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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

June 30, 2010

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

Dear Ms. Walli:

Hydro One Networks Request for Exemption from Certain Sections of the Distribution System Code and Approval of New Rates and Fees Related to Distribution Generation Projects

Hydro One Networks Inc. has gained considerable experience over the past few years in the processing and assessment of generator connection applications, and especially in the activities related to the connection of renewable energy generators. Hydro One's experience with generation proponents under both the RESOP and the FIT programs has afforded Hydro One Distribution an opportunity to apply the recently-revised Distribution System Code.

It is in the context of this experience that Hydro One is submitting for the Board's review and approval two sets of applications.

One is a request for certain exemptions from Hydro One's Electricity Distribution Licence as it applies to obligations under the Distribution System Code requirements. The exemptions, if granted would ensure that (i) cost responsibility is assigned fairly for mitigating certain unforeseen technical issues related to generator connections and (ii) that generators do not risk losing their capacity allocation in cases where they are subject to the IESO's Connection Assessment and Approval process.

The other application is for additional miscellaneous fees that Hydro One Distribution has identified to be levied from generation proponents for Connection Impact Assessments and for Joint Use of the distribution system assets.

Hydro One respectfully submits to the Board that both these applications need to be dealt with in an expeditious manner to allow generation connections to proceed without delay and to afford project proponents the certainty they require in planning their projects. Hydro One further requests that, if a hearing is deemed appropriate, these matters be dispensed with through a written hearing.

Hydro One would be pleased to provide any further information that would assist the Board in assessing the merits of this request. Please feel free to contact Carolyn Russell at (416) 345-5914 for further assistance in this regard.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

EXHIBIT LIST

1
2

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A			Administration
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	1	2	Application
B			The Establishment of New Joint Use Rates
	1	1	The Establishment of New Joint Use Rates
	1	2	Proposed Joint Use Rates for Generator Use of Hydro One Distribution Poles
	2	1	Methodology to Determine the Joint Use Charge
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	1	1	Request for Varying Fees for Connection Impact Assessments

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc.
for an Order or Orders approving Miscellaneous Charges.

APPLICATION

1. The Applicant is Hydro One Networks Inc. (Hydro One Networks), a subsidiary of Hydro One Inc. Hydro One Networks is an Ontario corporation with its head office at Toronto. The Applicant carries on the business, among other things, of owning and operating distribution facilities in Ontario. The distribution business of Hydro One Networks will be referred to as “Hydro One Distribution”.
2. Hydro One Networks hereby applies on behalf of its Distribution business (“Hydro One Distribution”) to the Ontario Energy Board (the “Board”), pursuant to section 78 of the *Ontario Energy Board Act, 1998*, for an Order or Orders approving:
 - a) Miscellaneous Joint Use Charges for generator customers to place, affix or attach electrical circuit attachments owned by the generator to poles owned by Hydro One Distribution.
 - b) Miscellaneous fees for Connection Impact Assessments.
3. Hydro One Distribution requests a written hearing on this issue.
4. The written evidence filed with the Board may be amended from time to time prior to the Board’s final decision on the Application. Further, the Applicant may

1 seek meetings with Board staff in an attempt to identify and reach agreements to
2 settle issues arising out of this Application.

3

4 5. The persons affected by this Application are the distributed generators who are
5 applying connection to Hydro one's Distribution system.

6

7 6. Hydro One Distribution requests that a copy of all documents filed with the Board
8 by each party to this Application be served on the Applicant and the Applicant's
9 counsel as follows:

10

11 a) The Applicant:

12

13 Ms. Anne-Marie Reilly
14 Senior Regulatory Coordinator – Regulatory Affairs
15 Hydro One Networks Inc.

16

17 Address for personal service: 8th Floor, South Tower
18 483 Bay Street
19 Toronto, ON M5G 2P5

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28

29 b) The Applicant's counsel:

30

31 Mr. Michael Engelberg
32 Assistant General Counsel
33 Hydro One Networks Inc.

34

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DATED at Toronto, Ontario, this 30th day of June, 2010.

THE ESTABLISHMENT OF NEW JOINT USE RATES

1.0 SUMMARY OF APPLICATION

The service territory of Hydro One Networks Inc. (“Hydro One Distribution”) covers large parts of the Province with high potential for both renewable energy and other forms of generation. At this time, a number of generators are seeking to establish joint use agreements to place, affix or attach electrical circuit attachments owned by the generator to poles owned by Hydro One Distribution to connect to Hydro One’s transmission or distribution systems.

