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BY COURIER

May 4, 2015

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

Dear Ms. Walli:

**EB-2013-0421 – Hydro One Networks Inc. Section 92 – Supply to Essex County Transmission Reinforcement Project Phase 2 – Response to Requests for a Technical Conference/Oral Hearing**

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Hydro One has reviewed the submissions received from intervenors on April 30, 2015 on their intention to file evidence in Phase 2 of the Supply to Essex County Transmission Reinforcement Project (“SECTR Project”). The Consumers Council of Canada, Energy Probe and Toyota Motor Manufacturing Canada Inc., have requested that this application should proceed via an oral hearing. The E3 Coalition and the Canadian Manufacturers and Exporters support the application proceeding through a technical conference.

Hydro One concurs that a technical conference may be an appropriate forum to discuss the allocation of costs at both the transmission and distribution levels. As indicated in Procedural Order No. 3, Phase 2 of this proceeding deals with:

1. The appropriate allocation of costs associated with transmission connection assets between system benefit (i.e. recovered from all ratepayers) and customer benefit (i.e. capital contribution required by the distributors); and
2. The appropriate allocation of costs at the distribution level between the directly connected and embedded distributors and their customers.<sup>1</sup>

Procedural Order No. 3 also indicated that the Board “will examine the broader policy question as to whether its regulatory instruments need to be revised in relation to cost allocation. The Board’s decision will therefore be implemented more generally, including consideration of any

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<sup>1</sup> EB-2013-0421, Procedural Order No. 3 Amended January 30, 2015, page 4

necessary revisions to the Transmission System Code and/or Distribution System Code, as well as to this application.”<sup>2</sup>

Given the broader policy nature of the cost allocation methodologies, Hydro One believes that the technical conference should be kept at a high level and proposes it be contained to the following areas:

1. Review of past and current treatment of the “beneficiary pays” principle (likely by Board Staff);
2. Clarification of the proposed cost allocation methodology used in the Application to apportion costs between load customers and transmission ratepayers (Exhibit B, Tab 4, Schedule 4) (IESO);
3. Clarification of the proposed cost allocation methodology at the distribution level for upstream transmission investments (Exhibit B, Tab 4, Schedule 5) (Hydro One);
4. Presentation and discussion of any other proposed cost allocation methodologies that intervenors intend to bring forward through written evidence. Hydro One suggests that if the E3 Coalition, or other parties, are planning to propose new cost allocation methodologies, that those methodologies be explored at this Technical Conference.

Hydro One believes that issues such as the load forecast, asset classification and the DCF model used in the evidence should be out of scope of such technical conference. Once a decision on the appropriate way to allocate costs at both the transmission and distribution level is reached, then the project-specific implementation and result of those changes can be examined.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

c/ Nancy Marconi, Manager Regulatory Proceedings, IESO  
EB-2013-0421 Phase 2 Intervenor

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<sup>2</sup> IBID, page 3