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BY COURIER

December 21, 2007

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

Dear Ms. Walli:

Request for Maintaining Existing Interim Distribution Time-of-Use Rates

Summary

Hydro One Networks requests the Board for approval to maintain the “Interim Distribution Time of Use Rates”, currently approved for use until April 30, 2008 per the Board’s Decision on Motion in proceeding EB-2007-0626, until such time as new distribution rates are implemented in response to a Final Order from the Board on Hydro One Networks’ 2008 Distribution Rates Application under proceeding EB-2007-0681.

Background

As part of its Conservation and Demand Management Plan (CDM Plan), Hydro One Networks received approval from the Board in their Interim Order dated November 10, 2004 in proceeding RP-2004-0203/EB-2004-0457 to implement, on an interim basis, a pilot program for distribution Time-of-Use (TOU) rates. The Interim Order approved recovery of the anticipated revenue shortfall of \$150,000 per year from the funds for the third installment of Hydro One’s Market Adjusted Revenue Requirement (MARR) ending September 30, 2007. Hydro One requested an extension of its CDM Plan to April 30, 2008 in a letter to the Board dated to March 23, 2007. The Board granted the requested extension, including the TOU rates pilot initiative, in their Decision and Order dated May 22, 2007 in proceeding EB-2007-0105.

The pilot TOU program was applicable to customers whose off-peak demand consumption (kW) was at least twice their on-peak demand consumption. Three customers met the criteria for interim TOU rates. The distribution rates for customers on the interim TOU rates are the same as for other comparable distribution customers, but the charge determinants used to calculate the distribution charges are based on billing demands (kW) established only during the peak period.

In Exhibit G1, Tab 9, Schedule 1 of its 2008 Distribution Application (EB-2007-0681) Hydro One Networks is requesting that its current Time-of-Use pilot program be discontinued, coincident with the implementation of new customer classes and rates as proposed in its Application.

As per the Board's Decision in EB-2007-0626, the current TOU rate pilot is set to terminate on April 30, 2008. Accordingly, Board direction on this request is required by March 30, 2008 to allow time for the implementation of the billing system changes that would be required.

Discussion

Hydro One requests that the basis for determining the distribution charges for the three customers participating in the TOU pilot remain in effect until such time as new distribution rates are implemented, for the following reasons:

- It provides rate stability for the affected TOU customers, who would otherwise experience distribution bill increases on May 1, 2008 as a result of terminating the TOU rates and moving to their currently applicable rate classes, followed by a second rate change a short time later due to implementation of the new customer classes and rates proposed in Hydro One Networks' 2008 Distribution Application.
- It eliminates customer confusion associated with the multiple rate changes over a short period of time, as discussed above.
- It avoids the cost of billing system changes and customer communication associated with revising the rates to the three affected customers.
- It has no financial impact on any other customers since Hydro One Networks does not seek recovery of any revenue shortfall associated with maintaining the TOU rates in effect (see below).

Recovery of Revenue Shortfall

Hydro One does not seek recovery of any revenue shortfall associated with maintaining TOU rates in effect from April 30, 2008 until such time as new rates are implemented for the three customers currently under the TOU pilot program.

Conclusion

Given the benefits outlined in the discussion above, Hydro One believes that maintaining the TOU pilot program until such time as new distribution rates are implemented in response to a Final Order from the Board on Hydro One Networks' 2008 Distribution Rates Application under proceeding EB-2007-0681 is a prudent course of action.

Sincerely,

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Susan Frank