Currently, there is no approved joint use charge specifically for generators. Hydro One Distribution has entered into twenty-year contracts with these generators, in which they are charged on a sliding scale, based on the negotiated (and approved) Local Distribution Company (“LDC”) Joint Use rate. The twenty-year duration of the agreement allows generators to provide assurance to lenders, which in turn, allows the generators to secure funding.

Currently, generators are charged the LDC Joint Use rate of \$28.61 per pole. This LDC Joint Use rate has been used as a reference point and is based on power space allocation on a pole up to 50 feet (ft). This allows 10 ft of space for the LDC. Currently, generators use 60 to 80-ft poles and require at least 20 to 40 ft of those, depending on the number of circuits that are placed on the poles.

The current rate does not adequately capture the costs associated with the presence of a generator’s equipment on Hydro One Distribution’s poles. Hydro One Distribution therefore proposes to charge both transmission- and distribution-connected generators who utilize Hydro One Distribution’s poles under a joint use agreement.

Hydro One Distribution requests a decision from the Ontario Energy Board (“the Board”) as to whether these charges require Board approval. Hydro One submits that this Application provides a sufficient rationale for treating these charges as commercially negotiated fees which

1 may be adjusted as required. Should the Board agree, Hydro One would continue to include
2 these fees in the contracts and negotiate appropriate future changes with the generation
3 proponents, without the need for Board approval and without further reference to Board
4 approval.

5
6 In the alternative, Hydro One submits that this Application also provides sufficient information
7 for Board approval of these charges as rates. Should the Board approve these proposed charges
8 as Miscellaneous Charges, Hydro One would, in subsequent filings, seek Board approval of any
9 proposed changes, as needed.

11 **2.0 BACKGROUND**

12
13 In recent years, the introduction of the Ontario Power Authority's ("OPA's") Renewable Energy
14 Standard Offer Program ("RESOP") and the OPA's Feed-In-Tariff ("FIT") program has
15 encouraged increasing numbers of generators to enter into agreements with Hydro One
16 Distribution for joint use of distribution poles.

18 **2.1 The Development of the Original Joint Use Rate**

19
20 Currently, generators are being charged the LDC Joint Use rate of \$28.61 per pole to place, affix
21 or attach electrical circuit attachments owned by the generator to poles owned by Hydro One
22 Distribution, regardless of the infrastructure requirements.

23
24 The current joint use attachment rate for LDC's was originally agreed upon with the Electricity
25 Distributors Association ("EDA"), on behalf of the LDC's. This rate was negotiated around
26 considerations such as reciprocal pole-sharing arrangements and vegetation management
27 services.

1 The methodology used to establish the LDC Joint Use rate was based on the methodology
2 established by the Board in its March 7, 2005, order for Telecommunications pole rental
3 calculations (RP-2003-0249). In the Telecommunications pole rental calculations, a space
4 allocation of 21.9% was used.

5
6 The LDC rate itself was submitted as an example of such charges during the review of Hydro
7 One's Distribution Rate Application for 2006 in proceeding RP-2005-0020/EB-2005-0378
8 (Board Decision with Reasons, dated April 12, 2006). The rate was again confirmed in Hydro
9 One's Distribution rates for 2010-2011 (EB-2009-0096, April 9, 2010).

10
11 For the Board's information, Table 1 shows the Telecommunication Joint Use price calculation
12 with dollar inputs as outlined in the Board's Decision in the Telecommunication Joint Use
13 proceeding (RP-2003-0249, March 7, 2005).

Table 1: Telecommunications Joint Use Price Calculation

	Price Component- Per Pole	\$	Explanation
	<u>Direct Cost</u>		
A	Loss of Productivity	\$1.23	
B	Administration	\$0.69	
C	Total Direct Costs	\$1.92	A + B
	<u>Indirect Costs</u>		
D	Net Embedded Cost per pole	\$478.00	
E	Depreciation Expense	\$31.11	
F	Pole Maintenance Expense	\$7.61	
G	Capital Carrying Cost	\$54.59	D x 11.42% (Pre-tax weighted average cost of capital 11.42%)
H	Total Indirect Costs per Pole	\$93.31	E+F+G
I	Allocation Factor	21.9%	
J	Indirect Costs Allocated	\$20.43	H x I
K	Annual Pole Rental Charge	\$22.35	C + J

Source: RP-2003-0249, Decision and Order, March 7, 2005.

