

Hydro One Networks Inc.

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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

June 11, 2009

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli

EB-2008-0272 – Hydro One Networks’ 2009-2010 Electricity Transmission Revenue Requirements – Final Revenue Requirements & Charge Determinants in Accordance with Decision

In its Decision with Reasons dated May 28, 2009, the OEB directed the Company to file with the Board and all intervenors of record exhibits outlining draft final revenue requirements and charge determinants for 2009 and 2010, as well as the calculation of the Uniform Transmission Rates (UTR’s), charge determinants and revenue shares resulting from the Board’s findings in this decision.

As directed by the Board, the 2010 test year cost of capital parameters will be set based upon September 2009 data; as a consequence, the final 2010 Revenue Requirement will be set in a mechanistic update this fall. Hydro One has provided exhibits outlining final revenue requirements and charge determinants for 2009, as well as the calculation of the 2009 UTR’s, charge determinants and revenue shares resulting from the Board’s findings in this decision. For illustrative purposes, Hydro One has included in the attached draft final 2010 revenue requirements by applying the OEB 2009 short term debt rate of 1.33% and the 12 month out 2010 ROE forecast of 8.16%.

Attached please find the requested exhibits, as well as documentation providing a clear explanation of all calculations and assumptions used in deriving the amounts used in these exhibits, as specified by the Board.

The attached exhibits reflect all changes as ordered by the Board to Hydro One’s proposed submission as summarized in Hydro One’s prefiled evidence. In summary, Hydro One has:

- Applied the cost of capital parameters released by the Board in February 2009 for purposes of establishing Hydro One's cost of capital for 2009. As noted above, the 2010 test year cost of capital parameters will be set based upon September 2009 data which will be issued by the OEB in due course.
- Updated the average cost of embedded debt for 2009 and 2010 by incorporating the actual principal amount and cost rate for debt issued in 2008 and retaining the forecast principal amounts and cost rates for debt forecast to be issued in 2009 and 2010.
- Adjusted the cost of capital to use the weighted average cost of embedded debt for purposes of determining the cost to be applied to the deemed long-term debt.
- Reduced Sustaining OM&A costs, OM&A compensation costs and property tax costs in both test years, as well as the 2010 Development R&D OM&A costs.
- Removed the capital expenditures in both test years for 6 specific Development projects as identified by the OEB. As all these projects are forecast to come into service in 2010, the 2010 Revenue Requirement was also reduced.
- Applied an 18 month disposition for all variance accounts.
- Due to the reduced 2009 and 2010 Revenue Requirement from the above changes, Hydro One has also lowered its Low Voltage Switchgear Credit along with its 2009 Wholesale Meter Rate.

In its EB-2008-0272 Decision with Reasons, the Board chose to keep the part of the proceeding dealing with four specific Development projects open (identified as projects D7, D8, D9 and D10). Hydro One will file later this year, but before November 30, 2009, additional evidence on these projects for the consideration of the Board in setting 2010 rates. Hydro One welcomes the Board's assurance that it will apply a streamlined process to consider any new evidence on these projects.

As directed by the Board, all intervenors, by copy of this letter, are notified of this filing with the Board and of the fact that they have the opportunity to provide comment, if any, to the Board within 10 calendar days from today, June 11, 2009.

If you have any questions regarding this submission please contact Glen Macdonald at 416 345-5913.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

c. EB-2008-0272 Intervenors (electronic)

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FINAL REVENUE REQUIREMENTS AND CHARGE DETERMINANTS

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Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Revenue Requirement Summary

