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May 11, 2015

VIA RESS and COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

RE: EB-2014-0213 – Hydro One Networks Inc. Application to Purchase Woodstock Hydro Services Inc. ("WHSI")

I am writing to the Board on behalf of Hydro One Networks Inc. ("Hydro One") in respect of amendments sought to the requested relief in its Application.

By way of background, Hydro One's Application was initially filed on July 9, 2014. The original relief includes a request to defer the rate rebasing of the Hydro One Woodstock business unit for five years from the date of closing the proposed transaction, consistent with the Report of the Board entitled "Rate-making Associated with Distributor Consolidation" dated July 23, 2007 ("2007 Policy").¹ The evidence in this proceeding has been that at the end of the five-year period, Hydro One expects to file a rate application at the earliest opportunity to rebase rates.²

On March 26, 2015 amendments were made to the 2007 Policy through the EB-2014-0138 Proceeding ("Amended Policy").³ The Amended Policy continues to address rate-making for associated distributor consolidation transactions and includes (1) an extension to the rate rebasing deferral period of up to a 10 years after the close of the transaction and (2) that MAAD applications include an earning sharing mechanism that would operate during the term of the extended deferred rebasing period (i.e. for any extended periods beyond the initial five year deferral period).⁴ The Policy Amendments also announced that the incremental capital investment module ("ICM") will be available to consolidating entities during the rate rebasing period and clarified which incentive plan would apply to distributors who are party to a MAADs transaction during any deferred rebasing period.⁵

¹ Exhibit A Tab 1 Schedule 1 Page 5 at lines 3-11

² Exhibit A Tab 1 Schedule 1 Page 18 at lines 7-13

³ EB-2014-0138 Report of the Board "Rate-Making Associated With Distributor Consolidation" March 26, 2015

⁴ *Ibid*, at page 6

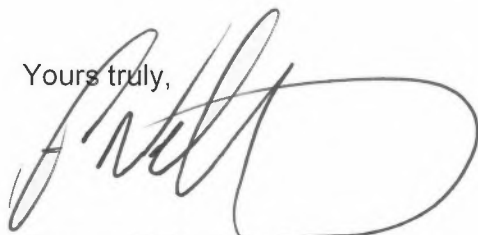
⁵ *Ibid*, at page 11

The Amended Policy represents changes in facts and circumstances directly affecting the original relief sought in Hydro One's Application. As Hydro One seeks to have its MAAD Application reflect the content of the Amended Policy, Hydro One is now amending its Application as follows:

- In accordance with page 6 of the Amended Policy, Hydro One is applying for approval to defer the rate rebasing of the Hydro One Woodstock business unit for 10 years from the date of closing the proposed transaction, consistent with the Policy Amendments. At the end of the 10 year period, Hydro One expects to file a rate application at the earliest opportunity to rebase rates, currently expected in 2025.
- In accordance with page 11 of the Amended Policy, Hydro One is applying to continue to have rates for WHSI's customers based on its current Price Cap adjustment mechanism for the extension period (i.e. years 6 – 10 following the close of the transaction and following the initial 5-year rate freeze period).

Hydro One notes that certain parties to the EB-2014-0213 Proceeding have expressed interest in the method by which Hydro One proposes to set rates for WHSI customers in the period following the initial 5 year deferral period.⁶ The proposed amendments provide clarification to these issues. In light of the rationale for these amendments, Hydro One sees the need for additional evidence on these matters as narrow and accommodated in the context of the Board's recent Procedural Order and Decision dated May 8, 2015. In that light, Hydro One proposes having its witnesses attending the May 27, 2015 proceeding available to address relevant questions arising in respect of these amendments.

Yours truly,



Gordon M. Nettleton

GMN/mpf

⁶ See: Exhibit I Tab 2 Schedule 18 Page 1