In the LDC Joint Use rate, the space allocation used was 28.1%, given that LDC attachments require more space on a pole due to safety standards. This calculation assumes that a 50-ft. pole is being utilized.

2.2 Considerations in Joint Use Arrangements with Generators

Hydro One Distribution has traditionally used poles that have been sized to accommodate the attachment needs of third parties (such as sentinel lighting, telecommunications and LDCs). These poles have generally ranged in size up to 50 ft. on average. Generators, however, are now using 60 to 80-ft. poles and require at least 20 to 40 ft, depending on the number of circuits that

are attached. The incremental costs related to the taller poles with unallocated space have been borne by electricity distribution customers.

Depending on the pole configuration and the transmitting voltages of the generator, Hydro One Distribution's conductors can be at the upper end of these poles. The maintenance of poles under a joint use arrangement, therefore, requires power workers to work at higher levels, with equipment that has an extended vertical reach, resulting in a higher cost than that for the maintenance of the shorter poles. Furthermore, when the joint use space is allocated, power workers must work around the generator's attachments, which, in turn, results in a negative impact on productivity. The current Miscellaneous Joint Use charges do not reflect costs associated with the altered working conditions and other changes due to the increased pole height. Accordingly, Hydro One Distribution submits that the current charge does not promote the productive use of resources and fair value or distribution of costs.

3.0 PROPOSAL

3.1 Establishment of the Proposed Rate

Hydro One Distribution proposes to establish a new miscellaneous charge per pole to place, affix or attach electrical circuit attachments owned by the generator to poles owned by Hydro One Distribution. This charge would reflect a proportional allocation factor which varies depending on pole height and would be based on the current LDC rate.

3.1.1 Determining the Proportional Space Allocation Factor

LDCs have a power space allocation factor of 28.1%, which was calculated by using the following allocation factors:

- o Communications attachments at 21.9%; and
- o Streetlights at 21.9%.

Together, these total 43.8% of space usage. This leaves a shared space of 56.2% between the LDC and Hydro One Distribution. Since both need the same amount of space on a 50-ft. pole, the balance was divided by two, which leaves an allocation to the LDC of 28.1%.

Generators, however, now require poles taller than 50 ft. Hydro One Distribution's required physical power space remains constant. The proportion of available power space is 56.2% of the incremental height. Therefore, on taller poles, Hydro One's proportional allocation of the power space declines. Table 2 below, shows the calculation of the pole space allocation factor by pole height.

Table 2: Variable Pole Height Power Space Allocation Factor

Pole Length (Feet)	Space Allocated Between Hydro One and Generator (Feet)	Hydro One Power Space (Feet)	Hydro One Factor* (%)	Hydro One % of Power Space Allocation (%)	Generator Power Space (Feet)	Generator Factor* (%)	Generator % of Power Space Allocation (%)
A	B	C	D (C/B)	E (D*56.2%)	F (B-C)	G (F/B)	H (G*56.2%)
50	20	10	50	28.10	10	50	28.10
55	25	10	40	22.48	15	60	33.72
60	30	10	33	18.73	20	67	37.47
65	35	10	29	16.30	25	71	39.90
70	40	10	25	14.05	30	75	42.15
75	45	10	22	12.36	35	78	43.84
80	50	10	20	11.24	40	80	44.96
85	55	10	18	10.12	45	82	46.08
90	60	10	17	9.55	50	83	46.65
95	65	10	15	8.43	55	85	47.77
100	70	10	14	7.87	60	86	48.33

* Factors are rounded to the nearest percentage.

This power space allocation would comprise a portion of the joint use charge. The proposed joint use methodology is included in Exhibit B, Tab 2, Schedule 1.

1 3.1.2 Determining Adjustments to the Base Rate
2

3 Many generators have entered into 20-year power purchase contracts; accordingly the
4 generator's desire is to enter into 20-year joint use agreements with Hydro One. The current
5 Joint Use charge for LDCs does not include provisions for year-over-year consumer price index
6 ("CPI") adjustments. Hydro One proposes that the new joint use charge for generators include a
7 CPI rider, which provides an annual increase in the power space rental cost, based on changes to
8 the CPI.
9

