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BY COURIER

Ms. Kirsten Walli
Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700,
Toronto, ON.
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Dear Ms. Walli:

EB-2010-0219 – OEB Consultation on Distribution Cost Allocation Policy– Hydro One Networks' Inc. Comments on Board Report

Hydro One Network Inc. ("Hydro One") is pleased to offer its comments on the report entitled "Cost Allocation Policy Review: Options and Preferred Alternatives" (the "Report") that was prepared by Elenchus Research Associates, Inc ("Elenchus").

Hydro One is generally supportive of all the preferred alternatives recommended in Elenchus' Report dated October 15, 2010. In particular, Hydro One supports the flexible approach taken with respect to a number of the issues addressed by the Report, which allows the distributor to use the Board's default approach or its own approach, where defensible.

Below are Hydro One's comments with respect to each of the issues addressed by the Report.

New MicroFIT Class Rate

Hydro One supports the recommendation of continuing the use of a uniform provincial rate for microFIT connections, with the option for distributors to apply for their own microFIT rate if they have data available to support the use of a different rate.

Hydro One recommends that the Board develop a process for updating the microFIT rate annually and confirm the treatment of revenues collected from microFIT charges under miscellaneous revenues.

Unmetered Scattered Loads

Hydro One has no concerns with the recommendation on this issue.

Transformer Ownership Allowance

Hydro One has no concerns with the recommendation on this issue.

Allocation of Miscellaneous Revenues

Hydro One believes that direct allocation of miscellaneous revenues, where possible, is the best approach. We agree with the recommendation that remaining miscellaneous revenues should be allocated to the customer classes in the same proportion as composite OM&A.

Weighting Factors for Services and Billing Costs

Hydro One has no concerns with the recommendation on this issue, which includes the option for distributors to substitute the default values with their own values, where defensible.

Allocation of Host Distributor Costs to Embedded Distributors

Hydro One has no concerns with the recommendation on this issue, but notes that the wording of the recommendation needs to be revised slightly. As clarified during the stakeholder meeting on November 18, 2010 to review the Elenchus Report, the intent of the recommendation is to require host distributors to develop a rate that appropriately reflects the costs associated with an embedded distributor's use of the host distributor's assets. As is the case with Hydro One's sub-transmission (ST) rates, this would not necessarily require the establishment of a separate charge applicable only to embedded distributors.

Allocation of Costs to Load Displacement Generation

Hydro One believes that the issue of charging customers with load displacement generation is a complex issue that is not fully or adequately addressed by the proposed methodology in the Report. As an example, the option of charging for distribution on a gross load basis as a means of addressing this issue was not explored.

Hydro One recommends further study on this issue to ensure that it is fully explored before making any changes to the approaches currently used by distributors to address this issue.

Revenue to Cost Ratios Range Recommendations

Hydro One believes that a range of acceptable revenue-to-cost ratios for all classes remains appropriate and generally supports the recommendation to gradually narrow the range of the revenue to cost ratios for the General Service > 50 kW, Street Light and Sentinel Light classes.

Accounting Changes and the Transition to International Financial Reporting Standards

Hydro One has no concerns with the recommendation on this issue.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank