EB-2012-0136

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 distribution of electricity, effective on January 1, 2013.

INTERROGATORIES

OF 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.]

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

SEC - 1 [B/1/1/p.9] Please provide the Applicant's current forecasts for "distribution revenue change from load growth" from 2011 to 2012 and from 2012 to 2013.

SEC - 2 [B/1/1/p.3] Please provide the source reference for the claim "*The Board's examination under the Renewed Regulatory Framework recognizes that one of the major challenges facing the sector today, and the most significant driver of costs, is the scale of capital spending expected over the next number of years to modernize the system and to provide for new demand*".

SEC - 3 [B/1/1/p4] Please confirm that by the calculation in Table 1 Applicant seeks ICM treatment of the capital spending equivalent of the reduction in revenue due to reduced load, and the amount by which capital spending exceeds depreciation.

SEC - 4 [B/1/1/p.5 and A/6/1, Attach. 1] Please confirm that the sole reason for the outlook downgrade by S&P was the rating downgrade of the Applicant's shareholder, the Province of Ontario.

SEC - 5 [B/1/1/p.5 and A/6/1, Attach. 2/p.1] Please confirm that the sole reason for the rating downgrade by Moody's was the rating downgrade of the Applicant's shareholder, the Province of Ontario.

SEC - 6 [B/1/1/p.5 and A/6/1, Attach. 2/p.1] Please provide an explanation of the term "high default dependence", and how it relates to Hydro One and the Province of Ontario.

SEC - 7 [B/1/1/p.5 and A/6/1, Attach. 3] Please confirm that the distribution and transmission businesses of Hydro One are not rated separately.

SEC - 8 [B/1/1/p. 5 and A/6/1, Attach 3] Please provide capital spending as a percentage of depreciation for each of transmission and distribution for each of 2007 through 2013, the latter two years being at forecast spending levels.

SEC - 9 [B/1/1/p.5 and A/6/1, Attach. 4/p.3] Please provide the full distribution capital budget – broken down into its normal categories - for each of 2011 (actual), 2012 (most recent actuals plus forecast), 2013 (plan), and 2014 (outlook). To the extent that the capital spending for any of those years is materially different from the $720 million forecast by S&P in this report (40% of $1.8 billion), please explain the major drivers of that difference.

SEC - 10 [B/1/1/p.5 and A/6/1, Attach. 5/p.1] Please provide copies of all materials or other information provided to DBRS prior to August 22, 2012 that could have caused them to conclude the Hydro One's capex will be lower by $165 million in 2012 due in part to "lower distribution development". If this information was communicated to DBRS verbally, please provide details of who communicated this information, when, and in what circumstances.

SEC - 11 [B/1/1/p.5 and A/6/1, Attach. 5/p.7] Please provide a calculation of the cost of debt included in 2012 rates, and a further calculation that adjusts that amount to include all changes to the cost of debt expected prior to the end of 2013, including but not limited to the refinancing of the $600 million of 5.77% notes at a lower interest rate.

SEC - 12 [B/1/1/p.5 and A/6/1, Attach. 6/p.2] Please provide a history of all changes to Hydro One's "baseline credit assessment" (BCA) from Moody's, currently 8, since 2002.

SEC - 13 [B/1/1/p. 9] Please explain why, if Typical Capital spending is lower than the capital spending included in the last cost of service, there is a $14 million ICM revenue amount. Please confirm that Hydro One is seeking ICM treatment for all normal capital spending in excess of depreciation.

SEC - 14 [B/1/1/p.9] Please provide full details of all increases in FTEs expected as a result of the ICM proposals in this Application. Please provide a report in the Board's form 2-K, with 2013 as the final year on the table.

SEC - 15 [B/1/2/p.2] Please confirm that, if the Board accepts the proposal to take only half of the CCA for the CIS project in 2013, Hydro One will not make any ICM funding application for any projects (including CIS) as part of its application for 2014 rates. If Hydro One currently expects to file a 2014 ICM application, please provide whatever details are currently forecast with respect to that application.

SEC - 16 [B/2/2/ p. 2] Please provide details on the new information available to Hydro One since its last cost of service decision that has resulted in an increase in the budgets for Station Refurbishments and Transformer Spares and Replacements.

SEC - 17 [B/2/2/p.3] Please advise the basis on which the current refurbishment rate of 4 stations per year, and the current replacement rate of 6 transformers per year, were originally established, and subsequently maintained. Please provide the most recent report, analysis, business case, presentation or similar document that continued to assert either of those rates was appropriate.

SEC - 18 [B/2/2/p. 4 and 15] Please confirm that the unit cost for station refurbishments is expected to drop with the implementation of iMDS. Please quantify that reduction. Please provide any cost/benefit analysis or business case prepared with respect to the development of iMDS.

SEC - 19 [B/2/2/p. 12] Please provide the number of transformer failures, the number of transformer component failures, and the number of metalclad breaker failures, for each year from 2006 through 2011.

SEC - 20 [B/2/2/p. 16] Please explain why corrective maintenance will not be reduced with the increased spending on capital.

SEC - 21 [B/2/2/p.16] Please provide details of the capital spending on station refurbishment in 2012. To the extent that it is less than $29.0 million, please explain why.

SEC - 22 [B/2/2/p. 18] Please confirm that Table 2 shows the purchase of 59 transformers in total.

