



**EB-2006-0501**

**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 or Orders approving  
or fixing just and reasonable rates and other charges  
for the transmission of electricity commencing  
January 1, 2007.

### **PROCEDURAL ORDER NO. 1**

Hydro One Networks Inc. ("Hydro One" or the "Company") filed an Application, dated September 12, 2006, with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act*, S.O. 1998, c.15, Schedule B. The Board has assigned file number EB-2006-0501 to the Application and has issued a Notice of Application dated October 17, 2006.

The Board considers it necessary to make provision for the following procedural matters. A case timetable is attached as Appendix "A" and a preliminary list of Intervenor is attached as Appendix "C" to this Order. Please be aware that further procedural orders may be issued from time to time.

#### **THE BOARD ORDERS THAT:**

1. An Issues Conference, involving Board staff, Intervenor and the Company, will be convened to review a Draft Issues List with the objective of developing a proposed Issues List for presentation to the Board at the conclusion of the Issues Conference. Board staff's draft Issues List is attached to this order as Appendix "B". The Issues Conference will be held in the Board's West hearing room at 2300 Yonge Street, 25th Floor,

Toronto, on Thursday, December 7, 2006 at 9:30 a.m. and may continue on Friday, December 8, 2006, if needed.

2. An Issues Day proceeding will take place on Thursday, December 14, 2006 at 9:30 a.m. in the Board's North hearing room, at which time the Board will hear submissions with respect to any contested issues.
3. Parties who wish information and material from the Company that is in addition to the evidence filed with the Board, and that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the Company on or before Thursday, January 4, 2007. All interrogatories must identify the relevant Issue by Issue Number in the format as shown by the example attached as Appendix "D". Board staff shall submit interrogatories on Thursday, December 21, 2006. Intervenors are expected to review Board staff interrogatories to ensure they do not duplicate questions.
4. The Company shall file with the Board complete responses to the interrogatories and deliver them to the Intervenors no later than Monday, January 22, 2007.
5. Intervenors and Board staff who wish to present evidence shall file that evidence with the Board and deliver it to the Company and the other Intervenors on or before Friday, February 2, 2007.
6. Anyone (Intervenor, Board staff or the Company) who requires additional information related to any Intervenor's filed evidence, which is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the parties on or before Monday, February 12, 2007. Responses to the interrogatories shall be filed with the Board and delivered to the Applicant and the other Intervenors on or before Monday, February 19, 2007.

7. The Company has indicated a desire to file an evidence update on Friday, February 16, 2007 with updated 2006 financial data and updates related to the Integrated Power System Plan (the "IPSP"). To allow for Intervenor and Board staff questions on the update, the Board will convene a transcribed technical conference on Tuesday, February 27, 2007 and if need be, Wednesday, February 28, 2007 in the Board's North hearing room at 2300 Yonge Street, 25th Floor, Toronto at 9:30 a.m.
8. An Intervenor Conference will be convened on Tuesday, March 6, 2007 at 9:30 a.m. Any registered Intervenor in this proceeding may attend. The Intervenor Conference will be held at 2300 Yonge Street, Toronto in the Board's ADR room on the 25th Floor and may continue until Wednesday, March 7, 2007, if needed. The purpose of this meeting is for Intervenor to develop a common proposal, if possible, to present for consideration by the Company.
9. A Settlement Conference will be convened on Thursday, March 8, 2007 at 9:30 a.m. with the objective of reaching a settlement among the parties on the issues. The Settlement Conference will be held at 2300 Yonge Street, Toronto in the Board's West hearing room on the 25th Floor and if needed, may continue until Friday, March 16, 2007.
10. Any Settlement Proposal arising from the Settlement Conference shall be filed with the Board no later than 5:00 p.m. on Tuesday, March 20, 2007. The Board will sit on Monday, March 26, 2007 at 9:30 a.m. to review any Settlement Proposal.
11. The evidentiary phase of the oral hearing will commence at 9:30 a.m. on Thursday, April 5, 2007 at 2300 Yonge Street, Toronto in the Board's North hearing room. The hearing is currently scheduled for up to 15 hearing days.

All parties shall file their submissions with the Board Secretary, 10 hard copies and one electronic copy in searchable PDF format at [boardsec@gov.on.ca](mailto:boardsec@gov.on.ca) , by 4:00pm on the date indicated, and copy all parties. Parties must also include the Case Manager, Harold Thiessen [harold.thiessen@oeb.gov.on.ca](mailto:harold.thiessen@oeb.gov.on.ca) and Board Counsel, Donna Campbell [donna.campbell@oeb.gov.on.ca](mailto:donna.campbell@oeb.gov.on.ca) on all electronic correspondence related to this case.

