



September 5, 2012

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27th Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Re: Hydro One Networks Inc. 2013/2014 Transmission Revenue Requirement and Rates  
AMPCO's Submission on the Draft Issues List  
Board File No. EB-2012-0031

Dear Ms. Walli:

In accordance with Procedural Order No. 1 dated July 12, 2012, attached please find AMPCO's interrogatories in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

*(ORIGINAL SIGNED)*

Adam White  
President  
Association of Major Power Consumers in Ontario

Encl.

Copies to: Hydro One Networks Inc.  
Intervenors

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**1. GENERAL**

**1.1 Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?**

No questions.

**1.2 Is the overall increase in 2013 and 2014 revenue requirement reasonable?**

No questions.

**2. LOAD FORECAST and REVENUE FORECAST**

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

Issue 2.1 - AMPCO # 1

Ref: Hydro One Application EB-2010-0002 Ex A/Tab 12/Sch 3/P19/Table 3  
Ref: Hydro one Application Eb-2012-0032 Ex A/Tab 15/Sch2/p21/Table 3

- a) The forecast of net demand after embedded generation and CDM in 2012 appears to be different in these two documents. Please explain.

Issue 2.1 - AMPCO # 2

Ref: Ex A/Tab15/Sch 2/p23/Table 5

- a) Please reproduce this table for the years 1999-2011 with added columns for the forecast average monthly transmission peak demand, actual average monthly peak transmission demand that occurred (non-weather corrected) and percentage variation between the two.

Issue 2.1 - AMPCO # 3

Ref: Ex A/Tab15/Sch2/P24/Table 3

- a) Please reproduce this table without weather correction (i.e., actual differences from forecast)

**2.2 Are Other Revenue (including export revenue) forecasts appropriate?**

No questions.

**3. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS**

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**3.1 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?**

No questions.

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

No questions.

**3.3 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?**

Issue 3.3 - AMPCO # 4

**Ref: Ex A-13-1 Appendix A**

**Ref: Ex C1-5-2 Attachment 1 Table 7**

**Preamble:**

In Hydro One's 2012 Business Planning Assumptions, Hydro One projects Ontario CPI to increase 2.1% for the 2012-2013 period and 2.0% in the 2014-2016 period. At the same time, economic increase are projected at 3.0% for both PWU and Society represented staff. The Mercer study in C1-5-2 Attachment 1 indicates that PWU weighted average wages remain at 18% above the median of its comparator group.

- a) Is Hydro One planning to continue closing the gap between the wages it pays to its represented workers and those of its comparator group?
- b) If the answer to a) is yes, please provide an analysis of how Hydro One plans to achieve this goal while planning for wage rate increases in excess of CPI. Please provide any supporting evidence Hydro may have used to develop such plans, such as projected rates of wage inflation in the comparator group.

Issue 3.3 - AMPCO # 5

**Ref: C1-5-2-P8 lines 23-25**

- a) Does Hydro One have any measured experience of difficulty in attracting qualified people to replenish its PWU workforce at current new employee compensation levels? If so, please provide non-anecdotal details if possible.

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- b) Does Hydro One have any non-anecdotal reports of difficulty by members of its comparator group in hiring appropriately qualified people into their unionized workforces?

Issue 3.3 - AMPCO # 6

**Ref: C1-5-2 Table 1 and lines 16-21**

- a) Please provide the hourly wage rate for the Regional Maintainer- Lines position noted in line 16-21.
- b) Please indicate how many journeyman level Regional Maintainer - Lines there are in Hydro One and how many journeyman level Power Linemen.

Issue 3.3 - AMPCO # 7

**Ref: C1-5-2 P2-3**

**Preamble:**

In reviewing the results of the Mercer study, the text on these pages refers to the "market median" as opposed to the "peer group" median. The peer group used in the Mercer study was composed of like organizations, but may not necessarily reflect the marketplace in which Hydro One competes for skilled workers and managers.

- a) Does Hydro regard organizations meeting the Mercer peer group criteria as the primary or sole marketplace in which it competes for skills or does it regard the marketplace as considerably larger?
- b) Please identify the voluntary, non-retirement attrition rate for each of the three groups (Management, PWU, Society-represented) for the 2008-2011 period.
- c) Please identify what proportion of new hires have come from the peer group or other organizations fitting the peer group criteria in the Mercer study, broken down in the PWU, Society-represented and management groupings, for the 2008-2011 period.
- d) Please identify what proportion of Hydro One's non-retirement, voluntary attrition has been to the same peer group, broken down by PWU, Society-represented and management, for the 2008-2011 period.
- e) Please provide any information Hydro One may have commissioned or received with regards to comparative wages and salaries for utility engineering professionals employed by non-utilities, such as engineering firms.

**3.4 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?**

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No questions.

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

No questions.

**3.6 Is Hydro One Networks' proposed depreciation expense for 2013 and 2014 appropriate?**

No questions.

