

**Richard P. Stephenson**

T 416.646.4325 Asst 416.646.7419  
F 416.646.4301  
E richard.stephenson@paliareroland.com  
[www.paliareroland.com](http://www.paliareroland.com)

April 2, 2015

File 23591

**VIA RESS FILING and EMAIL: boardsec@oeb.gov.on.ca**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Networks Inc. – Application for Leave to Construct  
Transmission Facilities (Board File No.: EB-2013-0421)**

Attached please find the Power Workers' Union's Interrogatories with respect to the above-noted application.

Yours very truly,

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**

  
Richard P. Stephenson  
RPS:pb

Encl.

c: Applicant and Intervenors  
John Sprackett (*via email*)  
Kim McKenzie (*via email*)  
Bayu Kidane (*via email*)

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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  
Jessica Latimer  
Debra McKenna  
Lindsay Scott  
Alysha Shore  
Gregory Ko  
Denise Cooney

COUNSEL

Stephen Goudge, Q.C.  
Robin D. Walker, Q.C.

HONORARY COUNSEL

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

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**

155 WELLINGTON STREET WEST 35TH FLOOR TORONTO ONTARIO M5V 3H1 T 416.646.4300

**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 pursuant to section 92 of the Ontario Energy Board Act, 1998 (as amended) granting leave to construct transmission line facilities in the Windsor-Essex Region, Ontario.

**POWER WORKERS' UNION INTERROGATORIES**

**PWU-1**

Ref (a): Exh, B-4-5, Page 8 of 8. Flow of Cost Diagram (Illustrative Only) and Cost Responsibility Table (Illustrative Only).

Ref (b): Exh, B-4-3, Project Economics. 2.0 Cost Responsibility.

Ref (c): Exh, B-4-5, Page 7 of 8. Lines 2-6.

**Economic evaluations, which take into consideration projected revenues associated with customers' load forecasts, are performed to determine the total capital contribution payable at the transmission level, and the allocation at the distribution level of that total capital contribution among the three distributors and their respective distribution customers.**

Ref (d): Exh, B-4-5, Page 7 of 8. Lines 19-22.

**Although not shown in the diagram and table below, capital contribution allocations are calculated separately for each new large customer. Capital contribution allocations for ratepayers are absorbed into the respective distributors' revenue requirements and recovered through rates.**

- a) With respect to the Flow of Cost Diagram (Illustrative Only) indicated in Ref (a), please explain how the Capital Contribution paid to Hydro One Transmission (i.e. \$80 million as per the illustrative example) is determined. Is Hydro One proposing to use the same methodology to calculate the Capital Contribution paid to Hydro One Transmission as described in Ref (b)?
- b) In relation to Ref (a) and in the context of the illustration Hydro One provided, please clarify how Hydro One Transmission would recover the \$95 million (i.e. \$175 million-



\$80 million) portion of the project cost that is not covered by Capital Contribution to Hydro One Transmission?

- c) The Cost Responsibility Table provided on page 4 of Ref (b) shows that, of the \$55.3 million cost that is the responsibility of customers, \$39.4 million will be covered through capital contribution. Based on Ref (b), the PWU's understanding is that Hydro One Transmission will recover the difference through the additional revenue that will arise from applying existing pool rates to the incremental load associated with the project over the 25-year time horizon. Please confirm if this is correct?
- d) As per the Flow of Costs Diagram (Illustrative Only) in Ref (a), the \$100 million Customer Benefit Portion of the Project Cost exceeds the \$80 million Capital Contribution paid to Hydro One Transmission. Does Hydro One Transmission expect to recover the difference in the manner indicated in Question (c) above?
- e) Please confirm if Hydro One Distribution, as the sole transmission-connected customer, will pay the Customer Benefit Portion of the Project Cost that is not covered by Capital Contribution. If confirmed, does Hydro One Distribution expect to recover the cost based on the rates applicable to its customers including the embedded distributors?
- f) With respect to Ref (c), please provide a more detailed description of how the capital contribution allocation percentages for each distributor are determined. Specifically, explain how economic valuations, and variables such as non-coincident incremental peak load, projected revenues and load forecast are factored into the calculation of the capital contribution allocation percentages for each distributor.

## **PWU-2**

Ref (a): Exh, B-4-5, Page 8 of 8. Flow of Cost Diagram (Illustrative Only) and Cost Responsibility Table (Illustrative Only).

Ref (b): Co-operating Interventions and Cost Eligibility Request – Entegrus/Essex Powerlines/E.L.K. November 26, 2014. Page 3.

**Under the proposed methodology for allocating the Project costs, 77.5% of the costs (\$40.4 million), would be allocated to distributors.<sup>4</sup> Detailed information on the financial impacts of the proposed methodology for allocating the Project costs has not to date been provided. Based on the material filed and preliminary discussions between the E3 Coalition members and Hydro One, it appears that the rate base increases resulting from Hydro One's proposed methodology for direct allocation of the Project costs on the respective E3 Coalition members,**

calculated on the most recently approved rate bases, could be, in order of magnitude, as follows:

<b>E.L.K</b>	<b>110% - 115%</b>
<b>Entegrus Powerlines</b>	<b>1 % - 1.5%</b>
<b>Essex Powerlines</b>	<b>10% - 15%</b>

- a) In relation to Ref (a), does Hydro One's cost allocation approach include a methodology to allocate Hydro One Distribution's or embedded LDCs capital contribution between new large customers and ratepayers? If it does, how are those allocation percentages determined? If it doesn't, what are the applicable principles or rules in the TSC or DSC?
- b) Please comment on the rate base increase estimates indicated in Ref (b).