**DATED** at Toronto, November 30, 2006.

ONTARIO ENERGY BOARD

*Original signed by*

Peter H. O'Dell  
Assistant Board Secretary

## APPENDIX “A”

### Hydro One Transmission – 2007/2008 Rates Case (EB-2006-0501) Timetable

(Note: this timetable may be amended from time to time as required by the Board)

	Event	Date
		<b>2006</b>
1	Issue Procedural Order No. 1	Nov 30
2	Issues Conference	Dec 7 & 8
3	Issues Day	Dec 14
4	Procedural Order No. 2 – Issues List	Dec 18
5	Interrogatories to Applicant – Board Staff	Dec 21
		<b>2007</b>
6	Interrogatories to Applicant – Intervenors	Jan 4
7	Interrogatory Responses	Jan 22
8	Intervenor Evidence	Feb 2
9	Interrogatories to Intervenors	Feb 12
10	Intervenor IR Responses	Feb 19
11	Applicant Evidence Update	Feb 16
12	Transcribed Technical Conference	Feb 27 & 28
13	Intervenor Conference	Mar 6

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TIMETABLE  
PROCEDURAL ORDER #1

14	Settlement Conference	Mar 8 to 16 (7days, if required)
15	File Settlement Proposal	Mar 20
16	Settlement Proposal Hearing	Mar 26
17	Oral Hearing	Apr 5 (15 hearing days)

## **APPENDIX “B”**

### **Hydro One Networks Inc. Transmission 2007 and 2008 Rate Case EB-2006-0501**

#### **Draft Issues List**

#### **1.0 ADMINISTRATION (Exhibit A)**

- 1.1 Are the Affiliate Service Agreements still cost effective and efficient in delivering services? Have any changes occurred in these arrangements since the 2006 distribution rates proceeding (RP-2005-0020/EB-2005-0378)? (A1/T8/S2)
- 1.2 Has Hydro One implemented all elements of the Board Decision (RP-2004-0220) on Delivery Point Standards, issued on July 25, 2005? (A1/T15/S3)
- 1.3 Is the proposal to establish a revenue requirement beyond the 2007 and 2008 test years without a separate cost of service approval appropriate? Is the proposal to include capital spending as incurred in Rate Base for 2009-2010 appropriate? (A1/T13/S1)

#### **2.0 COST OF SERVICE (Exhibit C)**

- 2.1 Are the overall levels of the 2007 and 2008 Operation, Maintenance and Administration Budgets appropriate? (C1/T1/S1)
- 2.2 Is the 2007 and 2008 budget for Human Resources related costs (wages, salaries, benefits and pension costs) including employee levels, appropriate? (C1/T3/S1&2)
- 2.3 Is the proposed level of corporate O&M cost allocation (shared services) to the transmission business for 2007 and 2008 appropriate? (C1/T2/S5)
- 2.4 Is Hydro One's corporate cost allocation for the transmission business in line with the O&M cost allocation approved by the Board in Hydro One's 2006 distribution proceeding (RP-2005-0020/EB-2005-0378)? (C1/T5/S1&2)
- 2.5 Is Hydro One's depreciation expense appropriate for 2007 and 2008 and in line with the depreciation study approved by the Board in Hydro One's

- 2006 distribution application (RP-2005-0020/EB-2005-0378)?  
(C1/T6/S1&2)
- 2.6 Is Hydro One's proposed overhead capitalization rate appropriate?  
(C1/T5/S2)
- 2.7 Are the amounts proposed to be included in 2007 and 2008 revenue requirements for capital and property taxes appropriate? (C2/T4/S1)
- 2.8 Is the amount proposed to be included in 2007 and 2008 revenue requirements for income taxes, including the methodology, appropriate?  
(C1/T7/S1)
- 3.0 RATE BASE (Exhibit D)**
- 3.1 Are the amounts proposed for the 2007 and 2008 Rate Base appropriate?  
(D1/T1/S1)
- 3.2 Are the amounts proposed for Capital Expenditures in 2007 and 2008 appropriate? (D1/T3/S1&3)
- 3.3 Is Hydro One's corporate cost allocation for the transmission business in line with the capital asset allocation approved by the Board in Hydro One's 2006 distribution application (RP-2005-0020/EB-2005-0378)? (C1/T5/S3)
- 3.4 Is the proposed inclusion of "Supply Mix" Capital Project expenditures in 2007 and 2008 Rate Base as they are incurred, appropriate? (D1/T1/S4)
- 3.5 Is Hydro One's cost allocation for the transmission business in line with the Shared Services Capital allocation approved by the Board in Hydro One's 2006 distribution proceeding (RP-2005-0020/EB-2005-0378)?  
(D1/T3/S5)
- 3.6 Is the submitted Lead Lag study appropriate for the development of the Working Capital component of the Rate Base? (D1/T1/S5)
- 3.7 Does the Asset Condition Assessment adequately address the current condition of the transmission system assets and the determination of capital needs of the system in the future? (D1/T2/S1)
- 3.8 Is the method that Hydro One has used to calculate AFUDC appropriate?  
(D1/T4/S1)