(\$ millions)	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Decision Impact 2009	OEB Decision Impact 2010	OEB Approved 2009	OEB Approved 2010
OM&A	Exhibit 1.1	435.2	449.7	(20.2)	(23.5)	415.0	426.2
Depreciation	Exhibit 1.2	258.0	281.5	-	(1.8)	258.0	279.7
Capital Tax	Exhibit 1.5	16.4	6.0	-	(0.1)	16.4	5.9
Return on Debt	Exhibit 1.4	251.2	269.7	(11.6)	(16.3)	239.6	253.4
Return on Equity	Exhibit 1.4	240.0	286.1	(14.7)	(39.4)	225.3	246.7
Income Tax	Exhibit 1.6	31.9	48.0	(7.2)	(17.7)	24.7	30.3
Base Revenue Requirement		1,232.7	1,341.0	(53.7)	(98.8)	1,179.0	1,242.2
Deduct: External Revenue	Exhibit 1.7 & Note 1	18.6	18.0	-	-	18.6	18.0
Revenue Requirement less external revenues		1,214.1	1,323.0	(53.7)	(98.8)	1,160.4	1,224.2
Deduct: Export Revenue Credit	Note 1	(12.0)	(12.0)	-	-	(12.0)	(12.0)
Deduct: Other Cost Charges	Exhibit 1.8	(14.0)	(13.0)	(0.2)	(7.3)	(14.2)	(20.3)
Add: Low Voltage Switch Gear	Note 2	10.7	11.5	(0.4)	(0.5)	10.3	11.0
Rates Revenue Requirement		1,198.8	1,309.5	(54.3)	(106.6)	1,144.5	1,202.9

Note 1: Variance accounts will be established for export revenues, secondary land use and work for other parties to track changes from approved amounts.

Note 2: The value for 2010 LVSG is an estimate and will be revised once the 2010 Revenue Requirement is finalized in the fall of 2009

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

OM&A Details

<i>(\$ millions)</i>	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Decision Impact 2009	OEB Decision Impact 2010	OEB Approved 2009	OEB Approved 2010
OM&A	<i>See supporting details below</i>	435.2	449.7	(20.2)	(23.5)	415.0	426.2

OEB Decision Impact Supporting Details

		Reference		
Sustainment OM&A adjustment	OEB Decision pg. 21		(15.0)	(15.0)
Development OM&A adjustment	OEB Decision pg. 23			(3.2)
Compensation adjustment	OEB Decision pg. 31		(4.0)	(4.0)
Property Tax adjustment	OEB Decision pg. 33		(1.2)	(1.3)
			<u>(20.2)</u>	<u>(23.5)</u>

Hydro One Networks Inc.
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Rate Base and Depreciation Details

(\$ millions)	Supporting Reference	Hydro One Proposed	Hydro One Proposed	OEB Decision Impact	OEB Decision Impact	OEB Approved	OEB Approved
		2009	2010	2009	2010	2009	2010
Rate Base	See supporting details below	7,033.8	7,650.5	(2.2)	(91.6)	7,031.6	7,558.9
Depreciation	See supporting details below	258.0	281.5	-	(1.8)	258.0	279.7

<i>OEB Decision Impact Supporting Details</i>							
	Reference	2009 Detailed Computation	2010 Detailed Computation	2009 Rate Base Impact	2010 Rate Base Impact	2009 Depreciation Impact	2010 Depreciation Impact
<u>Working Capital Adjustment</u>							
<u>Rate Base Details</u>							
Utility plant (average)	Pre-filed Evidence Exh D1-1-1						
Gross plant at cost		10,940.0	11,780.2				
Less: Accumulated depreciation		(3,954.4)	(4,179.7)				
Net utility plant		<u>6,985.6</u>	<u>7,600.5</u>				
<u>Working capital</u>							
Cash working capital		11.6	11.2				
Materials & supplies inventory		36.7	38.7				
Total working capital		<u>48.3</u>	<u>50.0</u>				
Total Rate Base		<u>7,033.8</u>	<u>7,650.5</u>				
Working capital as % of OM&A	(a)	11.1%	11.1%				
OM&A Reduction	Exhibit 1.1 (b)	<u>(20.2)</u>	<u>(23.5)</u>				
Working capital reduction	(c) = (a) x (b)	<u>(2.2)</u>	<u>(2.6)</u>	(2.2)	(2.6)		
<u>Rate Base Adjustment</u>							
<u>Development Capital</u>							
D7 - SVCs at Porcupine and Kirkland	Prefiled Evidence	-	108.6				
D8 - Series Caps at Nobel SS	D1-3-3	-	47.2				
D9 - 100MVar Shunt Caps at Algoma		-	9.7				
D10 - 2 75MVAR Shunt Caps at Mississagi		-	10.3				
D28 - Glendale TS - increase capacity		-	3.2				
D29 - Dunnville TS - increase capacity		-	0.8				
		<u>-</u>	<u>179.8</u>				
Associated Depreciation	Note 1	-	1.8				(1.8)
Development Capital Adjustment	Note 2	-	178.0		(89.0)		
Reduction to proposed				<u>(2.2)</u>	<u>(91.6)</u>	-	<u>(1.8)</u>

