

July 11, 2013

Richard P. Stephenson

T 416.646.4325 Asst 416.646.7417

F 416.646.4301

E richard.stephenson@paliaroland.com

www.paliaroland.com

File 22006

Chris G. Paliare
Ian J. Roland
Ken Rosenberg
Linda R. Rothstein
Richard P. Stephenson
Nick Coleman
Margaret L. Waddell
Donald K. Eady
Gordon D. Capern
Lily I. Harmer
Andrew Lokan
John Monger
Odette Soriano
Andrew C. Lewis
Megan E. Shortreed
Massimo Starnino
Karen Jones
Robert A. Centa
Nini Jones
Jeffrey Larry
Kristian Borg-Olivier
Emily Lawrence
Denise Sayer
Tina H. Lie
Jean-Claude Killey
Jodi Martin
Michael Fenrick
Nasha Nijhawan
Jessica Latimer
Debra Newell
Lindsay Scott
Alysha Shore
Gregory Ko

VIA COURIER and RESS FILING

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Networks Inc. 3GIRM 2014 Distribution Rate Application
Board File No. EB-2013-0141**

We are counsel to Power Workers' Union in connection with the above-noted matter. Enclosed please find the PWU's interrogatories.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Original signed by

Richard P. Stephenson
RPS:jr

Encl.

c: A. Bertolotti
J. Sprackett

HONORARY COUNSEL

Ian G. Scott, Q.C., O.C.
(1934 - 2006)

Doc 920531v1

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 approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2014

Power Workers' Union's Interrogatories

1) GENERAL

1-PWU-1

Ref (1): Exhibit B/Tab 1/Schedule 1/

- a) Please provide Hydro One's most recent business plan that underpinned the 2014 electricity distribution rate application.
- b) Please provide in-service capital requirement for 2012, 2013 and 2014 broken down by the following asset categories:
 - Typical
 - Escalate Issues, and
 - Non-typical
- c) For the Escalate Issues asset category, please provide in-service capital requirement for 2012, 2013 and 2014 broken down by the following asset categories:
 - Stations
 - Transformer, and
 - Wood pole replacement
- d) Please provide in-service capital additions and related average rate base (no half year) for 2012, 2013 and 2014 broken down by the following asset categories:
 - Typical

- Escalate Issues, and
 - Non-typical
- e) For the Escalate Issues asset category, please provide in-service capital additions and related average rate base (no half year) for 2012, 2013 and 2014 broken down by the following asset categories:
- Stations
 - Transformer, and
 - Wood pole replacement
- f) Please provide total in-service capital in excess of book depreciation for 2012, 2013 and 2014.
- g) How will 2014 in-service capital requirements be met? Would Hydro One be able to collect incremental revenues by applying proposed 2014 distribution rates to recover the incremental costs related to 2014 in-service capital additions?
- h) Please provide the calculation of the materiality threshold value which determines whether or not Hydro One is able to access the Incremental Capital Module in 2014.
- i) Please fill out the below table providing asset data:

Asset Class	Stations	Transformers	Poles
Number of Units 2012			
Number of Units 2013			
Number of Units 2014			
Replacement Rate 2012			
Replacement Rate 2013			
Replacement Rate 2014			
Expected Service Life (ESL)			
Percentage of assets beyond ESL - 2012			
Percentage of assets beyond ESL - 2013			
Percentage of assets beyond ESL - 2014			

2) SMART GRID

2-PWU-1

Ref (1): Board Staff IR#1

Hydro One indicates that the application is substantially consistent with Chapter 3 of the Filing Requirements for Transmission and Distribution Applications issue by the Board on June 28, 2012. Section 3.5 of these requirements indicate that applications may be filed for Smart Grid funding adders as part of an IRM application. What is Hydro One's rationale for making an application for a Smart Grid funding rider rather than an adder?

- a) Please confirm that Hydro One has been collecting revenue for the recovery of smart grid costs through rate riders, as approved by the Board, with an explicit sunset or termination date.
- b) Please confirm that at the time Hydro One applied for the recovery of smart grid expenses through rate riders the smart grid costs underlying the approved rate riders were examined for prudence.

3-PWU-1

Ref (1): Exhibit C/Tab 1/Schedule 1/Page 13 of 18 and Table 5

Ref (2): Ontario Energy Board/Report to the Board, Supplemental Report on Smart Grid. EB-2011-0004, February 11, 2013. 3.2 Power System Flexibility, Pages 14.

Another example of relevant investments would be using intelligent devices on the system such that network maintenance is enhanced. This investment can be targeted to where and when it is needed and operational efficiencies can be achieved, including improved power quality and outage management to increase reliability of service to customers.

Ref (3): Ontario Energy Board/Report to the Board, Supplemental Report on Smart Grid. EB-2011-0004, February 11, 2013. 3.3 Adaptive Infrastructure. Page 15.

The adaptive infrastructure objective in the Minister's Directive includes the following parameters: "Encourage Innovation" and "Maintain Pulse On Innovation." When applicable and appropriate, capital and investment planning by regulated entities must demonstrate the consideration and/or adoption of innovative processes, services, business models, and technologies as well as an awareness of innovation and best practices. As the Board identified in the RRFE Report, additional guidance from the Board regarding innovation is forthcoming. The Board intends to explore further opportunities to embed in the rate-setting framework for distributors (and eventually all regulated entities) the facilitation and recognition of technological innovation. Smart grid development and implementation activities will be a central focus of that effort.

- a) Please describe how Phase 1 Release 2 Smart Grid projects will impact Hydro One's operational efficiency, network maintenance operations and asset management?
- b) In particular what role will the Distribution Management System Enhancements as part of the Phase 1 Release 2 Smart Grid initiative play at in achieving network maintenance enhancement, higher operational efficiency and improved asset management?
- c) With regard to Ref (3) how has/will Hydro One's smart grid strategy contemplated/contemplate "Encourage Innovation" and "Maintain Pulse on

Innovation” parameters related to Adaptive Infrastructure Objectives as set out in the Minister’s Directive? Have Hydro One’s capital and investment planning considered and/or adopted innovative processes, services, business models, and technologies as well as an awareness of innovation and best practices? If so, how have such innovative processes, services, business models, and technologies as well as an awareness of innovation and best practices been considered or adopted in capital and investment planning?