

**Hydro One Networks Inc.**

8<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5700  
Fax: (416) 345-5870  
Cell: (416) 258-9383  
Susan.E.Frank@HydroOne.com

**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 – Board Directives**

In the Board's Decision with Reasons dated May 28, 2009, the OEB issued a number of directives to Hydro One. The purpose of this memorandum is to advise the Board of Hydro One's proposed actions to meet these Directives.

Hydro One is pleased to advise the Board that it will be able to comply with the following Board Directives. [the page in the Decision outlining the Directive is provided in brackets]:

**1. Export Revenue [Page 12]**

Under the terms of the Board-approved settlement agreement in Hydro One's last Transmission proceeding (EB-2006-0501), the IESO agreed to produce a study of the export transmission tariff, focusing on arrangements with other jurisdictions for an Export Transmission Service with the intention of eliminating the tariff. The study was to be completed by June 2009.

The Board agrees with intervenors that the results of the IESO study should be reviewed and any tariff changes implemented as expeditiously as practical. The Board has directed Hydro One to put forward a proposal to the Board within 60 days of the release of the IESO study. The Board can consider at that time whether it should review Hydro One's proposal in the context of 2010 or 2011 rates.

## **2. Variances Accounts for Export and External Revenues [Pages 12, 14, 15]**

The Board has directed Hydro One to establish separate variance accounts for each of Export Revenues, Station Maintenance and Engineering & Construction External Revenues, and Secondary Land Use Revenues. The “symmetrical” variances accounts are to capture any difference between the forecast and actual revenues.

## **3. Approval of Development Projects D7, D8, D9 and D10 [Pages 47, 48]**

As it deemed that the submitted evidence (an OPA letter of recommendation) was not sufficient, the Board did not approve Projects D7 NE Transmission Reinforcement (SVCs at Porcupine and Kirkland Lake); D8 Series Caps at Nobel SS; D9 Installation of 100MVar Shunt Capacitor Bank at Algoma TS, and; D10 Installation of two 75MVar Shunt Capacitor Banks at Mississagi TS.

However, the Board will keep this part of the proceeding open and will provide Hydro One with the opportunity to provide additional evidence on these projects for purposes of setting 2010 rates. Hydro One is to file this evidence no later than November 30, 2009. The Board will ensure a streamlined process to consider any new evidence on these projects.

## **4. Key Performance Indicators & Cost Allocation Accounting Processes [Page 31]**

The Board has directed Hydro One to continue its key performance indicator development and to improve on its cost allocation accounting processes with the objective of being able to demonstrate improvements in efficiency and the value for dollar associated with its compensation costs.

Hydro One is able to commit to the continued development of key performance indicators on an ongoing basis.

The final directive deals with the AMPCO alternative rate design proposal as described below:

## **5. Charge Determinants [Page 69]**

With regards to AMPCO’s “High 5 Proposal” for charge determinants, Hydro One is to come forward at its next application with:

- a) further analysis of AMPCO’s proposal; and,
- b) a suitable proposal for implementation for the Board’s consideration in the event the Board decides to change the charge determinant.

In its further analysis, Hydro One should address the various criticisms which have been made about the AMPCO’s analysis (and its expert’s analysis) and should attempt to conduct some sensitivity analysis around the potential impacts on commodity prices.

The Board also expects Hydro One to provide a comprehensive analysis of the transmission rate impacts for customers as well as an assessment of any potential adverse impacts on local

conditions due to load shifting as described by VECC. Hydro One should also consult with the OPA and the IESO as to any interactions with other demand response programs.

The Board believes that it should be possible to monitor such a program and measure its effect on commodity prices and directs Hydro One to include this as part of its analysis.

The Board also expects Hydro One keep stakeholders informed as to its work in the area and to seek their input and involvement where appropriate.

This Directive will involve a significant work effort by Hydro One if all the Board's requests are to be satisfactory addressed. Hydro One does not have the internal expertise to complete many areas of the request and will have to obtain external expertise by means of an RFP, as well as enlist the aid and support of the IESO and the OPA to acquire the necessary data to complete the requested analysis. As per the Board's Directive, Hydro One will be seeking stakeholder input into the development of the necessary study parameters. Given the work effort required, Hydro One can only commit to initiating the study and providing an update respecting the progress of the study at the next hearing.

Given the effort involved in completing the requested study and analysis, Hydro One requests the Board's approval to record the anticipated significant costs in a variance account.

All intervenors, by copy of this letter, are notified of Hydro One's intent to comply with all the Board Directives from the EB-2008-0272 Decision. Hydro One welcomes any clarification or comments the Board might provide with respect to this memorandum.

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

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

c. EB-2008-0272 Intervenors