

Hydro One Networks Inc.

2008 Distribution Application Proceeding EB-2007-0681

Proposed Issues List

Contested issues are underlined. Where only part of the wording of an issue is contested, only those words that are in dispute are underlined.

It is proposed by Hydro One that the issues labeled (W) will be addressed through a written process and issues labeled (O) will be addressed at an oral hearing. Note that most intervenors are opposed to a decision being made at this time regarding which issues can be dealt with in writing. For this reason the letter "(W)" is marked as contested throughout.

1. ADMINISTRATION (Exhibit A)

- 1.1 Has Hydro One responded appropriately to all relevant Board directions from previous proceedings? (W)
- 1.2 Has H1 responded appropriately to the Board's directions on CDM and Line loss reduction? (O)
- 1.3 Are the Affiliate Service Agreements appropriate? (W)
- 1.4 Are Hydro One's Economic and Business Planning Assumptions for 2008 appropriate? (O)
- 1.5 Is the load forecast and methodology appropriate and have the impact of Conservation and Demand Management initiatives been suitably reflected? (O)
- 1.6 Is service quality on the OEB specified performance indicators acceptable? (W)
- 1.7 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 proposed level of 2008 Shared Services and Other O&M spending appropriate? (O)

- 3.4 **{Contested – Partial, Proposed by SEC}** 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)
- 3.5 Is the proposed E-factor methodology and adjustment as part of the distribution overhead capitalization appropriate? (O)
- 3.6 Are the 2008 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate? (O)
- 3.7 **{Contested – Partial, Proposed by SEC}** 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)
- 3.10 Is the level of H1 initiated and or delivered CDM activity and budget appropriate and should it be funded by OPA or in rates? (O)
- 3.11 Is the proposed spending on loss reduction efforts 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 Are the 2008 sustaining capital expenditures proposed for Asset Replacement appropriate? (O)
- 4.4 Are the 2008 amounts proposed for Development capital appropriate? (O)
- 4.5 Is the 2008 budget for storm related capital expenditures appropriate? (O)
- 4.6 Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate? (O)
- 4.7 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)
- 4.8 Does the Asset Condition Assessment information adequately address the condition of the distribution system assets and support the OMA and Capital expenditures for 2008? (O)
- 4.9 Are the proposed capital expenditures to reduce electricity system losses appropriate? (W)

5. REVENUE REQUIREMENT (Exhibit E)

- 5.1 Is the calculation of 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)
- 5.3 Is the proposed accounting treatment of non utility revenue and expenditures associated with OPA funded CDM appropriate? (W)

6. REGULATORY ASSETS (Exhibit F)

- 6.1 Is the proposal for the amounts, disposition and continuance 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)

7. COST ALLOCATION AND RATE DESIGN (Exhibit G)

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

8. SMART METERS

- 8.1 Is the 2008 smart meter O&M budget appropriate? (O)
- 8.2 Is the proposed 2008 capital spending for the Smart Meter program appropriate? (O)
- 8.3 Are the amounts for Smart Meter related variance accounts appropriate? (O)
- 8.4 {CONTESTED – Issue Proposed by CCC}Is the treatment of stranded meter costs appropriate?
- 8.5 {CONTESTED - Issue Proposed by CCC } Is Hydro One's regulatory treatment of Smart Meter costs appropriate?