Note 1: Assumed 50 year service life and half year depreciation

Note 2: The 2010 net adjustment would be a half year impact on 2010 rate base

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Capital Expenditure Details

(\$ millions)	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Decision Impact 2009	OEB Decision Impact 2010	OEB Approved 2009	OEB Approved 2010
Capital expenditures	See supporting details below	944.0	1,074.1	(90.2)	(78.5)	853.8	995.6

OEB Decision Impact Supporting Details

Development Capital

D7 - SVCs at Porcupine and Kirkland	Pre-filed Evidence	48.5	54.8
D8 - Series Caps at Nobel SS	Exh D1-3-3	34.2	7.2
D9 - 100MVar Shunt Caps at Algoma		4.6	5.1
D10 - 2 75MVAR Shunt Caps at Mississagi		2.9	7.4
D28 - Glendale TS - increase capacity	Note 1	-	3.2
D29 - Dunnville TS - increase capacity	Note 1	-	0.8
		<u>90.2</u>	<u>78.5</u>

Note 1: Net of capital contributions

Note 2: 6 Development projects were removed from the revenue requirement calculation based on the OEB Decision. Hydro One will have the opportunity to submit additional evidence to justify the inclusion in rate base by the Board of 4 projects (D7, D8, D9 and D10) by November 30, 2009.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Capital Structure and Return on Capital Details

(\$ millions)	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Decision Impact 2009	OEB Decision Impact 2010	OEB Approved 2009	OEB Approved 2010
Return on Rate Base							
							<i>Note 3</i>
Rate Base	Exhibit 1.2	\$ 7,033.8	\$ 7,650.5	\$ (2.2)	\$ (91.6)	\$ 7,031.6	\$ 7,558.9
Capital Structure:							
Third-Party long-term debt	OEB Decision pg. 54	53.1%	56.0%	1.6%	2.0%	54.6%	58.0%
Deemed long-term debt	OEB Decision pg. 54	2.9%	0.0%	(1.6%)	(2.0%)	1.4%	-2.0%
Short-term debt		4.0%	4.0%	0.0%	0.0%	4.0%	4.0%
Common equity		40.0%	40.0%	0.0%	0.0%	40.0%	40.0%
Capital Structure:							
Third-Party long-term debt		3,733.2	4,284.0	108.9	99.6	3,842.0	4,383.6
Deemed long-term debt		205.8	0.3	(110.1)	(150.9)	95.7	(150.7)
Short-term debt		281.4	306.0	(0.1)	(3.7)	281.3	302.4
Common equity		2,813.5	3,060.2	(0.9)	(36.6)	2,812.6	3,023.6
		\$ 7,033.8	\$ 7,650.5	\$ (2.2)	\$ (91.6)	\$ 7,031.6	\$ 7,558.9
Allowed Return:							
Third-Party long-term debt	Exhibit 1.4.1 and 1.4.2	5.90%	5.80%	(0.06%)	(0.05%)	5.84%	5.76%
Deemed long-term debt	Exhibit 1.4.1 and 1.4.2	6.19%	7.29%	(0.35%)	(1.53%)	5.84%	5.76%
Short-term debt	<i>Note 1</i>	4.47%	4.75%	(3.14%)	(3.42%)	1.33%	1.33%
Common equity	<i>Note 1</i>	8.53%	9.35%	(0.52%)	(1.19%)	8.01%	8.16%
Return on Capital:							
Third-Party long-term debt	Prefiled Evidence	220.4	248.5	4.1	3.8	224.5	252.3
Deemed long-term debt	B2-1-1	12.7	0.0	(7.1)	(8.7)	5.6	(8.7)
Short-term debt		12.6	14.5	(8.8)	(10.5)	3.7	4.0
AFUDC return on Niagara Reinforcement Project	see below	5.5	6.6	0.3	(0.9)	5.8	5.7
Total return on debt		\$ 251.2	\$ 269.7	\$ (11.6)	\$ (16.3)	\$ 239.6	\$ 253.4
Common equity		\$ 240.0	\$ 286.1	\$ (14.7)	\$ (39.4)	\$ 225.3	\$ 246.7
AFUDC return on Niagara Reinforcement Project							
CWIP		99.1	99.1			99.1	99.1
AFUDC Rate	<i>Note 2</i>	5.6%	6.7%			5.84%	5.76%
		5.5	6.6			5.8	5.7

