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BY EMAIL and RESS

September 5th, 2012

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2012-0031 – Hydro One Networks Inc. Transmission – Interrogatories

Please find attached the interrogatories of the School Energy Coalition (SEC) in the above-noted proceeding.

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

Yours very truly,

Original signed by

Mark Rubenstein

cc: Applicant and Intervenors (by email)

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IN THE MATTER of the *Ontario Energy Board Act 1998*,
Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Hydro One
Networks Inc. for an Order or Orders approving just and
reasonable rates and other service charges for the transmission of
electricity, effective as of January 1, 2013.

INTERROGATORIES
FROM THE
SCHOOL ENERGY COALITION

[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]

GENERAL

1) Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?

2) Is the overall increase in 2013 and 2014 revenue requirement reasonable?

2-SEC-1

Please provide all presentations to executive management and the Board of Directors supporting approval of the following documents:

- a. The current Application and associated budgets
- b. Transmission 10 Year Outlook

2-SEC-2

Please provide a copy of all directions from the shareholder since January 1, 2010 that are not already in the evidence.

2-SEC-3 [A-13-2/p.28/ss.4.3.2]

Please provide the Canadian Electrical Association survey information referenced.

2-SEC-4 [A-13-2/p.107/ss.11.2.8]

Did the Applicant make a submission to the Ontario Distribution Sector Panel? If so, please provide a copy of the submission.

2-SEC-5 [A-13-2/p.107/ ss.11.2.8]

Has the Applicant considered the “recommendations and implications of the Report of the Commission on the Reform of Ontario’s Public Services (“Drummond Report, 2012)”? If so, please provide HONI’s response to the Drummond Report.

2-SEC-6 [A-17-2/p.2]

Please clarify what ‘associated working group’ the Applicant is talking part in regarding the Staff Discussion Paper on “*Defining Measuring Performance of Electricity Transmitters & Distributors EB-2010-0379*”.

LOAD FORECAST and REVENUE FORECAST

3) Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?

4) Are Other Revenue (including export revenue) forecasts appropriate?

4-SEC-7

With respect to bypass compensation obligations under the Transmission System Code (TSC):

- a. Please provide a list of all instances since 2006 where a customer has bypassed the Applicant’s systems as defined under the TSC.
- b. For each instance, please provide the amount of bypass compensation paid and any deviations from the terms of the Board approved Connection Cost Recovery Agreements entered into.
- c. For each instance, please confirm that the asset bypassed (now stranded) has been removed from rate base.

OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

5) Are the proposed spending levels for Sustaining, Development and Operations OM&A in 2013 and 2014 appropriate, including consideration of factors such as system reliability and asset condition?

5-SEC-8 [C1-2-1/p.1]

How does the Applicant operationally allocate OM&A costs to OM&A functions (eg Sustaining, Development, and Operations etc).

5-SEC-9 [C1-2-2/p.16]

With respect to Circuit Breakers:

- a. Please explain the decrease in Sustainment replacements in the Bridge Year.
- b. Please explain the increase capital cost per replacement in 2012-2014 compared to 2010-2011?

5-SEC-10 [C1-2-2/p.25]

With respect to Transformers, please explain the decrease in Sustainment replacements in the Bridge Year compared to 2011.

5-SEC-11 [C1-2-2/p.53]

With respect to the Wood Poles, please explain the increase in OM&A spending between the Bridge Year and the Test Year.

5-SEC-12 [C1-2-2/p.64]

With respect to the Tower Portfolio, please explain why there were no coating/refurbishments or replacements in 2011?

5-SEC-13 [C1-3-1/p.5]

Please provide further details regarding which areas of Sustaining, Development and Operations, the Applicant reduced spending compared to the Board Approved amounts for 2011.

5-SEC-14 [C1-3-1/p.6]

Please provide further details regarding which areas of Sustaining, Development and Operations, the Applicant reduced spending compared to the Board Approved amounts for 2012.

5-SEC-15 [C1-3-2/p.37]

Please provide a breakdown of the 'Facilities and Infrastructure Maintenance' budget for 2009 through 2014.

5-SEC-16 [C1-3-2/p.39]

Please explain the decrease in site security at transmissions stations spending in 2014 compared to 2013.

5-SEC-17 [A-17-1/p7]

Please provide the derivation of the calculations contained in Table 1 and Table 2.

5-SEC-18 [A-17-1/p.12]

For each performance indicator contained in Table 3, please provide the CEA-COPE average and HONI equivalent.

6) Are the proposed spending levels for Shared Services and Other O&M in 2013 and 2014 appropriate?

6-SEC-19 [C1-4-2/p.2]

Please reproduce Table 1 showing the Tx allocation for 2009-2014.

7) Are the 2013/14 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?

7-SEC-20

With respect to staffing:

- a. Please provide a chart showing, on an annual basis from 2006 through 2014, the number of new hires in each major job category, the number of retirements in that category, and the number of voluntary or involuntary non-retirement departures on that category.
- b. Please provide the most recent report to the board or any committee of the Board with respect to any human resources challenges.
- c. If there are any plans in place to deal with any of those human resources challenges, please provide a copy.

