



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. 2

Hydro One Networks Inc. ("Hydro One" or the "Company") 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. The Board issued a Notice of Application and Hearing dated January 14, 2008 and Procedural Order No. 1 dated February 6, 2008.

The Board held an Issues Day on February 15, 2008 and heard submissions from the parties on contested issues on the Proposed Issues List. The Board also heard submissions from parties on Hydro One's request for the continuation, on an interim basis, of the existing Regulatory Assets Phase 2 - rate rider and the existing Time of Use rates and on a request from Mr. Shepherd on behalf of the Schools Energy Coalition with respect to dividing this proceeding into two phases. The Board issued its oral Decision with respect to these matters on February 15, 2008. Reference should be made to the transcript of the Issues Day proceeding for that oral Decision.

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. The Issues List for this proceeding is attached as Appendix "A" to this Order.
2. An updated list of Intervenors and Observers is attached as Appendix "B" to this Order.
3. Parties who wish information and material from the Company that is in addition to the evidence filed with the Board, and that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the Company on or before **March 14, 2008**.
4. The Company shall file with the Board complete responses to the interrogatories and deliver them to the Intervenors no later than **April 4, 2008**.
5. Intervenors who wish to present evidence shall file that evidence with the Board and deliver it to the Company and the other Intervenors on or before **April 18, 2008**.
6. Anyone (Intervenor, Board staff or the Company) who requires additional information related to any Intervenor's filed evidence that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the parties on or before **April 28, 2008**. Responses to the interrogatories shall be filed with the Board and delivered to the Company and the other Intervenors on or before **May 12, 2008**.

All filings to the Board must quote file number EB-2007-0681, and consist of an electronic copy in searchable / unrestricted PDF format filed through the Board's web portal at www.errr.oeb.gov.on.ca, and three paper copies sent to the address below. 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 BoardSec@oeb.gov.on.ca. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with three 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.

Parties must also include the Case Manager, Rudra Mukherji
rudra.mukherji@oeb.gov.on.ca and Board Counsel, Jennifer Lea
jennifer.lea@oeb.gov.on.ca on all electronic correspondence related to this case.

DATED at Toronto, February 22, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX “A”

**HYDRO ONE NETWORKS INC.
EB-2007-0681**

ISSUES LIST

Appendix 'A'
Hydro One Networks Inc.
EB-2007-0681

ISSUES LIST

1. ADMINISTRATION (Exhibit A)

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

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?
- 2.2 Are Hydro One's proposed costs and mix for its short and long-term debt for the 2008 test year appropriate?

3. COST OF SERVICE (Exhibit C)

- 3.1 Are the overall levels of the 2008 Operation, Maintenance and Administration budgets appropriate?
- 3.2 Is the 2008 vegetation management budget appropriate?
- 3.3 Is the proposed level of 2008 Shared Services and Other O&M spending appropriate?
- 3.4 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?
- 3.5 Is the proposed E-factor methodology and adjustment as part of the distribution overhead capitalization appropriate?
- 3.6 Are the 2008 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?

- 3.7 Is Hydro One's depreciation expense appropriate?
- 3.8 Are the amounts proposed for capital and property taxes appropriate?
- 3.9 Is the amount proposed for income taxes, including the methodology, appropriate?
- 3.10 Is the level of Hydro One initiated and or delivered CDM activity and budget appropriate and should it be funded by OPA or in rates?
- 3.11 Is the proposed spending on loss reduction efforts appropriate?

4. RATE BASE (Exhibit D)

- 4.1 Are the amounts proposed for Rate Base appropriate?
- 4.2 Are the amounts proposed for 2008 Capital Expenditures appropriate?
- 4.3 Are the 2008 sustaining capital expenditures proposed for Asset Replacement appropriate?
- 4.4 Are the 2008 amounts proposed for Development capital appropriate?
- 4.5 Is the 2008 budget for storm related capital expenditures appropriate?
- 4.6 Is the proposed level of 2008 Shared Services and Other Capital expenditures appropriate?
- 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?
- 4.8 Does the Asset Condition Assessment information adequately address the condition of the distribution system assets and support the O&MA and Capital expenditures for 2008?
- 4.9 Are the proposed capital expenditures to reduce electricity system losses appropriate?

5. REVENUE REQUIREMENT (Exhibit E)

- 5.1 Is the calculation of the proposed revenue requirement for 2008 appropriate?
- 5.2 Is the proposed amount for 2008 External Revenues, including the methodology used to cost and price these services, appropriate?
- 5.3 Is the proposed accounting treatment of non utility revenue and expenditures associated with OPA funded CDM appropriate?

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?
- 6.2 Is the proposal to establish new Deferral and Variance Accounts appropriate?

