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Vice-President and Chief Regulatory Officer
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BY COURIER

August 29, 2013

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

Dear Ms. Walli:

EB-2013-0308 – Hydro Ottawa Motion to Review OEB Decision Regarding an Exemption from Section 6.5.4 of the Distribution System Code – Hydro One Networks’ Letter of Support

This is to confirm that Hydro One Networks Inc. (“Hydro One”) supports the Hydro Ottawa Limited (“Hydro Ottawa”) Motion, filed on August 22nd, 2013, seeking a review and variance of the Board’s August 2nd, 2013 Decision and Order in EB-2013-0072 that denied Hydro Ottawa’s application for an exemption from Section 6.5.4 of the Distribution System Code.

Hydro One believes there are reasonable grounds for a review of the Decision and Order based on the new evidence provided in Hydro Ottawa’s Motion Request. Hydro One agrees, as indicated on page 2 of the Motion, that the Board’s dismissal of Hydro Ottawa’s exemption application, on the basis that it continues the cross-subsidization of LTLT customers, could be considered inconsistent with the postage-stamp rate design methodology that is used in establishing Hydro Ottawa’s single residential rate class, and the resulting within-class customer cross-subsidization that is inherent in that ratemaking approach. Hydro One understands that cross-subsidization is an issue the Board must address, as referenced in its Decision and Order; however, in the practice of establishing rates, cost causality must be balanced against rate design, and recognize that some level of cross-subsidization is inevitable.

As outlined on page 3 of Hydro Ottawa’s Motion, the present LTLT arrangement keeps Hydro One, as the physical distributor, whole and causes a *de minimus* rate impact to Hydro Ottawa customers. As well, the current LTLT arrangement, as noted in Hydro One’s June 10, 2013 letter of support for Hydro Ottawa’s application, will result, based on past experience in the EB-2008-0389 and EB-2008-0347 proceedings in Milton and Thunder Bay, in the least local opposition. Moreover, contrary to the Decision and Order, Hydro One is of that view that the LTLT arrangement between the two parties provides the most cost-effective and economically efficient approach using the existing distribution

system. This view is supported by the evidence provided in the Hydro Ottawa Motion that the difference between the amount paid by Hydro Ottawa to Hydro One for physical supply and the amount recovered from all other Hydro Ottawa customers to pay for it, is not material.

Additionally, Hydro One supports Hydro Ottawa's request that the Board establish a procedure by which the motion can be heard and disposed of via written submissions.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

c/ Hydro Ottawa Limited (electronic only)