David Morellato
429 Morse Street
Thunder Bay, Ontario
P7A 1G7

February 11, 2008

Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Att: Board Secretary

Re: Application 2007 0681

There four items I wish to have input:

Procedural Order No. 1

Items 1.2, 2.1, 7.1 and 7.6 of the issues list.

Item 1.2
Are the affiliate Service agreements still Cost Effective and efficient for in delivering services?

I would like to point out to the Board that the agreements with Department of Indian Affairs and Remote First Nation are not efficient. In 1987 Ontario Hydro unilaterally imposed rates on these communities. Rates were escalated at the same percentage as those of on grid communities. Government rates in these communities are in about the $.85 / kilowatt hour that would be charged at a First Nation office.

What is required?

A comprehensive plan to develop a northern grid (s) and transmission corridor (s):
1. eliminate the use of diesel electric generators as prime power generators;
2. reduce the pent up demand in communities that are struggling to keep pace with growing electrical demand ;
3. allow for the cost effective construction of small generating sites to stimulate economic development and
4. allow for wheeling of power from Manitoba and Quebec to southern Ontario.

In this plan, HONI should consider using existing rail transportation corridors (existing and abandoned) utilized by CN and CP Rail. The railroads and HONI should study the conversion to DC power for the locomotives and consider DC transmission.

2.1 Is the appropriate Capital Structure and rate of return on Equity for Hydro One's distribution business appropriate?

I would say no.

I am a member of a project team in the process of constructing about 25 kilometres of 25 kV three phase power line. The total cost is about $2.1 million being totally paid the customer. The asset is to be turned over to HONI for operation. The agreement has a clause that during the first five years, my client will be reimbursed a percentage of the cost of the line based on the additional connected load. After five years there will no reimbursement.

If this is the scenario across the province, where is HONI's Capital? A more appropriate rate would 2% of the replacement cost of the assets.

7.1 Are Hydro One's proposed new Customer Rate Classes appropriate and consistent with the OEB's specified methodologies? This was to be submitted orally, however these are my thoughts

There are too many.

The following are the classes that I would recommend in a hub.

Class I
Under 25 kV

a) Single phase
b) Three Phase
c) Other (this will allow customer equipment and metering options)

Class II
Over 25 kV (Service voltages of 44, 69, 115 and 230 kV and any others)
All these would be negotiated based on customer supplied equipment and metering.
Rate will be based on the more the customer uses the higher the rate. This will encourage in house savings, conservation and cogeneration for peak shaving.

The RRRP should be scraped.

Billing information all classes

OPG's cost of Power	$
Distribution / Transmission Costs	$
Administration this cost should be less than 7% of two above	$
Debt payment	$_____
Total unit cost	$ Y
Total consumption (METER READ)	X kwhs
Total Power Costs	$ XY
Taxes	$
Total invoice	$

Item 7.6

Are the proposed Retail Transmission Service rates appropriate?

No

Transmission rates should be charged based on the total transmission cost within a hub and the cost to operate that system. This would be simply cost of the capital and operation cost divided by the kwhs sold. Portion of capital costs of transmission lines would be allocated when a transmission line crosses hubs and these costs should be reviewed when there is a change in proportion of the line.

A hub would is an area that can be efficiently served within an area of generation capacity. Natural hubs are Ottawa, Toronto, Sudbury, Sault Ste Marie, Timmins and Thunder Bay. There may be others.

Line losses calculations are more aligned with the maintenance of the system. Although a minimum line loss is theoretical, the actual is can attributed to management of the asset. This cost should be included in the administration cost.

Transmission and distribution line corridors should be allowed to be used for agriculture and forestry purposes and encourage by HONI. Suppression of foliage in these corridors should only be done by mechanical means. The use of chemicals should not be allowed.

Yours Truly

David Morellato