Note 1: per February 24, 2009 Cost of Capital Report

Note 2: used embedded cost of debt return for NRP

Note 3: the cost of capital parameters & impacts used for 2010 are illustrative. Hydro One will submit a 2010 draft rate order to the OEB reflecting the cost of capital parameters issued by the Board once the September 2009 consensus forecast becomes available. At that point we will apply these up-to-date cost of capital parameters.

HYDRO ONE NETWORKS INC.
TRANSMISSION
Cost of Long-Term Debt Capital
Test Year (2009) Updated for 2008 Actuals
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/08 (\$Millions)	at 12/31/09 (\$Millions)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	3-Jun-00	7.150%	3-Jun-10	278.4	3.6	274.8	98.70	7.34%	278.4	278.4	278.4	20.4	
2	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
3	22-Jun-01	6.400%	1-Dec-11	174.0	(0.5)	174.5	100.28	6.36%	174.0	174.0	174.0	11.1	
4	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
5	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	87.0	87.0	5.1	
6	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
7	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	189.0	189.0	10.8	
8	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
9	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
10	24-Feb-04	3.950%	24-Feb-09	162.5	0.7	161.8	99.55	4.05%	162.5	0.0	25.0	1.0	
11	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
12	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
13	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
14	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
15	19-May-05	3.950%	24-Feb-09	105.0	(0.9)	105.9	100.90	3.69%	105.0	0.0	16.2	0.6	
16	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
17	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
18	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
19	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
20	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
21	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.66	5.22%	225.0	225.0	225.0	11.8	
22	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
23	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
24	19-Nov-08	3.890%	19-Nov-10	60.0	0.1	59.9	99.78	4.01%	60.0	60.0	60.0	2.4	
25	15-Mar-09	5.770%	15-Mar-39	337.0	1.7	335.3	99.50	5.81%	0.0	337.0	259.2	15.0	
26	15-Jun-09	5.070%	15-Jun-19	337.0	1.7	335.3	99.50	5.13%	0.0	337.0	181.5	9.3	
27	15-Sep-09	4.380%	15-Sep-14	337.0	1.7	335.3	99.50	4.49%	0.0	337.0	103.7	4.7	
28		Subtotal							3524.0	4267.5	3842.0	221.8	
29		Treasury OM&A costs										1.9	
30		Other financing-related fees										0.8	
31		Total							<u>3524.0</u>	<u>4267.5</u>	<u>3842.0</u>	<u>224.5</u>	<u>5.8437%</u>

HYDRO ONE NETWORKS INC.
TRANSMISSION
Cost of Long-Term Debt Capital
Test Year (2010) Updated for 2008 Actuals
Year ending December 31

