

1 **Consumers Council of Canada (CCC) INTERROGATORY #1 List 1**

2
3 **Interrogatory**

4
5 **GENERAL**

6
7 **Reference:** Exhibit A/Tab 6/Schedule 1, page 1

8
9 The evidences states that the Application by HON Distribution is "substantially"
10 consistent with the requirements of the 2006 EDR Handbook and with the Filing
11 Requirements issued on November 14, 2009. Please specify where the application is not
12 consistent with the documents noted above and explain why.

13
14
15 **Response**

16
17 Please refer to Exhibit H, Tab 7, Schedule 2.

1 **Consumers Council of Canada (CCC) INTERROGATORY #2 List 1**

2
3 **Interrogatory**

4
5 **GENERAL**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 1, page 2

8
9 A part of the 20010-2014 planning cycle Business Plan instructions were issued in
10 Quarter 1, 2009. Please provide a copy of those instructions.

11
12 **Response**

13
14 Please refer to Exhibit H, Tab 13, Schedule 1.

1 **Consumers Council of Canada (CCC) INTERROGATORY #3 List 1**

2
3 **Interrogatory**

4
5 **GENERAL**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 1, page 4

8
9 Please provide a copy of the final investment plan, and any related material that was
10 endorsed and confirmed by senior management that was prepared in 2009 and provided
11 the basis for the 2010 and 2011 plans.

12
13
14 **Response**

15
16 As illustrated in Figure 1 of Exhibit A, Tab 14, Schedule 1, initial investment plan
17 proposals are prepared as input into the prioritization and selection process. The capital
18 and OM&A investments approved through this process comprise the investment plan
19 component of Hydro One's business plan which can be found on pages 28-39 of the
20 approved June, 2009 2010-2012 Corporate Business Plan filed in confidence in Exhibit
21 H, Tab 13, Schedule 1 and in Exhibits C1 and C2 and D1 and D2.

1 **Consumers Council of Canada (CCC) INTERROGATORY #4 List 1**

2
3 **Interrogatory**

4
5 **GENERAL**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 1, page 4-5

8
9 Please provide a copy of the financial plan and underlying assumptions provided to the
10 HON Inc. Board of Directors in support of the 2010-2011 filing.

11
12 **Response**

13
14 Please refer to Exhibit H, Tab 13, Schedule 1

1 **Consumers Council of Canada (CCC) INTERROGATORY #5 List 1**

2
3 **Interrogatory**

4
5 **LOAD AND REVENUE FORECASST**

6
7 **Reference:** Exhibit E/Tab 2/Schedule 1, page 1

8
9 Please provide Board approved numbers for external revenues for the years 2006-2009.

10
11
12 **Response**

13
14 Board Approved amounts for external revenues for 2006 & 2008 are shown below. There
15 are no Board Approved amounts for 2007 and 2009 as there were no Cost of Service
16 applications for those years.

17

		<u>2006</u>	<u>2008</u>
Regulated Revenues			
Joint Use Revenue		5.5	6.2
Telecommunications		5.3	6.0
Street Lighting		0.3	0.2
Sentinel Revenue*		3.6	4.0
Retail Service Revenue		N/A	1.1
Miscellaneous Charges		18.4	20.0
Late Payment Charges		13.5	14.5
Other Miscellaneous Charges		4.9	5.5
Total Regulated		27.5	31.3
Unregulated Revenues			
Joint Use Revenue		3.2	3.3
Bell Canada		3.0	3.0
LDC's		0.2	0.3
DX Generation Studies		0.1	0.5
New Connects/Upgrades & Other Contestable Work		8.1	6.2
New Connects & Upgrades		5.0	4.0
Lines - Other Contestable Work		2.0	1.0
Forestry Contestable Work		0.1	0.1
Health, Safety & Environment Training		1.0	1.1
Non-Regulated Miscellaneous Revenue		0.9	0.7
Total Unregulated		12.3	10.7
Total External Revenue		39.8	42.0

1 **Consumers Council of Canada (CCC) INTERROGATORY #6 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit A/Tab 8/Schedule 3, page 5

8
9 Please provide a schedule in the same format as Table 2 "Fees Payable to Networks for
10 Services Provided" which includes the years 2006-2008.

11
12

1
2
3
4

Response

Fees Payable to Networks for Services Provided

FEES PAYABLE BY AFFILIATES TO NETWORKS FOR SERVICES TO BE PROVIDED BY NETWORKS:				
(in \$Thousands)				
<i>Services</i>	Hydro One Inc.	Remotes	Telecom	Brampton
General Counsel and Secretary Services				
• 2006	65	187	65	131
• 2007	68	198	68	136
• 2008	75	220	75	150
Financial Services				
• 2006	29	230	370	457
• 2007	112	201	389	240
• 2008	57	308	354	236
Corporate Services				
• 2006	0	56	92	18
• 2007	0	79	106	45
• 2008	0	89	146	28
Telecommunication Services				
• 2006	0	163	286	0
• 2007	0	126	202	0
• 2008	0	118	195	0
Other Services				
• 2006	0	547	1,033	0
• 2007	0	481	920	0
• 2008	0	479	1,086	0

FEES PAYABLE BY AFFILIATES TO NETWORKS FOR SERVICES TO BE PROVIDED BY NETWORKS:				
(in \$Thousands)				
<i>Services</i>	Hydro One Inc.	Remotes	Telecom	Brampton
CEO/President Services				
• 2006	0	80	0	0
• 2007	0	80	0	0
• 2008	0	80	0	0
Utility Operation Services				
• 2006	0	725	0	0
• 2007	0	325	0	0
• 2008	0	325	0	0
Totals				
• 2006	94	1,988	1,846	606
• 2007	180	1,490	1,685	421
• 2008	132	1,619	1,856	414

Consumers Council of Canada (CCC) INTERROGATORY #7 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit A/Tab 8/Schedule 3, page 7

Please provide a table in the same format as Table 3 that includes the years 2006-2008.

Response

Fees Payable by Networks for Services Received

FEES PAYABLE BY NETWORKS FOR SERVICES TO BE RECEIVED FROM HYDRO ONE INC AND TELECOM:			
(in \$Thousands)			
<i>Services provided by Hydro One Inc.</i>	2006	2007	2008
General Counsel & Secretary	955	916	907
President / CEO / Chairman Services	4,242	4,080	3,366
Chief Financial Office Services	1,055	953	804
Totals	6,252	5,949	5,077
<i>Services provided by Telecom</i>			
Telecommunication Services	6,361	8,656	9,000
Totals	6,361	8,656	9,000

Consumers Council of Canada (CCC) INTERROGATORY #8 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit C1/Tab 2/Schedule 1, page 2

Please recast Table 1 including 2006-2008 Board approved numbers.

Response

Summary of Distribution OM&A Budget (\$ Million)

Description	Historic (Actual)					Bridge 2009	Test	
	2006	Board Approved 2006	2007	2008	Board Approved 2008		2010	2011
Sustaining	250.8	230.3	272.6	284.5	270.3	296.4	318.5	340.5
Development	4.2	4.9	8.0	8.0	9.1	14.5	21.7	21.9
Operations	14.9	14.3	12.6	12.4	13.4	12.5	16.7	17.6
Customer Care	103.7	101.1	97.1	99.3	103.8	106.7	106.3	102.4
Shared Services and Other OM&A	21.2	67.9	91.8	62.9	65.2	92.4	92.1	88.1
Taxes Other Than Income Tax	4.5	4.6	4.2	4.3	4.5	4.6	4.7	4.8
Total	399.3	423.1	486.2	471.3	466.3	527.1	560.0	575.2

1 **Consumers Council of Canada (CCC) INTERROGATORY #9 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 1, page 2

8
9 The evidence states that Increases in development expenditures are primarily attributed to
10 the work required to integrate distributed generation and an increased focus on smart grid
11 in response provided by the GEGEA. Please provide evidence to demonstrate that these
12 expenditure are: a) related only to HON Distribution and not Transmission and b) that
13 these expenditures are being undertaking for the sole benefit of HON Distribution
14 customers.

