

ONTARIO ENERGY BOARD

Hydro One Networks Inc.

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15 (Sched. B) (the Act);

AND IN THE MATTER OF an application by Hydro One
Networks Inc. for an order or orders made pursuant to section
78 of the Act, approving or fixing just and reasonable rates for
the transmission and distribution of electricity

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS (“CME”)
TO PACIFIC ECONOMICS GROUP (“PEG”)**

Interrogatory M-CME-1

Ref: Exhibit M, p. 68 of 112

At p. 68, PEG states that “Hydro One should be permitted to keep a share of the annual cost savings from any capex underspends it achieves. This would strengthen the Company’s incentive to contain capex (but also its incentive to exaggerate its capex needs)”.

- (a) If the Board were to agree with PEG’s suggestion that Hydro One be permitted to keep a share of capex underspends, how would it suggest that the Board neutralize the incentive to exaggerate capex needs?

Interrogatory M-CME-2

Ref: Exhibit M, p. 68 of 112.

With respect to the supplemental stretch factor should be no less than the comparable mark down on plant additions produced by the ICM. PEG states that “The 10% markdown factor in the ICM formula actually marks down otherwise-eligible capex by considerably less than 10%”.

- (a) Please explain why the 10% markdown actually marks down capital by less than 10%.
- (b) Does PEG have an idea what the average 10% mark down actually reduces eligible capex by?

Interrogatory M-CME-3

Ref: Exhibit M, pp.8, 21 of 112

PEG states that “ISO members began purchasing a wide range of transmission services from these agencies and some members reported these costs idiosyncratically. We believe that this materially affected the reported costs of some companies in ways that are not pertinent to the X factor of Hydro One Transmission”.

- (a) Could PEG expand on what it means by “idiosyncratic” reporting on costs. In what ways did cost reporting vary from entity to entity?
- (b) Has PEG quantified the impact of ISO cost reporting on Clearspring’s productivity research? If so, please provide the quantified impact.
- (c) Which entities’ data was excluded from PEG’s research?