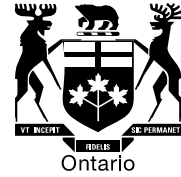


Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

December 22, 2009

Ms. Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

Dear Ms. Frank:

**Re: Draft Uniform Transmission Rates for 2010 Revenue Requirements
Board File Number: EB-2008-0272**

Thank you for the draft Revenue Requirements of December 21, 2009, following from the Board's decision in respect of Hydro One's Supplementary Application.

In the Decision with Reasons dated May 28, 2009, the Board determined that a separate cost of capital would be determined for Hydro One Transmission's 2010 revenue requirement and that "September 2009 data should be used to **update** the cost of capital parameters" (emphasis added). The Board also stated:

The Board will issue a letter to Hydro One setting out Hydro One's 2010 cost of capital parameters in due course. The Board expects that this will be treated as a mechanistic update.

The Board's letter of November 5, 2009, set out the Board's determination of Hydro One Transmission's return on equity and short-term debt rate for 2010. This approach was confirmed in the Board's Decision of December 16, 2009.

Hydro One has provided a draft Uniform Transmission Rate Order and supporting materials that are based on Cost of Capital parameters which do not apply in this case. The Board expects Hydro One to provide a revised set of draft documents as soon as possible.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Cc All Intervenors in EB-2008-0272