7. COST ALLOCATION AND RATE DESIGN (Exhibit G)

- 7.1 Are Hydro One's proposed new Customer Rate Classes appropriate?
- 7.2 Is Hydro One's cost allocation appropriate?
- 7.3 Are Hydro One's proposed rates appropriate?
- 7.4 Are the proposed revenue to cost ratios appropriate?
- 7.5 Are the fixed-variable splits for each class appropriate?
- 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?
- 7.7 Is the proposal for harmonization of rates appropriate?
- 7.8 Are the customer bill impacts resulting from the proposed rate impact mitigation plan reasonable?
- 7.9 Are the proposed Retail Transmission Service Rates appropriate?
- 7.10 Is the proposal for regulatory asset rate rider #3 appropriate?

8. SMART METERS

- 8.1 Is the 2008 smart meter O&M budget appropriate?
- 8.2 Is the proposed 2008 capital spending for the Smart Meter program appropriate?
- 8.3 Are the amounts for Smart Meter related variance accounts appropriate?
- 8.4 Is the treatment of stranded meter costs appropriate?
- 8.5 Is Hydro One's regulatory treatment of Smart Meter costs appropriate?

APPENDIX “B”

**HYDRO ONE NETWORKS INC.
EB-2007-0681**

LIST OF APPLICANT AND INTERVENORS

Appendix 'B'
EB-2007- 0681
Hydro One Networks Inc.
2008 Distribution Rate Application

List of Applicant and Intervenors

Updated – February 20, 2008

Applicant	Rep. and Address for Service
Hydro One Network Inc.	Glen MacDonald Senior Advisor – Regulatory Affairs 483 Bay Street 8 th Floor, South Tower Toronto ON M5G 2P5 Tel: 416-345-5913 Fax: 416-345-5866 E-mail: glen.e.macdonald@HydroOne.com
Applicant's Counsel	
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
1. Association of Major Power Consumers in Ontario	Adam White President Sterling Tower 372 Bay Street, Suite 1702 Toronto ON M5H 2W9 Tel: 416-260-0225 Fax: 416-260-0442 E-mail: awhite@ampco.org

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AND	
SanZoe Consulting Inc.	Wayne Clark 25 Priest Avenue Minesing ON L0L 1Y3 Tel: 705-728-3284 Fax: 705-721-0974 E-mail: wayne.clark@xplornet.com
AND	
	Shelley Grice Case Manager Sterling Tower 372 Bay Street, Suite 1702 Toronto ON M5H 2W9 Tel: Fax: E-mail: sgrice@ampco.org
2. Consumers Council of Canada (Council)	Julie Girvan Consultant 2 Penrose Road Toronto ON M4S 1P1 Tel: 416-322-7936 Fax: 416-322-9703 E-mail: jgirvan@ca.inter.net
AND	
WeirFoulds LLP	Robert B. Warren The Exchange Tower, Suite 1600 P. O. Box 480 130 King Street West Toronto ON M5X 1J5 Tel: 416-947-5075 Fax: 416-365-1876 E-mail: rwarren@weirfoulds.com

Intervenors	Rep. and Address for Service
3. Electrical Contractors Association of Ontario (ECAO)	Robert Frank MacLeod Dixon LLP Toronto Dominion Centre Canadian Pacific Tower 100 Wellington Street West, Suite 500 P. O. Box 128 Toronto ON M5K 1H1 Tel: 416-202-6741 Fax: 416-360-8277 E-mail: Robert.frank@macleoddixon.com
AND	
	Andrew MacSkimming MacLeod Dixon LLP Toronto Dominion Centre Canadian Pacific Tower 100 Wellington Street West, Suite 500 P. O. Box 128 Toronto ON M5K 1H1 Tel: 416-360-8511 Fax: 416-360-8277 E-mail: andrew.macskimming@macleoddixon.com
AND	
	Nicole Bryant MacLeod Dixon LLP Toronto Dominion Centre Canadian Pacific Tower 100 Wellington Street West, Suite 500 P. O. Box 128 Toronto ON M5K 1H1 Tel: 416-360-8511 Fax: 416-360-8277 E-mail: nicole.bryant@macleoddixon.com

Intervenors	Rep. and Address for Service
4. Energy Cost Management Inc. (ECMI)	Roger White President 1236 Sable Drive Burlington ON L7S 2J6 Tel: 905-639-7476 Fax: 905-639-1693 E-mail: rew@worldchat.com
5. Energy Probe Research Foundation	David MacIntosh 225 Brunswick Avenue Toronto ON M5S 2M6 Tel: 416-964-9223 Ext. 235 Fax: 416-964-8239 E-Mail: DavidMacIntosh@nextcity.com
AND	Peter T. Faye Barrister & Solicitor 42 Eastwood Crescent Markham ON L3P 5Z7 Tel: 905-294-2013 E-Mail: pfaye@rogers.com
AND	Kimble Ainslie c/o Energy Probe 225 Brunswick Avenue Toronto ON M5S 2M6 Tel: 416-964-9223 Ext. 223 Fax: 416-964-8239 E-Mail: KimbleAinslie@nextcity.com
6. Green Energy Coalition	David Poch Counsel to the GEC 1649 Old Brooke Road Maberly ON K0H 2B0 Tel: 613-264-0055 Fax: 613-264-2878 E-mail: dpoch@eelaw.ca

