

April 2, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0241 – Hydro One Networks Inc. – New Cost Allocation – Phase 2

Please find, attached, interrogatories for Hydro One Networks Inc. for the above-referenced proceeding.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: Hydro One Regulatory
Michael Engelberg
Intervenors

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA
FOR HYDRO ONE NETWORKS INC. - EB-2013 -0421
PHASE 2 NEW COST ALLOCATION ISSUE

CCC.1

Exh. B/T4/S4 OPA COST RESPONSIBILITY EVIDENCE

On page 4 it states;

“In the RRFE report, the Board concludes that a reconsideration of cost responsibility rules prescribed by the Transmission System Code (“TSC”) is desirable to facilitate the effective implementation of regional planning initiatives. Specifically, in the RRFE report, the Board endorses “... a shift in emphasis away from the ‘trigger’ pays principle to the ‘beneficiary’ pays principle.” RRFE report, page 43. The OPA (IESO) agrees with the Board’s proposed shift to a beneficiary pays approach, which the OPA (IESO) believes will encourage more cost effective electricity system planning decisions.

On August 26, 2013 the Board issued its Notice of Amendments to Codes which, among other things, proposed the elimination of Section 6.3.6 (the “otherwise planned” provision) in the TSC and its replacement with new Sections 6.3.8A, 6.3.8B and 6.3.8C.2. These proposed amendments reflect the shift to a beneficiary pays approach to regional planning.”

The evidence above explains that the Board endorsed the “beneficiary” pay principle in its RRFE report; that the OPA (IESO) agreed with this shift and that the Board then issued proposed Transmission System Code (TSC) amendments. It is also the understanding of the Council that these code amendments have not been finalized.

Please detail where and when there has been a full public review and discussion of the “beneficiary” pay principle as well as a discussion and approval of the proposed TSC amendments described above.

If a review has not been undertaken please explain how OPA (IESO), the OEB and the public can be sure this is the best approach?

If the proposed TSC amendments described above have not been adopted how does the OPA (IESO) and Hydro One know what the Board specifically intended in applying the “beneficiary” pay principle?

CCC.2

Exh. B/T4/S4 OPA COST RESPONSIBILITY EVIDENCE

Table 1 on page 7 describes the Windsor-Essex Area Reliability Needs/Additional Constraints and Benefitting Parties. Local Generation Developers are listed as a beneficiary but are not allocated any of the project costs. Why?

CCC.3

Exh. B/T4/S4 OPA COST RESPONSIBILITY EVIDENCE

What are the estimated cost contributions for each of the local distribution companies (LDC's) that are part of this project?

What are the estimated rate impacts and customer bill impacts for each affected LDC?

CCC.4

Exh. B/T4/S4 OPA COST RESPONSIBILITY EVIDENCE

On page 9 it states;

“The proposed integrated SECTR project will address both load customer and system needs/constraints at a reduced cost of approximately \$77.4 million (i.e., \$22.5 million less than the combined individual solutions). That is because the SECTR project, — by providing for an alternate source of supply in the Windsor-Essex 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.”

Doesn't the OPA (IESO) always look for the most cost effective solution considering synergies and cost savings between the transmission and distribution infrastructure?

If so, why would the individual solutions even have been reviewed and costs estimated?

CCC.5

Exh. B/T4/S4 OPA COST RESPONSIBILITY EVIDENCE

What other approaches were considered to allocate the proportion of cost between the load customers and transmission ratepayers? Why were those other approaches rejected? If other approaches were not considered, why not?

CCC.6

Exh. B/T4/S5 PROPOSED COST ALLOCATION METHODOLOGY AT THE DISTRIBUTION LEVEL FOR UPSTREAM TRANSMISSION INVESTMENTS

It states on page 5:

“As noted in the OPA’s assessment of need for this area in Exhibit B, Tab 1, Schedule 5, the greenhouse growers in the region have indicated strong interest in developing distributed generation through investments in combined heat and power generation. The SECTR Project is therefore expected to serve a mix of load and generation customers. It is Hydro One’s assumption that the net incremental coincident peak flow triggering the need for the new facilities is caused by incremental load, as opposed to generation”

If Hydro One is now moving away from a “trigger” approach why is it not including the benefit of enabling the connection of additional distributed generation for local generation developers as one of the beneficiaries and therefore one of the contributors?

CCC.7

Exh. B/T4/S5 PROPOSED COST ALLOCATION METHODOLOGY AT THE DISTRIBUTION LEVEL FOR UPSTREAM TRANSMISSION INVESTMENTS

How does Hydro One’s economic evaluation to allocate the capital contribution among all benefiting distributors differ from the OPA’s (IESO) cost responsibility approach?

CCC.8

Exh. B/T4/S5 PROPOSED COST ALLOCATION METHODOLOGY AT THE DISTRIBUTION LEVEL FOR UPSTREAM TRANSMISSION INVESTMENTS

On page 6 it states:

“Hydro One will also allocate the associated project facility costs, such as distribution feeders, to the Project’s beneficiaries.”

Are these costs above the total project cost of \$77.4M?

What are the costs of the associated project facilities?

CCC.9

Exh. B/T4/S5 PROPOSED COST ALLOCATION METHODOLOGY AT THE DISTRIBUTION LEVEL FOR UPSTREAM TRANSMISSION INVESTMENTS

On page 6 Hydro One provides an illustrative example of their proposed approach to cost allocation. . Using this methodology determine the actual cost allocations for each of the LDCs (Hydro One plus the embedded utilities) for this project.

CCC.10

Exh. B/T4/S5 PROPOSED COST ALLOCATION METHODOLOGY AT THE DISTRIBUTION LEVEL FOR UPSTREAM TRANSMISSION INVESTMENTS

What are the rate impacts for each of the LDCs (Hydro One plus the embedded utilities) after applying Hydro One's proposed methodology to determine the actual cost allocations for each of the LDCs (Hydro One plus the embedded utilities) for this project?