15
16
17 **Response**

18
19 a) and b)

20
21 Hydro One understands the question to be referring to Development OM&A
22 expenditures. The Development OM&A work is described in Exhibit C1, Tab 2,
23 Schedule 3 which details the activities being undertaken and confirms that these
24 expenditures are related only to Hydro One Distribution.

25
26 Development OM&A is a necessary component of a utility's program expenditures, and
27 while the scope of this work is changing and expanding driven by the changing nature of
28 the work required to serve the customers connected to the distribution system, Hydro One
29 considers this work to be undertaken for the sole benefit of its customers.

1 **Consumers Council of Canada (CCC) INTERROGATORY #10 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 1, page 3

8
9 Please recast Table 1 to include the Board approved numbers for the period 2006-2008.

10
11
12 **Response**

13
14 Please refer to Exhibit H, Tab 9, Schedule 8.

Consumers Council of Canada (CCC) INTERROGATORY #11 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit C1/Tab 2/Schedule 2, page 30

Please provide a complete breakdown of the \$6.7 million and \$6.9 million budgets for 2010 and 2011 for smart meter OM&A. Please provide a detailed explanation as to how these budget amounts were derived.

Response

Detailed breakdown is as follows:

Item	Derivation	2010 (\$M)	2011 (\$M)
Vendor maintenance fees (Trilliant, SmartSynch)	Forecast vendor fees based on the number of meters installed.	0.8	0.8
Bell/Rogers Fees for cell phones / backhaul	Forecast vendor fees based on the number of communicating devices.	0.6	0.7
Maintenance for AMCC, CMOM (Change Meter Order Management) paid to our sustainment service provider	Business IT maintenance costs for head end systems and Change Meter Order Management System	1.6	1.7
Billing System Maintenance	Maintenance costs for CIS associated with Smart Meters	0.6	0.6
Smart Meter and Network Operations Costs	Labour, materials and sundry costs associated with Smart Meter and Network Operations Department (monitor network for capturing reads and data for billing purposes sent to MDMR)	3.1	3.1
Total		6.7	6.9

These budget amounts relate to OM&A expenses forecast to be incurred in 2010 and 2011 for assets in service prior to 2009.

Consumers Council of Canada (CCC) INTERROGATORY #13 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit C1/Tab 2/Schedule 3, page 8

Please identify all smart grid expenditures for 2010 and 2011 and explain how the specific technologies targeted were chosen. What is HON doing to ensure that: a) it is coordinating its smart grid activities with the Government and other LDCs and b) it is not piloting technologies that are being studied by others.

Response

The chosen technologies are based on business requirements. The business requirements are driven by the GEGEA.

The following table outlines Smart Grid Capital and OM&A costs for 2010 and 2011.

		<u>2010</u>	<u>2011</u>	<u>References</u>
Capital				
SG Related Operating Infrastructure				Exhibit D1/Tab 3/Sch 4 pp 3-8
	Distribution System Management	0.6	1.3	
	Real Time Feeder Analysis	0.3	1.2	
	Integrating Smart Meter Data in ORMS	1.6	2.1	
	ORMS Mobile IT with CAD Integration	1.0	1.0	
	Geospatial Integration and Information Viewer	0.6	0.6	
	Network Operations Buildings Sustainment	2.4	2.3	
	ORMS Upgrade	0.2	1.5	
SG Related IT Development				Exhibit D1/Tab 3/Sch 6 p11
	Enterprise GIS Program	2.7	2.6	
SG Pilots and Studies				Exhibit D1/Tab 3 Sch 3 pp 22-24
	Energy Storage	1.9	1.8	

		2010	2011	References
	PHEV Trials	0.9	0.9	
	Distribution System Innovation	5.1	4.8	
Smart Zone Pilot				Exhibit D1/Tab 3/ SCh 3 pp22-24
	Equipment			
	Battery, Fuel Cell	1.0	1.0	
	Voltage Regulator / Cap Banks	0.0	1.0	
	Tie Points / Sectionalizers	0.0	1.0	
	Station RTUs	0.0	1.0	
System Integration		3.4	23.2	
Back Office Systems				
	Software	6.0	7.0	
	Other Hardware	0.0	4.0	
Other		2.4	4.2	
Total Capital		30.1	62.5	
OM&A				
Smart Grid Studies				Exhibit C1/Tab 2/Sch 3 pp3-8
	Energy Storage	1.4	1.4	
	PHEV Trials	0.9	0.9	
	DVAR Study	0.4	0.4	
	Other Studies	2.3	2.3	
Smart Zone Pilot				Exhibit C1/Tab 2/ Sch 3 pp6-8
	Business Process / Requirements	1.75	0.5	
	Communications	0.5	0.75	
	Data Model Design	0.75	1.5	
	Project Set-up	1.25	1.5	
	Other / Sundry	0.75	0.75	
Total OM&A		10.0	10.0	

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2

3

a) and b) Please refer to the response at Exhibit H, Tab 7, Schedule 24 regarding Hydro One's collaboration and minimization of duplication of effort.

1 **Consumers Council of Canada (CCC) INTERROGATORY #14 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 4, page 8

8
9 The 2010 and 2011 spending requirements for the Operations OM&A program are \$12.4
10 and \$12.8 respectively. The evidence indicates that the figures for 2010 and 2011 are
11 greater than amounts in historic years as because of an increased focus on "distribution
12 elements in alignment with distributed generation, smart meter and smart grid
13 influences". If this is the case what elements of the Operations OM&A program are
14 specifically related to these factors? Why are these expenditures not included in the
15 Green Energy Plan?

16
17
18 **Response**

19
20 Please refer to Exhibit H, Tab 7, Schedule 56, parts a) and c)

1 **Consumers Council of Canada (CCC) INTERROGATORY #16 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 6, page 4

8
9 Of the Shared Services and Other OM&A Costs allocated to HON Distribution how
10 much of that budget arises out of the implementation of the GEGEA? Please explain how
11 HON allocates Shared Services and Other OM&A costs related to the implementation of
12 the GEGEA to Transmission and Distribution.

13
14
15 **Response**

16
17 While Hydro One recognizes that work related to the Green Energy Plan is contributing
18 to an increase in costs as described in the evidence, Shared Services costs have not been
19 broken out between “green plan” vs “non-green plan” spending. Shared Services costs,
20 which include support costs for GEGEA initiatives, are allocated to Distribution
21 consistent with the B&V cost allocation methodology.

1 **Consumers Council of Canada (CCC) INTERROGATORY #17 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 7, page 4

8
9 The evidence states that increases in the Corporate Management Function in 2010 and
10 2011 are mainly due to additional work requirements driven by the GEGEA. Please
11 explain how the GEGEA impacts these costs.

12
13
14 **Response**

15
16 Please refer to response at Exhibit H, Tab 7, Schedule 58, part b).

1 **Consumers Council of Canada (CCC) INTERROGATORY #18 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 7, page 5

8
9 The evidence states that the Outsourcing Services and Enablement were included in
10 Finance in 2008 at a combined total cost of \$4.5 million. Please recast Table 3 by
11 removing the Outsourcing and Enablement Costs for the years 2006-2008. In addition,
12 please provide the Board approved levels for each of those years.

13
14
15 **Response**

16
17 Please refer to response at Exhibit H, Tab 10, Schedule 35 (b) for a recasting of Finance
18 costs for 2006-2008.