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						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/09 (\$Millions)	at 12/31/10 (\$Millions)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	3-Jun-00	7.150%	3-Jun-10	278.4	3.6	274.8	98.70	7.34%	278.4	0.0	128.5	9.4	
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3	22-Jun-01	6.400%	1-Dec-11	174.0	(0.5)	174.5	100.28	6.36%	174.0	174.0	174.0	11.1	
4	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
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6	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
7	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	189.0	189.0	10.8	
8	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
9	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
10	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
11	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
12	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
13	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
14	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
15	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
16	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
17	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
18	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
19	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.66	5.22%	225.0	225.0	225.0	11.8	
20	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.74	4.95%	180.0	180.0	180.0	8.9	
21	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
22	19-Nov-08	3.890%	19-Nov-10	60.0	0.1	59.9	99.78	4.01%	60.0	0.0	50.8	2.0	
23	15-Mar-09	5.770%	15-Mar-39	337.0	1.7	335.3	99.50	5.81%	337.0	337.0	337.0	19.6	
24	15-Jun-09	5.070%	15-Jun-19	337.0	1.7	335.3	99.50	5.13%	337.0	337.0	337.0	17.3	
25	15-Sep-09	4.380%	15-Sep-14	337.0	1.7	335.3	99.50	4.49%	337.0	337.0	337.0	15.1	
26	15-Mar-10	6.870%	15-Mar-40	170.4	0.9	169.6	99.50	6.91%	0.0	170.4	131.1	9.1	
27	15-Jun-10	6.170%	15-Jun-20	170.4	0.9	169.6	99.50	6.24%	0.0	170.4	91.8	5.7	
28	15-Sep-10	5.480%	15-Sep-15	170.4	0.9	169.6	99.50	5.60%	0.0	170.4	52.4	2.9	
29	Subtotal								4267.5	4440.3	4383.6	249.5	
30	Treasury OM&A costs											2.0	
31	Other financing-related fees											0.8	
32	Total								<u>4267.5</u>	<u>4440.3</u>	<u>4383.6</u>	<u>252.3</u>	<u>5.7556%</u>

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Capital Tax Summary

(\$ millions)	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Approved 2009	OEB Approved 2010	OEB Decision Impact 2009	OEB Decision Impact 2010
Capital Taxes	See supporting details below	16.4	6.0	16.4	5.9	-	(0.1)

Capital Tax Supporting Details

(\$ millions)

	Reference		
Net Taxable Capital as filed	Pre-filed Evidence Exh C2/T4/S1	7,298.1	7,985.8 (a)
Capital Tax rate		0.225%	0.075% (b)
Capital Tax as filed		<u>16.4</u>	6.0 (c) = (a) * (b)
2010 in-service additions	Exhibit 1.2	-	179.8
Associated depreciation	Exhibit 1.2	-	<u>(1.8)</u>
Total net taxable capital adjustments		<u>-</u>	178.0 (d)
Revised Taxable Capital		<u>7,298.1</u>	<u>7,807.8</u> (e) = (a) - (d)
Revised Capital Taxes		<u>16.4</u>	<u>5.9</u> (f) = (e) x (b)

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2008-0272

Income Tax Summary

(\$ millions)	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Approved 2009	OEB Approved 2010	OEB Decision Impact 2009	OEB Decision Impact 2010
Income Taxes	<i>See supporting details below</i>	31.9	48.0	24.7	30.3	(7.2)	(17.7)

Income Tax Supporting Details

Rate Base	Exhibit 1.2	a	\$ 7,033.8	\$ 7,650.5	\$ 7,031.6	\$ 7,558.9		
Common Equity Capital Structure		b	40.0%	40.0%	40.0%	40.0%		
Return on Equity	Exhibit 1.4	c	8.53%	9.35%	8.01%	8.16%		
Return on Equity		d = a x b x c	240.0	286.1	225.3	246.7		
Regulatory Income Tax		e = l	31.9	48.0	24.7	30.4		
Regulatory Net Income (before tax)		f = d + e	271.9	334.1	250.0	277.2	(21.9)	(57.0)
Timing Differences (Note 1)		g	(174.0)	(182.9)	(174.0)	(181.1)	-	1.8
Taxable Income		h = f + g	97.9	151.2	76.0	96.1	(21.9)	(55.2)
Tax Rate	Prefiled Evidence	i	33.0%	32.0%	33.0%	32.0%		
Income Tax	C2-6-1	j = h x i	32.3	48.4	25.1	30.7		
less: Income Tax Credits		k	(0.4)	(0.4)	(0.4)	(0.4)		
Regulatory Income Tax		l = j + k	31.9	48.0	24.7	30.3	(7.2)	(17.7)

Note 1. Book to Tax Timing Differences are detailed in EB-2008-0272 C2-6-1. The adjustment above to timing differences reflect the change between capital cost allowance and depreciation as a result of the change in rate base as directed in section 6.5 of the OEB decision.

