

# Rogers Partners LLP

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November 23, 2009

Our File Number: 72738

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319, Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

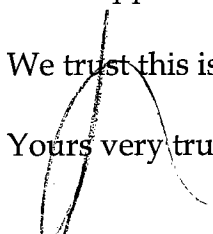
Re: EB-2009-0096: Hydro One Networks

Further to the Board's procedural order number 3 issued November 3, 2009, a settlement conference was held on November 18, 2009. Hydro One Networks and a number of intervenors attended. The parties used the settlement conference to review the issues and endeavour to narrow the scope of the oral hearing. There is no settlement proposal to present to the Board.

The applicant and the intervenors who participated in the conference were able to identify some issues that would not be the subject of questioning during the oral hearing, but rather left to argument only. Attached for the Board's reference is a copy of the approved Issues List identifying the above.

We trust this is satisfactory.

Yours very truly,

  
Anita M. Varjacic  
AMV/smg

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- c: Interveners
- c: Michael Miller - Board Counsel
- c: Harold Thiessen - Board Staff
- c: Hydro One

**Appendix “B”  
Hydro One Networks Inc.  
EB-2009-0096  
APPROVED ISSUES LIST**

	Oral Hearing	Final Argument
<b>1. GENERAL</b>		
1.1 Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?	√	
1.2 Are Hydro One’s economic and business planning assumptions for 2010/2011 appropriate?	√	
1.3 Is service quality, based on the OEB specified performance indicators, acceptable?	√	
1.4 Is Hydro One’s proposal to change the effective date for implementation of its proposed distribution rates to January 1, 2010 rather than the conventional May 1 <sup>st</sup> effective date appropriate and has Hydro One appropriately addressed the revenue consequences of proposed change?	√	
1.5 Is the overall increase in 2010 and 2011 revenue requirement reasonable given the impact on consumers?	√	
<b>2. LOAD and REVENUE FORECAST</b>		
2.1 Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?	√	
2.2 Is the proposed amount for 2010/2011 external revenues, including the methodology used to cost and price these	√	
<b>3. OPERATIONS, MAINTENANCE and ADMINISTRATION COSTS</b>		
3.1 Are the overall levels of the 2010/2011 Operation, Maintenance and Administration budgets appropriate?	√	
3.2 Is the 2010/2011 vegetation management budget appropriate?	√	
3.3 Is the proposed level of 2010/2011 Shared Services and Other O&M spending appropriate?	√	
3.4 Are the methodologies used to allocate Shared Services and Other O&M costs to the distribution business and determine the distribution overhead capitalization rate for 2010/2011 appropriate?	√	
3.5 Are the 2010/2011 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?	√	
3.6 Is Hydro One’s depreciation expense appropriate?		√
3.7 Are the amounts proposed for capital and property taxes appropriate?		√

	Oral Hearing	Final Argument
3.8 Is the amount proposed for income taxes, including the methodology, appropriate? – <b>Possibility of questions from CME dependent on the final determination resulting from the ‘Consultation Process on Cost of Capital’ (EB-2009-0084)</b>		√
3.9 Is the proposed spending on loss reduction efforts appropriate?		√
<b>4. CAPITAL EXPENDITURES and RATE BASE</b>		
4.1 Are the amounts proposed for Rate Base appropriate?	√	
4.2 Are the amounts proposed for 2010/2011 Capital Expenditures appropriate including the specific Sustaining, Development and Operations categories?	√	
4.3 Is the proposed level of 2010/2011 Shared Services and Other Capital expenditures appropriate?	√	
4.4 Are the methodologies used to allocate Shared Services and Other Capital expenditures to the distribution business consistent with the methodologies approved by the Board in previous Hydro One rate applications? – <b>Narrowed scope focused on use of actual versus forecast figures</b>	√	
4.5 Are the inputs used to determine the Working Capital component of the Rate base appropriate and is the methodology used consistent with the methodologies approved by the Board in previous Hydro One rate applications? – <b>Scope narrowed to the inputs utilized.</b>	√	
4.6 Does Hydro One’s Asset Condition Assessment information and Investment Planning Process adequately address the condition of the distribution system assets and support the O&MA and Capital expenditures for 2010/2011? <b>The extent to which the expenditures are supported is subsumed within issues 3.1 and 4.2</b>		√
4.7 Are the proposed capital expenditures to reduce electricity system losses appropriate?		√
<b>5. CAPITAL STRUCTURE AND COST OF CAPITAL</b>		
5.1 Is the proposed Capital Structure and Rate of Return on Equity for Hydro One’s distribution business appropriate? – <b>Possibility of questions from CME dependent on the final determination resulting from the ‘Consultation Process on Cost of Capital’ (EB-2009-0084)</b>		√
5.2 Are Hydro One’s proposed costs and mix for its short and long-term debt for the 2010/2011 test years appropriate? – <b>Narrowed scope limited to the mix and rates for short and long-term debt for the 2010/2011 test years</b>	√	
<b>6. DEFERRAL and VARIANCE ACCOUNTS</b>		
6.1 Is the proposal for the amounts, disposition and continuance of Hydro One’s existing Deferral and Variance Accounts appropriate?	√	

	Oral Hearing	Final Argument
6.2 Are the proposed new Deferral and Variance Accounts appropriate?	✓	
<b>7. COST ALLOCATION and RATE DESIGN</b>		
7.1 Is Hydro One's cost allocation appropriate including the analysis of the relationship between density and cost allocation?	✓	
7.2 Are the proposed revenue to cost ratios for each class appropriate?	✓	
7.3 Are the fixed-variable splits for each class appropriate?	✓	
7.4 Are the proposed rate impact mitigation plans appropriate and are the resulting customer bill impacts reasonable? - <b>Narrowed scope focused on the Hopper Foundry and Milton Hydro issues</b>	✓	
7.5 Are the proposed Retail Transmission Service rates appropriate?		✓
7.6 Is the proposal for regulatory asset rate rider #6 appropriate?	✓	
7.7 Are the proposed Distribution Loss Factors appropriate?	✓	
<b>8. SMART METERS</b>		
8.1 Is the 2010/2011 smart meter O&M and Capital budget appropriate?	✓	
8.2 Are the amounts for Smart Meter related variance accounts appropriate?	✓	
8.3 Is the treatment of stranded meter costs appropriate?		✓
8.4 Is Hydro One's regulatory treatment of Smart Meter costs appropriate including the smart meter funding adders proposed for 2010/2011?	✓	
<b>9. GREEN ENERGY PLAN</b>		
9.1 Does Hydro One's Green Energy Plan meet the Board's filing guidelines and the objectives set out in the Green Energy and Green Economy Act, 2009?	✓	
9.2 Has Hydro One appropriately addressed the Green Energy Plan expenditures in the context of its overall Capital and O&M budgets?	✓	
9.3 Is Hydro One's methodology for allocating Green Energy Plan O&M and Capital costs between the OPA (Global Adjustment Mechanism) and Hydro One appropriate?	✓	
9.4 To what extent should the Board approve any projects or expenditures relating to the Green Energy Plan that are scheduled to occur beyond the test years (i.e. 2010 and 2011) in the current application?	✓	
9.5 What is the Board's role with regard to the approval of the Green Energy Plan? What criteria should the Board use when determining whether to approve the Green Energy Plan? If the Board approves the plan, what are the impacts of that approval?	✓	