April 2, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

via RESS and email

Dear Ms. Walli:

RE: EB-2013-0421 Hydro One Networks Inc. Leave to Construct Electricity Transmission Assets Intervenor Request – Phase II

Please find attached herewith the interrogatories to Hydro One Networks Inc. submitted by the Coalition of Large Distributors' ("CLD")[1]in the above-captioned proceeding.

Please do not hesitate to contact me if you have any questions or require any further information.

Yours truly,

[Original signed on behalf of the CLD by]

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[1] The CLD members making these submissions is comprised of the following electricity Local Distribution Companies ("LDC"): Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc., Toronto Hydro-Electric System Limited, and Veridian Connections Inc.

Hydro One Networks Inc.

Leave to Construct Electricity Transmission Assets

EB-2013-0421

CLD Interrogatories

1 CLD 1.

References:

1. Page 9 of Exhibit B, Tab 4, Schedule 4

Preamble:

The OPA assessment report states:

> *"It is the OPA's view that the most appropriate way to apportion costs between load customers and transmission ratepayers in accordance with the Board's beneficiary pays principle is to apportion the cost of the SECTR project by reference to the costs that load customers and ratepayers would have to pay were customer and system needs to be individually addressed, rather than addressed through the proposed integrated SECTR project.*
>
> *In accordance with the beneficiary pays principle, the OPA proposes that the SECTR project costs should be allocated in proportion to what load customers and transmission ratepayers would respectively have had to contribute towards the combined cost of individual solutions."*

Please explain:

a) Who is the ultimate arbiter that decides what portion is system benefit and what portion is customer benefit – the IESO or HONI? Does HONI envision the Regional Planning forum undertaking reviews of cost allocation for integrated projects? If not what forum will be used to discuss and agree?
b) Please provide a list of Hydro One's Transmission Investment Project over the last ten years. Please indicate which distributors would be considered the benefiting distributors under the new Cost Allocation Methodology for each projects.
c) Please identify any projects that would not have been completed under the new approach.
d) Please provide a list of Hydro One's planned Transmission Investment Projects over the next ten years. Please indicate which distributors would be considered the benefiting distributors under the new Cost Allocation Methodology for each project.
e) Please provide the Cost Allocation for the East West Tie Line and the Bruce to Milton Line. Please also provide the Cost Allocation for the East West Tie Line and the Bruce to Milton Line under the New Cost Allocation Methodology.
f) Confirm the new Cost Allocation Methodology will be implemented prospectively. For example, only on new projects started after the OEB's approval of the proposed methodology.

g) Would the new Cost Allocation Methodology be used when projects are being re-evaluated or only on new projects?
h) If the individual load forecast at the distribution level (Step 4) does not equal the non-coincident incremental peak load for the customer benefit portion at the transmission level (Step 3), how will Hydro One allocate the difference?
i) Will there be an open review process of the load forecast when there are multiple benefiting distributors?
j) Please provide Hydro One's assumption regarding non-coincident incremental peak load of the "new" large customers.

If not what forum?

1 CLD 2.

References:

1. Page 4 of 8 of Exhibit B, Tab 4, Schedule 5

Preamble:

According to the proposal HONI states:

> *"Where the distributors true-ups shows that the distributor's actual load and updated load forecast is lower than the load in the initial load forecast, the distributor will be required to make a payment to make up the shortfall adjusted appropriately to reflect the time value of money."*

What process does HONI propose to use to agree on the time value of money. Why would HONI not use the market value associated with the shortfall?

1 CLD 3.

References:

1. Exhibit B, Tab 4, Schedule 3, Page 4 of 17

Preamble:

The following table is provided at Exhibit B, Tab 4, Schedule 3, Page 4 of 17.

Cost Responsibility *in $ million, excluding HST*	Cost of Work (per B-4-2)	Cost Responsibility		Capital Contribution
		Customers	Pool	
Transmission Line Facilities	45.3[1]	35.1	10.2	31.2
Station Facilities	32.1	20.2[2]	11.9	8.2
Total	**77.4**	**55.3**	**22.1**	**39.4**

a) Please provide a more detailed "Cost Responsibility" table which provides the differences between the proposed "beneficiary pays" Cost Allocation methodology and the existing "trigger pays" Cost Allocation methodology.
b) Please provide the "Cost Responsibility" table further broken down to the affected LDCs, between the proposed "beneficiary pays" and the existing "trigger pays".
c) Please provide what portion of the LDC capital contribution will be paid by new load customers versus existing customers.
d) Please identify the benefits to existing customers and provide cost benefit analysis for the same.
e) Please identify the benefits to existing transmission customers throughout the province that will be allocated a portion of the costs associated with this project. What is the impact to existing transmission customers if this project was not approved?