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AND	Kai Millyard 72 Regal Road Toronto ON M6H 2K1 Tel: 416-651-7141 Fax: 416-651-4659 E-mail: kai@web.net
7. 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
8. Milton Hydro Distribution Inc.	Tom Brett Gowlings LLP Counsel 1 First Canadian Place 100 King Street West, Suite 1600 Toronto ON M5X 1G5 Tel: 416-369-4628 Fax: 416-862-7661 E-mail: tom.brett@gowlings.com
AND	Mary-Jo Corkum, CA Vice-President Finance Milton Hydro Distribution Inc. 55 Thompson Road South Milton ON L9T 6P7 E-mail: maryjocorkum@miltonhydro.com

Intervenor	Rep. and Address for Service
9. 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
10. Ontario Power Generation	Tony Petrella Senior Advisor – Regulatory Affairs 700 University Avenue, H18-E1 Toronto ON M5G 1X6 Tel: 416-592-3036 Fax: 416-592-8519 Email: tony.petrella@opg.com
11. 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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12. Power Stream Inc.	Sarah Griffiths Manager of Regulatory Affairs 2800 Rutherford Road Vaughan ON L4K 2N9 Tel: 905-417-6900 Ext. 8138 Fax: 905-303-2006 Email: sarah.griffiths@powerstream.ca
13. Power Workers Union (PWU)	John Sprackett Staff Officer, President's Office 244 Eglinton Avenue East Toronto ON M4P 1K2 Tel: 416-322-4787 Fax: 416-481-7914 E-mail: sprocket@pwu.ca
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14. Rogers Cable Communications
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15. School Energy Coalition (SEC)	Jay Shepherd Counsel Shibley Righton LLP Barristers & Solicitors 250 University Avenue, Suite 700 Toronto ON M5H 3E5 Tel: 416-214-5224 Fax: 416-214-5432 E-mail: jay.shepherd@shibleyrighton.com
AND	John De Vellis Counsel Shibley Righton LLP Barristers & Solicitors 250 University Avenue, Suite 700 Toronto ON M5H 3E5 Tel: 416-214-5232 Fax: 416-214-5432 E-mail: john.devellis@shibleyrighton.com
AND	
Ontario Education Services Corporation, c/o Ontario Public School Boards Association	Bob Williams Coordinator 439 University Avenue, 18 th Floor Toronto ON M5G 1Y8 Tel: 416-340-2540 Fax: 416-340-7571 E-mail: bwilliams@opsba.org
AND	

Intervenor	Rep. and Address for Service
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16. Society of Energy Professionals, The IFTPE Local 160, AFL-CIO,CLC	Richard Long 425 Bloor St. E., Ste. 300 Toronto ON M4W 3R4 Tel: 416-979-2709 Ext. 2255 Fax: 416-979-5794 Email: longr@society.on.ca
17. Toronto Hydro-Electric System Limited (THESL)	Colin McLorg Manager, Regulatory Affairs 14 Carlton Street Toronto ON M5B 1K5 Tel: 416-542-2513 Fax: 416-542-2776 E-mail: regulatoryaffairs@torontohydro.com
18. 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

Intervenor	Rep. and Address for Service
19. 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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Appendix 'B'
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Hydro One Network Inc.	Glen MacDonald Senior Advisor – Regulatory Affairs 483 Bay Street 8 th Floor, South Tower Toronto ON M5G 2P5 Tel: 416-345-5913 Fax: 416-345-5866 E-mail: glen.e.macdonald@HydroOne.com
Applicant's Counsel	
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
Observers	Rep. and Address for Service
1. Bluewater Power Distribution Corporation	Leslie Dugas Manager, Regulatory Affairs 855 Confederation Street P. O. Box 2140 Sarnia ON N7T 7L6 Tel: 519-337-8201 Ext. 255 Fax: 519-332-3878 E-mail: ldugas@bluewaterpower.com

Observors	Rep. & Address for Service
2. Waterloo North Hydro Inc.	Rene W. Gatien, P.Eng President & CEO P. O. Box 640 300 Northfield Drive East Waterloo ON N2J 4A3 Tel: 519-888-5554 Fax: 519-886-8592 E-mail: rgatien@wnhydro.com