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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs

April 30, 2010

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

Dear Ms. Walli:

EB-2008-0232 Reconciliation of Rural or Remote Rate Protection Variance Account

In its Decision and Order in EB-2008-0232, the Ontario Energy Board ordered Hydro One Remote Communities Inc. (Remotes) to file an annual reconciliation of the Rural or Remote Rate Protection Variance Account. This reconciliation is attached.

As a result of lower than planned costs in 2009, there is a credit balance in the RRRP account of \$3,627K. Primary factors for lower costs (actual vs Board approved) are:

- lower fuel costs due to lower market prices, lower transportation costs and reduced electricity consumption related to the delay in service to Marten Falls,
- improved bill collections, and
- reduced Land Assessment and Remediation spending related to a delay in negotiations with a local First Nation.

Hydro One Remotes is recommending that the credit balance of \$3,627K not be cleared at this time as the 2009 decreases are temporary in nature. In 2010, expenditures are expected to be significantly higher due to:

- an extremely short winter road season caused by mild weather. As a result, roads were not available to transport materials and equipment, leading to increases in transportation costs,

- an increase in fuel costs due to higher market prices, increased transportation costs associated with the poor winter road season and increased consumption due to serving Marten Falls for a full year, rather than the six months in the approved revenue requirement.

Yours truly,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Hydro One Remote Communities Inc.
Variance Account Reconciliation
For the year ended Dec. 31, 2009

		Revenues and Expenses	
		Audited Actuals	
<i>RRRP Variance Opening Balance</i>	<i>Jan. 1/2009</i>		<u>3,381</u>
<i>RRRP Approved by OEB</i>			
Annual Rural and Remote Rate Protection		(27,549)	
RRRP Variance Account Recovery		(3,381)	
Total RRRP Received		(30,930)	(30,930)
 <i>Revenues</i>			
Energy		(13,652)	
Other - Late Payment, Service Fees, External		(633)	
Total	Note 1	(14,285)	(14,285)
 <i>Costs</i>			
<i>OM&A</i>			
Generation		7,795	
Fuel		18,359	
Distribution		1,378	
Customer Care		1,143	
Community Relations		394	
Administration and Other OM&A		1,266	
External Costs		156	
Bad Debt	Note 2	(365)	
Depreciation (includes removals)		3,034	
Amortization of Environmental Asset		983	
Interest		1,120	
Income Tax (Includes capital taxes)		2,944	
Total		38,207	38,207
 <i>Net (Income)/Loss [change in RRRP]</i>			
<i>Ending Balance RRRP VA</i>	<i>December 31/2009</i>		<u>(3,627)</u>

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the Remote Rate Protection Variance Account. Remote Rate Protection amounts received for the year ended December 31, 2009 were \$30,930 thousand. Of that \$23,922 thousand was recognized as a revenue consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the remote rate protection revenue variance account as illustrated in this reconciliation.

Note 2 - Bad debt recovery of \$365 thousand reflects the impact of lower energy receivables due to successful long term payment arrangements and vigorous residential collections