19
20 The table below shows the Board approved levels for 2006-2008:

21

\$M	2006	2007	2008
Finance	26.5 ¹	25.0 ²	26.9 ³

22

¹ EB-2005-0378

² EB-2006-0501

³ EB-2007-0681

1 **Consumers Council of Canada (CCC) INTERROGATORY #19 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 7, page 8

8
9 HON's Insurance costs are increasing significantly in the period 2009-2011. Are these
10 part of the overall Finance Function budget ? Please explain, in detail, why the costs are
11 increasing so significantly. Please explain what HON has done to attempt to mitigate
12 these cost increases.

13
14 **Response**

15
16 Certain insurance premiums and costs are included as part of the Finance Function, as
17 described in Exhibit C1, Tab 2, Schedule 7 page 7 lines 19 through to 24. The cost for
18 other insurance premiums are charged to work programs or are included as an Asset
19 Management cost as described in Exhibit C1, Tab 2, Schedule 7 page 8 lines 7 and 8. The
20 increase in the insurance program costs is discussed in the Exhibit H, Tab 1, Schedule 40.

1 **Consumers Council of Canada (CCC) INTERROGATORY #20 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 7, page 12

8
9 Please provide a detailed budget for all elements of the Corporate Communications
10 Function. In addition, please recast Table 6 to include Board approved numbers.

11
12
13 **Response**

14
15 The attached table below provides the functions that comprise Corporate
16 Communications and Services as well as the Board approved amounts for 2006-2008 (in
17 \$ millions):

18

Function	2006	2007	2008	2009	2010	2011
First Nations & Métis Relations	-	-	0.3	1.5	3.4	3.5
Communications	6.4	5.8	5.7	5.5	5.6	5.7
Outsourcing Services	-	-	-	2.6	3.5	3.2
Corporate Communications and Services	6.4	5.8	6.1	9.6	12.5	12.4

19

Board Approved Amounts	2006	2007	2008
Corporate Communications and Services	6.3 ¹	5.5 ²	5.7 ³

20

¹ EB-2005-0378

² EB-2006-0501

³ EB-2007-0681

1 **Consumers Council of Canada (CCC) INTERROGATORY #22 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 8, page 3

8
9 Asset Management Function costs are increasing substantially in the period 2009-2011.
10 The evidence states that the "largest influence" on the 2010 and 2011 capital and OM&A
11 plan has been the introduction of the GEGEA. Please explain how the Asset Management
12 Function relates to HON Distribution's Green Energy Plan. If costs within the Asset
13 Management Function are increasing because of the GEGEA why are they not part of the
14 Green Energy Plan. If those costs are being incurred in order to benefit Ontario more
15 broadly then why are those costs specific to the GEGEA being recovered through the
16 Global Adjustment Mechanism?

17
18
19 **Response**

20
21 The Asset Management function provides support to both the transmission and
22 distribution work programs, based on the demands and the requirements of the capital
23 and OM&A work programs including the initiatives of the Green Energy Act.

24
25 The increases in Asset Management costs between 2009 to 2011, are not exclusively
26 driven by the initiatives of the Green Energy Act, but also support other areas of the
27 capital and OMA work programs e.g. the increased efforts to replace end-of-life assets
28 across the transmission and distribution systems. The ongoing and increased activities of
29 the Asset Management function are described in Exhibit C1, Tab 2, Schedule 8.

30
31 Work driven by the Green Energy Plan has increased OM&A spending in a number of
32 areas but Hydro One considers this to be an increase in the scope of work of its normal
33 day-to-day activities necessary to address the changing nature of the investments required
34 to service the customers connected to its system, and therefore believes it is appropriately
35 recovered through its distribution rates.

1 **Consumers Council of Canada (CCC) INTERROGATORY #23 List 1**

2
3 **Interrogatory**

4
5 **OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS**

6
7 **Reference:** Exhibit C1/Tab 2/Schedule 8, page 5

8
9 Please indicate what portion of the Strategy and Business Development budget is related
10 to LDC merger and acquisitions for each year 2008-20011.

11
12
13 **Response**

14
15 Approximately \$700,000 was related to distribution rationalization, policy and regulatory
16 matters pertaining to service area amendments and our relationships with LDCs. We did
17 not forecast any significant expenditure for LDC merger and acquisitions in 2010 and
18 2011 and due to the closure of the transfer tax exemption window at the end of October
19 2009.

Consumers Council of Canada (CCC) INTERROGATORY #24 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit C1/Tab 2/Schedule 8, page 16

Please provide a detailed budget for all elements of the Real Estate and Facilities Function . In addition, please recast Table 7 to include Board approved numbers. Please explain, in detail, why this component of the Shared Services - Asset Management budget is increasing so significantly.

Response

	Historic Actuals			Bridge	Test (Budget)		Allocation to Distribution	
	2006	2007	2008	2009	2010	2011	2010	2011
<i>Total Costs</i>	38.7	37.5	41.9	48.1	57.8	59.9	28.7	29.7
<i>Real Estate</i>	6.6	6.4	7.0	8.5	8.6	8.8	1.6	1.6
<i>Facilities</i>	32.1	31.1	34.9	39.6	49.2	51.1	27.1	28.1
<i>Board Approved</i>	41.2	39.8	40.5	46.5	49.1			

Facilities costs are largely driven by company work programs and factors such as corporate staff levels, changing business and operating requirements and fixed cost contractual obligations. Also, the current regulatory environment (including health and safety requirements) ultimately impacts operating costs. Accommodation needs are influenced by the development and growth of Company work programs and initiatives, such as Distributed Generation and the Green Energy Act. The Facilities work program includes all aspects of company work space requirements which includes not only company-owned facilities, but management of the portfolio of leased facilities and oversight of the construction of new facilities.

Hydro One estimates that additional OM&A funding of approximately \$3.0M in 2010, and \$4.0M in 2011, will be required to meet current head office and GTA space requirements. This figure includes \$2.0M in 2010 and \$3.0M in 2011 to secure leased administrative office space within the GTA. The additional space is largely prompted by staffing needs generated by program growth associated with the Green Energy Act. The funding required also includes one-time costs resulting from new head office lease accommodation of \$2.6M in both years 2010 and 2011 which covers the costs of employee moves and provides for temporary “swing space” for staff to allow for necessary tenant improvements.

1 Existing field facilities space is fully utilized and cannot accommodate additional staff.
2 Additional accommodation needs of lines of business are examined in terms of short and
3 long term needs, logistics and geographic proximity to service areas, work sites and
4 corresponding acceptable accommodation alternatives available. The local real estate
5 markets in the field offer limited or no leasing opportunities readily available that can
6 accommodate Hydro One business requirements. The need for additional space in the
7 field is being addressed now mainly by utilizing temporary trailers and/or modular
8 buildings. Hydro One currently estimates minimum of \$3.4M in both years 2010 and
9 2011 in additional OM&A funding required for field facilities are as result of anticipated
10 increase in work activities mainly due to the Green Energy Act. It is assumed that the
11 field staff growth will be accommodated by utilizing leased modular office buildings on
12 short term bases.

13

14 The Real Estate work program includes acquisition activities, development work,
15 management of real estate rights associated with distribution lands and stations, corridor
16 leasing and other property-related activities.

17

18 Our assessment of space needs continues, in cooperation with the respective business
19 units, and will clarify (as better information become available) the requirements
20 associated with the increasing work program, especially the requirements resulting from
21 the implementation of the Green Energy Act, the modernization of distribution systems
22 and connecting distributed generation.

Consumers Council of Canada (CCC) INTERROGATORY #25 List 1

Interrogatory

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Reference: Exhibit C1/Tab 2/Schedule 9, page 20

Please provide a detailed budget for all elements of the IT Management & Project Control Expenditures. Please explain, in detail, why this component of Shared Services - Asset Management budget is increasing so significantly.