10 Further, Hydro One Distribution proposes to periodically review the joint use charges for
11 generators relative to Hydro One Distribution's costs to maintain such joint use poles. Hydro
12 One is concerned that as the agreements will be in effect for twenty years, the CPI rider may not
13 be sufficient to account for changes to Hydro One's costs. Therefore, should the per pole cost of
14 joint use service exceed the charges per pole in effect, Hydro One Distribution proposes to apply
15 a periodic rate base adjustment to the charges to align with the actual cost of service. The
16 periodic base rate adjustment would be performed every five years by using the approved joint
17 use allocation methodology included in Table 2, with updated component inputs. The calculation
18 of the base rate adjustment is included in the joint use methodology in Exhibit B, Tab 2,
19 Schedule 1.
20

21 Hydro One believes that this periodic rate base adjustment will provide a mechanism to address
22 cost increases such as changes in depreciation and maintenance costs which may rise for reasons
23 other than inflation.
24

25 3.1.3 Rationale for Unregulated Rates for Joint Use of Its Assets
26

27 Hydro One Distribution proposes that these proposed charges may be unregulated, as the
28 prescribed joint use of its assets is a competitive service.
29

1 Each generator has the option of supplying its own support structure by constructing, installing
2 and maintaining its own utility poles. In this case, both the generator and Hydro One
3 Distribution would incur a *stand-alone cost* – the minimum cost of supplying its own, separate
4 pole structure. Further, from Hydro One’s operational perspective, this alternative may increase
5 the cost to connect new customers, as Hydro One may be required to enter into a tenancy joint
6 use agreement for use of a generator’s poles.

7
8 Alternatively, Hydro One Distribution and the generator may elect for joint use of a common
9 pole structure and enter into a commercial joint use agreement. While the total costs of a joint
10 use pole are greater than the stand-alone costs of a single, sole use pole structure, the joint use
11 costs are typically less than the sum of the stand-alone costs. Joint use of a common facility can
12 reduce total costs of all parties as the support structure services enjoy economies of scope.
13 Hydro One believes that this is a preferable arrangement for both parties, based on a set of
14 charges, the calculation of which is fully transparent and applied equally to all generators.

15
16 Exhibit B, Tab 1, Schedule 2 provides the proposed Joint Use Rate Schedule for Renewable
17 Energy Generation Facilities. Exhibit B, Schedule 2, Tab 2 includes Article 9 from Hydro One’s
18 Joint Use Agreement with Generators, which provides the proposed sliding scale (depending on
19 pole height) base fees for 2010, as well as an explanation of potential increases based on the
20 application of CPI and the periodic base rate adjustment.

21 22 **3.2 Qualifications for Eligibility for Such Rates**

23
24 This joint use methodology would be limited to current and new generators who place, affix or
25 attach electrical circuit attachments owned by the generator to Hydro One Distribution’s poles.

3.3 Implementation

Should the Board grant approval, Hydro One Distribution requests an effective implementation date of January 1, 2010. As discussed further in Section 4.1 below, the affected generators have not yet been invoiced for 2010. Although they have not been notified of these proposed changes in detail, they are aware of the proposed sliding scale base fee structure for 2010 (that is, the fees included in Table 1 of Exhibit B, Tab 1, Schedule 2, without the CPI and other adjustment.)

4.0 IMPACT ON HYDRO ONE DISTRIBUTION CUSTOMERS

4.1 Participating Generators

The proposed miscellaneous charge per pole to place, affix or attach electrical circuit attachments owned by the generator to poles owned by Hydro One Distribution will affect:

- o Three generators currently connected with executed Power Space agreements in place;
- o Twelve generators with whom Hydro One is currently negotiating contracts; and
- o Approximately 30 proponents who have been identified as potential joint use candidates.

Hydro One Distribution has not yet submitted joint use invoices to generators for 2010. Potentially impacted generators have not been notified of the proposed changes in detail, but they are aware of the proposed sliding scale for the determination of base rates. Should the Board approve Hydro One's request (whether as unregulated charges or approved rates), these charges would be effective for the 2010 calendar year.

As a number of variables affect the impact on individual generators, including number of poles occupied and pole height requirements, it is difficult to forecast the impact of the increase on individual generators. Hydro One anticipates that despite this increase, however, joint use arrangements will provide an attractive option for generators to manage their infrastructure costs, vis-à-vis the stand-alone alternative.

Due to a very active FIT program and other contracted generation processes, Hydro One Distribution anticipates a large volume increase in joint use candidates over the next three years.

Although the cost impact on an individual basis cannot be calculated, Table 3 contains four scenarios which outline potential revenue changes, in total, for Hydro One Distribution, if these charges are approved.

