



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.

BEFORE: Gordon Kaiser
Presiding Member

Paul Sommerville
Member

Paul Vlahos
Member

DECISION AND ORDER ON INTERIM RATES

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, for an order or orders approving and fixing just and reasonable rates for the distribution of electricity, to be effective May 1, 2008.

By way of a letter dated February 27, 2008 Hydro One requested that its existing 2007 rates for the distribution of electricity approved under the proceeding EB-2007-0542, be

declared interim effective May 1, 2008. Hydro One also proposes to establish a variance account to record the difference between the 2008 Board approved revenue requirement and the revenue calculated using currently approved rates for the period from May 1, 2008 until such time as new rates are implemented. The Company proposes that the balance in this account be cleared by means of a rate rider, in accordance with direction from the Board on the disposition of this account. This amount, the Company proposes, be reduced by the continued collection of Rate Rider #1 (an existing rate rider) over the same period.

On March 14, 2008, the Board issued Procedural Order No. 3, which set out the dates for filing written submissions on the Company's request. The Board received submissions from the School Energy Coalition ("SEC"), Association of Major Power Consumers in Ontario ("AMPCO"), Energy Probe Research Foundation, Green Energy Coalition, the Power Workers Union, Vulnerable Energy Consumers Coalition ("VECC") and Board staff.

SEC supports the Company's request for interim rates, however submits that the method of rate recovery be decided after the evidentiary portion of the hearing is concluded. Similarly, VECC supports the request, with the proviso that such an order is without prejudice to the Board's determination of the effective date of the Board's rate order in this proceeding. Board staff submits that the component of Hydro One's 2008 rate application dealing with the transmission-related charges it proposes to apply to its embedded distributor customers, be approved on an interim basis. AMPCO wishes the same for Direct customers and also requests the immediate clearing of the related variance account.

The Company does not support the request to make the proposed Retail Transmission Service ("RTS") rates to Embedded Local Distribution Companies ("LDC") and Direct customers interim. The Company argues 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 RTS rates until new rates are approved by the Board. In response to APMCO's proposal for the immediate disposition of the variance accounts, Hydro One submits that the variance account mechanism ensures that customers are held whole regardless of when RTS rates are implemented and therefore it is premature to dispose of the balances at this time.

Findings

The processing of Hydro One's 2008 rates application has not yet concluded and based on the current schedule for the proceeding, it will not result in a final rate order for implementation by May 1, 2008. The Board also notes that there is general support for Hydro One's request from the parties that responded.

The main concern expressed by Board staff and AMPCO relate to the timing of the implementation of the proposed new RTS rates to Embedded LDCs and Direct customers and the timing of the clearing of the regulatory asset balances.

On October 17, 2007, the Board issued its EB-2007-0759 Rate Order, setting new Uniform Transmission Rates for Ontario transmitters, effective November 1, 2007. The Board approved a decrease of 18% to the wholesale transmission network rate, a decrease of 28% to the wholesale transmission line connection rate, and an increase of 7% to the wholesale transformation connection rate. The combined change in the wholesale transmission line connection and transformation connection rates amounts to a reduction of 5%. The Board notes that in other decisions recently issued for electricity distributors' rates, effective May 1, 2008, it directed distributors to reduce their RTS rates to reflect this reduction in the Uniform Transmission Rates.

AMPCO submitted that the same rate reduction should be applied to Direct customers and requested the immediate clearing of the related variance account. The Board notes that the Direct customers are not the same as embedded distributor customers, despite the fact they are grouped together in the proposed Sub-Transmission Class. The

embedded distributors have been ordered by the Board to reduce their retail transmissions rates through which they recover from their own customers the charge imposed by Hydro One. An interim reduction in the RTS rates charged by Hydro One to the embedded distributors should reduce the level in the variance accounts that these distributors carry. Direct customers are end-use consumers and therefore do not pass the retail transmission rate charge through to any other user, and do not have variance accounts. The Board will not grant AMPCO's request, but will reduce the RTS rate charged to embedded distributors.

The Board orders that, except for the component of Hydro One's rates dealing with transmission-related charges it applies to its embedded distributors as noted below, and pending the issuance of final rates for 2008, the existing 2007 rates approved under proceeding EB-2007-0542 be declared interim as of May 1, 2008.

The Board orders that, the component of Hydro One's 2008 rate application (EB-2007-0681) dealing with the transmission-related charges it proposes to apply to its Embedded LDCs, as shown in Exhibit G2, Tab 94 Schedule 1 page 3 of 8, be declared to be interim rates for these customers as of May 1, 2008.

The Board will allow Hydro One to record the difference between the 2008 Board approved revenue requirement and the revenue calculated using currently approved rates for the period from May 1, 2008 until such time as final rates are implemented in a variance account, the disposition of which will be decided when the Board issues its decision in this proceeding.

In granting this request, Hydro One should be aware that the action of granting interim rates should in no way be construed as predictive, in any degree, of the final determination of this application. The Board will consider the effective date of its decision when it renders the final decision.

DATED at Toronto, April 11, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary