



EB-2007-0681

IN THE MATTER OF the *Ontario Energy Board Act 1998*,
S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One
Networks Inc. for an order approving or fixing just and
reasonable rates and other charges for the distribution of
electricity.

PROCEDURAL ORDER NO. 1

Hydro One Networks Inc. ("Hydro One" or the "Company" or the "Applicant") filed an application, dated December 18, 2007, with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act*, S.O. 1998, c.15, Schedule B. The Board has assigned file number EB-2007-0681 to the application.

By way of letters dated December 20, 2007 and December 21, 2007, Hydro One filed two requests with the Board for the continuation, on an interim rates basis, of the existing Regulatory Assets Phase 2 - rate riders and the continuation of the existing Time of Use rates until such time as new distribution rates are implemented in this Application (the "Requests"). The Board has decided to hear these issues in this proceeding.

On January 25, 2008, Hydro One filed a "Proposed Issues List" with the Board and requests that certain issues be addressed in concurrent written and oral phases. With this end in mind, the Proposed Issues List identifies those issues which 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)"). The "Proposed Issues List" as filed by the Company is attached to this Order as Appendix "A".

The Board considers it necessary to make provision for the following procedural matters. Please be aware that further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. An Issues Conference, involving Board staff, Intervenors and the Company, will be convened to review the Issues List filed by Hydro One with the objective of developing a proposed Issues List for presentation to the Board. A proposed Issues List will be formulated and presented to the Board at the conclusion of the Issues Conference. The Issues Conference will be held in the Board's hearing room at 2300 Yonge Street, 25th Floor, Toronto, on Wednesday, February 13, 2008 at 9:30 a.m.
2. An Issues Day proceeding will take place on Friday, February 15, 2008 at 9:30 a.m. in the Board's hearing room, at which time the Board will hear submissions with respect to any contested issues. Parties will also have an opportunity to make submissions on how each of the issues should be heard (i.e. orally or in writing).
3. Hydro One shall immediately serve a copy of the Requests, the "Proposed Issues List" and this Procedural Order No. 1 to all Intervenors in this proceeding and any other party that requests intervention status prior to February 15, 2008. A list of Intervenors to date in this proceeding is attached as Appendix "B" to this Order. Hydro One shall immediately provide proof of all deliveries to the Board.
4. On Issues Day, February 15, 2008 parties will have an opportunity to make oral submissions with respect to the Requests for interim rates. The Board may render an oral decision on these matters at that time.

All filings to the Board must quote file number EB-2007-0681, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document

to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

DATED at Toronto, February 06, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX “A”

**Hydro One Networks Inc.
EB-2007-0681**

HYDRO ONE PROPOSED ISSUES LIST

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)**

APPENDIX “B”

**Hydro One Networks Inc.
EB-2007-0681**

APPLICANT AND LIST OF PARTICIPANTS

EB-2007- 0681
Hydro One Network Inc. –
2008 Distribution Rate Application

List of Applicant and Intervenor

Updated – February 6, 2008.

Applicant	Rep. and Address for Service
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Rogers Partners LLP	D. H. Rogers 181 University Avenue Suite 1900 P. O. Box 97 Toronto ON M5H 3M7 Tel: 416-594-4500 Fax: 416-594-9100 E-mail: don.rogers@rogersmoore.com
Intervenor	Rep. and Address for Service
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Intervenors	Rep. and Address for Service
AND	
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AND	
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Intervenors	Rep. and Address for Service
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AND	<p>Peter T. Faye Barrister & Solicitor 42 Eastwood Crescent Markham ON L3P 5Z7</p> <p>Tel: 905-294-2013 E-Mail: pfaye@rogers.com</p>
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5. Green Energy Coalition	<p>David Poch Counsel to the GEC 1649 Old Brooke Road Maberly ON K0H 2B0</p> <p>Tel: 613-264-0055 Fax: 613-264-2878 E-mail: dpoch@eelaw.ca</p>

Intervenors	Rep. and Address for Service
AND	Kai Millyard 72 Regal Road Toronto ON M6H 2K1 Tel: 416-651-7141 Fax: 416-651-4659 E-mail: kai@web.net
6. Hydro Ottawa Limited	Lynne Anderson Chief Regulatory Affairs & Government Relations Officer 3025 Albion Road North P. O. Box 8700 Ottawa ON K1G 3S4 Tel: 613-738-5499 Ext. 527 Fax: 613-738-6403 E-mail: lynneanderson@hydroottawa.com
7. Municipality of West Grey	Christine Robinson Chief Administrative Officer/Clerk 402813 Grey Road # 4 R. R. # 2 Durham ON N0G 1R0 Tel: 519-369-2200 Fax: 519-369-5962 E-mail: robinsonc@westgrey.com
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Intervenors	Rep. and Address for Service
9. Pollution Probe Foundation	Jack Gibbons Public Interest Economics 625 Church Street, Ste. 402 Toronto ON M4Y 2G1 Tel: 416-926-1907 x 240 Fax: 416-926-1601 Email: jgibbons@pollutionprobe.org
AND	
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Intervenors	Rep. and Address for Service
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AND	
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14. Union Gas Limited	Pat McMahon Manager, Regulatory Research & Records 50 Keil Drive North Chatham ON N7M 5M1 Tel: 519-436-5325 Fax: 519-436-4641 Email: pmcmahon@uniongas.com
15. Vulnerable Energy Consumers Coalition (VECC)	Michael Buonaguro Counsel c/o Public Interest Advocacy Centre 34 King Street East, Ste. 1102 Toronto ON M5C 2X8 Tel: 416-767-1666 Fax: 416-348-0641 Email: mbuonaguro@piac.com

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List of Applicant and Observers

Updated – February 6, 2008.

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Observers

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