Table 3: Revenue Impact of New Joint Use Charge

		1	2	3	4	Notes
		50' Poles (Status Quo)	60' Poles	80' Poles	100' Poles	
A	Proposed Charge (Per Pole)	\$28.61	\$38.15	\$45.78	\$49.21	
B	Approx. Poles	13,900	13,900	13,900	13,900	
C	Forecasted Revenue	\$397,679.00	\$530,285.00	\$636,342.00	\$684,019.00	A*B
D	Revenue Change from Status Quo	\$0.00	\$132,606.00	\$238,663.00	\$286,340.00	
Notes		C1 - C1	C2 - C1	C3 - C1	C4 - C1	

In the aggregate, Hydro One Distribution's external revenue from miscellaneous charges may increase by up to \$286,340.00. This amount, however, is an upper bound forecast which assumes all generators would require 100 ft. poles, an unlikely situation.

4.2 Non-Participating Customers

There would be no immediate change to the existing distribution rates for Hydro One Distribution customers. However, Hydro One would track the joint use revenues in a variance account and use these to offset future rates for its Distribution customers.

5.0 DECISION REQUESTED

Hydro One Distribution requests the Board's Decision on the following:

- 1.A) Whether the proposed joint use charges for generators require Board approval. Hydro One submits that this Application provides a sufficient rationale for treating these charges as commercially negotiated fees which may be adjusted as required and agreed upon between Hydro One and the generators.
- 1.B) Should the Board deem that such charges do require Board approval, Hydro One seeks approval of these rates, as proposed on a sliding scale basis. Should the Board approve these proposed charges as Miscellaneous Charges, Hydro One would, in subsequent filings, seek Board approval of any proposed changes, as needed (that is, the proposed CPI and periodic base rate adjustments as proposed here, would not apply).

Hydro One Distribution requests the Board's approval of this submission with an effective implementation date of January 1, 2010.

**PROPOSED JOINT USE RATES FOR
GENERATOR USE OF HYDRO ONE DISTRIBUTION POLES**

The proposed Joint Use Rates for generators' use of Hydro One Distribution poles utilizes the framework provided by the Board in its March 7, 2005, order for Telecommunications pole rental calculations. Table 1 below outlines the proposed Joint Use Rate Schedule for generators.

Table 1: Proposed Baseline Year Joint Use Rate Schedule

Pole Height	Generator Cost (per Pole)
50' Pole	\$28.61 + CPI Adjustment + Periodic Base Rate Adjustment
55' Pole	\$34.33 + CPI Adjustment + Periodic Base Rate Adjustment
60' Pole	\$38.15 + CPI Adjustment + Periodic Base Rate Adjustment
65' Pole	\$40.63 + CPI Adjustment + Periodic Base Rate Adjustment
70' Pole	\$42.92 + CPI Adjustment + Periodic Base Rate Adjustment
75' Pole	\$44.63 + CPI Adjustment + Periodic Base Rate Adjustment
80' Pole	\$45.78 + CPI Adjustment + Periodic Base Rate Adjustment
85' Pole	\$46.92 + CPI Adjustment + Periodic Base Rate Adjustment
90' Pole	\$47.49 + CPI Adjustment + Periodic Base Rate Adjustment
95' Pole	\$48.64 + CPI Adjustment + Periodic Base Rate Adjustment
100' Pole	\$49.21 + CPI Adjustment + Periodic Base Rate Adjustment

The methodology used for the Joint Use Rates for generators is included in Exhibit B, Tab 2, Schedule 1.

METHODOLOGY TO DETERMINE THE ANNUAL JOINT USE CHARGE

Every five years, the Cost of Power Space will be recalculated using the Board approved methodology (RP-2003-0249) and Hydro One's actual component costs. This exercise, performed every 5 years, will herein be referred to as the "Periodic Base Rate Adjustment." In non-base rate adjustment years, a Consumer Price Index ("CPI") rider may be applied. Joint Use charges will be adjusted in accordance with Table 1 below.