Timing difference adjustments

less: lower depreciation related to development project adjustment	(1.8)
add: lower CCA claim related to development project adjustment	3.6
Net timing difference adjustment	<u>1.8</u>

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

External Revenue Details

(\$ millions)

	Supporting Reference	Hydro One Proposed 2009	Hydro One Proposed 2010	OEB Decision Impact 2009	OEB Decision Impact 2010	OEB Approved 2009	OEB Approved 2010
External Revenue	Pre-filed Evidence Exh E3/T1/S1 & Note 1	18.6	18.0	-	-	18.6	18.0

Note 1: Variance accounts will be established for export revenues, secondary land use and work for other parties to track changes from approved amounts.

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2008-0272

Deferral Account Recovery Details

(\$ millions)

Supporting Reference	EB-2006-0501 Approved for 2009&2010	Hydro One Proposed Jun 30, 2009	Total Deferral Account Recovery	OEB Decision 2009	OEB Decision 2010
Requested Deferral Account Recovery					
Tax Changes Account	<i>Note 1</i>	(13.9)	(13.9)	(4.6)	(9.3)
OEB Costs Account	Pre-filed	(4.2)	(4.2)	(1.4)	(2.8)
Pension Account	Evidence Exh F1/T1/S1	(0.2)	(0.2)	(0.1)	(0.1)
Total Requested Deferral Account Recovery	-	(18.3)	(18.3)	(6.1)	(12.2)
Add:					
Existing Deferral Account Recovery					
MRP costs	EB-2006-0501	8.2	8.2	4.1	4.1
Export revenue	Board Order	(24.4)	(24.4)	(12.2)	(12.2)
Total Existing Deferral Account Recovery		(16.2)	-	(8.1)	(8.1)
Total Deferral Account Recovery		(16.2)	(18.3)	(14.2)	(20.3)

Note 1: 2009 requested deferral account recovery for 6 months only; 2010 amount is for 12 months

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2008-0272

Final 2009 Revenue Requirement by Rate Pool

	Supporting Exhibit	2009 Rate Pool Revenue Requirement (\$ Million)					
		Network	Line Connection	Transformation Connection	Uniform Rates Sub-Total	Wholesale Meter	Total
OM&A	1.0	194.5	39.5	110.2	344.3	1.0	345.3
Other Taxes (Grants-in-Lieu)	1.0	41.8	11.3	16.5	69.6	0.0	69.7
Depreciation of Fixed Assets	1.0	142.6	36.0	71.5	250.1	0.1	250.2
Capitalized Depreciation	Note 1	(7.2)	(2.0)	(3.0)	(12.2)	(0.0)	(12.2)
Asset Removal Costs	Note 1	10.5	2.9	4.4	17.8	0.0	17.8
OPEB Amortization	Note 1	0.0	0.0	0.0	0.0	0.0	0.0
Other Amortization	Note 1	1.3	0.3	0.5	2.1	0.0	2.1
Return on Debt	1.0	143.7	38.9	56.9	239.5	0.1	239.6
Return on Equity	1.0	135.1	36.6	53.5	225.2	0.1	225.3
Income Tax	1.0	14.8	4.0	5.9	24.7	0.0	24.7
Capital Tax	1.0	9.9	2.7	3.9	16.4	0.0	16.4
Base Revenue Requirement	1.0	687.0	170.3	320.3	1177.5	1.4	1179.0
Less Regulatory Asset Credit	1.8	-8.3	-2.1	-3.9	-14.2	0.0	-14.2
Total Revenue Requirement	1.0	678.7	168.2	316.4	1163.3	1.4	1164.7
Less Non-Rate Revenues	Note 1	(10.8)	(2.7)	(5.0)	(18.6)	(0.0)	(18.6)
Less Export Revenues	Note 1	(12.0)			(12.0)		(12.0)
Plus LVSG Credit	6.0			10.3	10.3		10.3
Revenue Requirement by Pool		655.9	165.6	321.7	1143.1	1.4	1144.5
Full year impact of Requested Deferral Accounts		(3.5)	(0.9)	(1.7)	(6.1)	0.0	(6.1)
Revenue Requirement for UTR	Note 2	652.4	164.7	319.9	1136.9		1138.4
Hydro One Proposed Pool Revenue Requirement	Note 1	688.0	173.4	336.4	1197.8	1.5	1199.3

