (\$M)	Other (\$M)	Total Wages (\$M)	Avg Overtime Pay (\$/Hr)	Avg Base Pay (\$/HC)	Incentive Pay as % of Base
PWU											
Society											
Management											
Total Regular											
PWU											
Society											
Management											
Total Temporary											
Casual Workers											

Contract Staff	(to provide rates by type or work program or skill sets)									
Total			\$406.4	\$72.1	\$8.5	\$21	\$508			

32. Ref: C1/T4/S1/pg 1 of 9, Costing of Work

- a. Please provide Hydro One's standard material surcharge, loaded labour and equipment rates, for the period 2004-2008, and explain the year over year variation.

Compensation

33. Ref: C2/3/1, pg. 3: Please explain the increase in incentive pay for Managers from an average of \$3,139 in 2006 to an average of \$11,600 in 2008.

34. The "Report of the Agency Review Panel on Phase I of Its Review of Ontario's Provincially-Owned Electricity Agencies", the Agency Review Panel set out a number of recommendations (at pg. 20-24 of the report) for determining executive pay at publicly-owned electricity agencies in Ontario. Please explain what steps Hydro One has taken to implement these recommendations.

35. Exhibit A/15/2, Attachment "B": Hay Group benchmarking report. At pg. 7 of the report, Hay Group explains the adjustment methodology used to adjust the wage rates of the comparator companies to match the skill level of Hydro One's job classifications. The adjusted maximum hourly wage= the number of Hay Points for the comparator company's job times the wage rate per point. It appears from the example used that the wage rate for the "Client" (i.e. the company that is the subject of the study) is not adjusted, so that the Client's unadjusted wage rate is compared to the comparator company's adjusted wage rate. Please explain.

36. Exhibit A/15/2, Attachment "A" PA Consulting Benchmark Report

- a. did PA Consulting use total OM&A (per customer, per line km, etc.) as a benchmark? Why or why not?
- b. If available, please provide the total OM&A per customer for Hydro One and the comparator utilities.
- c. PA says, at pg. 3-13, that the fact that Hydro One's costs on a per customer basis are at the high end of the sample are the result of Hydro One's low customer density. However, at pg. 3-13, PA says that the comparator utilities were chosen partially on the basis that they have customer densities of less than 30 customers per square KM. Did PA compare Hydro One's customer density to that of the comparator utilities? If so, please provide it.

Cost of Capital

37. A/9/1, Attachment 2, pg. 10 (December 31, 2005 financial statements): please provide details of any interest rate swap contracts Hydro One has entered into since 2005.

Load Forecast

38. A/14/3, pg. 5: the evidence states, at line 11, that “Hydro One Distribution CDM plans, which have a direct impact on distribution system energy demands” were taken into consideration in developing Hydro One’s load forecast. Please provide more detail as to how CDM activity was taken into account in Hydro One’s load forecast.

Taxes

39. A/10/2, Management’s Discussion and Analysis 2007 Quarterly Report:
- a. Please provide details of the \$18 million in adjustments made to the PILS amount shown in the 2006 financial statements [found at A/9/1, Attachment 3] and the 2006 utility income.
 - b. When was this adjustment made?
40. Ref: C2/6/1, Attachment “A”, pg. 1: please explain the two adjustments to regulatory income for Post Employment Benefits expense/payments.

Rate Impact

41. A/2/1- the summary states that the revenue deficiency represents a distribution rate impact of approximately 4%. Please prepare a schedule showing existing and proposed fixed and variable distribution rates for typical residential (1,000kWh per month), small commercial (15,000kWh per month), and large commercial (200kW demand) customers.

Depreciation and Amortization

42. A2/2/2, pg. 6: gross plant in 2006 was \$129.6 million more than Board approved but accumulated depreciation was \$125.5 million more than Board approved.

Please explain why the variance in accumulated depreciation is so large relative to the variance in gross plant.

Rate Base and Capital Expenditures

43. Ref: D1/T2/S1/pg 7 of 20, Rate Base – Asset Condition Summary

- a. Out of Hydro One’s total 1.65 million poles, how many of them are wood poles?
- b. Please provide the number of Distribution station and line assets that were identified as “Poor” or “Very Poor”, for the period 2004-2008.

Summary of Priority 1 (P1) ACA Results – “Poor” or “Very Poor”

		2004	2005	2006	2007	2008
Stations	Transformers (total transformers= 1337, regulators = 140)					
	LAR, total station sites = 1034 (931 Dx Stations, 75 Regulating Stations, 28 Mobile Stations)					
Lines	Wood Poles (total poles = 1,650,000, to identify # of wood poles)					
Other	Pole & Pad Mounted Transformers (total =475,000)					

44. Ref: D1/T3/S2/pg7 of 29, Capital Expenditure – Sustaining Capital – Stations – Strategic Spare Transformers

- a. Please complete the table below.

