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BY COURIER

January 25, 2008

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

EB-2007-0681 – Hydro One Networks' 2008 Distribution Rate Application – Issues List

Hydro One Networks Inc. is providing a proposed issues list in for its 2008 Distribution Rate Application per the Board's "Filing Requirements for Transmission and Distribution Applications" issued November 14, 2006 under proceeding EB-2006-0170.

As a means of focusing available resources on key issues, Hydro One requests that the issues be addressed in concurrent written and oral phases. With this end in mind, the attached issues list identifies those issues Hydro One believes could be addressed as part of a written process (indicated with a "(W)") and those issues more appropriately addressed as part of an oral hearing (indicated with a "(O)"). It is reasonable and efficient to address a number of issues as part of a written process, including:

- issues that reflect previous Board decisions or statutory requirements
- issues related to the use of a methodology reviewed and accepted by the Board in a previous proceeding
- issues related to evidence where there is not a material change from the evidence reviewed as part of a previous rate application
- issues where the evidence is based on external consensus forecasts

Hydro One proposes that the oral hearing focus on issues that deal with evidence on costs and evidence that represents a significant departure from the status quo (e.g. cost allocation and rates).

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attachment

Hydro One Networks Inc.

2008 Distribution Application Proceeding EB-2007-0681

Proposed Issues List

It is proposed that the issues labeled **(W)** will be addressed through a written process and issues labeled **(O)** will be addressed at an oral hearing.

1. ADMINISTRATION (Exhibit A)

- 1.1 Has Hydro One addressed all relevant Board directions from previous proceedings? **(W)**
- 1.2 Are the Affiliate Service Agreements still cost effective and efficient in delivering services? **(W)**
- 1.3 Are Hydro One's Economic and Business Planning Assumptions for 2008 appropriate? **(O)**
- 1.4 Is the load forecast and methodology appropriate and have the impact of Conservation and Demand Management initiatives been suitably reflected? **(O)**
- 1.5 Is service quality on the OEB specified performance indicators acceptable? **(W)**
- 1.6 Are the proposed Distribution Loss Factors appropriate? **(W)**

2. COST OF CAPITAL/DEBT (Exhibit B)

- 2.1 Is the proposed Capital Structure and Rate of Return on Equity for Hydro One's distribution business appropriate? **(W)**
- 2.2 Are Hydro One's proposed costs and mix for its short and long-term debt for the 2008 test year appropriate? **(W)**

3. COST OF SERVICE (Exhibit C)

- 3.1 Are the overall levels of the 2008 Operation, Maintenance and Administration budgets appropriate? **(O)**
- 3.2 Is the 2008 vegetation management budget appropriate? **(O)**
- 3.3 Is the 2008 smart meter O&M budget appropriate? **(O)**
- 3.4 Is the proposed level of 2008 Shared Services and Other O&M spending appropriate? **(O)**

- 3.5 Are the methodologies used to allocate Shared Services and Other O&M costs to the distribution business and determine the distribution overhead capitalization rate for 2008 appropriate and consistent with the methodologies approved by the Board in previous Hydro One rate applications? **(W)**
- 3.6 Are the 2008 Human Resources related costs (wages, salaries, benefits, incentive payments and pension costs) including employee levels, appropriate? **(O)**
- 3.7 Is Hydro One's depreciation expense appropriate and in line with the depreciation methodology approved by the Board in previous Hydro One rate applications? **(W)**
- 3.8 Are the amounts proposed for capital and property taxes appropriate? **(W)**
- 3.9 Is the amount proposed for income taxes, including the methodology, appropriate? **(W)**

4. RATE BASE (Exhibit D)

- 4.1 Are the amounts proposed for Rate Base appropriate? **(O)**
- 4.2 Are the amounts proposed for 2008 Capital Expenditures appropriate? **(O)**
- 4.3 Is the proposed 2008 capital spending for the Smart Meter program appropriate? **(O)**
- 4.4 Are the 2008 sustaining capital expenditures proposed for Asset Replacement (i.e. wood structure replacement and line projects) appropriate? **(O)**
- 4.5 Are the amounts proposed for Development capital associated with the connection of new load and generation customers appropriate? **(O)**
- 4.6 Is the budget for storm related capital expenditures appropriate? **(O)**
- 4.7 Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate? **(O)**
- 4.8 Are the methodologies used to allocate Shared Services and Other Capital expenditures to the distribution business and determine the Working Capital component of the Rate Base consistent with the methodologies approved by the Board in previous Hydro One rate applications? **(W)**
- 4.9 Does the Asset Condition Assessment information adequately address the condition of the distribution system assets for determination of capital expenditure requirements needs? **(O)**

5. REVENUE REQUIREMENT (Exhibit E)

- 5.1 Is the proposed revenue requirement for 2008 appropriate? **(O)**
- 5.2 Is the proposed amount for 2008 External Revenues, including the methodology used to cost and price these services, appropriate? **(W)**

6. REGULATORY ASSETS (Exhibit F)

- 6.1 Is the proposal for the amounts and disposition of Hydro One's existing Deferral and Variance Accounts (Regulatory Assets) appropriate? **(W)**
- 6.2 Is the proposal to establish new Deferral and Variance Accounts appropriate? **(W)**
- 6.3 Are the amounts for Smart Meter related variance accounts appropriate? **(O)**
- 6.4 Are the amounts for the Retail Settlement Variance Accounts appropriate? **(W)**

7. COST ALLOCATION AND RATE DESIGN (Exhibit G)

- 7.1 Are Hydro One's proposed new Customer Rate Classes appropriate? **(O)**
- 7.2 Are Hydro One's cost allocation and proposed rates appropriate and consistent with OEB specified methodologies? **(O)**
- 7.3 Is Hydro One's proposal to have both fixed and variable service charges for sub-transmission customers, sentinel lights and street lights appropriate? **(O)**
- 7.4 Is the proposal for harmonization of acquired LDC rates appropriate? **(O)**
- 7.5 Are the customer bill impacts resulting from the proposed rate impact mitigation plan reasonable? **(O)**
- 7.6 Are the proposed Retail Transmission Service Rates appropriate? **(W)**
- 7.7 Is the proposal for regulatory asset rate rider #3 appropriate? **(W)**