Response

**Table 6
 IT Management & Project Control Expenditures
 (\$ Millions)**

Description	Historic			Bridge	Test		DX Allocation	
	2006	2007	2008	2009	2010	2011	2010	2011
IT Management(a)	4.2	5.6	4.4	12.0	18.1	19.5	8.0	8.7
Project Support and Control(b)	0.8	1.1	3.1	4.4	5.8	5.4	3.3	3.0
Total	5.0	6.7	7.5	16.4	23.9	24.9	11.3	11.7

The IT management (a) budget for 2010 is \$18.1M:

- \$17.0M for labour costs to manage, plan and govern the extensive IT infrastructure, software applications, outsourced services
- \$1.1M for non labour costs (eg: training, conferences, business expenses)

This portion (a) of the budget has increased a total of \$13.7M from \$4.4M in 2008 to \$18.1M in 2010 because of the other departments and associated budgets being transferred to the IT organization. Please see response at Exhibit H, Tab 1, Schedule 51.

Additional cost increases due to the following (+\$1.3M impact):

- \$0.4M in 2009 for management of outsourced services as it approaches end of term, support of SAP architecture and overall program management
- \$0.9M in 2010 for ongoing management and support of business warehouse (BI/BW) reporting tools delivered with Cornerstone Phase 2 \$0.5M and allowance for escalation in labour & benefit cost for all staff \$0.4M

1 The Project Support and Control (b) budget for 2010 is \$5.8M:

2

Group	Item	\$M
Architecture, Security and Standards	<ul style="list-style-type: none"> Architectural development and updates to technology roadmap and standards for data/voice telecommunication convergence, infrastructure (desktop and servers), applications [\$0.4M] Security governance updates for compliance to NERC CIP and security standards and procedures updates. [\$0.2M] Research on the establishment of enterprise security monitoring and operations centre [\$0.8M] Assessment on improvement opportunities in IT security control measures for access control / email monitoring, network segregation, vulnerability assessment, audit compliance services [\$0.6M] Assessment on desktop and server technology upgrade in the Microsoft operating systems and productivity tool suite [\$0.3M] Development and update of strategy on data management policy with respect to enterprise content management program for both structured and unstructured data sets [\$0.3M] 	2.6
Infrastructure/ Application Technology Updates	<ul style="list-style-type: none"> Decommissioning of legacy systems that were replaced by new systems [\$0.3M] Enhancement and deployment of user self service technology tools (Service Centre Wizard) [\$0.1M] Certified licensed software for Inergi support personnel who provide services to Hydro One as part of the outsourced contractual arrangement. [\$0.3M] Provisioning peripherals (memory device, laptop batteries, hard drives, portable printers, adaptors) to support business operations [\$0.8M] Refresh of internal portal intranet/extranet technology [\$0.6M] 	2.1
Training	<ul style="list-style-type: none"> User Education for new and upgraded end user productivity and technology tools such as Microsoft Office 2007/10 as part of Windows 7 rollout. [\$0.3M] Provide security and awareness training [\$0.1M] 	0.4
PCO	<ul style="list-style-type: none"> Overall Project Management and Project Control Office (PCO) 	0.7
	Total	5.8

3

1 **Consumers Council of Canada (CCC) INTERROGATORY #26 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 1/Schedule 3, page 1

8
9 Please recast Table 1 - In-service Capital Additions 2008-2011 to include 2008-2006
10 actuals and the 2009 6+6 budget.

11
12
13 **Response**

14
15 Please refer to the following table:

16

	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Forecast	Test Yr	Test Yr
Sustaining	155.2	132.9	154.0	171.3	175.8	195.5
Development	142.5	155.8	134.4	165.6	186.8	230.9
Operations	0.0	5.7	0.4	0.0	6.8	9.0
Other	82.1	122.1	212.7	108.7	177.9	112.0
Total	379.9	416.5	501.6	445.5	547.2	547.4

1 **Consumers Council of Canada (CCC) INTERROGATORY #27 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 1/Schedule 3, page 1 and Exhibit D1/Tab 3/Schedule 1
8 page 2

9
10 Please reconcile Table 1 at D1/T1/S3 and Table 1 at D1/Te/S1/p. 2. In addition, please
11 explain the footnote which states, "Development Capital costs of \$62.4 million in 2010
12 and \$129.1 million in 2011 for renewable generation connection enhancements are
13 subsequently deducted under Shared Services & Other Capital". Does this reflect the
14 amounts assumed to be collected through the Global Adjustment Mechanism? Why is the
15 adjustment made to Shared Services & Other Capital?

16
17
18 **Response**

19
20 Table 1 in Exhibit D1, Table 1, Schedule 3, represents the In-Service Capital Additions
21 (ISA) for the historical year 2008, bridge year 2009 and test years 2010 and 2011
22 whereas, Table 1 in Exhibit D1, Table 3, Schedule 1, represents Capital Expenditures for
23 the historical, bridge and test years.

24
25 The capital expenditures represent the amounts that were spent in the historic years as
26 well as the amounts that we are proposing to spend in the bridge and test years on the
27 distribution capital work program whereas, the In-Service Capital Additions represents
28 the actual and planned capitalized amounts from the distribution capital work program in
29 each of the historic, bridge and test years.

30
31 The foot-note which states, "Development Capital costs of \$62.4 million in 2010 and
32 \$129.1 million in 2011 for renewable generation connection enhancements are
33 subsequently deducted under Shared Services & Other Capital", was removed in the
34 revised exhibits filed on September 25, 2009 with the Board. The September 25, 2009
35 update included revising the evidence to more clearly portray the gross and net capital
36 spending related to generation connection enhancements. The assumed recovery of
37 capital costs via an external funding mechanism is now netted out of the Generation
38 Connection Enhancements line as shown on Table D1 of Exhibit 1, Tab 3, Schedule 3.
39 This eliminated the need to deduct the externally funded amounts from Shared Services
40 & Other Capital.

1 **Consumers Council of Canada (CCC) INTERROGATORY #28 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 3/Schedule 2 page 14

8
9 Please explain the extent to which the implementation of smart meters will impact the
10 budget for Trouble Call and Storm Damage Response in 2010 and 2011. Is the new
11 technology expected to reduce costs in terms of identifying the location of outages? Has
12 that been incorporated into the budget? If so, how?

13
14
15 **Response**

16
17 As described in Section 3.3 of Exhibit D1, Tab 3, Schedule 4 and Exhibit D2, Tab 2,
18 Schedule 3, ISD# O3, Hydro One Distribution is planning to integrate the information
19 from Smart Meters into the Outage Response Management System. This project is
20 scheduled for 2010 and 2011 and should be operational in 2012. Consequently,
21 reductions in costs for Trouble Call and Storm damage are not expected to materialize
22 until beyond 2011. The expected amount of these reductions has not been quantified at
23 this time.

Consumers Council of Canada (CCC) INTERROGATORY #29 List 1

Interrogatory

CAPITAL EXPENDITURES AND RATE BASE

Reference: Exhibit D1/Tab 3/Schedule 3 page 2

Please recast Table 1 "Summary of Net Development Capital to include 2006-2008 Board approved numbers. Please recast Table 1 to set out the entire budget without any adjustments for cost recovery through generators or the Global Adjustment Mechanism. In effect, please set out the Total Development Capital net of any adjustments.

Response

Description	Historic					Bridge	Test	
	2006	Board Approved 2006	2007	2008	Board Approved 2008	2009	2010	2011
Connections, Upgrades and Cancellations	104.6	90.6	105.9	101.8	103.9	98.0	113.5	115.4
System Capability Reinforcement	29.7	36.3	36.9	36.7	44.0	41.4	47.0	50.9
GROSS** Generation Connections	1.9	N/A*	2.7	8.5	N/A*	15.1	106.0	167.1
GROSS** Generation Connection Enhancements	0	0	0	0	0	0	62.4	129.1
Wholesale Revenue Meters	11.1	9.0	9.7	10.8	11.4	7.7	7.9	2.8
Smart Grid	0	0	0	0	0	15.2	20.8	49.9
TOTAL	147.3	135.9	155.2	157.8	159.3	177.4	357.6	515.2

* Only "net" numbers were filed and approved by the OEB.

