By electronic filing and by e-mail

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December 4, 2008

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

Dear Ms Walli,

Hydro One Networks Inc. ("Hydro One")
Transmission Rate Case
Board File No.: EB-2008-0272
Our File No.: 339583-000027

We have reviewed the comprehensive Interrogatories submitted by Board Staff and those submitted by Mr. Aiken on behalf of the Building Owners and Managers Association of the Greater Toronto Area ("BOMA") and the London Property Management Association ("LPMA"). Those Interrogatories cover most of the additional information we require with respect to the pre-filed evidence submitted by Hydro One.

The remaining Interrogatories we have on behalf of Canadian Manufacturers & Exporters ("CME") are enclosed.

Please call me if there are any questions about these Interrogatories.

Yours very truly,

Peter C.P. Thompson, Q.C.

PCT\slc
enclosure
c. Glen MacDonald (Hydro One Networks Inc.)
All Interested Parties
Paul Clipsham (CME)

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Filed: 2008-12-04
EB-2008-0272

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

AND IN THE MATTER OF a review of an application filed by Hydro One Networks Inc. under section 78 of the *Ontario Energy Board Act, 1998,* seeking changes to the uniform provincial transmission rates.

Interrogatories of Canadian Manufacturers & Exporters ("CME") to Hydro One Networks Inc. ("Hydro One")

General – Issues 1.1

Ref: Exhibit A, Tab 2, Schedule 1, paragraph 3
Exhibit A, Tab 3, Schedule 1, page 3
Exhibit A, Tab 1, Schedule 1, pages 1 to 6

1. The revenue requirement requested for 2009 is $1,232.7M and $1,341.0M for 2010. The Board approved revenue requirement for 2008 is $1,170.0M. The 2009 over 2008 revenue deficiency is about $62M or 5.3% of the 2008 Board approved revenue requirement. The 2010 over 2009 revenue requirement increase is $108M or about an 8.6% increase in the requested 2009 revenue requirement of $1,233M. According to the evidence, the 5.3% increase in revenue requirement between 2008 and 2009 translates into an increase in rates of 6.4% and the 8.6% increase in the 2010 requested revenue requirement over 2009 translates into a 12.1% increase in 2010 rates over 2009 rates. The evidence indicates that a 6.4% increase in rates in 2009 results in an estimated total customer bill impact of 0.8% and that a 12.1% increase in 2010 rates over 2009 rates results in an estimated 1.6% impact on a customer's total bill. In the context of this evidence, we request the following additional information:

    (a) Please list, describe, and quantify, if possible, each of the major factors that explain why the percentage increases in rates for 2009 over 2008 of 6.4%, and for 2010 over 2009 of 12.1% materially exceed the percentage increase in the corresponding revenue requirement amounts of 5.3% and 8.6% respectively.

    (b) Please show how the total customer bill impacts of 0.8% for 2009 over 2008, and 1.6% for 2010 over 2009 have been derived, and include in the total amount of the customer bills used in this calculation all of its separate components, such as distribution charges, energy charges, global adjustment, etc.

(c) Please calculate the 2009 and 2010 revenue deficiency amounts on the basis of a Price Cap escalator applicable to Hydro One's Board approved 2008 Transmission Rates of 1.5% plus the amount that results from applying the Incremental Capital Module which the Board approved as part of the 3rd Generation Incentive Regulation Mechanism for electricity distributors so that these revenue requirement calculations can be used as comparators when considering the appropriateness of the overall revenue requirements for 2009 and 2010 which Hydro One asks the Board to approve.

Ref: Exhibit E, Tab 1, Schedule 1, Tables 3 and 5

2. A "Change in Load Forecast" of $6M is identified as a component of the $62M revenue deficiency for 2009 over Board approved 2008 in Table 3 found at Exhibit E1, Tab 1, Schedule 1, page 4, and "Change in Load Forecast" is identified as a $36M contributor to the $110M revenue deficiency for 2010 over 2009 at Table 5 found at Exhibit E1, Tab 1, Schedule 1, page 6. In the context of this information, we request the following:

   (a) Please provide detailed calculations showing how the amounts of each of the "Change in Load Forecast" contributors to revenue deficiency were calculated.