Table 1: Joint Use Charge Adjustment Schedule

	Rate	Adjustment	Notes
Year 0	R		Base Rate
Year 1	R	CPI	
Year 2	R	CPI	
Year 3	R	CPI	
Year 4	R	CPI	
Year 5	R5		Periodic Base Rate Adjustment
Year 6	R5	CPI	
Year 7	R5	CPI	
Year 8	R5	CPI	
Year 9	R5	CPI	
Year 10	R10		Periodic Base Rate Adjustment
Year 11	R10	CPI	
Year 12	R10	CPI	
Year 13	R10	CPI	
Year 14	R10	CPI	
Year 15	R15		Periodic Base Rate Adjustment
Year 16	R15	CPI	
Year 17	R15	CPI	
Year 18	R15	CPI	
Year 19	R15	CPI	

In Base Rate Adjustment years (Years 5, 10 & 15), the Board approved Joint Use calculation for Telecommunication companies will be utilized with Hydro One's actual component costs. During the initial rate "R" period (Year 0 – Year 4), the Cost of Power Space calculation will

utilize the component prices included in Appendix 2 of the Board's Telecommunication Decision (RP-2003-0249), shown below in Table 2.

Table 2: Cost of Power Space Calculation Components (Year 0)

Cost Type	Component	\$ (Year 0)
Indirect Costs	Net Embedded Cost	\$478.00
	Depreciation per Pole	\$31.11
	Weighted Average Cost of Capital	11.42%
	Maintenance (Lines and Forestry)	\$7.61
Direct Costs	Loss of Productivity	\$1.23
	Administration	\$0.69
	Vegetation Mgmt ¹	

¹ - Vegetation Management Costs are included in the Maintenance Costs.

In Base Rate Adjustment years, Hydro One will recalculate the Cost of Power Space to reflect Hydro One's current costs and asset base value of the components listed in Table 2 above.

The Joint Use Charge for the initial rate period will be calculated using the methodology in Table 3. In Base Rate Adjustment years, Hydro One will recalculate the Cost of Power Space to reflect Hydro One's current costs and asset base value. This recalculation will result in a revised Cost of Power Space (Row A, Table 3). During the initial period, the calculated Cost of Power Space is \$57.22.

Table 3: Joint Use Charge calculation

	Price Component - Per Pole		Explanation
A	Cost of Power Space	\$57.22	Value of shared power space, as negotiated with the EDA, using the Telecom methodology (RP-2003-0249)
B	Proportional Generator Power Space Allocation	Variable based on pole height	Per Column (H) included in Table 4, Exhibit B, Tab 2, Schedule 1
C	Generator Cost of Power Space	A*B	
D	Consumer Price Index Adjustment		$CPI_t = 1 + \left[\frac{CPI_{t-1} - CPI_{t-2}}{CPI_{t-2}} \right]$ Where: CPI_{t-1} is the Consumer Price Index for Ontario for August of the current calendar year CPI_{t-2} is the Consumer Price Index for Ontario for August of the previous calendar year Notes: CPI is based on "all items for Ontario".
F	Annual Pole Rental Charge	C*D	$R_t = R_{t-1} \times CPI_t$ Where: R_t is the Rate for the next calendar year R_{t-1} is the Rate for the current calendar year

Table 4: Variable Pole Height Power Space Allocation Factor

Pole Length (Feet)	Space Allocated Between Hydro One and Generator (Feet)	Hydro One Power Space (Feet)	Hydro One Factor* (%)	Hydro One % of Power Space Allocation (%)	Generator Power Space (Feet)	Generator Factor* (%)	Generator % of Power Space Allocation (%)
A	B	C	D (C/B)	E (D*56.2%)	F (B-C)	G (F/B)	H (G*56.2%)
50	20	10	50	28.10	10	50	28.10
55	25	10	40	22.48	15	60	33.72
60	30	10	33	18.73	20	67	37.47
65	35	10	29	16.30	25	71	39.90
70	40	10	25	14.05	30	75	42.15
75	45	10	22	12.36	35	78	43.84
80	50	10	20	11.24	40	80	44.96
85	55	10	18	10.12	45	82	46.08
90	60	10	17	9.55	50	83	46.65
95	65	10	15	8.43	55	85	47.77
100	70	10	14	7.87	60	86	48.33

* Factors are rounded to the nearest percentage.