**4. CAPITAL EXPENDITURES and RATE BASE**

**4.1 Are the amounts proposed for rate base in 2013 and 2014 appropriate?**

Issue 4.1 - AMPCO # 8

**Ref: D1-1-2/p3, line 1**

- a) This explanation is a little unclear. Please identify which projects are being referred to in the \$27M under-expenditure.

Issue 4.1 - AMPCO # 9

**Ref: EB-2008-0272 D1-3-1**

**Ref: EB-2010-0002 D1-3-1**

**Ref: EB-2012-0031 D1-3-1**

**Preamble:**

For convenience, the following tables are reproduced from Hydro One's applications in this hearing and the previous two transmission rate hearings.

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**Table 2**  
**2007 Board Approved versus 2007 Actual Capital Expenditures**

<b>Capital Category</b>	<b>2007 Board Approved (\$ million)</b>	<b>2007 Actuals (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	\$288.1	\$210.0	\$(78.1)
Development	318.8	272.6	(46.2)
Operations	20.1	4.7	(15.4)
Shared Services	84.6	72.1	(12.5)
<b>Total</b>	<b>\$711.6</b>	<b>\$559.5</b>	<b>\$(152.1)</b>

**Table 3**  
**2008 Board Approved versus 2008 Projected Capital Expenditures**

<b>Capital Category</b>	<b>2008 Board Approved (\$ million)</b>	<b>2008 Bridge Year (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	295.6	280.4	(15.2)
Development	415.6	310.9	(104.7)
Operations	20.4	23.1	2.7
Shared Services	42.8	89.8	47.0
<b>Total</b>	<b>774.4</b>	<b>704.2</b>	<b>(70.2)</b>

(Ref: EB-2008-0272 D1-3-1)

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**Table 2**  
**2009 Board Approved versus 2009 Actual Capital Expenditures**

<b>Capital Category</b>	<b>2009 Board Approved (\$ million)</b>	<b>2009 Actuals (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	279.9	300.1	20.3
Development	545.9	516.2	(29.7)
Operations	18.2	20.0	1.8
Shared Services	92.4	81.5	(10.9)
<b>Total</b>	<b>936.5</b>	<b>917.8</b>	<b>(18.7)</b>

**Table 3**  
**2010 Board Approved versus 2010 Projected Capital Expenditures**

<b>Capital Category</b>	<b>2010 Board Approved (\$ million)</b>	<b>2010 Bridge Year (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	321.6	308.3	(13.3)
Development	642.3	537.9	(104.4)
Operations	28.9	10.1	(18.8)
Shared Services	64.9	73.6	8.7
<b>Total</b>	<b>1,057.6</b>	<b>930.0</b>	<b>(127.6)</b>

(Ref: EB-2010-0002 D1-3-1)

**Table 2**  
**2011 Board Approved versus 2011 Actual Capital Expenditures**

<b>Capital Category</b>	<b>2011 Board Approved (\$ million)</b>	<b>2011 Actuals (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	412.1	337.1	(75.0)
Development	609.4	415.9	(193.5)
Operations	43.5	8.8	(34.7)
Shared Services	58.4	48.4	(9.9)
<b>Total</b>	<b>1,123.4</b>	<b>810.2</b>	<b>(313.2)</b>

(Ref: EB-2012-0031 D1-3-1)

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**Table 3**  
**2012 Board Approved versus 2012 Projected Capital Expenditures**

<b>Capital Category</b>	<b>2012 Board Approved (\$ million)</b>	<b>2012 Bridge Year (\$ million)</b>	<b>Variance (\$ million)</b>
Sustaining	431.3	426.7	(4.5)
Development	448.8	412.1	(36.7)
Operations	56.4	47.9	(8.4)
Shared Services	44.8	75.0	30.2
<b>Total</b>	<b>981.3</b>	<b>961.7</b>	<b>(19.6)</b>

(Ref: EB-2012-0031 D1-3-1)

**Preamble:**

Whatever the cause, it appears that Hydro One frequently and significantly under-spends its approved capital budgets.

- a) Are there any mechanisms Hydro One would recommend to the Board to mitigate the effect on customers of the rate impacts from underspending of approved capital budgets?

**4.2 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?**

Issue 4.2 - AMPCO # 10

**Preamble:**

The OEB filing guidelines for transmission and distribution applications requires a three year forecast of capital (test year plus two subsequent years (Sect 2.5.2.4)

- a) Please provide the forecast capital expenditures for the third year.

**4.3 Are the proposed 2013 and 2014 levels of Shared Services and Other Capital expenditures appropriate?**

No questions.

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

No questions.



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

No questions.

**4.6 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?**

No questions.

**5. COST OF CAPITAL/CAPITAL STRUCTURE**

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

Issue 5.1 - AMPCO # 11

a) Please complete the following table for Hydro One Transmission:

Year	Board Approved Revenue	Actual Revenue	Board approved ROE	Actual ROE
2008				
2009				
2010				
2011				

**5.2 Is the forecast of long term debt for 2012-2014 appropriate?**

**6. DEFERRAL/VARIANCE ACCOUNTS**

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

No questions.

**6.2 Are the proposed new Deferral and Variance Accounts appropriate?**

No questions.