	2004	2005	2006	2007	2008
In-service Station Transformers				1337	
In-service Regulators				140	
Major Station Failures					
Spare Transformers					
Spare Regulators					

- b. What is the required level of spare transformers and regulators to be maintained? Has this level been changed over the past 4 years?
- c. What is the average price escalation for transformers and regulators over the past 4 years?

45. Ref: D1/T3/S2/pg20 of 29, & D2/T2/S3/#S7, Capital Expenditure – Sustaining Capital – Lines –Line Asset Replacement – Wood Structure Replacement

- a. Please complete the following table.

	2004	2005	2006	2007	2008
Wood Structure Replacement Spending – Under Line Asset Replacement Program	\$19.1M	\$18.5M	\$30.3M	\$38.5M	\$39.8M
# Wood Poles Replaced Under Line Asset Replacement Program			5200	6700	7000
Wood Poles Replacement Spending – Under other Programs (\$ M)					
# Wood Poles Replaced-Under Other Programs (D2/T2/S3/#S7)					9000-13000

- b. Please separately identify material and equipment price escalation.
- c. Hydro One’s annual testing targets are to remain at about 300,000 poles. Please confirm that all Hydro One Distribution System’s 1.65 million poles will have been tested within 5-6 years.

46. Ref a: D1/T3/S2/ pg 27 of 29, Capital Expenditure – Sustaining – Metering – Smart Meters

Ref b: Investment Justification Sheets #S19

- a. On page 27 of Ref a, Hydro One’s commitment by end of 2008 is to install 370,000 smart meters. In Ref b, Hydro One has identified a target of 240,000 smart meters by end of 2008. Please reconcile.
- b. The table below shows the cost per smart meter seems to have increased dramatically from 2007 to 2008. Please explain the 39% increase in the cost per smart meter from 2007 to 2008.

	2007	2008
Budget [D1/3/2, pg. 23]	\$76.7 million	\$164.8 million
# of Meters to be installed [D1/3/2, pg. 24]	240,000	370,000

Cost per meter	\$319.58	\$445.40
----------------	----------	----------

- c. The original evidence filed August 21, 2007 shows 2007 expenditures for smart meters at \$121.5 million and projected number of meters to be installed as 240,000 for 2007. The updated evidence filed February 20, 2008, however, shows the 2007 budget as \$76.7 but the number of meters installed (240,000) has not changed. If the number of meters installed in 2007 was 240,000 as stated in the evidence, please explain why the cost per meter for 2007 has apparently decreased so dramatically as between the original filing and the updated filing.
- d. Please explain why the 2008 budget for smart meters, \$164.8 million, was not changed in the updated evidence despite the fact that the 2007 figures show a decrease in the cost per meter.
- e. On page 13 of the Board's Decision with Reasons EB-2007-0063 dated August 8, 2007, half of Hydro One's up-front Smart Meter related project management costs were allowed. The Decision also states that the remaining amount should be supported with further and better evidence to justify the prudence of this cost at the time of its 2008 rate application. Please explain how Hydro One intends to comply with that directive.

47. Ref: D1/T3/S3/ pg 10 of 18, Capital Expenditure – Development – System Capability Reinforcement

2008 spending for System Capability Reinforcement is \$44 million, an increase of 22% over the bridge year and 32% above the historic average.

- a. Please separately identify the year over year escalation in material and equipment costs, from 2004 to 2008.

48. Ref: D2/T2/S3/ #01, Capital Expenditure – Operations

- a. Please explain why 2008 spending of \$1.3 million on system-data archiving and management be put into rate base when it appears the project won't be in service until September 2009.

Miscellaneous

- 49. A/3/1, pg. 3, 9: the evidence states that Hydro One's distribution system operates in a service territory characterized by low customer densities.
 - a. What does Hydro One consider to be "low customer densities".

- b. What proportion of Hydro One's service territory meets that definition?
 - c. At pg. 9: please explain the density differences between Hydro One's rural and urban customers.
 - d. What proportion of Hydro One's customers live in municipalities of 5,000 or more overall density?
50. A/6/1: Please provide copies of any material change notices Hydro One has filed with the Board in respect of section 14.2 of its Distribution Licence.
51. A/8/2, pg. 9: please provide copies of the Letters of Disclosure and Letters of Representation provided by the Vice-Presidents during 2007.

- End of document-