



September 25, 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. (HONI) 2013 IRM Distribution Rate Application
AMPCO Interrogatories
Board File No. EB-2012-0136

Dear Ms. Walli:

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

Copy to: HONI

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Incremental Capital Module/Rate Rider

2. Should the proposed capital projects be approved for ICM treatment?

Typical Capital Spending

2-AMPCO #1

Reference: Exhibit B, Tab 1, Schedule 1

- a) HONI provides explanations for Typical capital spending, Escalated Issues capital spending and Non-typical capital spending.

Please confirm the origin of these definitions and how HONI determined the level of review required during an IRM period.

- b) Page 4 - Please expand Table 1 on Page 4 to include 2011 actual and 2012 Bridge.
- c) Please provide a breakdown of the Typical Capital Projects spending plan for 2013 segregated between discretionary and non-discretionary.
- d) Please provide a description of the non-discretionary Typical Capital Projects and the expected in-service dates.
- e) Page 6 - HONI indicates that lower reliability is an unintended outcome of not being in a position to invest in rate base. Please provide the analysis the supports this statement.
- f) Page 6 – Please explain further the harvesting of assets would certainly result in increased contract and employee labour costs.
- g) Page 8 Table 2 – Please reproduce Table 2 to show the breakdown of spending categories under Typical Capital. Please add 2011 actual and 2012 bridge to the table.

2-AMPCO #2

Reference: Exhibit B, Tab 1, Schedule 2

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- a) Page 5 Table 1 Calculation of 2013 ICM Revenue Requirement - Please provide the calculations for the in-service addition amounts shown on the Table.

Escalated Issue Capital – Distribution and Regulating Stations

2-AMPCO #3

Reference: Exhibit B, Tab 2, Schedule 2

- a) Page 1 - Please map the failure rates for HONI's distributing and regulating station facilities from 2008 to 2012.
- b) Page 1 – HONI indicates if the current capital reinvestment for distribution stations is not significantly increased, the volume of station assets that are beyond their expected service life will become unmanageable over a period of time. What is the impact if this work is delayed to HONI's next COS application?
- c) Page 2 - Please provide the scope of the updated asset information project.
- d) Page 2 – Please describe the new Asset Analytic tools referred to by HONI and the application of this information in this 2013 IRM application.
- e) Page 3 Table 1 – Please add columns to the Table for 2008 Board Approved, 2008 Actual, 2011 actual, 2012 Bridge and 2012 Year to Date (YTD).
- f) Page 4 – Please explain how the iMDS will have increased capabilities to deliver the growing Sustaining capital program in 2013 and beyond.
- g) Page 4 - Please provide the expected reduced maintenance costs resulting from the station refurbishment program in 2013.
- h) Page 6 – Please discuss how HONI's resources would manage an increase in the existing replacement rate of 4 stations per year to 32 stations per year.
- i) Page 8 - Please provide information on the demographics of the 110 station structures (11%) that are in a condition that puts them at risk of failure.
- j) Page 13 – Please provide HONI's definition of "fair", "poor" and "very poor" condition categories and the timeframe for replacement for each category. Please provide a condition

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chart similar to Figure 13 on Page 22 for station structures.

- k) Please provide HONI's reliability statistics for the past three historical years.
- l) Please provide a breakdown of the key causes of outages for the past three historical years.
- m) Page 12 – Please provide the failure trend for transformer stations and transformer component failures from 2008 to 2011.
- n) Page 15 – Please provide the cost of commissioning the iMDS by an external vendor.
- o) Page 26 - Please provide a detailed breakdown of the projects and associated costs that make up the proposed \$29 million in spending. Please confirm the proposed in-service dates by project and segregate the projects between discretionary and non-discretionary.
- p) Page 27 – Please provide the calculation of the expected reduction in OM&A expenditures over the next 10 years due to ongoing increased capital funding starting in 2013.
- q) Page 27 – Please provide the calculation of the \$13.3 million to purchase operating spare transformers.
- r) Page 27 - Please a breakdown of the costs that make up the \$7 million expenditure associated with planned and demand driven transformer replacements.
- s) Page 27 – If the \$20.3 million in funding is denied, please provide the calculation for the increase in OM&A.

2-AMPCO #3

Escalated Issue Capital – Wood Pole Replacement

Reference: Exhibit B, Tab 1, Schedule 3

- a) Page 1 – Please provide the analysis and calculation to arrive at a proposed pole replacement rate of 11,000 in 2013.
- b) Page 1 – Please provide data on the number of wood pole related outages from 2008 to 2012.

