



EB-2010-0002

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 or orders approving a transmission revenue requirement and rates and other charges for the transmission of electricity for 2011 and 2012.

PROCEDURAL ORDER NO. 1

Hydro One Networks Inc. ("Hydro One" or the "Company" or the "Applicant") filed an application, dated May 19, 2010, with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act*, 1998, c.15, Schedule B, seeking approval for changes to the transmission revenue requirement and rates that Hydro One charges for electricity transmission, to be effective January 1, 2011 and January 1, 2012. The Board assigned File Number EB-2010-0002 to the application.

The Board issued a Notice of Application and Hearing dated June 7, 2010. The Board received 23 requests for intervenor status. The Board approves these intervention requests. A list of the intervenors is attached as Appendix A.

The following parties also applied for cost award eligibility: Association of Major Power Consumers in Ontario (AMPCO), Consumers Council of Canada (CCC), Canadian Manufacturers and Exporters (CME), Energy Probe, Pollution Probe, School Energy Coalition (SEC), Vulnerable Energy Consumers Coalition (VECC), Association of Power

Producers in Ontario (APPo), London Property Management Association (LPMA), Building Owners and Managers Association of the Greater Toronto Area (BOMA), and Lake Huron Anishinabek Transmission Company Inc. (LHATC).

After considering these requests, the Board approves cost eligibility for all the intervenors listed above with the exception of the LHATC.

LHATC is a company created to own and operate electricity transmission projects. Under section 3.05 of the Board's *Practice Direction on Cost Awards* transmitters are parties are not eligible for a cost award. However, in its letter of intervention, LHATC indicates that it was deemed eligible for costs in a consultation process with respect to Transmission Project Development Planning (EB-2010-0059). The Board reminds LHATC that it found there to be special circumstances under which it allowed LHATC, as a potential proponent of transmission projects, to be eligible for an award of costs in that particular consultation. However, this proceeding is to approve the revenue requirement, rates and other charges of Hydro One. LHATC is both a potential competitor to Hydro One and joint venture proponent with other entities for several transmission projects in Ontario. The Board does not agree with LHATC that special circumstances found in a separate consultation extend to this proceeding.

With regard to the APPo request for cost eligibility, generators are generally not eligible for costs in accordance with section 3.05 of the *Practice Direction on Cost Awards*. However, section 3.07 allows that "the Board may, in special circumstances, find that a party which falls into one of the categories listed in section 3.05 is eligible for a cost award in a particular process." The Board finds, as it did in the previous Hydro One Transmission hearing, that APPo is eligible for costs, but only to the extent that APPo represents customer interests where such customers displace some of their loads and pay transmission rates for relevant services. Generator connection cost issues are addressed under the Transmission Code and are therefore not part of this hearing. When APPo files its cost claim it will be expected to explain how the issues for which it is seeking cost awards satisfy these conditions.

The Board has the expectation that all cost eligible intervenors will cooperate to the maximum extent possible and will be mindful of avoidable duplication.

As indicated in the Notice of Application, the Board intends to proceed by way of an oral hearing preceded by written interrogatories. Based on the Board's experience with oral

proceedings, the Board expects that it may be able to render a decision on or about January 7, 2011.

A draft issues list is attached as Appendix B. Intervenors and Hydro One may make submissions on the draft list and propose changes for the Board's consideration. Parties are also encouraged to propose which issues should be considered on a written basis and which should be subject to an oral hearing. In proposing additional issues, parties should provide justification and give consideration as to whether the item is already included under one of the proposed issues. Similarly, parties proposing to remove or limit the scope of an issue on the draft list should provide justification. After reviewing these submissions, the Board will issue a final issues list. Only matters that are on the final issues list will be considered in this proceeding.

The Board has not provided for an Issues Day, but may adjust the schedule if it is determined that one is required. The Board is also requiring that intervenors indicate whether they intend to file evidence in this proceeding as soon as possible. In the event that intervenor evidence is filed the schedule will be adjusted accordingly.

On June 16, 2010, Hydro One filed a Notice of Motion to sever the issue of the Association of Major Power Consumers of Ontario (AMPCO) proposal to alter the method of determining the transmission network charge, termed the "High 5 Proposal", for review and assessment in a separate generic proceeding. Hydro One proposed that the Motion be heard orally. The Board agrees to hear the Motion at an oral hearing as indicated below, however will wait until the consultant report referred to in Hydro One's Notice of Motion (The High 5 Charge Determinant Study) is filed. Hydro One expects the report to be completed and available on or around July 9, 2010.

The Board considers it necessary to make provision for the following matters related to this proceeding. Although the date for the oral hearing is not specified, depending on the outcome of the Motion, it is expected that the oral hearing will take place in early to mid September. The Board will issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. Hydro One and intervenors may make submissions on the draft issues list (attached as Appendix B) and shall file any submissions with the Board and deliver them to the intervenors and the Applicant no later than Wednesday, July 7, 2010.

