



EB-2009-0096

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S. O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF a review of an application
filed by Hydro One Networks Inc. for an order
approving just and reasonable rates and other
charges for electricity distribution for 2010 and 2011.

PROCEDURAL ORDER NO. 4

Hydro One Networks Inc. ("Hydro One", the "Company" or the "Applicant") filed an application, dated July 13, 2009, with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act*, S.O. 1998, c.15, Schedule B, seeking approval for changes to the rates that Hydro One charges for electricity distribution, to be effective January 1, 2010 and January 1, 2011. The Board assigned File Number EB-2009-0096 to the application.

The Board issued a Notice of Application and Hearing dated August 4, 2009. In Procedural Order No.1, issued on September 9, 2009, the Board approved a number of intervention requests and included a draft issues list for comment by interested parties.

Procedural Order No. 2 was issued on September 25, 2009, approving intervention status for a number of additional intervenors and included the Board's Issues List decision.

Procedural Order No. 3 was issued on November 3, 2009, revising the hearing schedule to address intervenor evidence submitted by SEC and addressing an expedited settlement process.

On November 18, 2009 parties met to review the issues list and narrow the scope of the oral hearing. On November 23, 2009 Hydro One submitted a list of the issues, identifying the issues that would not be subject to questioning in the oral hearing, but left only to argument. The Board acknowledges the list provided by Hydro One for use in the hearing and it is attached as Appendix A.

As stated in Procedural Order No. 3, the Board continues to be of the view that the prudence review of all of Hydro One's costs can be done apart from, and in advance of, consideration of what the cost recovery mechanism may be, particularly with respect to the Green Energy Plan. Specifically, the Board sees that Issue 9.3 - allocation of costs between a global recovery mechanism and Hydro One ratepayers - will be dealt with in January 2010. The Board will amend the date previously set for the resumption of the oral hearing to January 11, 2010.

In addition, during the course of the December portion of the oral hearing, the Board intends to establish an argument schedule for the issues addressed in December. It is expected that final arguments on these matters may commence in advance of the January 11, 2010 date for the resumption of the oral hearing.

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. After the December portion of the oral hearing is complete, the oral hearing will resume on January 11, 2010.

All filings to the Board must quote file number EB-2009-0096, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

Address

The Ontario Energy Board:

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ISSUED at Toronto, November 25, 2009

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

EB-2009-0096

Procedural Order #4

APPENDIX A

**HYDRO ONE NETWORKS INC.
DISTRIBUTION RATE HEARING**

November 25, 2009

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Barristers & Solicitors

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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

Rogers Partners LLP

Barristers & Solicitors

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
1. GENERAL		
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 st 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?	✓	
2. LOAD and REVENUE FORECAST		
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	✓	
3. OPERATIONS, MAINTENANCE and ADMINISTRATION COSTS		
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? – Possibility of questions from CME dependent on the final determination resulting from the ‘Consultation Process on Cost of Capital’ (EB-2009-0084)		√
3.9 Is the proposed spending on loss reduction efforts appropriate?		√
4. CAPITAL EXPENDITURES and RATE BASE		
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? – Narrowed scope focused on use of actual versus forecast figures	√	
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? – Scope narrowed to the inputs utilized.	√	
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? The extent to which the expenditures are supported is subsumed within issues 3.1 and 4.2		√
4.7 Are the proposed capital expenditures to reduce electricity system losses appropriate?		√
5. CAPITAL STRUCTURE AND COST OF CAPITAL		
5.1 Is the proposed Capital Structure and Rate of Return on Equity for Hydro One’s distribution business appropriate? – Possibility of questions from CME dependent on the final determination resulting from the ‘Consultation Process on Cost of Capital’ (EB-2009-0084)		√
5.2 Are Hydro One’s proposed costs and mix for its short and long-term debt for the 2010/2011 test years appropriate? – Narrowed scope limited to the mix and rates for short and long-term debt for the 2010/2011 test years	√	
6. DEFERRAL and VARIANCE ACCOUNTS		
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?	✓	
7. COST ALLOCATION and RATE DESIGN		
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? - Narrowed scope focused on the Hopper Foundry and Milton Hydro issues	✓	
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?	✓	
8. SMART METERS		
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?	✓	
9. GREEN ENERGY PLAN		
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?	✓	