SEC - 23 [B/2/2/p. 26] Please explain why the "operating spare complement is currently not at the appropriate level". For each year from 2008 through 2012, please advise the "appropriate level", the actual level, the rationale supporting the calculation of the "appropriate level", and the reasons for any material difference between appropriate and actual.

SEC - 24 [B/2/2/p. 27] Please provide a forecast, for each of 2013 through 2017, of the reduced OM&A expenditures relating to transformer maintenance that are expected as a result of "increased capital funding starting in 2013".

SEC - 25 [B/2/2/p. 27] Please explain how planned and demand transformer replacements are "incremental" capital if they are less than the base year.

SEC - 26 [B/2/3/p. 3] Please confirm that the Applicant seeks to increase total pole replacements in the test year from the current level of 20,200 to a new level of 24,000.

SEC - 27 [B/2/3/p. 9] Please advise the level of pole replacement proposed by the Applicant in its last cost of service Application, the previous level of pole replacement that was being adjusted, and the level allowed by the Board in its decision, in each case by reference to either number of poles or budget.

SEC - 28 [B/2/3/p. 13] Please provide a forecast of the number of poles to be replaced, and the cost of the pole replacement program, for each year from of 2014 to 2022 under Scenario 2.

Issue 3 - Is Hydro One's proposal with respect to the capital contribution allocated to Hydro One Transmission appropriate?

SEC - 29 [B/2/1/p. 2] Please provide the full detailed calculation that shows why, with a 50/50 split of available capacity, Hydro One expects to contribute $9.2 million while Woodstock Hydro only contributed $4.4 million?

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

SEC - 30 [B/3/1/p.5] Please:

a. Provide the start and end dates for each of the phases listed in Table 1; and

b. Provide a detailed explanation of each change in cost between the June 15th filing and the August 29th update.

SEC - 31 [B/3/1/p.11] Please:

a. Provide details of the cost to extend the existing SAP BI solution;

b. Confirm that those costs are included in the ICM amount for which recovery is being sought;

c. Provide any business case or cost/benefit analysis prepared with respect to this project; and

d. Provide a detailed forecast by year of the OM&A savings that are expected to result from the "two major benefits" listed.

SEC - 32 [B/3/1/p.13] Please confirm that the average annual cost per customer of the CIS (line 7) from the in-service date is expected to be approximately $30. Please confirm that the Enbridge average annual cost per customer for the same package of costs, as approved by the Board in EB-2011-0226 (Ex. N1/1/1) is approximately $17. Please explain why the Hydro One CIS appears to be significantly more expensive than the Enbridge CIS.

SEC - 33 [B/2/3/p.13] Please provide the detailed calculations for each of Rows 4 through 7 for each year.

SEC - 34 [B/3/1/p. 16] Please provide the detailed calculation of the figure of $172 million.

SEC - 35 [B/3/1/p.18] Please provide details of the incremental FTEs hired as a result of the CIS project, and the roles those incremental personnel filled in each of 2011 through 2013. Please confirm that all of those incremental personnel were temporary, and those FTEs will revert to normal levels in 2014 and beyond.

SEC - 36 [B/3/1/Attach. 2, p. 1 and 7] Please explain why the in-service date changed from October 2012. Please explain why there were cost overruns when HCL Axon was on a "fixed price arrangement".

Issue 5 - Is Hydro One's proposal to calculate revenue requirement for all of the proposed ICM projects, except CIS, based on full year depreciation, appropriate? In the event that Hydro One files on a cost of service basis for 2014, is an adjustment required, and if so should a deferral account be set up at this time to capture any such adjustment?

SEC - 37 [A/3/1, p.3] Please confirm that Hydro One's next cost of service application for distribution will be for rates commencing January 1, 2015.

Issue 6 - Is the proposed rate implementation for projects approved under the ICM, if any, appropriate?

SEC - 38 [A/3/1, p. 5] Please provide a side by side comparison of the calculation of the revenue requirement associated with the ICM projects using the Board's standard method of ICM calculation, and using the "proposed adjustments" in the Application.

SEC - 39 [B/1/2/p. 2] Please confirm that, in calculating the depreciation and CCA for the ICM projects, the Applicant did not use the actual depreciation rates for each project included in Typical Capital or Escalated Issue capital, but used averages instead. If so, please provide the actual depreciation and CCA calculations for each of the projects proposed to be included in the ICM.

SEC - 40 [B/1/2/p. 4] Please confirm that the Applicant proposes to use 2013 interest rates for the ICM projects, but that the remainder of rate base will continue to be recovered at the 2011 interest rates embedded in existing rates.

Issue 13 – Is Hydro One's proposal for the implementation of the Density Study findings appropriate?

SEC - 41 [D/1/1/Attach 1, p. 35] Please advise what the rates would be for 2013 if General Service Energy and Demand billed customers were split into three classes at the same density breakpoints as residential.

SEC - 42 [D/1/1/Attach 1, p. 40] Please explain why it is appropriate to use cost ratios that "likely understate" the difference in cost to serve between the density-based classes.

Issue 17 – Is the proposed Tariff of Proposed Rates and Charges appropriate?

SEC - 43 [E2/2/3] Please confirm that Hydro One is seeking approval of the rates and charges set forth in Exhibit 2, Tab 2, Schedule 3, to the extent that they are different from the rates and charges set forth in Exhibit 2, Tab 2, Schedule 2.

Respectfully submitted on behalf of the School Energy Coalition this 25th day of September, 2012

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Jay Shepherd