1 CLD 4.

References:

1. Exhibit B, Tab 4, Schedule 4, OPA Cost Responsibility Evidence

Preamble:

Lines 8 – 10 of Exhibit B, Tab 4, Schedule 4 states:

> *"The construction of the new transformer station and associated transmission line in the Windsor-Essex area will require capital contributions from benefiting customers, consistent with the Ontario Energy Board's "beneficiary pays" principle."*

Please identify:

a) Any ways in which the proposed cost allocation methodology is not consistent with the "beneficiary pays" principle; and
b) Any ways in which the proposed cost allocation methodology is in non-compliance with OEB codes and regulations.

1 CLD 5.

References:

1. Exhibit B, Tab 4, Schedule 5, page 6

Preamble:

Lines 14 – 16 of Exhibit B, Tab 4, Schedule 5, page 6 states:

> *"At the distribution level, Hydro One Distribution performs economic evaluations to allocate the capital contribution among all benefiting distributors (including Hydro One Distribution Itself."*

Please describe any ways in which assessing the benefits for Hydro One Distribution differ from assessing the benefits of any remaining distributors.

1 CLD 6.

References:

1. Exhibit B, Tab 4, Schedule 5, Page 3

Preamble:

Lines 19 – 24 of Exhibit B, Tab 4, Schedule 5, page 3 states:

> *"The new large customers of each of the four distributors listed above will also be required to make a capital contribution towards the transmission investment through their respective distributors. These customers will also be required to provide a 25-year load forecast and a security deposit, and to execute a Capital Cost Recovery Agreement with their respective distributors prior to the commencement of construction of the new transmission connection facilities."*

Please identify, if possible, the "new" large customers and their respective locations per affected LDC.

1 CLD 7.

References:

1. Exhibit B, Tab 4, Schedule 5, Pages 1-8
2. Transmission System Code, Section 6.3.1

Preamble:

The construction of the new transformer station and associated transmission line will require capital contributions from benefiting customers, consistent with the Ontario Energy Board's principles of cost causation, otherwise known as beneficiary or user pays principle. The sole connected customer is Hydro One Distribution and it will be required to provide a capital contribution to Hydro One Transmission as determined by an economic evaluation. Such capital contributions will be subject to true-ups at the end of each of the fifth and tenth years of operation, and at the end of the fifteenth year of operation if actual load is twenty percent higher or lower than the initial load forecast at the end of the tenth year of operation.

Exhibit B, Tab 4, Schedule 5, Page 4, lines 6- states:

> *"These true-ups will apply the same methodology as was used to carry out the initial economic evaluation (discussed in section 2.0 above), and the same inputs except for load, which will be based on the actual load up to the true-up point and on an updated load forecast for the remainder of the economic evaluation period"*

Section 6.3.1 of the TSC states that:

> *"a capital contribution may only be required to the extent that the cost of the connection facility is not recoverable in connection rate revenues."*

Since revenue rates and the values of other inputs such as tax rates, discount rates, etc. are likely to change during the period of the scheduled true-ups, will Hydro One Transmission update these values to ensure that the load customers and distributors are allocated the actual revenues and costs associated with the expansion in accordance with the OEB's "user pays" principle? If not, why would Hydro One Transmission not want to ensure that customers are allocated all costs and revenues associated with the project?

1 CLD 8.

References:

1. Reference Page 9 Exhibit B, Tab 4, Schedule 4

Preamble:

Exhibit B, Tab 4, Schedule 4, Page 9 states:

> *"That is because the SECTR project, — by providing for an alternate source of supply in the Windsor-Essex the area — avoids the need for and associated cost of, upgrading the J3E/J4E circuits, installing reactive support, and increasing the size of the Keith autotransformers."*

Please explain the cost benefit difference between proceeding with the alternative proposed project versus maintaining the existing transmission line. How does this proposal align with the OEB's policies on investment deferral?

1 CLD 9.

References:

1. CCRA Guiding Principles: http://www.csc-scc.gc.ca/politiques-et-lois/005006-1003-eng.shtml

Preamble:

In point 6 of the "General Principles" the LDC is only able to apply credits for DG connected during the true-up period. This would exclude any DG that was connected after the CCRA was signed and before the true-up period (starts when the project is put into service). The customer's updated load forecast may include the impact of DG installed during the True-Up period and the incremental impact of CDM that occurred during the True-Up period.

Please confirm that HONI does not object to modifying the agreement to include the following highlighted information:

The customer's updated load forecast may include the impact of DG installed **after the CCRA contract was signed** and was in service during the True-Up period and the incremental impact of CDM that occurred during the True-Up period.