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- c) Page 2 – Please explain why a subset of poles were not treated to CSA standards.
- d) Page 2 – Please indicate the number subset poles not treated to CSA standards that are included in the pole replacement program for 2013 and provide the associated cost.
- e) Page 2 – Please provide a breakdown of the 13,000 poles installed annually between replaced and newly installed.
- f) Page 3 – Please confirm the number of poles less than 62 years of age and the number of poles greater than 62 years of age.
- g) Page 7 - Please provide a wood pole condition chart similar to Figure 13 on Page 22 to show the number of wood poles in “fair”, “poor” or “very poor” condition.
- h) Page 9 Table 1 – Please add 2008 Board approved, 2008 actual, 2011 actual, 2012 Bridge and 2012 Year To Date (YTD) to Table 1.
- i) Page 10 – HONI indicates each scenario prioritizes the replacement of the subset of poles that were not treated to CSA standard and are deteriorating prematurely. Please provide HONI’s assumption of the number of subset poles to be replaced annually under each scenario.
- j) Page 10 – Did HONI assess a scenario that focuses primarily on the replacement of subset poles to accelerate the replacement timeframe to less than 10 years? If yes, please discuss. If no, please explain.
- k) Page 12 – Please summarize the current risk level referred to at lines 22-24.
- l) Please discuss the impact if the current replacement rate of 7,200 poles per year in the Wood Pole Replacement program is not increased until HONI’s next COS application.
- m) Page 14 – Please discuss how HONI’s resources would manage an increase in the pole replacement rate from 7,200 per year to 11,000 per year.
- n) Please describe the actions HONI will take in the event that the Board does not approve the proposed increase in the wood pole replacement program.

4. Is Hydro One’s proposal with respect to the treatment of the CIS project for 2013 and 2014 appropriate?

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4-AMPCO #4

Non-Typical Capital – Customer Information System

Reference: Exhibit B, Tab 3, Schedule 1

- a) Page 4 – The project is expected to be in service in 2013. Please confirm the original start date of the project.
- b) Page 5 Table 2 – Please reproduce Table 2 to show the breakdown of Board Approved and actual costs for the life of the project.
- c) Page 5 Table 2 – Please provide the types of costs included under development costs.
- d) Page 16 – Hydro One expects Distribution Business savings from the CIS implementation to total \$172 million over a 7 year time horizon. Please provide a description of the savings and provide a breakdown of these savings by year.
- e) Page 16 – Please identify the potential opportunities between HONI and other Ontario LDCs to look for project cost savings.
- f) Page 18 Table 4 – Please confirm staff costs began in 2011.
- g) Page 18 Table 4 - Please add additional rows to the Table to provide the number # temporary FTEs by year, number of # external contract staff by year and include other staff categories as required to match total costs for HONI staff on CIS project.
- h) Please confirm the non-typical capital CIS project is non-discretionary.
- i) Please confirm the amounts proposed in 2013 are outside of the base upon which rates are derived.
- j) The Board's Guidelines state that the distributor's decision to incur the amounts must represent the most cost-effective option. Please discuss.
- k) Please confirm that the incremental revenue requested will not be recovered through other means.

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- l) The Board's Filing Requirements (June 28, 2012) state on page 7 that the amounts must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing. Please comment.
- m) Please describe the actions HONI will take in the event that the Board does not approve the proposed non-typical capital CIS spending.

Other Rate Riders and Adders

10. Is Hydro One's proposed Smart Grid rate adder appropriate?

10-AMPCO #5

Reference: Exhibit C, Tab 1, Schedule 1

- a) Page 1 Table 1– Please summarize how the amounts will have a significant influence on the operation of HONI.
- b) Page 2 – Please describe the Distribution Management System and confirm when it was installed.
- c) Please confirm the number of FIT and MicroFit connections to date and forecast for 2013.
- d) Page 3 Table 2 – Please provide the amounts for 2010 actual, 2011 actual, 2012 Bridge and 2012 YTD. Please explain any variances.
- e) Page 4 – Please confirm the acronym OGCC.
- f) Page 4 – Please provide the number of energy storage systems in the Tillsonburg area.
- g) Page 4 - Please advise of any further direction provided to Hydro One regarding its Smart Grid Plan.
- h) Page 5 – Please provide a breakdown of the \$7 million (Sustainment of New Smart Grid Systems costs).
- i) Page 6 shows the OM&A component of Additional Smart Grid Deployment as \$8.6 million. Page 7 shows the amount as \$8.7 million. Please reconcile.

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- j) Page 7 – Please provide a breakdown of the \$8.6 million (OM&A Component of Release 2 Project).
- k) Page 8 Table 3 – Please provide the driver for each business objective in Table 3.
- l) Page 9 – Please provide a breakdown of the \$4.2 million in Smart Grid Studies Program for 2013.
- m) Please provide the 2013 smart grid OM&A expenditures in base rates.
- n) Please discuss the actions HONI will take in the event this spending is not approved.