Note 1: See EB-2008-0272 Exhibit G2, Tab 5, Schedule 1, Page 1.

Note 2: Hydro One Networks (H1N) 2009 Revenue Requirement adjusted for the annual equivalent of the OEB directed refund of requested Deferral Accounts as per Exhibit 1.8 as follows: Network \$(3.50) million, Line Connection \$(0.89) million and Transformation Connection \$(1.72) million. This was done in order to ensure customers receive the full refund of \$6.1 million applicable for 2009

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2008-0272

June 11, 2009
EB-2008-0272
Exhibit 3.0
Page 1 of 1

Summary Final Charge Determinants
(for Setting Uniform Transmission Rates for July 1, 2009 to December 31, 2009)

	Total MW
Network	250,101
Line Connection	241,201
Transformation Connection	208,518

2009 charge determinants per Exhibit H1, Tab 3, Schedule 1, Table 1, multiplied by 12.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Summary Uniform Transmission Rates and Revenue Disbursement Factors
 (for Period July 1, 2009 to December 31, 2009)

Transmitter	Revenue Requirement (\$) (Note 3, Note 4)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$2,971,016	\$749,913	\$1,457,071	\$5,178,000
CNPI	\$2,646,512	\$668,006	\$1,297,925	\$4,612,443
GLPL	\$19,959,065	\$5,037,863	\$9,788,494	\$34,785,422
H1N (Note 1)	\$652,352,000	\$164,660,000	\$319,932,000	\$1,136,944,000
All Transmitters	\$677,928,594	\$171,115,781	\$332,475,490	\$1,181,519,865

Transmitter	Total Annual Charge Determinants (MW) (Note 3, Note 4)			
	Network	Line Connection	Transformation Connection	
FNEI	44.915	44.915	44.915	
CNPI	583.420	668.600	668.600	
GLPL	4,150.498	2,847.032	2,777.933	
H1N (Note 2)	250,100.712	241,200.708	208,517.964	
All Transmitters	254,879.545	244,761.255	212,009.412	

Transmitter	Uniform Rates and Revenue Allocators (Note 4)			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	2.66	0.70	1.57	
	↓	↓	↓	
FNEI Allocation Factor	0.00438	0.00438	0.00438	
CNPI Allocation Factor	0.00390	0.00390	0.00390	
GLPL Allocation Factor	0.02944	0.02944	0.02944	
H1N Allocation Factor	0.96228	0.96228	0.96228	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Hydro One Networks (H1N) 2009 Revenue Requirement per Exhibit 2.0

Note 2: Hydro One Networks (H1N) Charge Determinant per Exhibit 3.0

Note 3: Data for Other Transmitters per Exhibit 4.1.

Note 4: Calculated data in shaded cells.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Revenue Requirement and Charge Determinant Assumptions for Other Transmitters

Table 1
Approved Annual Revenue Requirement and Charge Determinants

Transmitter	Annual Revenue Requirement (\$)	Annual Charge Determinants (MW)			Approval Reference
		Network	Line Connection	Transformation Connection	
Five Nations Energy (FNEI)	5,178,000	44.915	44.915	44.915	<i>Note 1</i>
Canadian Niagara Power (CNPI)	4,612,443	583.420	668.600	668.600	<i>Note 2</i>
Great Lakes Power (GLPL)	34,785,422	4,150.498	2,847.032	2,777.933	<i>Note 3</i>

Note 1: Board Decision on RP-2001-0036 dated April 24, 2002, pages 23 and 26.