**7. COST ALLOCATION**

**7.1 Is the cost allocation proposed by Hydro One appropriate?**

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No questions.

**8. GREEN ENERGY PLAN**

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

Issue 8.1 - AMPCO # 12

**Ref: A-14-1, Page 2, Lines 6 – 9**

- a) Please provide a summary of the planning work by Hydro One, the OPA and the Ministry of Energy and Infrastructure related to renewable initiatives since Hydro One' last Transmission Rate Application (EB-2010-0002) to the present. Please include a summary of the ongoing work by the three parties.
- b) Please provide any written correspondence between the above parties.

Issue 8.1 - AMPCO # 13

**Ref: A-14-1, Page 4, Lines 6 - 9**

- a) Please provide copies of the studies Hydro One is relying on to support this statement.

Issue 8.1 - AMPCO # 14

**Ref: A-14-1, Page 4, Lines 22-24**

- a) Please provide an update on the small scale and larger size distributed generation and also medium and large sized transmission connected generation connections expected in the central and downtown areas of Toronto.

Issue 8.1 - AMPCO # 15

**Ref: A-14-1, Page 5**

- a) Please explain the increased costs for the turn-key GIS station and the increased costs for P&C facilities.
- b) Please explain why the property purchase negotiations took longer than expected.

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c) Please confirm the expected in-service dates for ISD# D7, D8 and D9.

Issue 8.1 - AMPCO # 16

**Ref: A-14-1, Page 9, lines 11 - 14**

a) Please provide a detailed breakdown of the costs that make up the \$ 1 million expenditures.

Issue 8.1 - AMPCO # 17

**Ref: A-14-1, Page 14, lines 21 – 24**

a) Please provide a detailed description and breakdown of costs for the development work that Hydro One out sourced.

Issue 8.1 - AMPCO # 18

**Ref: A-14-1, Page 16, line 10**

a) Please provide a detailed description and breakdown of the \$4.6 million costs and show the division of work between internal labour and contract work.

Issue 8.1 - AMPCO # 19

**Ref: D1-3-3 Appendix A, Page 3**

a) Please provide the 2012 Year to Date totals for projects D7, D8 and D9.

## **9. EXPORT TRANSMISSION SERVICE RATES**

### **9.1 What is the appropriate level for Export Transmission Rates in Ontario?**

No questions.

## **10. CONNECTION PROCEDURES**

### **10.1 Are the proposed modifications to the Hydro One transmission connection procedures appropriate?**

Issue 10.1 - AMPCO # 20

a) Has Hydro One consulted with any key stakeholders on the proposed changes to the Transmission Connection Procedures prior to this application? If so, please provide documentation of the

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consultation process and any written comments received from stakeholders.

- b) Please provide any documentation Hydro One may have respecting the length of time for Transmission Connection procedures in other jurisdictions.
- c) Please complete the following table of durations for new transmission connections completed in the last three years, or a longer period if that would be more helpful:

Type		Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Load	Average							
	Range							
Non-Renewable Generation	Average							
	Range							
Renewable Generation	Average							
	Range							

Issue 10.1 - AMPCO # 21

**Ref: A-12-1 Pages 14 Lines 1-6**

**Preamble:**

The stated rationale for the proposed changes to connection procedure timelines appears to be the complexity and learning curve associated with renewable generation. At the same time, the proposed new timelines are for all new load and generation customers.

- a) Why are timeline increases needed for customers other than renewable generators?
- b) By what other means has Hydro One attempted to meet the existing Board- mandated timelines for Transmission Connection?
- c) Would it be acceptable to Hydro One if the increased timelines were applicable only to renewable generation customers? For example, has Hydro one attempted to outsource part of the connection procedure work?

Issue 10.1 - AMPCO #22

**Ref: A-12-1- Table 2 and Table 3**

- a) Please identify which steps in the Customer Impact Assessment need to be given more time and by how much.

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Issue 10.1 – AMPCO # 23

**Ref: A-12-1-Figure 1**

- a) Is it Hydro One's proposal that the "Preliminary Engineering Agreement" and the "Pre-CCRA Long Lead Items Agreement" become part of the final CCRA for purposes of settlement, cost accounting and cost recovery?
- b) Please provide samples of the form and format of the proposed Preliminary Engineering Agreement and Pre-CCRA Long Lead Items Agreement.

Issue 10.1 – AMPCO # 24

**Ref: A-12-1- Figure 1**

**Ref: A-12-1 Tables 2 & 3**

- a) The trigger for Phase 3 Connection Estimates is changed between Tables 2 & 3 from "Electrical Design Package Received and Payment Received,,," to "From Date Estimate Agreement Executed to Date Estimate Completed"
- b) In what step on Fig 1 is found the trigger event stated in Table 2?
- c) Is the "Estimate Agreement" referred to in Table 3 the same as the "Preliminary Engineering Agreement proposed on Fig 1? Please explain if this is not correct.

**11. ACCOUNTING STANDARDS**

- 11.1 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 Year, and the proposed rates?

No questions.