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 #2

1. Ref: G1/1/1, Introduction to Cost Allocation and Rate Design

    a. Pg. 1. Please provide a specific reference for the "OEB-approved rate design methodology" employed by the Company in designing the new rate classes.

    b. Pg. 3: Please advise the amount of cost savings expected by the Company in each of years 2008, 2009 and 2010 as a result of the reduction in numbers of rate classes, and provide all internal documents, including studies, memos, emails, presentations and otherwise, estimating or calculating those savings.

2. Ref: G1/2/1, Customer Classification

    a. Pg. 2. Please provide any internal studies or other records evidencing customer confusion to date arising out of the large number of customer classes.

    b. Pg. 2. Please confirm that the 12 new customer classes proposed by the Company were neither proposed by nor approved by the stakeholders at the Company's stakeholdering sessions.

3. Ref: G1/2/2, Current Customer Classification

    a. Pg. 4. Please confirm that the term "customers" in this page refers to billing accounts, rather than actual entities (ie. if an entity has more than one connection point, they will be counted as more than one customer for this purpose). If the Company has the information, please provide the Company's total number of actual customers, and total number of actual customers in the Acquired LDC service territories.

b. Pg. 5. Please advise whether the existing "Low Use Secondary Services" subclass includes any schools, and if so how many.

4. Ref: G1/2/3, Proposed Customer Classification

   a. Pg. 2. Please provide the rationale behind continuing with the existing density test of 3000 or more customers with a line density of at least 60 customers per kilometer. If the Company has any studies, reports, or other evidence showing that this threshold is (or is not) an appropriate delineator relative to cost causality, please provide those materials.

   b. Pg. 2. Please provide a sensitivity analysis showing numbers of customers (Tables 1 through 8 restated) and proposed rates for each class assuming varying density thresholds. Use other possible density thresholds that the Company considers reasonable to consider, or, if the Company has no other candidate tests, use 2,000 customers with a line density of at least 40 customers per kilometer, and 5,000 customers with a line density of at least 75 customers per kilometer.

   c. Pg. 2. Please advise how the 3000 customers test is applied, ie. on what basis is the geographic area selected in which the test is to be applied. Please advise the rationale behind using that particular basis for geographic division. Please advise alternative methods of assessing customer density areas, and the reasons why those methods were rejected.

   d. Pg. 4. (Also G2/1/1, pg. 4) Please confirm that the four General Service categories of UGSe, UGSd, GSe, and GSd, do not use the same 50 KW test that is employed by other LDCs. Please advise the method by which the Company proposes to determine whether a customer should be demand or energy billed, and if there is a demand limit (e.g. 50 KW), any exceptions to that demand limit. Please describe how Hydro One's proposed test would differ from that employed by other LDCs.

5. Ref: G1/2/5, Harmonization of Acquired LDC Customers and Consolidation of Legacy Customer Classes:

   a. Pg. 1. Please provide the Company's rationale for excluding Hydro One Brampton from the harmonization plan. Please file any agreements or other documents that prohibit Hydro One from harmonizing Hydro One Brampton's rates with those of the Legacy customers.

b. Pg. 2. Please provide all studies, reports, analyses, memos, emails, and other documents in the Company's possession dealing with the actual costs of distributing electricity in all or any of the Acquired franchise areas. Please confirm that the Company has not done a formal cost allocation study or studies to determine the costs of serving any of the Acquired franchise areas, or comparing the costs of serving the Acquired customers vs. the Legacy customers.

c. Pg. 5. Please advise why the current fixed service charges are being "truncated downward". Please advise the impact that would arise if the actual existing service charges were used in the proposed formula.

d. Pg. 5. Please provide a brief description of the primary cost differentials driving the class revenue requirements for i) UGSe and GSe, and ii) UGSd and GSd, ie. what are the primary differences in cost allocation that cause the rates to be different. Please provide any studies in the Company's possession showing the different cost of serving these proposed classes.

e. Pg. 5. Please confirm that, under the Company's proposal, only the increase in the fixed charge will be phased in; the volumetric charges will, in fact, decrease as the phasing occurs. Please describe the rationale behind this approach, and the impacts on customers having different existing rate levels and mixes of fixed and variable charges.

f. Pg. 8. Please provide Table 3, revised to show the impacts on the distribution component of the bill only (ie. H1 fixed charge and variable charge).

6. Ref: G1/2/6, Low Use Secondary Customer Rates

   a. Pg. 1. Please confirm that the Company's proposal means that customers with multiple delivery points will pay multiple fixed monthly charges.

   b. Pg. 1. Please advise the Company's policy if a customer with multiple delivery points wishes to consolidate its deliveries through a smaller numbers of delivery points, e.g. who would pay the costs of changing the metering, protection devices, wires, etc., and on what basis, and what other costs or restrictions would apply to that customer?

