

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY EMAIL AND COURIER

March 31, 2008

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**EB-2007-0681 – Hydro One Networks Inc. Response to Intervenor and Board Staff Submissions
Re: Interim Rates.**

As per the Board's direction in Procedural Order No. 3 dated March 14, 2008, the following is Hydro One Networks Inc. ("Hydro One") response to intervenor submissions with respect to the Company's request for interim rates filed with the Board on February 27, 2008.

Hydro One is pleased to see that there is general support for the request for interim rates from the parties who responded. The Association of Major Power Consumers ("AMPCO"), the School Energy Coalition ("SEC") and Board staff did put forth some conditions, proposals or request for clarification as a condition of their support for interim rates, which Hydro One addresses below.

In SEC's submission, they have asked Hydro One to clarify how it arrived at the calculation of a \$7 million monthly revenue deficiency. The calculation is based on the difference between the 2008 revenue requirement and 2008 revenue at current rates excluding rate riders. The difference between these two numbers results in a revenue deficiency of \$85.8 million which divided by twelve, yields the \$7 million per month number referenced in Hydro One's February 27th letter.

The main concern expressed by AMPCO and Board staff is the timing of the implementation of the proposed new Retail Transmission Service Rates ("RTSR") to Embedded LDCs and Direct customers and the timing of the clearing of the regulatory asset balances.

Board staff is proposing that Hydro One as a host LDC should charge the RTSR proposed in its Application to Embedded LDCs effective May 1, 2008. AMPCO wishes the same for Direct customers and also requests the immediate clearing of the variance account.

Hydro One does not support the request to make the proposed RTSR to Embedded LDCs and Direct customers effective on May 1, 2008. Hydro One is of the view that the implementation of a rate change for one class of customers would be unfair to the balance of Hydro One's customers who would continue to pay the current RTSR until new rates are approved by the Board.

Hydro One is also of the view that it is premature to implement any of the changes requested by AMPCO and Board staff prior to the completion of the evidentiary portion of the hearing. The evidence, Hydro One has submitted in its Application makes recommendations with respect to the disposal of Regulatory Asset balances including the balance in the RSVA account where any variances related to RTSR is recorded. The amounts in this account are tracked and interest improved using the Board specified interest rates so customers are held whole regardless of when RTSR rates are implemented. It is important that this evidence be tested in the oral hearing prior to any interim rate adjustment being implemented.

Should you require additional information, please feel free to contact Allan Cowan at 416 345 6219 or myself.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank