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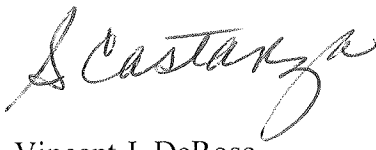
Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re:	Hydro One Networks Inc. ("Hydro One") New Cost Allocation Issue
Board File #:	EB-2013-0421

Enclosed please find Technical Conference Questions being submitted on behalf of Canadian Manufacturers & Exporters ("CME") with respect to the Technical Conference scheduled for Friday, June 5, 2015.

Yours very truly

for 
Vincent J. DeRose

enclosure

c. Erin Henderson (Hydro One)
Michael Engelberg (Hydro One)
All Interested Parties EB-2013-0421
Paul Clipsham and Ian Shaw (CME)

OTT01: 7023625: v1

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.

**TECHNICAL CONFERENCE QUESTIONS OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
TO HYDRO ONE NETWORKS INC. ("HYDRO ONE") AND/OR
THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

Preamble

The questions which follow seek elaboration and clarification of many of the responses Hydro One has provided to Interrogatories seeking a better description of the transmission and distribution cost allocation methodologies which it is asking the Board to approve in this proceeding. What we seek is a clear step-by-step description of each of the proposed transmission and distribution methodologies so that, if they are approved, then it will be readily apparent to all stakeholders how these methodologies are to be applied in future cases.

We do not propose to list all of the Interrogatories in which questions of this nature have been posed. As a result of information provided in response to such questions, the steps which we envisage are involved in applying the proposed methodology at the transmission level include a consideration of the following questions:

- (a) Is/Are there any capacity or other problem(s) with the transmission system?
- (b) What is/are the cause(s) of the problem(s) – is it customer demand or other causes?
- (c) What customer(s) are the cause of the problem(s) in whole or in part – is it a particular customer or sub-set of customers; or all of the customers in a region?
- (d) Who benefits if the problem(s) is/are fixed – is the beneficiary constituency broader than the constituency which is causing the problem(s)?
- (e) What are the costs of the alternative(s) to fix the problem(s)?
- (f) What is the value of the benefits to each of the components of the beneficiary constituency which benefits from having the problem(s) fixed; and how is the value of those benefits to be derived?
- (g) How are the costs of fixing the problem(s) to be apportioned among those who benefit from having the problem(s) fixed? In particular, how is the cost and benefit information to be used to derive the appropriate allocation factor in a particular case?

- (h) Once costs have been apportioned, then what are the capital contribution consequences of that apportionment?

For the purposes of the elaboration and clarification questions which follow, we have assumed that the foregoing is illustrative of the step-by-step process that Hydro One follows.

Our elaboration and clarification questions have also been framed in the context of the six (6) cost allocation principles adopted by the Federal Energy Regulatory Commission ("FERC") in its Order 1000 dated July 21, 2011. We provided parties with the internet link to that material by email dated May 21, 2015. In that material, at page 449, FERC describes the "beneficiary pays" principle as "... a cost allocation principle that includes as beneficiaries those that cause costs to be incurred or that benefit from a new transmission facility." (emphasis added)

Our elaboration and clarification questions also seek clarification of the extent to which, if at all, the proportional benefits allocation methodology, which Hydro One is asking the Board to approve, considers and/or applies the cost allocation concept which the National Energy Board ("NEB") applies to certain types of natural gas transmission expansion facilities. This "cost causation" concept is discussed in the NEB Decisions which we circulated with our letters of April 30 and May 12, 2015 (see, for example, excerpts from the NEB Decision in GH-5-89 enclosed in our April 30, 2015 letter at sections 2.2.3 and 2.3). The concept is that the need for expansion of an integrated system arises when the total demand for service exceeds the existing capacity. Existing users of the system can be considered to be equally responsible for causing a need for additional facilities since, if they were to reduce their levels of use, capacity would be freed-up and less expansion would be necessary.

QUESTIONS

Having regard to the foregoing preamble, would Hydro One and/or the Independent Electricity System Operator ("IESO") please provide responses to the following questions in advance of the Technical Conference scheduled for June 5, 2015.

1. Does the foregoing preamble contain a reasonable generic step-by-step description of the questions which are to be considered in applying the transmission cost allocation methodology which the Board is being asked to approve in this case? If not, then please provide a corrected version thereof.
2. By reference to each of the six (6) principles adopted by FERC in its Order 1000 dated July 21, 2011, discussed at pages 420 and following of that Order, please elaborate on whether the proposed methodology is or is not compatible with each of those principles. If the proposed methodology is not compatible with any of those principles, then please explain why those particular principles are not applicable to the electricity transmission system in Ontario.
3. In determining the "causes" of the transmission system problems in this particular case, to what extent, if any, is the NEB cost causation concept described above applied? Please elaborate on the extent to which this concept is not applicable in the transmission cost allocation methodology which the Board is being asked to approve in this proceeding.

4. Please provide a complete description of how the methodology which the Board is being asked to approve operates to identify all those who benefit from having the problems in this particular case fixed as Hydro One proposes.
5. Please provide a complete description of how the proposed methodology operates to quantify the benefits which each component of the beneficiary constituency will realize in this case by having the problems fixed as Hydro One proposes. How are the benefits quantified?
6. The responses to OEB Interrogatories 5 and 11, E3 Coalition Interrogatories 5 and 6, and others indicate that Hydro One has not taken into account all of the benefits which will be realized by installing the proposed facilities. Please assume that these benefits are to be taken into account. Under this assumption, how should these benefits be valued and are these benefits being realized by all customers in a region, or only by a particular sub-set of customers in that region? What is the proportional benefits allocation outcome of taking all of these benefits into account?
7. By reference to the step-by-step description of the methodology contained in the Preamble or to a corrected version thereof provided by Hydro One in response to question 1 above, please provide a step-by-step description of the cost allocation methodology Hydro One is asking the Board to approve for allocating and recovering costs at the distribution level. Is the methodology being proposed at the distribution level a proportional benefits allocation methodology?
8. Please provide a schedule which will illustrate the outcome, in this particular case, of applying the proposed proportional benefits allocation methodology at the distribution level to Hydro One Distribution. What proportion of the transmission costs allocated to Hydro One are in turn apportioned to all of its distribution customers as opposed to a particular sub-set of those customers?
9. What would be the estimated outcome of applying the proportional benefits allocation methodology at the distribution level in this case under the auspices of a hypothetical assumption that Hydro One is the sole distributor serving all of Ontario? What proportion of the total transmission costs allocated to Hydro One Distribution, in this scenario, would in turn be allocated to all of Hydro One's distribution customers as opposed to a particular sub-set of those customers?
10. Please particularize the changes that will need to be made to the Transmission System Code ("TSC") if the Board approves the transmission cost methodology which Hydro One is proposing in this case.
11. Please particularize the changes that will need to be made to the Distribution System Code ("DSC") if the Board approves the distribution cost allocation methodology which Hydro One is proposing in this case.