<u>Operating Maintenance and Administration ("OM&A") – Issues 3.1 to 3.4</u>

Ref: Exhibit A, Tab 3, Schedule 1, page 4
Exhibit C, Tab 1, Schedule 1
Exhibit C, Tab 2, Schedule 1

3. Hydro One asks the Board to approve total OM&A for 2009 of $435.2M and for 2010 of $449.7M. These amounts are up from the 2008 Board approved OM&A of $387.5M and Hydro One's estimated actual 2008 OM&A of $402.7M. In the context of this evidence, please provide the following information:

   (a) Please describe how Hydro One would alter its 2009 and 2010 OM&A budgets and spending to manage its OM&A expenditures in those years in the event that the Board were to adopt an envelope approach to assessing the reasonableness of Hydro One's OM&A budgets and were to approve total OM&A budgets in each of the years 2009 and 2010 in amounts of $10M less, $15M less, and $20M less than the total amounts Hydro One asks the Board to approve in each of the years 2009 and 2010.

<u>Capital Expenditures and Rate Base – Issues 4.1 to 4.3</u>

Re: Exhibit A, Tab 3, Schedule 1, page 3
Exhibit D, Tab 1, pages 1 and 2

4. The evidence indicates that Hydro One is budgeting total capital expenditures in 2009 of about $944M and in 2010 of about $1,074.1. Each amount is significantly higher than the Board approved capital budget for 2008 of $774.4M. In the context of this evidence, please provide the following information:

   (a) Please describe how Hydro One would alter its capital budgets and spending priorities in 2009 and 2010 in the event that the Board were to adopt an envelope approach to Hydro One's requested capital budgets for 2009 and 2010 and were to approve total capital budgets in each of the years 2009 and 2010 in amounts of $50M, $100M and $150M less than the amounts requested by Hydro One.

Ref: Exhibit A, Tab 3, Schedule 1, page 6 re: Facilities for New Renewable Generation

5. What portion of the capital and operating budgets for 2009 and 2010 pertain to the development, construction, ownership and operation of enabler facilities for renewable resource clusters to serve new renewable resource electricity generators?

6. In its Notice of Proposed Amendments (the "Notice") to the Transmission System Code (the "Code") dated October 29, 2008, the Board indicates that it intends to implement the hybrid option for constructing, owning, operating and eventually connecting enabler facilities for renewable resource clusters to new renewable resource electricity generators. The Notice indicates that once these new generators have been connected to the Transmission System, they will be required to pay their fully allocated share of the costs incurred by the transmitter to construct, own and operate the enabler facilities. In the context of the foregoing, please provide the following information:

   (a) How does Hydro One propose to calculate the carrying costs they incur with respect to the construction, ownership and operation of enabler facilities for new renewable generation? In particular, is Hydro One seeking a full rate of return on costs incurred with respect to such enabler facilities or something less than a full return such as the Allowance for Funds Used During Construction ("AFUDC")?

   (b) What measures does Hydro One envisage it will apply to track all of the costs it incurs with respect to the construction, ownership and operation of enabler facilities so that those costs can be assigned to renewable resource generators as they are connected?

(c) How does Hydro One envisage that renewable resource generators will discharge their cost responsibility for enabler facilities when they eventually become connected to the Transmission System? Will they be called upon to make a one time payment, or will their cost responsibility for enabler facilities be discharged gradually?

(d) How does Hydro One envisage that its transmission revenue requirement recoverable in rates will be adjusted as renewable resource generators are attached to the system?

(e) Does Hydro One subscribe to the principle that all of the owning and operating costs of enabler facilities incurred by transmitters, including all of the carrying costs thereon incurred between the outset of construction of such facilities and the points in time when new generators are attached should eventually be fully assigned to the new renewable generators?

Deferral/Variance Accounts – Issue 5.2

Ref: Exhibit F1, Tab 1, page 1

7. Hydro One seeks continuation of the pension cost differential deferral account. In this context, please provide the following information:

   (a) Please indicate the extent to which the significant drop in the market value of pension plan investments will be attributable to ratepayers through the operation of the provisions of this deferral account.

Rate Design and Customer Bills

Ref: Exhibit H1, Tab 2, Schedule 1, Tables 1 and 2
Exhibit H2, Tab 1, Schedule 1
Exhibit H2, Tab 2, Schedule 1

8. Please provide sample bills for the typical or average of the 430 LDC Customers; the typical or average of the 92 End-Use Customers, and the typical or average of the 85 Transmission Connected Generators shown in Tables 1 and 2 Exhibit H1, Tab 2, Schedule 1 at page 3 and 4.