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DELIVERED BY E-MAIL

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

Dear Ms. Walli:

Re: EB-2008-0272-Hydro One Networks' 2009-2010 Electricity Transmission Revenue Requirements - AMPCO's Response to Hydro One Networks' Comments on Intervenor Cost Claims

We are writing in response to Hydro One Networks' letter of July 9, 2009 in which Ms. Frank on behalf of Hydro One suggests that AMPCO should not be awarded the total amount of costs claimed since AMPCO's focus dealt largely with one issue.

Although AMPCO did present evidence with respect to rate design, the one issue to which we assume Ms. Frank is referring, AMPCO cross-examined Hydro One Networks' witnesses on other issues and made submissions with respect to those issues. They were not related to rate design.

In particular AMPCO had concerns with respect to the following issues:

Capital Projects

AMPCO argued the Board should reduce Hydro One's capital program by several projects, which were justified by Hydro One based on load growth. These included projects in areas such as Windsor and St. Catherine's, where load is declining significantly.

The Board denied funding for a number of capital projects, including two that AMPCO had challenged.

Pre-Engineering Work

AMPCO argued the Board should not allow a Hydro One request for approval to do “pre-engineering work” on projects that have not been specifically requested by the OPA, and which Hydro One may not receive approval to build, or where the timelines have been placed in doubt by the recession (e.g., Darlington B).

Despite our position the Board approved Hydro One’s request for these costs to be captured in a variance account.

Load Forecast

AMPCO argued Hydro One’s load forecast should be replaced by the IESO load forecast, which has historically proven more accurate, or partially eliminated if the AMPCO rate design were approved. In the previous transmission hearing, AMPCO had argued strongly for a significant increase in the load forecast, given Hydro One’s long history of underestimating this forecast. We did not take this approach this time largely because we believed the recession had reduced demand even below Hydro One’s estimates. This appears to be the case.

The Board accepted Hydro One’s load forecast.

Other Spending Reductions

AMPCO argued that other Hydro One spending programs should be reduced to more reasonable levels, given the decline in demand and the unreasonable impact on customers in a recession.

Citing weakness in the evidence, the Board did reduce Hydro One’s sustaining OM&A budget (basically, maintenance) by \$15M in each of 2009 and 2010. Similarly, the Board reduced the 2010 budget for development OM&A by \$3.2M. The Board disallowed \$4M in each of 2009 and 2010 of Hydro One’s compensation costs, citing its high cost wage structure. The Board disallowed some of the projected property tax increase in 2009 and 2010, by \$1.2M and \$1.3M respectively. The Board ordered Hydro One to revise its projected cost for long term debt by reference to its actual cost in 2008, which is expected to bring about a slight reduction in debt cost.

Export Transmission Service Tariff

AMPCO argued strongly that Hydro One should honour its commitment from the previous hearing to revise the 2010 tariff for Export Transmission Service (ETS). The ETS is a charge to electricity exporters, and is currently set at an unrealistically low level of \$1/MWh, versus the effective average of over \$5.00/MWh that Ontario customers pay for transmission. Revenue from the ETS tariff partially offsets revenue from other customers, so having a more realistic tariff is important to AMPCO members and all other Ontario customers.

The Board directed Hydro One to table a proposal for the ETS no more than 60 days after an IESO study on this issue is complete (expected August 14). The Board may decide to delay implementation of any changes until 2011 rates, but may also direct a change for 2010. The Board also directed Hydro One to set up a variance account to track differences between its projected ETS revenue and what actually occurs. Given the large increases in power exports in recent months, this account should provide some future rate relief to Ontario ratepayers. The benefit may be in the tens of millions of dollars returned to ratepayers starting in 2011.

In summary, therefore, we submit that although AMPCO called a panel to discuss rate design it also raised a number of other issues which were legitimate concerns and shared by other intervenors. In the spirit of the rules of the Energy Board AMPCO did not always take the lead with respect to these issues. Other intervenors provided the primary cross-examination supplemented by AMPCO and other intervenors in some cases and AMPCO took the lead with respect to one panel and it was supported by other intervenors in that case.

Approximately half of the consultant/legal fees was for the work undertaken by the team to review the application, identify the issues of key concern to AMPCO, make submissions on the issue list, prepare interrogatories, attend the Settlement/Intervenor Conference, review the key issues for AMPCO and prepare cross examination for the oral hearing (panels 1 to 4), attend the hearing, and prepare final argument.

Approximately half of AMPCO's costs relate to the rate design issue and the following work was undertaken on this issue: developing interrogatories for Hydro One, developing the evidence (strategy, retaining expertise, quantitative analysis, writing the report); responding to interrogatories on the evidence; preparing AMPCO's witnesses for testimony as part of Panel 4; responding to undertakings and submitting final argument on this issue.

Hydro One Networks has made a casual comment months after the hearing ended about the efficacy of AMPCO's participation at this hearing. It is not well supported and puts AMPCO at significant financial risk. The approach taken by Hydro One Networks, if it is reflected by only a partial cost recovery order by the Board, will have a chilling effect on AMPCO's and perhaps offer intervenors' involvement in these types of matters as the Energy Board is about to preside over the largest cost increases to customers in Ontario in decades. AMPCO believes its involvement in these hearings is important for its members and the process generally. A significant segment of energy users would not be represented if AMPCO did not participate in this way.

Yours truly,

DAVIS LLP

Per:

David Crocker
DDC/tdc