** Includes Capital Contribution from generator and Capital costs recovered via External Funding.

1 **Consumers Council of Canada (CCC) INTERROGATORY #30 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 3/Schedule 3 page 10

8
9 The evidence states that forecasting the actual number and type of generation connections
10 is challenging. Please describe in detail the process HON has been using to develop the
11 forecast. How does HON decide the cost of connections, and the costs of the related
12 investments? How has HON decided what level of those investments will be recovered
13 from the generators?

14
15
16 **Response**

17
18 The forecast for the number and approximate size of generation connections is based on
19 consideration of the historic number of generation connections and the other factors listed
20 on page 8 of Hydro One Distribution's Green Energy Plan.

21
22 The cost of the generation connections is based on the historical cost of similar
23 investments, while the cost for generation connection enhancements is largely based on
24 an estimate of the Distribution Station upgrades and new feeders likely to be required to
25 accommodate the forecasted volume new renewable generation connections.

26
27 The forecast for the level of investments that will be recovered from generators is based
28 on the 3 categories of costs defined in the proposed amendments to the Distribution
29 System Code (i.e. Connection Costs, Expansion Costs, and Renewable Enabling
30 Improvement costs) and the historical breakdown of these costs for a typical project.

- 1 System Code. The funds collected via the external funding mechanism will be
2 applied to draw down the revenue requirement accrual account associated with the
3 Green Energy Plan.
4
- 5 4) There will be no impact on the Distribution rate base as these costs and associated
6 funding will be tracked separately from the rate base costs recovered through Hydro
7 One's distribution rates.
8
- 9 5) Expenditures funded through the external funding mechanism will be capitalized but
10 not included in Hydro One Distribution's rate base to be recovered through
11 distribution rates.

1 **Consumers Council of Canada (CCC) INTERROGATORY #32 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 3/Schedule 3 page 15

8
9 HON has presented a forecast for its 2010 and 2011 Generation Connection
10 Enhancements Program Costs. What are the implications for HON if those forecasts turn
11 out to be too high or too low given the uncertainty around the number and type of
12 investments? Does HON consider these forecasts to be conservative? If they are
13 conservative will HON seek relief in any way during the test years? If so what type of
14 relief is anticipated?

15
16 **Response**

17
18 Hydro One Distribution considers these forecasts appropriate and therefore does not
19 expect the program costs to deviate much from the forecast. If it turns out the forecast is
20 too high or too low during the test years, Hydro One has no plans to seek relief during the
21 test years. As with all investments in its Application, Hydro One Distribution accepts the
22 risks associated with variances from Board-approved levels.

Consumers Council of Canada (CCC) INTERROGATORY #33 List 1

Interrogatory

CAPITAL EXPENDITURES AND RATE BASE

Reference: Exhibit D1/Tab 3/Schedule 3 page 15

Please provide a table which sets out the following:

1. Forecast of all Generation Connection Costs for 2010 and 2011 (capital and OM&A);
2. Forecast of those costs expected to be funded by generators;
3. Forecast of those costs to be funded by an external funding mechanism;
4. Forecasts of those costs to be recovered through rates.

Response

Summary of Net Development Capital Costs

\$ Millions	Total Capital Costs		Generator Funded Costs		Externally Funded Costs		Net Capital Costs	
	2010	2011	2010	2011	2010	2011	2010	2011
Generation Connections	106.0	167.1	13.3	26.8	83.6	125.5	9.1	14.8
Generation Connection Enhancements	62.4	129.1	0	0	55.0	110.5	7.4	18.6
Total	168.4	296.2	13.3	26.8	138.6	236.0	16.5	33.4

As stated in Exhibit A, Tab 14, Schedule 2, the on-going OM&A costs associated with maintaining the portion of Expansion and REI capital investments that will be externally funded are assumed to be negligible over the test year period. However, if in the future these OM&A costs are determined to have increased to material levels, Hydro One Distribution will seek approval to include them as part of the revenue requirement to be externally funded.

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Exhibit H

Tab 9

Schedule 35

Page 2 of 2

Schedule 1 - Anticipated Scope of Work Summary for Owen Sound Smart Zone

Station / DS	Nomenclature	Station Print	Equipment Type	Description of Work
Owen Sound	M23-M24	Owen Sound TS - M23/M24 Feeder Tie	Disconnect Switch	Smart Switch SCADA enabled
	M25-M26	Owen Sound TS - M25/M26 Feeder Tie	Disconnect Switch	Smart Switch SCADA enabled
Holland RS	Holland Centre RS	Owen Sound TS - M26	Regulator Station	Smart Regulating Station SCADA enabled
	CHAP-SB1	Owen Sound TS - M26	Load Interrupter Switch (Center Break)	Smart Recloser SCADA enabled
	A-M26	Owen Sound TS - M26	Load Interrupter Switch (Center Break)	Smart Recloser SCADA enabled
	WIA-1	Owen Sound TS - M23	Load Interrupter Switch (Center Break)	Smart Recloser SCADA enabled
	WIA1-WIA2	Owen Sound TS - M23/M24	Load Interrupter Switch (Center Break)	Smart Recloser SCADA enabled
	WIA-2	Owen Sound TS - M24	Load Interrupter Switch (Center Break)	Smart Recloser SCADA enabled
	M24R	Owen Sound TS - M24	Electronic Recloser	Smart Recloser Scada enabled - Retro-fit if possible
	HEP-3	Owen Sound TS - M25	Load Interrupter Switch (Center Break)	Smart Switch SCADA enabled
	DER-1	Owen Sound TS - M25	Load Interrupter Switch (Center Break)	Smart Switch SCADA enabled
	DER-3	Owen Sound TS - M25	Recloser	Smart Recloser SCADA enabled - Retro-fit if possible
Chatsworth DS		Owen Sound M26	Station	Smart DS (Equipment and Protection & Control)
	REC 62	Chatsworth F2	100 amp Oil Filled Recloser L type A1B3	Smart Recloser SCADA enabled
	Capacitor	Chatsworth F2	currently not installed	Smart Capacitor SCADA enabled
	REG 495	Chatsworth F2	3 X 150 amp regulators	Smart Grid control, bi-directional, SCADA enabled
Berkley DS		Owen Sound M26	Station	Smart DS (Equipment and Protection & Control)
	REC 1816	Berkley F2	100 amp Oil Filled Recloser 4H type A2B2	Smart Recloser SCADA enabled
6th St East DS	SW 833	Tie between Berkley F2 & Chatsworth F2	3 Phase In-line - solid blades	Smart Recloser SCADA enabled
	F1	Owen Sound M22	ITE Breaker - Ganged	Smart Recloser SCADA enabled
2nd Ave. East DS	F4	Owen Sound M28	ITE Breaker - Ganged	Smart Recloser SCADA enabled
	D-6SE-3A	Mid Feeder Switch between 6th & 2nd	3 Phase In-line - solid blades	Smart Recloser SCADA enabled
	D-6SE-W7A	F1 feeder 6th St. East DS	3 Phase In-line - solid blades	Smart Recloser SCADA enabled
Meaford	M1VR	Meaford TS - M1	Electronic Recloser	Smart Recloser SCADA enabled - Retro-fit if possible
	M1-M2	Meaford TS - M1/M2 Feeder Tie	Disconnect Switch	Smart Switch SCADA enabled
	1M1	Meaford TS - M1, Eugenia GS	High Voltage Interrupting Device (HVI)	New Transfer Trip to 1M1 breaker SCADA enabled
	"New" Capacitor	Meaford TS - M1, ROC-3		Smart Capacitor SCADA enabled
	56M1-2	Meaford TS - M1	Disconnect Switch	Smart Recloser SCADA enabled
	56M1-1	Meaford TS - M1, 56M1-1		Monitoring Device SCADA enabled
	Eugenia RS	Meaford TS - M1	Regulator Station	Smart Regulating Station SCADA enabled

1 **Consumers Council of Canada (CCC) INTERROGATORY #37 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 3/Schedule 4 page 2

8
9 The evidence refers to the smart meter program and its impact on Operations. Please
10 indicate for 2010 and 2011 all of the expected costs and benefits associated with the
11 smart meter program and the impact of those on the 2010 and 2011 Operations Capital
12 budgets. Why has the implementation of the smart meter program created a need to
13 increase the Operations Capital budget?