7-SEC-21[C1-5-2/p.11]

Please provide a copy of each “collective agreement, midterm agreement and letter of understandings that bind the company”.

7-SEC-22 [C1-5-2]

Please provide a breakdown by business unit and job category, of the additional employees for each year between 2010 and 2014.

8) Are the methodologies used to allocate Shared Services and Other O&M costs to the transmission business and to determine the transmission overhead capitalization rate for 2013/14 appropriate?

8-SEC-23 [C1-7-2-1]

Please provide the terms of reference and the instructions provided by the Applicant to Black & Veatch regarding *the review of its overhead capitalization rate*.

9) Are the amounts proposed to be included in the 2013 and 2014 revenue requirements for income and other taxes appropriate?

10) Is Hydro One Networks’ proposed depreciation expense for 2013 and 2014 appropriate?

CAPITAL EXPENDITURES and RATE BASE

11) Are the amounts proposed for rate base in 2013 and 2014 appropriate?

11-SEC-24

For all major projects planned for 2012, 2013 and 2014 please provide the most updated expected in-service dates (the expected month that the project will be in-service).

12) Are the proposed 2013 and 2014 Sustaining and Development and Operations capital expenditures appropriate, including consideration of factors such as system reliability and asset condition?

12-SEC-25 [A-15-6/p.18]

How does the Applicant select construction/operations/maintenance contractors?

12-SEC-26 [A-15-1/p.2]

Please reconcile the data on Table 1, with the table on p.1 of A-13-1, Appendix A.

12-SEC-27 [A-15-1/p.2]

Please provide a copy of the Global Insight's February 2012 forecast.

12-SEC-28 [A-15-4/p.3]

Which of the Measure/Key Performance Indicator does the Applicant quantitatively measure? For each one, please provide the specific measure used.

12-SEC-29 [A-15-5/p.2]

With respect to IROVs:

- a. How many were prepared, approved, and rejected in each of 2010, 2011 and 2012?
- b. How many were prepared, approved, and rejected, for projects that were initially below the Board's materiality threshold, but the IROV would have put it at or above the materiality threshold.

12-SEC-30 [A-16-1/p.6]

Please provide the full survey.

12-SEC-31 [D1-1-2/p.1]

Please provide year-to-date actuals for Table 1.

12-SEC-32 [D1-3-3-B]

Has the Applicant provided a response to the OPA regarding its January 11, 2012 letter? If so, please detail the response and provide a copy of any correspondence to the OPA.

12-SEC-33 [A-13-1/A/p.1]

Please provide details on how the Applicant calculated the Tx cost escalations for 'Construction' and 'Operations & Maintenance'.

12-SEC-34 [A-14-1/p.5]

Please explain why the turn-key GIS station for the Hearn SS has a higher than expected cost?

13) Are the proposed 2013 and 2014 levels of Shared Services and Other Capital expenditures appropriate?

13-SEC-35 [D1-4-4/p.4]

Please provide a detailed breakdown of the Major and MFA expenditures for the Test Years.

14) Are the methodologies used to allocate shared services and other capital expenditures to the transmission business, appropriate?

15) Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?

16) Does Hydro One's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the transmission system assets and support the O&MA and Capital expenditures for 2013/14?

COST OF CAPITAL/CAPITAL STRUCTURE

17) Is the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rates appropriate?

18) Is the forecast of long term debt for 2012-2014 appropriate?

18-SEC-36 [B1-1-1/p.3]

Please provide a copy of all outstanding debt instruments issued since 2010.

18-SEC-37 [B1-2-1/p.1]

Please provide all source document that were used in the calculation of the data in Table 4 (eg Global Insight Forecast, documents from MTN dealer group etc).

DEFERRAL/VARIANCE ACCOUNTS

19) Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?

19-SEC-38 [E1-1-1/p.1]

Please expand Table 1 to include 2008-2012.

19-SEC-39 [F1-1-2/p.4]

Please provide the latest balance and accounting entries of the East-West Tie Deferral Account.

20) Are the proposed new Deferral and Variance Accounts appropriate?

COST ALLOCATION

21) Is the cost allocation proposed by Hydro One appropriate?

GREEN ENERGY PLAN

22) Are the OM&A and capital amounts in the Green Energy Plan appropriate and based on appropriate planning criteria?

22-SEC-40 [A-15-6/p.3]

Please provide the findings of the Own Sound smart grid pilot project.

EXPORT TRANSMISSION SERVICE RATES

23) What is the appropriate level for Export Transmission Rates in Ontario?

23-SEC-41 [H1-5-1]

Why is the Applicant not seeking to change the ETS Rates?

23-SEC-42 [H1-5-2]

Please provide any analysis conducted by the Applicant regarding the *Export Transmission Service Tariff Study*, released May 16, 2012.

23-SEC-43 [H1-5-2-B/p.48]

Please provide a copy of the document titled *Review of Rates in Neighbouring Markets*.

CONNECTION PROCEDURES

24) Are the proposed modifications to the Hydro One transmission connection procedures appropriate?

ACCOUNTING STANDARDS

25) Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the Application, the revenue requirement for the Test Years and the proposed rates?

Submitted by the School Energy Coalition on this 5th day of September, 2012.

Mark Rubenstein
Counsel for the School
Energy Coalition