**ARTICLE 9 OF HYDRO ONE'S AGREEMENT WITH
GENERATORS FOR JOINT USE OF HYDRO ONE DISTRIBUTION
POLES -- ANNUAL PERMIT FEES AND RATES**

9.1 Subject to Section 9.2, 9.3, 9.4 and 9.6 below, the Licensee shall pay to the Owner the applicable Permit Fee per Joint Use Pole in accordance with the terms and conditions herein. The Permit Fees for 2010 are as specified below as may be applicable:

APPLICABLE PERMIT FEES FOR 2010

Height of Joint Use Pole	Permit Fee
50 ft	\$28.61
55 ft.	\$34.33
60 ft.	\$38.15
65 ft.	\$40.63
70 ft	\$42.92
75 ft	\$44.63
80 ft	\$45.78

9.2 During the first quarter of each calendar year, an invoice shall be prepared by the Owner to the Licensee indicating the aggregate Permit Fees payable for the said calendar year in accordance with Schedule "B", Section 3.1. The Licensee shall pay the aggregate Permit Fees within 60 days after the date of the invoice.

9.3 With respect to any Attachment that has been placed on any Joint Use Pole during the course of a year during the Term, the Licensee shall pay the applicable Permit Fee for each said Joint Use Pole pro rated for the number of days for which the Attachment is on each said Joint Use Pole during the said year.

9.4 Subject to the remaining provisions of this Section 9.4 and Section 9.6, in October of each year, the Owner will calculate the Permit Fee for the forthcoming calendar year and shall advise the Licensee of same as soon as practicable after completion of the said calculation. If at any time during the Term, the then current Permit Fee payable by the Licensee becomes regulated by the Ontario Energy Board or any other governmental authority or a different pole

rental rate is approved by the Ontario Energy Board or any other governmental authority, the said Permit Fee shall be amended accordingly, if applicable, to reflect the fee established by the Ontario Energy Board or other governmental authority and such amended Permit Fee shall be payable by the Licensee per Joint Use Pole from and after the effective date thereof as determined by the Ontario Energy Board or governmental authority. If the amended Permit Fee becomes effective on a date after which time the Licensee has already paid the then current Permit Fee per Joint Use Pole to the Owner, then one of the following shall occur as may be applicable:

- (a) if the amended Permit Fee is higher than the then current Permit Fee, the Licensee shall pay the difference per Joint Use Pole to the Owner within 30 days after receipt of an invoice therefor from the Owner;
- (b) if the amended Permit Fee is lower than the then current Permit Fee, the Owner shall pay the difference per Joint Use Pole to the Licensee within 30 days after receipt of an invoice therefor from the Licensee.

9.5 If the Owner, acting reasonably, determines that the Licensee has not had a previous satisfactory business relationship with the Owner, the Owner may, in its sole and absolute discretion, require that the Licensee deposit with the Owner, security in an amount and in a form satisfactory to the Owner, securing the due performance of the obligations of the Licensee as provided for in this Agreement. The security shall be maintained in good standing by the Licensee for a period of three years from the date that it is first placed with the Owner; provided, however, that it shall be maintained for a longer period if the Owner, acting reasonably, determines that the business relationship with the Licensee requires the continuation of the security.

9.6 The following formula may be used by the Owner in October of each year of the Term of this Agreement following 2010 to determine the Permit Fee payable by the Licensee per Joint use Pole for the forthcoming calendar year:

$$R_t = R_{t-1} \times \left\{ 1 + \left[\frac{CPI_{t-1} - CPI_{t-2}}{CPI_{t-2}} \right] \right\}$$

Where:

- R_t is the Permit Fee for the next calendar year
- R_{t-1} is the Permit Fee for the current calendar year
- CPI_{t-1} is the Consumer Price Index for Ontario for August of the current calendar year
- CPI_{t-2} is the Consumer Price Index for Ontario for August of the previous calendar year

Notes:

- 1. CPI is based on "all items for Ontario".

1 9.7 The Licensee shall pay and indemnify and save harmless the Owner, its
2 successors and assigns and its shareholder, directors, officers, employees and
3 agents from and against all taxes, rates, assessments, or fees of every nature
4 and kind which are levied directly upon Licensee Attachments designated on a
5 Permit or any other taxes, rents, assessments or fees levied directly by reason
6 of the rights granted to the Licensee by this Agreement (other than the
7 Owner's income or capital tax).

REQUEST FOR VARYING FEES FOR CONNECTION IMPACT ASSESSMENTS

1.0 INTRODUCTION

The introduction of the Ontario Power Authority's ("OPA's") Renewable Energy Standard Offer Program ("RESOP") and the OPA's Feed-In-Tariff ("FIT") program has encouraged the development of renewable generation. Renewable generation development and the subsequent connection process involve a number of stages, including technical assessments.