#### **4.0 COST OF CAPITAL/CAPITAL STRUCTURE (Exhibit B)**

- 4.1 What is the appropriate Capital Structure for Hydro One Networks' transmission business for the 2007 and 2008 test years? (B1/T1/S1) (B1/T3/S2)
- 4.2 What is the appropriate Return on Equity (ROE) for Hydro One Networks' transmission business for the 2007 and 2008 test years? (B1/T1/S1) (B1/T3/S2)
- 4.3 Are Hydro One's proposed costs for its debt and preference share components of its capital structure appropriate? (B1/T2/S1)
- 4.4 Should the Capital Structure, Capital Costs and Rate of Return on Equity vary between Hydro One's distribution and transmission businesses? (B1/T3/S1)

#### **5.0 REVENUE REQUIREMENT (Exhibit E)**

- 5.1 Is the proposed amount for 2007 and 2008 External Revenues appropriate, including the methodology used to cost and price these revenues? (E3/T1/S1)

#### **6.0 COST ALLOCATION (Exhibit G)**

- 6.1 Are Hydro One's proposed cost pools appropriate and have the costs assigned to these pools been allocated appropriately? (G1/T1-6)
- 6.2 Has the reallocation of cost related to "dual function" lines been addressed appropriately? (G2/T2/S1)
- 6.3 Is it appropriate to create a Wholesale Meter pool and was the establishment of this pool done appropriately? (G1/T5/S1)
- 6.4 Should the 136 Delivery Points that do not pay Line Connection Charges pay them and if so, what mechanism should be used? (G1/T3/S1)
- 6.5 Should "Local Loops" be defined as Network or Connection assets? (G1/T3/S1)

## **7.0 RATE DESIGN and CHARGE DETERMINANTS (Exhibit H)**

- 7.1 Is the load forecast methodology appropriate and has the impact of Conservation and Demand Management initiatives been suitably reflected? (A1/T14/S2&3) (H1/T2/S1)
- 7.2 Have the proposed charge determinants been forecast appropriately for each of the transmission revenue pools? (G1/T1/S1) (H1/T3/S1)
- 7.3 Is the proposal to continue with the status quo charge determinant for Network and Line Connection service appropriate (H1/T3/S1)
- 7.4 Is it appropriate to continue the Export Transmission Service Tariff and should this tariff be changed? (H1/T5/S1, 2 & 3)

## **8.0 OTHER ISSUES**

- 8.1 Is the proposal for the establishment of Hydro One's 2007 and 2008 Deferral and Variance Accounts appropriate? (F1/T3/S1)
- 8.2 Is the proposal for the amounts and disposition of Hydro One's existing Deferral and Variance Accounts (Regulatory Assets) appropriate? (F1/T1/S1)
- 8.3 Has Hydro One delivered an adequate level of service performance compared with other jurisdictions and relevant performance standards? (A1/T15/S1, 2&3)
- 8.4 Has Hydro One demonstrated the need for the Leaside project? (D2/T2/S3)

## **9.0 RATE IMPLEMENTATION**

- 9.1 How should the Board deal with any revenue deficiency applicable from January 1, 2007 to the date that the Board's decision is implemented?
- 9.2 How should the Board deal with any revenue implications regarding the 2006 Hydro One Transmission earnings/sharing mechanism (EB-2005-0501) established by the Board?
- 9.3 Are the bill impacts as a result of this application for various customer groups reasonable? (A1/T2/S1)

## APPENDIX "C"

### Preliminary List of Intervenor

**HYDRO ONE NETWORKS INC.**  
**Electricity Transmission Rate Change**  
**EB-2006-00501**  
**APPLICANT & LIST OF INTERVENTIONS**

November 30, 2006

Applicant	Rep. and Address for Service
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Counsel for Applicant	Mr. D.H. Rogers, Q.C. Rogers, Moore 181 University Avenue Suite 1900, P.O. Box 97 Toronto ON M5H 3M7  Tel: 416-594-4500 Fax: 416-594-9100 Email: <a href="mailto:don.rogers@rogersmoore.com">don.rogers@rogersmoore.com</a>
Intervenor	Rep. And Address for Service
1. Ontario Power Authority	Ms. Miriam Heinz Regulatory Coordinator 120 adelaide Street west Suite 1600 Toronto, Ontario M5H 1T1  Tel: 416-9677474 Fax: 416-967-1947 e-mail <a href="mailto:miariam.heingz@powerauthority.on.ca">miariam.heingz@powerauthority.on.ca</a>
2. TransCanada Energy Ltd.	Ms. Margaret Duzy Regulatory Affairs TransCanada Energy Ltd. 55 Yonge Str. 8 <sup>th</sup> Floor Toronto, Ontario M5E 1J4

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And

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5. Association of Major Power Consumers  
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6. Coral Energy Canada Inc.  
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7. Enersource Hydro Mississauga

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10. Toronto Hydro Electric System  
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11. Power Workers' Union ("PWU")

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12. Society of Energy Professionals  
(SEP)

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## **APPENDIX “D”**

### **Sample Format for Interrogatories**

(Interrogatory Number) 1

Ref: C1/T5/S2

**Issue Number: 2.6**

**Issue:** Is Hydro One’s proposed overhead capitalization rate appropriate?

Please provide a detailed rationale for the overhead capitalization rate applied in the application.