Note 2: Board Decision on RP-2001-0034 dated December 11, 2001, pages 8 and 10.

Note 3: Revenue Requirement per Settlement Agreement on EB-2005-0241, Appendix B, page 5 of 5, approved by the Board September 15, 2005. Charge Determinants per Board Decision on RP-2001-0035 dated December 11, 2001, page 11.

HYDRO ONE NETWORKS INC.
Ontario, Canada

WHOLESALE METER SERVICE
And
EXIT FEE SCHEDULE

Rate Schedule: HON-MET
Issued: Date To Come
Ontario Energy Board

APPLICABILITY:

This rate schedule is applicable to the *metered market participants** that are transmission customers of Hydro One Networks (“Networks”) and to *metered market participants* that are customers of a Local Distribution Company (“LDC”) that is connected to the transmission system owned by Networks.

* The terms and acronyms that are italicized in this schedule have the meanings ascribed thereto in Chapter 11 of the Market Rules for the Ontario Electricity Market.

(a) Wholesale Meter Service

The *metered market participant* in respect of a *load facility* (including customers of an LDC) shall be required to pay an annual rate of \$ 7,300 for each *meter point* that is under the transitional arrangement for a *metering installation* in accordance with Section 3.2 of Chapter 6 of the Market Rules for the Ontario Electricity Market.

The Wholesale Meter Service rate covered by this schedule shall remain in place until such time as the rate is revised by Order of the Ontario Energy Board.

(b) Fee for Exit from Transitional Arrangement

The *metered market participant* in respect of a *load facility* (including customers of an LDC) or a *generation facility* may exit from the transitional arrangement for a *metering installation* upon payment of a one-time exit fee of \$ 5,200 per *meter point*.

<p>EFFECTIVE DATE: Date To Come (Date of Issue of Rate Order by Ontario Energy Board)</p>	<p>REPLACING RATE: (HON-MET Schedule for Wholesale Meter Service with respect to Hydro One Networks Inc.)</p>	<p>BOARD ORDER: EB-2008-0272</p>	<p>Page 2 of 2 Wholesale Meter Service Rate & Exit Fee Schedule for Hydro One Networks Inc.</p>
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Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Wholesale Meter Rate Calculations

	Charge Determinant (Avg # of Meter Points)	Revenue Requirement (\$ Million)	OEB Approved Rate * (\$/Meter Point/Year)	Hydro One Proposed Rate * (\$/Meter Point/Year)
	<i>Note 1</i>	<i>Note 2</i>		
	(A)	(B)	(B) / (A)	
2009	188	1.4	7,300	7,300

* Rate is rounded down to the nearest \$100

Note 1: Per EB-2008-0272, Exhibit H1, Tab 4, Schedule 1, Table 1.

Note 2: Per Exhibit 2.1

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2008-0272

Low Voltage Switchgear (LVSG) Credit
 Effective July 1, 2009

Charge Determinant (MW) <i>(Note 1)</i>	Transformation Pool Revenue Requirement Before LVSG Credit (\$M) <i>(Note 2)</i>	Rate Before LVSG Credit (\$/kw/month)	Average Monthly NCP Demand for Toronto Hydro and Hydro Ottawa (MW) <i>(Note 3)</i>	LVS Proportion (%) <i>(Note 4)</i>	Final LSVG Credit (\$M)
(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (C)x(D)x(E)
208,518	311.4	1.493	3018	19.0%	10.27

Note 1: Per Exhibit 3.0

Note 2: Equals Total Revenue Requirement for Transformation Connection Pool less Non-Rate Revenues allocated to Transformation Connection Pool, as per information in Exhibit 2.1.

Note 3: Per Exhibit G1, Tab 4, Schedule 1, Table 1

Note 4: See EB-2006-0501 Exhibit G1, Tab 4, Schedule 1, page 2.

The LVSG Credit effective July 1, 2009 is \$10.27 million or \$856,000 per month.