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August 8, 2014

Our File Number:

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge St.
P. O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Networks Inc.'s 2015-2019 Distribution Custom Rate Application
and Evidence Filing – Request for Confidential Treatment**

We are counsel to the applicant in the above noted application.

Following are the responses of Hydro One Networks Inc. ("Hydro One") to (a) Energy Probe's objections to Hydro One's confidentiality submissions as set out in Energy Probe's letter of July 29, 2014, and (b) the Notice of Motion filed by School Energy Coalition on July 29, 2014. Where applicable, evidentiary references are provided.

I-1.1-CCC 3 – ATTACHMENT 1 ("BRIEFING TO THE MINISTRY OF ENERGY: 2015-2019 DISTRIBUTION RATE FILING – DEC. 3, 2013)

The redacted portions of the document are beyond the scope of this proceeding and are therefore not relevant to this proceeding. The pre-filed evidence supporting Hydro One's custom rate application provides combined transmission-distribution spending figures where relevant, i.e. in respect of costs that are common to both Hydro One's transmission and distribution businesses. Hydro One acknowledges that some of the redacted transmission information is now in the public domain, but only for the 2015-2016 period. Hydro One points out that the briefing document covers a longer period of time. Even if the redacted portions were relevant (a position with which Hydro One

does not agree), securities laws to which Hydro One is subject require that such information not be released to third parties.

I-2.6-SEC 8 – ATTACHMENTS 1, 2 3 AND 4 (“IHS GLOBAL INSIGHT POWER PLANNER, FOURTH QUARTER 2012”, “IHS INFLATION AND EXCHANGE RATE FORECAST, FEBRUARY 2013”, IHS GLOBAL INSIGHT POWER PLANNER, FIRST QUARTER 2014”, AND “IHS INFLATION AND EXCHANGE RATE FORECAST 2014”)

The four requested documents are non-public, proprietary reports prepared by a third party. Public disclosure of any of the documents would be significantly prejudicial to the competitive position of, and would result in undue loss to, the third party, which earns revenue from sales of such proprietary reports and data compilations. As IHS Global Insight points out in the enclosed letter, the vintage of such reports and data compilations is irrelevant, as competitors could reverse engineer IHS Global Insight’s processes and methods from older documents to its detriment. Hydro One submits that there is insufficient justification for public disclosure, particularly when that insufficient justification is compared to the prejudice and harm to Hydro One and to the third party that prepared these propriety reports.

Attachment 1, listed above, contains long-term trend forecasts covering 2011-2022 at the macro-economic level and in construction and OM&A costs for utilities, and the fact that it has been followed by a subsequent forecast does not detract from the fact that the information contained therein is non-public and proprietary. Attachment 2, listed above, contains forecast summaries of economic indicators for 2012-2022 and historical data on economic indicators for 1998-2011. Attachment 3, listed above, contains long-term trend forecasts covering 2013-2024 at the macro-economic level and in construction and OM&A costs for utilities. Attachment 4, listed above, contains forecast summaries of economic indicators for 2014-2024 and historical data on economic indicators for 1998-2013.

I-3.1-SEC-22 (HYDRO ONE’S OUTSOURCING RFP 2013 TO PREQUALIFIED SUPPLIERS)

This document contains commercial and technical material that is appropriately and consistently treated in a confidential matter, public disclosure of which at any point would compromise the security of Hydro One’s operations. It does not contain cost information; therefore, it cannot lower Hydro One’s costs by influencing bidders. Hydro One submits that the harm caused by publicly disclosing this document far outweighs any probative value it may have, if any, to the issues in this proceeding.

I-TAB 4.2 STAFF 63 ("ISG INERGI BENCHMARKING STUDY")

This document is provided in redacted form, none of which redactions alter the meaning of the document. The document should be treated confidentially for the following reasons:

- (a) Disclosure of pricing would be harmful to Hydro One's negotiations with vendors in the present RFP process.
- (b) Disclosure would provide significant advantage to the sophisticated suppliers involved.
- (c) Disclosure of pricing information would be harmful to Inergi's relationships with other customers to whom it provides similar services.
- (d) Unit pricing of outsourced services is irrelevant when aggregate spending information is adequately reflected in evidence, which is the case in this proceeding: Hydro One's historical and forecasted spending on outsourcing is already detailed in Exhibit C1-2-7, and forecasted savings are provided in Exhibit A-19-1 ("Back Office Savings").
- (e) Enclosed with this letter is a copy of a letter from Inergi, objecting to filing an unredacted copy, even if such filing is in confidence.

I-2.6-ENERGY PROBE 23 (CUSTOMER SATISFACTION SURVEYS PROVIDED BY SYNOVATE)

Hydro One's redactions protect the identities of the other utilities referenced. Under no circumstances should such information be filed, even on a confidential basis. Specific identities of comparator organizations and utilities are not even relevant to this proceeding: only Hydro One's relative performance to the peer group is relevant. Without the names of the comparator utilities, parties to this proceeding can still compare Hydro One's performance to the peer group.

Furthermore, other LDCs did not voluntarily participate in the survey: Hydro One's pollster conducted surveys of the other LDCs' customers. Hydro One is sensitive to the fact that disclosure of the names of the other utilities will put the other LDCs in a situation in which they had no say. Disclosure would definitely deter future benchmarking activities, and there is reason to believe that disclosure would also harm Hydro One's relationships with the other LDCs.

IN-SERVICE CAPITAL ADDITION BUDGET 2010-2014

This information must be kept in confidence. The request for such documents is excessive and invasive: the fact is that some items must be kept in confidence within the Company. Furthermore, this document is not even relevant to Hydro One's current plan: there are already mechanisms in place to monitor Hydro One's capital expenditures and performance against plan, e.g. mandatory annual reporting on capital expenditures and outcome measures. Therefore, it is inaccurate to allege that Hydro One has not provided a rationale for not providing the information in the context of a rate application.