7. Ref: G1/3/1, Cost Allocation of Revenue Requirement

   a. Pg. 2. Please provide a table showing what the proposed rates would be for each of the new classes in 2008 (and the target harmonized rates) if all rates were at revenue to cost ratios of 1.0.

b. Pg. 4. Please confirm that the Company proposes to collect from the four GS classes a total of $12.1 million more than the costs to serve those classes in 2008.

c. Pg. 5. Please explain the Company's rationale for rejecting revenue to cost ratios of 1.0 as set forth in this table, when all of the total bill impacts are within the 10% maximum applied by the Company to the harmonization of the Acquireds.

8. Ref: G1/5/1, Regulatory Asset Recovery Allocation to Customer Groups

    a. Pg. 3. Please advise how the smart meter costs are charged within customer groups, ie. in a fixed charge, or in a volumetric charge. If they are charged in a volumetric charge (rider), please reconcile this proposal with the cost causality judgment that these costs are driven by number of customers, not volumes.

9. Ref: G1/5/3, Development of Regulatory Asset Rider #3

    a. Pg. 2. Please advise the extent, if any, that when the Regulatory Asset Riders are applied to the Acquireds, costs will be recovered from those customers that were not incurred for their benefit, ie. that Acquireds would be overpaying for those costs.

10. Ref: G1/7/1, Bill Impacts Legacy Customers

    a. Pg. 3. Please restate Table 3 on the basis of revenue to cost ratios of 1.0 in all classes.

    b. Pg. 6. Please provide the calculations behind this Table 4 on a sample bill basis, using the format set forth in the Board's 2006 EDR model for Bill Impacts. Please provide your answer in Excel format, with all formulae live. If the results of the 2006 EDR Model sample bills do not correspond with this Table, please provide a brief explanation of how this table was calculated differently than the Board's Model, and reconcile the two approaches numerically.

    c. Pg. 6. Please restate Table 4 on the basis of revenue to cost ratios of 1.0 in all classes.

11. Ref: G1/7/2, Bill Impacts Acquired LDC Customers

    a. Pg. 4-9. Please disaggregate the distribution bill impacts further for GS<50 and GS>50 to separate out i) the increase in the Company's revenue requirement proposed, ii) the changes in regulatory asset rate riders, iii) the impact of harmonization in 2008, and iv) the impact of over or under-contribution to revenue requirement by the class.

12. Ref: G1/10/1, Total Loss Factors

a. Pg. 3. Please confirm that, under the Company's proposal, all Acquired LDC customers will have an increase in their TLF. Please add columns to the Table of loss factors showing i) the increase in the TLF for the Acquired customers in each class, ii) the estimated total dollar cost to the Acquired customers in that class of the increase in TLF, and iii) the average percentage bill impact of the TLF increase.

b. Pg. 3. Please provide any information in the Company's possession relating to the actual loss factors experienced within the Acquired service territories, or the relative loss factors in the Acquired service territories vs. the Legacy territory.

c. Pg. 3. Please advise whether the impact of TLF changes was included in the mitigation calculations, and, if so, in what manner was that done?

13. Ref: G2/2/1, Harmonization of Acquired LDC Customers

a. Pg. 12. Please confirm that, in the examples in Table 7, the existing volumetric charge is not part of the calculation of the harmonized rates. Please confirm that the bill impacts to customers in the Acquired LDCs that have identical existing monthly fixed charges will vary depending on their existing monthly volumetric charges. Please confirm that by increasing the volumetric charges in all cases to the same amount, the result is that customers with existing high fixed charges may see their existing overcontribution increased during the harmonization period, until, their fixed charge can be reduced to be in line with the new volumetric charge already imposed.

b. Pg. 15. Please restate Tables 8, 9 and 10 on the basis of distribution bills only.

c. Pg. 15. Please provide, for each Impact Range in Tables 8, 9 and 10, the total dollar increase anticipated over the harmonization period for the customers in that Impact Range, e.g. 1115 UGSe customers in the Impact Range of 4% to 6% will, by the end of the harmonization plan, be paying an aggregate of $X more than they are paying today.

d. Pg. 15. Please advise whether the impacts in Tables 8, 9 and 10 include the change in total loss factors and, if so, how those changes were taken into account.

e. Please advise whether the data on former pages 11 through 26 of 28 was incorrect, or is correct but was replaced due to a change in presentation.

14. Ref: G2/3/1, Results of Density Review and Customer Classification

    a. Pg. 1-3. Please confirm that approximately 39.2% of the Urban Residential Class comes from the Acquired LDCs, approximately 50.2% of the UGSe class comes from the Acquired LDCs, and approximately 47.6% of the UGSd class comes from the Acquired LDCs. Please advise whether it is reasonable to conclude that the Acquired LDCs, as a whole, are significantly more urban in nature than the Legacy service territory, taken as a whole.

    b. Please provide a list of the communities within the Legacy service territory that qualify for the urban density threshold. Where partial municipal areas qualify, please describe the parts that qualify, and the parts that are excluded.

15. Ref: General. This additional IR is being provided as a reference number for the Company's response containing the detailed calculation of the impacts of harmonization on schools in the Acquired LDC service territories. The input data has been provided under separate cover to the Company last week.

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