14
15
16 **Response**

17
18 In order to benefit from the functionality provided by Hydro One's Smart Meters
19 Distribution Operating must design and develop an interface to receive and interpret the
20 relevant Smart Meter data in the Outage Response Management System (ORMS). The
21 operations capital plan has allocated funds in the amounts of \$1.8M in 2010 and \$1.2M in
22 2011 for this improvement to ORMS. The expected benefits of the Smart Meter
23 information in ORMS include improved outage management by automatically detecting
24 outages and locating affected equipment to allow for faster restoration of service to
25 Hydro One's customers.

Consumers Council of Canada (CCC) INTERROGATORY #38 List 1

Interrogatory

CAPITAL EXPENDITURES AND RATE BASE

Reference: Exhibit D1/Tab 3/Schedule 6 page 1

With respect to IT capital please provide a schedule setting out each of the programs and expenditures planned for 2010 and 2011 and prioritize those projects in terms of need. In effect ,which programs are the most urgent and which programs could potentially be deferred? For each program please set out the specific costs.

Response

The following tables describe the IT Capital program for 2010 and 2011 and their costs. IT investments are made in accordance with approved business strategies and follow the IT governance process that takes into consideration business need and resource availability when setting priority of projects. All of the identified projects are the result of review during the planning process and are deemed necessary.

IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
Enterprise Application Software	○ Enterprise Content Management system implementation and integration with enterprise applications.	1.3	1
Operating Systems	○ Life-cycle refresh of user Desktop operating systems, Email Exchange, Productivity tools and associated enterprise applications	2.7	1
Utility Software	○ Life-cycle upgrade of Oracle database management systems across enterprise to replace unsupported versions ○ Upgrade of enterprise information integration middleware to address application dependency	1.7	1

IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
	<ul style="list-style-type: none"> requirements and to enhance disaster recovery readiness. ○ Implementation and refresh of infrastructure utility tools for enhanced capacity and performance management for Database management (Oracle Grid) 		
System and Security Tools	<ul style="list-style-type: none"> ○ Application security and performance monitoring tools ○ Life-cycle upgrade of anti-virus protection software ○ Backup and restoration 	2.8	1
Network Equipment/Security	<ul style="list-style-type: none"> ○ Security programs for central authentication, network segregation, security status and audit monitoring, centralized logging. ○ Life cycle refresh of end of life voice systems, branch office router upgrades, network bandwidth expansion ○ Telecom Disaster/Recovery expansion 	6.0	1
PBX/Voice Mail	<ul style="list-style-type: none"> ○ Refresh of end of life PBX and Voice Mail systems 	2.0	1
PC and Printer Hardware	<ul style="list-style-type: none"> ○ Lifecycle refresh of desktops, laptops, tablets, handhelds, printers, plotters 	6.3	1
Servers Refresh	<ul style="list-style-type: none"> ○ Lifecycle refresh of Unix and Windows servers 	3.3	1
Enterprise Reporting Refresh	<ul style="list-style-type: none"> ○ Hardware and software refresh 	0.5	1
Mainframe Refresh	<ul style="list-style-type: none"> ○ Lifecycle refresh of mainframe 	2.0	1
Development Programs	<ul style="list-style-type: none"> ○ Mobile IT 	3.0	1

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Exhibit H

Tab 9

Schedule 38

Page 3 of 6

IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
Development Programs	○ Warehouse Bar Coding	1.0	1
Development Programs	○ Enterprise GIS Program	6.0	1
Development Programs	○ DX Asset Information System	0.4	1
Total \$(M)		39.0	

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Exhibit H

Tab 7

Schedule 1

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IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
IT Capital Expenditures for 2011			
Group	Item	\$M	Priority
Enterprise Application Software	○ Continuation of implementation of Enterprise Content Management program	2.8	1
Operating Systems	○ Continuation of Life-cycle refresh of user Desktop operating systems, Email Exchange, Productivity tools and associated enterprise applications	2.4	1
Utility Software	○ Implementation of Information Life cycle/rights management technology ○ Refresh of middleware infrastructure software (enterprise service bus) ○ Continue Upgrade of enterprise information integration middleware	1.7	1
System and Security Tools	○ Refresh/Upgrade DMZ	2.0	1

IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
	(Demilitarize zone) for network security access control protection <ul style="list-style-type: none"> ○ Refresh of anti-spamming tools for email / virus protection 		
Network Equipment/Security	<ul style="list-style-type: none"> ○ Security Operations Centre implementation ○ Security programs for central authentication, network segregation, security status and audit monitoring, centralized logging. ○ Life cycle refresh and upgrade of end of life voice systems, branch office router upgrades, network upgrades to facilitate increase of bandwidth and LAN wireless expansion. ○ Continuation of Telecom Disaster 	5.8	1

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Exhibit H

Tab 7

Schedule 1

Page 6 of 6

IT Capital Expenditures for 2010			
Group	Item	\$M	Priority
	recovery		
PBX/Voice Mail	○ Continuation of Refresh of end of life PBX and Voice Mail	1.7	1
PC and Printer Hardware	○ Lifecycle refresh of desktops, laptops, tablets, handhelds, printers, plotters	6.1	1
Servers Refresh	○ Lifecycle refresh of Unix and Windows servers	3.2	1
Development Programs	○ Mobile IT – continuation from 2010	2.9	1
Development Programs	○ Enterprise GIS Program	5.9	1
Total \$ (M)		34.5	

1 **Consumers Council of Canada (CCC) INTERROGATORY #39 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL EXPENDITURES AND RATE BASE**

6
7 **Reference:** Exhibit D1/Tab 3/Schedule 7

8
9 Please indicate whether or not Phase 2 of the Cornerstone project - Replacing PeopleSoft
10 Finance/Human Resources/Payroll Functionality has been put into service. If not, what is
11 the expected in-service date?

12
13 **Response**

14
15 Yes.

1 **Consumers Council of Canada (CCC) INTERROGATORY #40 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL STRUCTURE AND COST OF CAPITAL**

6
7 Please provide a schedule setting out HON Distribution's approved ROE and actual ROE for the
8 years 2006-2008.

9
10
11 **Response**

12
13 The Board allowed ROE per year is as follows:

14
15 2006 9.00%
16 2007 9.00%
17 2008 8.57%

18
19 As per Exhibit A, Tab 9, Schedule 1, Attachment 1, Attachment 2, Attachment 3 and
20 using a CGAAP approach, actual ROE for Hydro One Distribution is as follows:

21
22 2006 8.42%
23 2007 5.78%
24 2008 7.11%

1 **Consumers Council of Canada (CCC) INTERROGATORY #42 List 1**

2
3 **Interrogatory**

4
5 **CAPITAL STRUCTURE AND COST OF CAPITAL**

6
7 **Reference:** Exhibit A/Tab 2/Schedule 1, page 2

8
9 In calculating its bill impacts for residential customers has HON considered the fact that
10 although certain costs are being excluded from its revenue requirement, the Global
11 Adjustment Mechanism is likely to increase accordingly? If not why not?

12
13 **Response**

14
15 In determining bill impacts resulting from a utility revenue requirement application, OEB
16 Guidelines are that all other costs, that are beyond the distributors control, are to remain
17 constant, e.g. commodity, Wholesale Market Service Charges. Additionally, Hydro One
18 has no information on the potential increase in the Global Adjustment Mechanism.

