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March 15, 2010

DELIVERED BY E-MAIL

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

Dear Ms. Walli:

Re: The High 5 Rate Design

On May 28, 2009, the Ontario Energy Board ("OEB") released its decision in EB-2008-0272. In that hearing the Association of Major Power Consumers in Ontario ("AMPCO") had called evidence which described a new and different rate design (the "High 5 Proposal"). The OEB in its decision dealt with AMPCO's proposal.

The OEB found that AMPCO's proposal, "had merit". At pages 69-70 of its decision, the Board directed Hydro One Networks Inc. ("Hydro One") as follows:

> "The Board will therefore direct Hydro One to come forward at its next application with:
>
> 1. further analysis of AMPCO's proposal; and,
>
> 2. a suitable proposal for implementation for the Board's consideration in the event the Board decides to change the charge determinant.
>
> In its further analysis, Hydro One should address the various criticisms which have been made about the AMPCO's analysis (and its expert's analysis) and should attempt to conduct some sensitivity analysis around the potential impacts on commodity prices.
>
> The Board also expects Hydro One to provide a comprehensive analysis of the transmission rate impacts for customers as well as an assessment of any potential adverse impacts on local conditions due to load shifting as described by VECC.

> Hydro One should also consult with the OPA and the IESO as to any interactions with other demand response programs.
>
> Hydro One has suggested it would not be possible to monitor such a program and measure its effect on commodity prices. The Board believes that it should be possible to do so to some extent and directs Hydro One to include this as part of its analysis.
>
> The Board also expects Hydro One keep stakeholders informed as to its work in the area and to seek their input and involvement where appropriate."

AMPCO is concerned that Hydro One is not implementing the direction of the OEB. Although the OEB's directive to Hydro One was released May 28, 2009, Hydro One did not start to implement it until November 16, 2009, when Hydro One conducted a Stakeholder Discussion Session. On the agenda were the following items:

"Ontario Energy Board Directive re AMPCO proposal on Network Charge Determinants
Stakeholder Discussion and Feedback
Stakeholder Recommendations re Network Charge Determinants Study Terms of Reference and Consultant."

Later, on the agenda was the following statement:

> "It is proposed that the following questions be considered for the Terms of Reference ("RFP") for the third party study of the AMPCO Network Charge Determinants ("High 5") Rate Design Proposal. Please take some time to consider the following points before the session..."

On December 14, 2009, Hydro One published a Request For Tenders ("RFT") for a Network Charge Determinants Study.

On March 2, 2010, Hydro One held another Stakeholder Discussion. At that session, representatives of Hydro One indicated that they were going through the vendor selection process but that no contract had yet been signed with a consultant to review the High 5 Proposal.

It is our understanding that Hydro One will file its next Transmission Rate Application on March 31, 2010.

It appears that Hydro One has not complied with the directive of the OEB. It seems extremely unlikely that Hydro One will "come forward at its next application with further analysis of AMPCO's proposal." That will, almost certainly, be confirmed on March 31, 2010.

The High 5 Proposal is extremely important to the members of AMPCO and other industrial, institutional and commercial consumers in Ontario, and we believe to the way in which electricity rates in Ontario should be designed.

If Hydro One does not consider this issue in the application which is to be filed on March 31, 2010, as they were directed to do, AMPCO will give consideration to bringing a motion asking the OEB to decline to hear that application until Hydro One has complied with the OEB directive to analyse the High 5 Proposal and come forward with a suitable proposal for its implementation.

Yours truly,

DAVIS LLP
Per:

David Crocker
DDC/szp

cc: Susan Frank - Hydro One Networks Inc. (via email)
cc: Adam White - AMPCO (via email)
cc: Shelley Grice (via email)
cc: Wayne Clark (via email)

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