

Ontario Energy Board

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 just and reasonable rates and other charges for electricity distribution effective January 1, 2013.

**TECHNICAL CONFERENCE QUESTIONS ON BEHALF OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 12, 2012

**HYDRO ONE NETWORKS INC.
2013 IRM DISTRIBUTION RATES ADJUSTMENT
EB-2012-0136**

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

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

Energy Probe TCQ # 1

Ref: Exhibit I, Tab 2, Schedule 1.09 Staff 10

Part (f) of the response states that Hydro One did not pursue legal action to recover costs of replacing defective wood poles because it had determined that there was a very low probability of cost recovery.

Please elaborate on why Hydro One came to this conclusion. I.e. is the company insolvent, does it have no insurance that might cover a claim of this nature, is it unable to contribute by way of reduced pricing on the replacement poles, etc.?

Energy Probe TCQ # 2

Part (g) of the response states that increased pole replacement work will be undertaken mostly by existing staff that will become available from the smart meter network installation program that is winding down.

Please describe the smart meter “network installation program” and how its completion frees up the kind of staff that would also be trained to install poles.

Energy Probe TCQ # 3

Ref: Exhibit I, Tab 2, Schedule 2.07 Energy Probe # 8

The table provided in part (a) of the response to Energy Probe # 8 shows 52 transformers in the operating spare inventory that are considered to be in acceptable condition and ready for deployment. The response to part (a) also states in part that “continued deployment of aged transformers is not viewed as an effective long term solution to managing the aging distribution station infrastructure”.

Does this mean that Hydro One intends to continue using refurbished transformers as operating spares as long as they are not “aged” and that refurbished transformers will not be completely eliminated as operating spares?

Energy Probe TCQ # 4

Ref: Exhibit I, Tab 2, Schedule 2.07 Energy Probe # 8

Exhibit I, Tab 2, Schedule 1.01 Staff 2

Exhibit I, Tab 2, Schedule 8.23 Schools 23

The response to part (d) of Energy Probe # 8, which asked what has occurred to make operating spares an escalated issue, refers us to part (a) of Schedule 1.01 Staff 2. That part of the response to Staff 2 does not specifically address the operating spares inventory nor explain why operating spares has been included in the escalated category.

In the response to Schools 23 (Schedule 8.23) Hydro One states that it has “adopted a different strategy within this application with a focus on renewing the operating spare pool with new transformers” as opposed to maintaining its previous strategy of relying on refurbished transformers to populate the operating spare inventory.

Is this change of policy the triggering event that raised the operating spare program from typical capital to escalated issue capital? If yes, please explain how a discretionary policy change by the company can result in non discretionary spending in an ICM. If not, please explain the specific reasons for including operating spare inventory as an escalated issue capital rather than just typical capital.

Energy Probe TCQ # 5

Ref: Exhibit I Tab 2, Schedule 5.05 VECC 8 and Exhibit B, Tab 1, Schedule 1, Page 9 Table 3

- a) Please provide a schedule showing the actual (2012 YTD) and forecast in service date by month for all 2012 and 2013 *major* capital projects by category including Typical Capital, Escalated Issue Capital, CIS and Other Capital.
- b) Indicate any changes to 2012/2013 ISA dates forecast in EB-2009-0096.
- c) Reconcile to the amounts of 2012 and 2013 CAPEX and ISA in part a) to the above references.
- d) Please provide the Rate Base and Revenue Requirement impact of a delay of \$10 million in scheduled ISA for 2013.

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

Energy Probe TCQ # 6

Ref: Exhibit I, Tab 4, Schedule 2.02 Energy Probe 16 Parts d) and e)

- a) Please explain/reconcile the annual CIS Revenue Requirement for 2013/2014 of \$6.08 million provided in the response relative to the amounts shown in Line 8 of Table 3 (Updated).
- b) Are the net revenue requirement amounts shown on Line 8 the difference between the gross RR on Line 6 and the RR net of benefits/cost reductions?
- c) Please show the amounts of benefits/cost reductions included in the calculation of the net revenue requirement on Line 8 of Table 3.
- d) Please reconcile these amounts to the response Exhibit I, Tab 4, Schedule 2.03 EP 17 parts c) and d).
- e) Please provide a schedule that shows the 3 requested levelized cost calculations (EP 16 part e)) for the full life of the new CIS 2013-2024.
- f) Is Hydro One prepared to commit to a 10 year levelized cost per customer for CIS?
- g) If not, why not? If so, what would be the annual amount per customer and what conditions/caveats would Hydro One require (e.g. no change in regulatory requirements)?