2. Hydro One may respond to the submissions of intervenors, and intervenors may respond to the submissions of Hydro One or other intervenors by filing those responses with the Board and delivering them to the intervenors no later than Monday July 12, 2010.
3. Hydro One shall file with the Board and intervenors, The High 5 Charge Determinant Study when it is complete on or around July 9, 2010.
4. An oral hearing to address the Hydro One Motion on the “High 5 Proposal” will be held on Tuesday, July 20, 2010. Board staff and interested intervenors who wish to file written submissions on the Motion should file these submissions with the Board and deliver them to the other intervenors and the Applicant by Thursday, July 15, 2010.
5. Board staff seeking information and material that is in addition to the Applicant’s pre-filed evidence, and that is relevant to the hearing, shall request the same by written interrogatories filed with the Board and delivered to the intervenors and the Applicant on or before Tuesday, July 27, 2010.
6. Intervenors seeking information and material that is in addition to the Applicant’s evidence, and that is relevant to the hearing, shall request the same by written interrogatories filed with the Board and delivered to the other intervenors and the Applicant on or before Friday, July 30, 2010.
7. Responses by the Applicant to interrogatories shall be filed with the Board and delivered to all parties on or before Monday, August 16, 2010.
8. Board staff and intervenors who wish to file evidence shall do so, on or before Thursday, August 26, 2010.
9. All conferences and hearings will take place in the Board’s hearing room at 2300 Yonge Street, 25th Floor, Toronto, commencing at 9:30 a.m.

All filings to the Board must quote file number EB-2010-0002, 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 in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

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ISSUED at Toronto, June 28, 2010

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

**HYDRO ONE NETWORKS INC
TRANSMISSION REVENUE REQUIREMENT AND
RATE HEARING**

EB-2010-0002

APPLICANT & LIST OF INTERVENORS

Hydro One Networks Inc.
EB-2010-0002

APPLICANT & LIST OF INTERVENORS

June 28, 2010

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Hydro One Networks Inc.

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**Hydro One Networks Inc.
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Hydro One Networks Inc.
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Hydro One Networks Inc.

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APPENDIX B

**HYDRO ONE NETWORKS INC
TRANSMISSION REVENUE REQUIREMENT AND
RATE HEARING
EB-2010-0002
DRAFT ISSUES LIST**

**APPENDIX B
HYDRO ONE NETWORKS INC.
DRAFT ISSUES LIST
EB-2010-0002**

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 2011/2012 appropriate?
- 1.3 Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

2. LOAD FORECAST 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 Are Other Revenue (including export revenue) forecasts appropriate?

3. OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

- 3.1 Are the proposed spending levels for, Sustaining, Development and Operations OM&A in 2011 and 2012 appropriate, including consideration of factors such as system reliability and asset condition?
- 3.2 Are the proposed spending levels for Shared Services and Other O&M in 2011 and 2012 appropriate?
- 3.3 Are the 2011/12 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?
- 3.4 Are the OM&A development costs allocated to the "IPSP and Other Preliminary Planning Costs" deferral account for 2009, 2010, 2011 and 2012 appropriate?
- 3.5 Are the methodologies used to allocate Shared Services and Other O&M costs to the transmission business and to determine the transmission overhead capitalization rate for 2011/12 appropriate?

- 3.6 Are the amounts proposed to be included in the 2011 and 2012 revenue requirements for income and other taxes appropriate?
- 3.7 Is Hydro One Networks' proposed depreciation expense for 2011 and 2012 appropriate?

4. CAPITAL EXPENDITURES and RATE BASE

- 4.1 Are the amounts proposed for rate base in 2011 and 2012 appropriate?
- 4.2 Are the proposed 2011 and 2012 Sustaining and Development and Operations capital expenditures appropriate, including consideration of factors such as system reliability and asset condition?
- 4.3 Are the proposed 2011 and 2012 levels of Shared Services and Other Capital expenditures appropriate?
- 4.4 Are the methodologies used to allocate Shared Services and Other Capital expenditures to the transmission business consistent with the methodologies approved by the Board in previous Hydro One rate applications?
- 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?
- 4.6 Does Hydro One's Asset Condition Assessment information and Investment Planning Process Adequately address the condition of the transmission system assets and support the O&MA and Capital expenditures for 2011/12?

5. COST OF CAPITAL/CAPITAL STRUCTURE

- 5.1 Is the proposed capital structure appropriate?
- 5.2 Is the proposed methodology to determine the Return on Equity and Short-term debt appropriate?
- 5.3 Is the forecast of long term debt for 2010-2012 appropriate?

6. DEFERRAL/VARIANCE ACCOUNTS

- 6.1 Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?
- 6.2 Is the proposed disposition of the "IPSP and Other Preliminary Planning Costs" deferral account for 2009 appropriate?
- 6.3 Are the proposed new Deferral and Variance Accounts appropriate?

7. COST ALLOCATION

- 7.1 Has Hydro One Networks' cost allocation methodology been applied appropriately?

8. CHARGE DETERMINANTS

- 8.1 Is it appropriate to implement "AMPCO's High 5 Proposal" in place of the status quo charge determinants for Network service? (Subject to the outcome of the Hydro One motion requesting a generic review of this issue.)

9. GREEN ENERGY PLAN

- 9.1 Is Hydro One's Green Energy Plan consistent with the objectives set out in the Green Energy and Economy Act, 2009 and with other related government instruction?
- 9.2 Are the OM&A and capital amounts in the Green Energy Plan appropriate and based on appropriate planning criteria?