INTERNAL AUDIT REPORTS – CAPITAL AND OM&A EXPENDITURES 2010-2014

The Reports include details which have no relevance to this proceeding. Hydro One is willing to accommodate the request by providing summaries of the relevant audit reports which contain the details ordered by the Board in the Board's Decision on Motion in EB-2013-0326 (a proceeding involving the OPA). [In that Decision, the Board stated, *inter alia*, "It is only the outcome of the audit that is relevant going forward..."] The summaries that Hydro One proposes to provide will contain details of the subject matter of the Reports, the recommendations, the action that Hydro One has taken as a result of each recommendation, and the status of the implementation of such actions.

Thank you for your consideration.

Yours very truly,



D. H. Rogers
DHR:ls



John Mothersole
Director of Research
Pricing and Purchasing Service
IHS

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
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Dear MS. Walli,

I am writing to request that the IHS forecasts being used by Hydro One in EB-2013-0416 be protected by a confidentiality order. I am doing so because public dissemination of this information will result in financial and economic injury to IHS.

I. Grounds for Confidentiality

To create the escalation factors in the Operation and Maintenance (O&M) Model, IHS: (a) developed a database using historically available producer and consumer price index data published by the U.S. Bureau of Labor Statistics, as well as other data sources to help define the indices; (b) evaluates the short- and long-term trends for escalation in the indices, and creates weighting factors for various components of its economic escalation model; and (c) further analyzes and makes appropriate escalation adjustments to the O&M Model that are separately applied to the utility industry in general, and to individual utilities.

The O&M Model is the exclusive, proprietary work product of IHS and has substantial commercial value. In this regard, the O&M Model is protected by copyright and is available only through subscription. The confidential information is not publically available and has never been in the public domain. The O&M Model and its components are not generally known or readily ascertainable from public sources and thus, have independent economic value to IHS.

Subject to certain limitations under the subscription agreement, IHS has made the O&M Model available to utility regulatory commissions, commission staffs, and intervenors in the United States under the terms of protective orders entered in those states' rate proceedings. As examples, utility commission and parties to more recent rate cases have reviewed the documents under protective orders in the states of New Hampshire, California, Oregon, Texas, Utah and Wyoming.

II. Injury that Would Result from Disclosure.



IHS has expended significant time and expense in developing and protecting the confidentiality of its O&M Model and escalation factors. The escalation factors reflect work started in the early 1980s and refinements that have been made since then. Each year, IHS personnel spend approximately 400 hours updating, maintaining, and refining the escalation factors.

The proprietary information related to the O&M Model is only available through subscription to IHS' Power Planner Service ("Service"). By subscribing to the Service, subscribers gain access to the Service's regular quarterly forecasts and model documentation, and are allowed to share forecasts on a select basis with relevant third parties in the normal course of business operations (such as to utility commissions and parties to rate cases under the terms of a protective order), but do not have secondary distribution rights to the Service's information. IHS takes these steps to protect our information from public disclosure, to protect its copyright to the information, and to protect the Service's existing and potential revenues.

Although IHS has no objection to regulatory commission and their advisors, public staff, and intervenors having full access to the Service's forecasts as interested third parties, the filing of the O&M forecasts in the public record (that is, non-confidential) would be tantamount to third party distribution. Given the detail contained in a filing, non-participating third parties (*i.e.*, competitors and other utilities) would have what amounts to full access to the Service's forecasts. Moreover, providing the full detail of the O&M Model highlights its structure, compromising one of the Service's attributes – *i.e.*, its depth in examining an individual utility's O&M cost inflation. It may be possible for a recipient of this information, using the detail set out therein, to reverse engineer IHS's processes and methods for developing the escalation factors. This is true even if a dated forecast is published. Thus, public disclosure of the O&M Model and the underlying data would result in financial injury to IHS, and further, if its trade secrets are made publically available to competitors, IHS would suffer a competitive disadvantage resulting in economic harm.

Thank you for your consideration.

Yours sincerely,

John Mothersole

Inergi LP

20 Dundas St. W., Suite 831,
Toronto, ON, M5G 2C2

August 8, 2014

Kristen Walli
Board Secretary at the Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
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Re: OEB Interrogatory Request (EB-2013-0416)

This letter responds to objections by Energy Probe and Schools Energy Coalition to Hydro One's redaction of and confidential treatment of the ISG Benchmarking Study.

The ISG Benchmarking study is a confidential document subject to the confidentiality restrictions contained in the Master Services Agreement between Hydro One Networks Inc. and Inergi LP. That document is not subject to any law requiring disclosure to third parties. Accordingly, Inergi does not consent to the disclosure of the ISG Benchmarking study, except as specifically redacted by Inergi, and on a without prejudice or precedent basis.

The redacted portions of the ISG Benchmarking study contain unit pricing. Disclosure of all or any part of the redacted portions of the ISG Benchmarking study is highly likely to cause Inergi and its affiliates, irreparable harm, loss and damages, as well as prejudice significantly the competitive position of Inergi in current and future competitions for business with Hydro One and other potential customers. Disclosure of pricing information will be irreparably harmful to Inergi's relationship with other customers to whom we provide similar services.

In conclusion, the redaction of the document does not alter the meaning of the document. Therefore, the benchmarking methodology and conclusions are still relevant. Ultimately, this is the most important content of the benchmarking study.

Regards,



John Christens
Senior Vice President
Capgemini (Inergi LP)