1 **Consumers Council of Canada (CCC) INTERROGATORY #43 List 1**

2
3 **Interrogatory**

4
5 **SMART METERS**

6
7 **Reference:** Exhibit F1/Tab 1/Schedule 3, page 1

8
9 Please provide one schedule setting out the total expenditures, by year, both capital and
10 operating, that have been spent on the smart meter program since its inception. This will
11 include, but not be limited to:

- 12
13 1. Total metering cost s - both capital and operating costs
14 2. Total network costs (AMRC and WAN)
15 3. Total AMCC costs
16 4. Total costs related to MDM/R
17 5. Costs of any pilots
18 6. Cost for customer communication and education
19 7. Costs for incremental functionality
20 8. Any other costs considered part of the smart metering program

21
22 In the same format, please provide the forecast costs for 2010 and 2011. In addition,
23 please provide a schedule setting out the annual recovery of smart meter costs from
24 HON's customers to date.

25
26

1 Response
 2

OM&A Smart Meter Costs						
	2006	2007	2008	2009	2010	2011
\$ Thousands	ACTUAL	ACTUAL	Actual	Forecast	Forecast	Forecast
OM&A Cost for Minimum Functionality						
2.1 Advanced Metering Communication Device (AMCD)	1,005	1,626	2,662	2,334	4,491	3,228
2.2 Advanced Metering Regional Collector (AMRC and WAN)	1	843	647	1,067	1,172	3,433
2.3 Advanced Metering Control Computer (AMCC)	24	765	80	2,608	3,401	3,440
2.5 Other AMI OM&A Costs Related to Minimum Functionality	3,711	2,979	3,555	8,606	5,278	4,888
OM&A Cost for Minimum Functionality	4,741	6,212	6,945	14,616	14,343	14,989
OM&A Cost for Exceeding Minimum Functionality	163	0	0	84	7,769	7,356
OM& A Sub Total	4,904	6,212	6,945	14,700	22,112	22,345
LESS CDM Funding	881					
Total OMA	4,023	6,212	6,945	14,700	22,112	22,345

3 **Capital - Smart Meter Costs**

	2006	2007	2008	2009	2010	2011
\$ Thousands	ACTUAL	ACTUAL	Actual	Forecast	Forecast	Forecast
Capital Costs for Minimum Functionality						
1.1 Advanced Metering Communication Devices (AMCD)	9,984	51,494	69,691	65,941	57,677	13,812
1.2 Advanced Metering Regional Collector (AMRC and WAN)	0	5,074	4,699	35,993	15,638	1,161
1.3 Advanced Metering Control Computer (AMCC)	950	3,944	1,632	2,144	0	1,506
1.4 Other AMI Capital Costs Related To Minimum Functionality	879	4,459	4,253	21,149	3,700	2,488
Sub Total Capital Cost for Minimum Functionality	11,813	64,971	80,275	125,227	77,016	18,968
Less CDM Funding	6,400					
Total Capital Cost for Minimum Functionality	5,413					
Costs for Functions Exceeding Minimum Functionality						
Meter Outage Detection Capability	182	3,712	9,411	5,307	2,156	316
Collector Outage Detection Capability	0	403	3,970	3,366	990	102
Wimax	968	0	0			13,540
TOU Capability	1,035	4,639	9,141	10,421	5,646	0
Integration and Transaction Management	70	3,780	3,440	22,390	17,318	11,400
Total Costs for Functions Exceeding Minimum Functionality	2,255	12,534	25,962	41,483	26,110	25,358
TOTAL SMART METER COSTS	7,667	77,505	106,237	166,710	103,125	44,326

4
 5 Annual recovery of smart meter costs from HON's customer to date is provided in the
 6 table below.
 7

Annual Recovery Smart Meter Costs	\$Million
2006	2.5
2007	10.0
2008	13.2
2009 (Jan. to June 2009)	7.5

1 **Consumers Council of Canada (CCC) INTERROGATORY #44 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 12/Schedule 1

8
9 Please provide copies of all materials presented to HON's Board of Directors setting out
10 the potential implications for HON regarding the Green Energy and Economy Act and
11 related OEB Codes (RSC, DSC).

12
13
14 **Response**

15
16 This information is filed in confidence with the Board and will be made available to
17 intervenors that sign a Declaration and Undertaking form in accordance with the OEB
18 Practice Direction on Confidential Filing.

1 **Consumers Council of Canada (CCC) INTERROGATORY #45 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2

8
9 Has HON, at any point in 2007, 2008 or 2009, provided information or advice to the
10 Minister of Energy, the Ontario Power Authority, or the Ontario Energy Board with
11 respect to the reliability of renewable energy sources or the economic viability of
12 renewable energy sources? If so, please provide copies of that information or advice.

13
14
15 **Response**

16
17 Hydro One Networks is in the business of transmitting and distributing electricity in
18 Ontario. We do not have a corporate position on the sources of generation used by the
19 province. As such, Hydro One Networks did not provide information or advice to the
20 Minister of Energy, the Ontario Power Authority, or the Ontario Energy Board with
21 respect to the reliability of renewable energy source or the economic viability of
22 renewable energy sources.

1 **Consumers Council of Canada (CCC) INTERROGATORY #46 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 1

8
9 In light of the passage of Ontario Regulation 330/09 please explain how HON intends to
10 specifically identify each of the investments that "directly benefit" its customers. Please
11 explain how the table on p.1 would be amended, if at all, now that the regulation has been
12 passed.

13
14
15 **Response**

16
17 An update of Exhibit A, Tab14, Schedule 2 (the Green Energy Plan) was filed with the
18 OEB on September 25, 2009. The assumptions used in the updated Green Energy Plan,
19 and the costs summarized in the table on page 1, are consistent with the requirements of
20 Ontario Regulation 330/09.

21
22 The update describes the criteria Hydro One Distribution has applied to specifically
23 identify the investments that "directly benefit" its customers.

1 **Consumers Council of Canada (CCC) INTERROGATORY #47 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 1

8
9 In the update provided on September 25 the table on page 1 has changed from that
10 provided in the initial evidence. Please specifically identify why the renewable generation
11 capital costs have changed for each year from the initial filing. Please include all
12 assumptions.

13
14
15 **Response**

16
17 The capital costs in the table on page 1 changed as part of the September 25 Update to
18 include \$31M in work associated with renewable generation that was previously
19 categorized as Line-contestable work for others and included in the evidence provided at
20 Exhibit C1, Tab 2, Schedule 11. This change was required to align with the proposed
21 amendments to the Distribution System Code issued by the Board on September 11,
22 2009.

1 **Consumers Council of Canada (CCC) INTERROGATORY #48 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 6

8
9 Please explain how the costs of the Connection Impact Assessments and the costs related
10 to connection cost estimates and completion of connection cost recovery agreements are
11 recovered and for 2007, 2008 and 2009 please provide the OM&A costs incurred by
12 HON in processing the CIA requests and recovery agreements. What are the proposed
13 budgets for 2010 and 2011?

14
15
16 **Response**

17
18 The costs of the Connection Impact Assessments (CIAs) are recovered through charges
19 for the CIAs, for which the generators pay when they apply for CIAs. The costs
20 associated with processing CIAs are detailed in development of the associated service
21 charges in Exhibit G, Tab 93, Schedule 1. The costs of estimates are recovered through
22 charges for the Connection Cost Estimate (CCE) reports, for which the generators pay
23 when they apply for CCEs. All the connection costs for each generator have historically
24 been paid for by the generator when they apply for their Connection Cost Recovery
25 Agreement (CCRA). The CCRA costs are not recovered from generators, as the staff
26 working on CCRA's do their work on many different CCRA's at a time and it would be
27 difficult to track their work by each separate CCRA individually.

28
29 The forecast budget for completing generation studies is included in the Other Cost of
30 Sales figures of \$1.7 million in each of 2010 and 2011 as discussed in Exhibit C, Tab 2,
31 Schedule 11.

