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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs

VIA COURIER

August 14, 2012

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

Dear Ms. Walli:

**EB-2012-0136 - Hydro One Networks Inc. 2013 IRM Distribution Rate Application  
Comments Respecting Procedural Order #1 Timeline and Draft Issues List**

Hydro One Networks Inc. ("Hydro One") has reviewed the Ontario Energy Board's ("the Board") Procedural Order #1 issued on August 10, 2012, including the Draft Issues List attached as Appendix B, and wishes to advise the Board of Hydro One's concerns with the proposed interrogatory and hearing timeline and with the exclusion of the Density Study from the proposed issues list.

**Interrogatory Timeline**

With respect to the proposed interrogatory timetable, Hydro One notes that there is significant overlap with the Hydro One Transmission EB-2012-0031 interrogatory schedule. According to that schedule, Board staff interrogatories are submitted on August 29 and Hydro One's responses to Board staff and intervenor interrogatories are submitted by September 20. As many of the same Hydro One resources are dedicated to both the Transmission and Distribution applications, the scheduling of the Distribution interrogatory process at the same time as the Transmission interrogatories, will place a significant work strain on available resources. Intervenors who are participating in both proceedings may find themselves in a similar situation. Further, Hydro One will be filing several "blue page" updates to its EB-2012-0136 submitted evidence, in or around August 29, 2012, and intervenors as well as Board staff should be provided with sufficient time to review these updates prior to the submission of interrogatories.

Hydro One requests the Board to stagger the timing of interrogatories in the two Hydro One proceedings and recommends a two-week shift in the dates specified in Procedural Order #1. Hydro One's proposed dates are:

Board Staff interrogatories to Hydro One	Monday, September 17, 2012
Intervenor interrogatories to Hydro One	Thursday, September 20, 2012
Hydro One responds to interrogatories	Friday, October 5, 2012
Intervenors intending to file evidence must notify the Board by	Thursday, September 20, 2012
Board Staff and intervenor evidence filed	Tuesday, October 9, 2012
Interrogatories on intervenor evidence	Friday, October 19, 2012
Board Staff and intervenors respond to interrogatories	Thursday, October 25, 2012

### **Timing of Hearing**

Although Procedural Order #1 does not establish a date for the oral hearing, the Order does indicate an anticipated mid-October, 2012 timeframe. This would be a problem for Hydro One as its legal counsel is out of the country during October. Hydro One asks that the Board accommodate the availability of Hydro One's counsel and suggests that the Distribution hearing be scheduled to proceed within two weeks of the completion of the Transmission oral hearing, which can start no earlier than Monday, November 5, 2012 due to counsel's prior commitments.

### **Density Study**

Hydro One would like the Board to reconsider its Decision to exclude the Density Study from the EB-2012-0136 proceeding. Hydro One did not receive any negative feedback from its stakeholders at the Stakeholder Consultation held on June 5, 2012, regarding the inclusion of the study in the 2013 IRM application. Hydro One has not yet determined whether it will file a Cost of Service application in 2013 for the 2014 and 2015 test years, or an IRM application for 2014. That decision will be made following the Board's Decision in the EB-2012-0136 proceeding. Given the cost of completing the Density Study, Hydro One would be concerned if it were determined that the study needed to be redone for filing as part of a 2015-2016 application. In addition to the above, Hydro One feels it would be appropriate for the Board to include the Density Study as an issue in this current proceeding for the following reasons:

- The Report of the Board on 3rd Generation Incentive Regulation Mechanism for Ontario's Electricity Distributors dated July 14, 2008 contemplates that adjustments to revenue-to-cost ratios would be allowed during an IRM process if they are the result of Board Decisions Section 3.1.4. Adjustment to revenue-to-cost ratios, page 48). The Board directed Hydro One Distribution to conduct the Density Study in its EB-2009-0096 Decision. The results of

the Board-ordered study show that the existing revenue-to-cost ratios for a number of rate classes fall outside the Board-approved ranges when the findings of the Density Study are implemented. As such, Hydro One believes that adjustments to bring the revenue to cost ratios within the Board-approved ranges would be allowed during the IRM process, since these adjustments would be the result of a Board Decision.

- Excluding the Density Study from this IRM application would exacerbate the existing disparity between urban and non-urban rates. Urban customers would continue to see rates that do not reflect the cost to serve, and yet continue to increase by the approved IRM amounts when in fact the Density Study clearly demonstrates that the rates should be reduced. This would also fail to address the current inequality between the rates of Hydro One urban customers and those of customers in adjacent utilities.
- Using the IRM process to address the existing disparity in the allocation of costs to density based rate classes, as demonstrated by the Density Study, will help to mitigate future rate changes to the impacted rate classes. The issue of rate mitigation is one that the Board is addressing as part of its Renewed Regulatory Framework review, and Board staff's submission under that proceeding recognized that "the granting of flexibility over the timing of an adjustment, to offset large increases, may be a powerful tool and viable opportunity for mitigation" (page 48 of Staff Discussion Paper, November 8, 2011).

For the reasons stated above, Hydro One asks the Board to reconsider its decision to exclude a review of the Density Study from the EB-2012-0136 proceeding. These issues could be simply addressed as part of the IRM process. Hydro One strongly recommends the addition of the following to the Draft Issues List.

5.	Density Study
5.1	Is Hydro One's proposal for the implementation of the Density Study findings appropriate?

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT FOR SUSAN FRANK

*Oded Hubert for*

Susan Frank