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By electronic filing and by e-mail

July 7, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

**Hydro One Networks Inc. (“Hydro One”)
2011-2012 Transmission Rate Case
Board File No.: EB-2010-0002
Our File No.: 339583-000057**

We are writing to provide the submissions of Canadian Manufacturers & Exporters (“CME”) on the Draft Issues List.

In preparing these submissions on behalf of CME, we have considered the submissions already made by Association of Major Power Consumers in Ontario (“AMPCO”) in its June 30, 2010 letter to the Board, and by counsel for the Schools Energy Coalition (“SEC”) by letter to the Board dated July 6, 2010.

AMPCO’s Submissions

AMPCO asks that three (3) topics be included within the ambit of the Issues List in this proceeding. The topics are:

- (a) The appropriateness of Hydro One’s request for accelerated cost recovery of the 500 kV Bruce to Milton Double Circuit Line;
- (b) The appropriateness of Hydro One’s recommendations to continue with the \$1.00/MWh Export Transmission Service (“ETS”) Tariff; and
- (c) The appropriateness of Hydro One’s request for accelerated cost recovery of green energy projects.

In our view, all of these topics fall well within the ambit of the Application before the Board and are the proper subject matter of scrutiny in this proceeding. We leave it to the Board to determine whether these topics are already subsumed in the Board’s Draft Issues List or whether additional issues need to be added to the list to encompass them.

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SEC's Submissions

Counsel for SEC proposes wording changes to several issues. SEC also proposes additional issues to deal with the following topics:

- (a) Hydro One's compliance with all Board filing requirements;
- (b) The appropriateness of Hydro One's approach to International Financial Reporting Standards ("IFRS");
- (c) The appropriateness of Hydro One's strategic objectives and the sufficiency of its progress to date in achieving those objectives;
- (d) The appropriateness and sufficiency of changes made by Hydro One after March 2010 to reduce rate impacts;
- (e) The year-over-year consistency of the allocation of costs between distribution and transmission operations;
- (f) The appropriateness of Hydro One's response to human resources compensation and pension costs issues and the retirements of key personnel; and
- (g) The appropriateness of Hydro One's Head Office building spending plans.

In our view, all of the topics to which counsel for SEC refers in proposing both wording changes to listed issues and additional issues fall well within the ambit of Hydro One's Application. All of these topics are the proper subject matter of examination in this proceeding.

We believe that a Board determination to that effect would be more efficient than attempting to re-word the terms of issues already on the list. A better approach is simply to confirm that all items on the Issues List will be construed broadly rather than narrowly.

We also leave it to the Board to determine whether any issues need to be added to the Draft Issues List to enable counsel for SEC to scrutinize the matters that form the subject matter of the additional issues he proposes. We reiterate that all of the topics upon which these proposed additional issues are based fall well within the ambit of this proceeding.

CME's Submissions

The topic of major concern to CME, that is not adequately covered in the Draft Issues List, is "Consumer Impacts and Affordability". Issue 1.3 touches on this topic but it is inappropriately narrow.

We submit that an additional section entitled "Consumer Impacts and Affordability" needs to be added to the Issues List. The section we submit should be added, including the broad questions to be contained therein, is as follows:

“10. Consumer Impacts & Affordability

- 10.1 Are the consumer impacts of Hydro One’s plans appropriate?
- 10.2 What measures for evaluating consumer impacts and affordability are appropriate?
- 10.3 What measures to reduce consumer impacts and to enhance affordability are appropriate?”

Evidence supporting our view that “Consumer Impacts and Affordability” warrants greater attention includes recent speeches by the Chair and Vice-Chair of the Board. In a speech to the Electricity Distributors Association (“EDA”) Annual General Meeting on March 29, 2010, Board Chair Mr. Wetston stated:

“Finally, we are also thinking about the total bill and where it is going or, as Minister Duguid referred in his speech to the Ontario Energy Association on Wednesday last week, rate affordability. In an environment where all costs are increasing, we need to think about the various regulatory approaches to address the rate affordability issue.”
(emphasis added)

In a speech to the Ontario Power Summit on May 6, 2010, Vice-Chair Chaplin stated:

“The GEA sets out a comprehensive approach to acquiring new renewable generation and enhancing and expanding the transmission and distribution networks. The costs of new generation and network investments will find their way into electricity prices and transmission and distribution rates.

The Board is very aware of these impacts. We set the prices for electricity for customers under the Regulated Price Plan – and those prices are designed to recover the costs of generation. As many of you may be aware, the Global Adjustment Mechanism is a growing component of the electricity price. The Board also sets the rates for distribution and transmission, and those rates are designed to recover the costs of the investments which have been approved by the Board. The Board is aware of what this means for the customers’ bills – and we are also concerned with the impact on customers – what Minister Duguid has referred to as rate affordability. (emphasis added)

In an environment where costs are increasing, the Board may develop various approaches to address rate affordability. This is another area that demonstrates the importance of evaluative criteria. (emphasis added)

On behalf of CME, we are considering leading evidence on the issue of Consumer Impacts and Affordability. A final decision will be made when we have considered Hydro One’s responses to our Interrogatories on this issue.

For all of these reasons, we submit that a specific section dealing with Consumer Impacts and Affordability should be added to the Issues List to consider all matters relevant to the

appropriateness of the consumer impacts of Hydro One's plans. The addition to the Issues List of a section dealing with Consumer Impacts and Affordability would subsume the matter currently described in Issue 1.3 and that narrowly worded issue could then be removed from the Draft Issues List.

We hope these submissions are of assistance to the Board. Please contact us if you have any questions or require further information.

Yours very truly,

A handwritten signature in black ink, appearing to read 'P. Thompson', with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT\slc

c. Anne-Marie Reilly (Hydro One)
Intervenors EB-2010-0002
Paul Clipsham (CME)

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