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May 14, 2014

Our File Number: 72738

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

Dear Ms. Walli:

**Re: Hydro One Networks
2015-2019 Distribution Custom Rate Application (EB-2013-0416)**

We represent Hydro One Networks Inc. ("Hydro One" or the "Company") in the above-referenced application.

On May 12, 2014, Hydro One's executives gave a presentation to the Board on the Company's 5-year Custom Distribution Rate Application, which was filed with the Board on December 19, 2013. Board members and intervenors then posed questions to the executive panel.

On p.63 of the transcript, Board member Ms. Marika Hare sought clarification on statements made by Mr. Sandy Struthers regarding the 2015 increase in revenue requirement. Mr. Struthers advises that he attempted to communicate that the 2015 increase in revenue requirement would apply regardless of whether Hydro One was submitting a custom application or a cost-of-service rate application under the 4th generation IRM rate-setting method. Under either of these two rate-setting methods, Hydro One would be resetting its rate base in 2015. Under 4th generation

IRM, the requested rate increase in 2015 would be 11.5%, and rates in the following IRM period would be adjusted by the Price Cap Index (the inflation factor less an X-factor). Rate-smoothing permitted under the custom rate-setting method would mitigate the shock of the 2015 rate increase (which would otherwise be 11.5%), lowering it to 7% on the distribution portion of the electricity bill.

The confusion appears to have arisen where, on page 23, line 23 Mr. Struthers said:

“Our request for 2015 would be the same, whether we were asking for a fourth-generation IRM application or a five-year custom application.”


It would probably have been clearer had Mr. Struthers said “revenue requirement request” rather than “request”.

Further, Mr. Struthers advises that lines 6-7 on page 24 should read:

“The rate smoothing would see Hydro One under-recover in 2015, 2016 and 2017, but over-recover in 2018 and 2019.”

I trust this clears up any confusion.

Yours very truly,


Donald H. Rogers, Q.C.
DHR:db