

By electronic filing and by e-mail



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Dear Mr. MacDonald,

Hydro One Networks Inc. (“Hydro One”) Transmission Rate Case

Board File No.: EB-2008-0272

Our File No.: 339583-000027

In a letter dated January 16, 2009, to all intervenors of record in this proceeding, Susan Frank sought intervenor input on the specific issues or sub-parts thereof which should be discussed during the Settlement Conference which, pursuant to the Board's Procedural Order #1, is to commence on Tuesday, February 3, 2009, and to continue to Thursday, February 5, 2009, if required.

Certain ratepayer representatives participated in a telephone conference call on Wednesday, January 28, 2009, to discuss their various concerns with the issues the Board has listed for determination in this proceeding. The intervenors participating in this conference call were AMPCO, BOMA, CCC, CME, LPMA, SEC and VECC. Matters discussed pertained to process concerns and topics related to a determination of Hydro One's transmission revenue requirement for 2009 and 2010, as well as deferral and variance accounts. We are planning to continue and complete the discussion of these issues during a face-to-face meeting of all intervenors and Board Staff at the outset of the Settlement Conference on Tuesday, February 3, 2009. We did not discuss matters related to rate design on which a consensus amongst intervenors is unlikely to emerge.

The comments which follow are intended to express the process concerns of conference call participants and to provide you with an overview of the extent to which the intervenors participating in the conference call on January 28, 2009, currently wish to scrutinize matters relevant to the questions the Board has listed for determination under the first five (5) major topic headings in the Final Issues List.

A. Process Concerns

1. Absence of 2008 Update

The current unavailability of the 2008 Hydro One update Hydro One plans to file is of material concern. Conference call participants are of the view that they cannot be expected to finalize their positions on matters in issue before they have had an opportunity to review the, yet to be filed, actual information for 2008. We encourage Hydro One to file its 2008

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update no later than at the outset of the Settlement Conference. We do not see how a Settlement Conference can proceed without the 2008 update.

In addition to providing the 2008 update, conference call participants encourage Hydro One to provide, as soon as it can, the list of witnesses it proposes to call to prove its case, including the areas of pre-filed evidence and interrogatory response responsibility for each of the witness panels. Intervenors need the witness panel information in order to provide the Company with some advance notice of the extent to which they are likely to have questions of the various witnesses. In this connection, conference call participants will work with Hydro One to do what they can to assure that the hearing proceeds efficiently.

2. Hydro One's Refusal to Negotiate OM&A and Capital Budget Amounts

Another major process-related concern which conference call participants discussed is the statement in Ms Frank's January 16, 2009 letter to the effect that Hydro One will not compromise its "as filed" position in these proceedings with respect to budgeted capital and OM&A expenditures for 2009 and 2010. Intervenors participating in the conference call consider this pre-emptive refusal to negotiate a compromise resolution of these issues, as part of a package settlement of all revenue requirement-related issues, to be incompatible with and a repudiation of the objectives of the Board ordered Settlement Conference.

We are hopeful that Hydro One will move off its intransigent position with respect to OM&A and capital expenditures. Ratepayer intervenors are interested in settling all revenue requirement related issues and deferral account issues as a package, with one element thereof being a compromise by Hydro One of its "as filed" position with respect to budgeted capital and OM&A expenditures for 2009 and 2010.

If Hydro One is not interested in settling the matters that, in combination, give rise to its proposed 2009 and 2010 revenue requirements, then it should prove its case at the hearing. All questions which the Board has listed for determination should be decided at the conclusion of the hearing, even though some matters on the Issues List may consume little hearing time. Conference call participants are of the view that the primary focus of a Settlement Conference should be efforts to settle as many matters in issue as is possible.

B. Topics to be Scrutinized by Intervenors

Issue 1 - General

This issue pertains to Hydro One's compliance with undertakings and Board directives. By our count, the pre-filed evidence refers to two (2) undertakings and about eleven (11) directives. The indications are that there will be questions about the work that Hydro One did to respond to each of the undertakings and directives and the linkage, if any, of those responses to the development of the estimates and budgets which relate to the proposed revenue requirement for 2009 and 2010.

Issue 2 – Load Forecast and Revenue Forecast

The current indications are that one or more intervenors are likely to scrutinize matters pertaining to the questions the Board has listed for determination under Issues 2.1 and 2.2.

Issue 3 – OM&A

My sense is that matters pertaining to each of the topics listed in Issues 3.1 to 3.6 will be questioned by one or more ratepayer representatives. At a macro level, the current position of conference call participants is that the amounts of Hydro One's OM&A budgets for 2009 and 2010 are too high.

Issue 4 – Capital Expenditures and Rate Base

One or more conference call participants have questions with respect to matters related to each of the questions in Issues 4.1 to 4.4. At a macro level, conference call participants take the position that Hydro One's capital expenditures and rate base budgets for 2009 and 2010 are too high.

Issue 5 – Deferral/Variance Accounts

There are likely to be questions from one or more of the conference call participants about matters related to the questions in Issues 5.1 and 5.2. The new deferral/variance accounts Hydro One proposes will be scrutinized.

Issues 6 and 7 - Cost Allocation and Charge Determinants

As already noted, these matters relate to Rate Design on which a consensus among intervenors is unlikely to emerge. As a result, there was little discussion of these topics during the course of the conference call.

The foregoing is the extent to which conference call participants are currently able to provide comments and suggestions in response to Ms Frank's January 16, 2009 letter.

We are distributing this letter to those who received Ms Frank's January 16, 2009 letter and to Mr. Ken Rosenberg, the Settlement Conference Facilitator, so that he will be aware of the contents thereof before the Settlement Conference commences on Tuesday.

Please contact me if you have any questions about the contents of this letter.

Yours very truly,



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