32
33 The CIA and CCE costs are recovered directly from generators, and this practice will
34 continue.

1 **Consumers Council of Canada (CCC) INTERROGATORY #49 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 10

8
9 HON states that "the objectives of Hydro One set for the (Green Energy) Plan... align
10 with Hydro One's corporate strategy".

11
12 What elements, if any, of Hydro One's Green Energy Plan existed prior to January 1,
13 2009?

14
15
16 **Response**

17
18 Prior to January 1, 2009 the elements of Hydro One's Green Energy Plan that existed and
19 were considerations in the development of Hydro One's corporate strategy include a
20 focus on the need to connect large numbers of new distributed generators in response to
21 the RESOP program and the large number of CIA applications submitted to the
22 Company, a continued focus on conservation and demand management, and a need to
23 evolve the automation of our distribution system to better leverage the Smart Meters
24 installed and to improve service to our customers.

25
26 The Green Energy related investment activities that advance these key initiatives are put
27 forth in Hydro One's Application and summarized in its Green Energy Plan as required
28 under the *Green Energy and Green Economy Act, 2009* and by the Board in their
29 Guidelines for Deemed Conditions of Licence Regarding Distribution System Planning.

1 **Consumers Council of Canada (CCC) INTERROGATORY #50 List 1**

2
3 **Interrogatory**

4
5 **GREEN ENERGY PLAN**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 10

8
9 The evidence states that HON has taken an active role in development forums to develop
10 concepts and standards of Smart Grid and regularly commissions universities and other
11 consultants to examine, test and report on specific aspects of Smart Grid initiatives and
12 technologies. Please provide the costs in each year 2008 and 2009, both capital and
13 operating costs, that HON has incurred that relate to Smart Grid and provide details
14 regarding the nature of those expenditures. How does HON go about allocating Smart
15 Grid expenditures between Transmission and Distribution?

16
17
18 **Response**

19
20 There were no Smart Grid related expenditures in 2008. The costs anticipated for 2009
21 are coincident with the successful conclusion of our Smart Zone RFP. No significant
22 spending is anticipated directly for Smart Grid until this process is completed. The RFP
23 has not yet been launched but Hydro One Distribution expects some spending on Smart
24 Grid related programs will proceed this year.

25
26 The Smart Grid expenditures associated with Transmission and Distribution are
27 separately tracked. Only Distribution-related expenditures are included in this
28 Application.

1 **Consumers Council of Canada (CCC) INTERROGATORY #51 List 1**

2
3 **Interrogatory**

4
5 **Re: Updated Plan:**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2 page 2

8
9 The evidence states that the revenue requirement to be collected via external funding is
10 forecast to be \$8.0 million in 2010 and \$30.7 million. Please provide a schedule setting
11 out how those amounts were derived.

12
13
14 **Response**

15
16 Please refer to Exhibit H, Tab 1, Schedule 151.

1 **Consumers Council of Canada (CCC) INTERROGATORY #52 List 1**

2
3 **Interrogatory**

4
5 **Re: Updated Plan:**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2

8
9 The Board approved issues list sets out as Issue 9.5 the following. "What is the Board's
10 role with regard to the approval of the Green Energy Plan? What criteria should the
11 Board use when determining whether to approve the Green Energy Plan? If the Board
12 approves the plan, what are the impacts of that approval?" Please set out HON's
13 perspective on these issues.

14
15
16 **Response**

17
18 Hydro One is requesting that the Board review and approve its Distribution Green Energy
19 Plan as submitted. The review of Hydro One's Plan should be consistent with the review
20 normally done in a Cost of Service application in terms of testing the evidence. In
21 addition, the Board must satisfy itself with respect to the plan's support of the Board's
22 objectives under the *Green Energy and Green Economy Act, 2009* to promote electricity
23 conservation and demand management and renewable energy generation, and facilitate
24 the implementation of a smart grid. Hydro One submits its Green Energy Plan has met
25 these objectives by bringing forward a set of investments that will allow Hydro One to
26 proceed with expanding and enabling the distribution system to accommodate increased
27 renewable generation and to further develop the smart grid to support this objective as
28 well as promote and expand energy conservation in the province. As stated in the Green
29 Energy Plan, Hydro One is currently not submitting an updated set of CDM programs
30 until the issues noted in the plan are resolved. Once the processes to address these issues
31 are completed, Hydro One Distribution will be in a position to assemble a portfolio of
32 CDM programs for the Board's review and approval.

33
34 Hydro One believes that specifics the Board should review should include:

- 35 • the prudence of the level of renewable enabling improvements,
36 • the reasonability of assumptions regarding expansions to enable new renewable
37 generation including cost allocation between generators, province wide rate payers,
38 and Hydro One Distribution customers
39 • the proposed approach to, and investment in, the Smart Grid

40
41 The rate impact of approving this Plan is set out in the response at Exhibit H, Tab 6,
42 Schedule 11.

1 **Consumers Council of Canada (CCC) INTERROGATORY #53 List 1**

2
3 **Interrogatory**

4
5 **Re: Updated Plan:**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2

8
9 HON has specific amounts included in its Green Energy Plan. If, for example, the FIT
10 program created many more projects than currently projected by HON in its plan, how
11 would HON seek to recover the costs of that increased activity?

12
13
14 **Response**

15
16 Please refer to Exhibit H, Tab 9, Schedule 32.

1 **Consumers Council of Canada (CCC) INTERROGATORY #54 List 1**

2
3 **Interrogatory**

4
5 **Re: Updated Plan:**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2

8
9 Please explain how the Ministry of Energy and Infrastructure was involved in assisting
10 HON with the development of its Green Energy Plan. Please provide any related
11 correspondence received from the Minister of Energy and Infrastructure or Ministry
12 Staff.

13
14
15 **Response**

16
17 The Minister of Energy and Infrastructure provided a letter on September 21, 2009,
18 asking HON to complete a number of activities in anticipation of the Feed-In Tariff (FIT)
19 program and high demand for renewable connections. The request included asking HON
20 to “Immediately proceed with the planning, development and implementation of
21 upgrades to enable distribution system connected generation, as outlined in the attached
22 Schedule B”. Schedule B included “Targeted Dx (Distribution) Enhancements to
23 Support Distributed Generation” as well as “Protection, Control, and Telecom (enabling
24 distributed generation” which includes some investments in distribution facilities.

25
26 Hydro One was involved in the development of the Minister’s request and addressed
27 these areas of investment in its Green Energy Plan filed with the OEB (as Exhibit A, Tab
28 14, Schedule 2). However, the Ministry of Energy and Infrastructure or Ministry Staff
29 did not correspond with Hydro One on the development of this Green Energy Plan
30 submission.

1 **Consumers Council of Canada (CCC) INTERROGATORY #56 List 1**

2
3 **Interrogatory**

4
5 **Re: Updated Plan:**

6
7 **Reference:** Exhibit A/Tab 14/Schedule 2

8
9 From HON's perspective is it the OEB or the Minister of Energy and Infrastructure that
10 ultimately determines what costs are to be recovered through the Global Adjustment?

11
12
13 **Response**

14
15 Hydro One's perspective is that the OEB determines what costs are to be recovered
16 through the Global Adjustment.

17
18 The *Green Energy Act* recognizes that some portion of the costs of distribution system
19 investments made to enable the connection of a 'renewable energy generation facility'
20 should be shared among the province's ratepayers. Specifically, the *Green Energy Act*
21 amended the OEB Act to introduce a mechanism under section 79.1 whereby some of the
22 Board-approved costs incurred by a distributor to make an '*eligible investment*' for the
23 purpose of connecting or enabling the connection of a renewable energy generation
24 facility to its distribution system may be recovered from all provincial ratepayers rather
25 than solely from the ratepayers of the distributor making the investment.