Hydro One assesses the technical impact of the renewable generation connection to its distribution system through a Connection Impact Assessment ("CIA"). A CIA is a more detailed assessment of a project's impact to the distribution system. The results include a technical report outlining project feasibility, technical specifications needed for the project and the impacts the project would have on the distribution grid and any of its customers, in accordance with Section 6.2.14 of the Distribution System Code ("DSC").

The CIA ensures the safety, reliability, and efficiency of the Hydro One's distribution system. In accordance with Section 6.2.11 of the DSC, Hydro One requires the proponent who applies for the connection of a generation facility to its distribution system to, upon making the application, pay their impact assessment costs. Hydro One's CIA costs are allocated to proponents through CIA fees, which are outlined in Section 2 of this application.

Through this application, Hydro One requests approval from the Ontario Energy Board ("the Board") to introduce a new CIA fee schedule as proposed below.

2.0 PROPOSED NEW RATES

2.1 Net Metering – all Projects

A net metering generator, as defined in section 7(1) of the Net Metering Regulation (O. Reg. 541/05), generates electricity primarily for its own use from a renewable generation facility. Net metering involves the measurement of the quantity of electricity a generator uses against the quantity of electricity it generates. This results in a "net" total. Net metering projects include those which have a capacity greater than 10 kW but is less than or equal to 500 kW that wishes to connect to Hydro One's distribution system. For net metering projects, Hydro One proposes to charge a CIA fee of \$3,000.

2.2 All Capacity Allocation Exempt Projects

A capacity allocation exempt project involves a generator which has a capacity of greater than 10 kW but up to and including 250 kW in the case of a facility connected to a less than 15 kV line and greater than 10 kW but up to and including 500 kW in the case of a facility connected to a 15 kV or greater line that wishes to connect to Hydro One's distribution system. For capacity allocation exempt projects, Hydro One proposes to charge proponents a CIA fee of \$3,000.

2.3 Any Projects that Have Rescinded their Applications, and all "Revised" CIAs'

Generator proponents may have applied for and received a CIA previously. Under various circumstances, including the recently-issued FIT Program Rules, the proponent may choose to rescind the application and subsequently reapply.

Hydro One proposes to charge proponents who apply for a new CIA after rescinding a previous one, and who have not changed the specifications of the proposed generation facility --including

1 capacity and connection point -- a CIA fee of 50 percent of the current fee that applies to the type
2 of assessment.

3
4 Generation proponents occasionally approach Hydro One after the completion of their CIA and
5 request a reassessment ("revised CIA"), based on new project information (e.g. change of turbine
6 manufacturer). Such assessments, like the ones for rescinded projects, do not require the same
7 level of effort as a new CIA, and benefit from existing data, feeder models and results. As such,
8 Hydro One proposed to apply a fee equal to 50% of the current CIA fee that applies for that type
9 of assessment.

11 **3.0 PROPOSED TRANSITIONAL RATES**

12
13 Hydro One has identified a need for some transitional rates.

14
15 Hydro One has obtained approval in EB-2009-0096 for two CIA rates-- for small and mid-sized
16 projects the fee is \$10,335, and for large projects it is \$10,405. Hydro One continues to believe
17 that those rates are appropriate cost-based rates, but wishes to apply them with two exceptions:

18 (i) Hydro One recognizes that these rates represent a large step-change from the previous
19 charges that were applied to assessments for generation connections. To manage the
20 transition to the new cost structure, Hydro One proposes a phased implementation, using the
21 following interim CIA charges.

22 (ii) All Capacity Allocation Exempt projects would be assessed a lower fee, as mentioned above.

23

3.1 Small, Mid-Sized and Large Projects that apply for connection up to and including August 31, 2010

Small Projects (Except Net Metering and Capacity Allocation Exempt)	a) ≤ 500 kW connected on distribution system voltage < 15 kV b) ≤ 1 MW connected on distribution system voltage ≥ 15 kV	\$3,000
Mid-Size Projects	a) ≤ 10 MW but > 500 kW connected on distribution system voltage < 15 kV b) > 1 MW but ≤ 10 MW connected on distribution system voltage ≥ 15 kV	\$5,000
Large Projects	> 10 MW	\$6,000

4.0 DECISION REQUESTED

Hydro One requests the Board's approval of the fees detailed above. Given the large volume of generation project applications now faced by the Company, Hydro One requests the Board's approval of these rates on an interim basis, effective immediately, until such time as the final rates are approved.