



**EB-2008-0113**

**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, 2009.

**AND IN THE MATTER OF** the Board's Order dated  
October 17, 2007 which approved just and reasonable  
rates for the transmission of electricity.

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

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

On September 28, 2007, the Board approved revenue requirements and charge determinants for Hydro One's transmission business through its EB-2006-0501 Decision and Order (the "Decision"). Hydro One also requested that the uniform transmission rate for the province of Ontario be adjusted to allow Hydro One to recover its new revenue requirement. On October 17, 2007, the Board issued its Ontario Uniform Transmission Rate Order which established revenue allocators, as well as terms, conditions and rates for the period November 1, 2007 to December 31, 2008.

On May 30, 2008, Hydro One filed an application with the Board for rates that would become effective January 1, 2009. The Board assigned Board File number EB-2008-0113 to this proceeding.

Hydro One stated that the need for this application arose as a result of the Board's Decision which directed the implementation of an Earnings Sharing Mechanism (ESM) and the disposition of the Company's Revenue Difference Deferral Account (RDDA) over the fourteen month period beginning November 1, 2007 through December 31, 2008. This had the effect of reducing Hydro One's revenue requirement from the approved levels and necessitated a one-time rate change to reflect the appropriate repayment to transmission customers. Therefore, in order to allow recovery of the Board approved 2008 revenue requirement, Hydro One is requesting the proposed adjustment to the uniform transmission rates, effective January 1, 2009. Hydro One stated that the requested rates would result in a 9.2% average increase when applied to the uniform transmission rates.

In its Decision, the Board had stated that the revenue requirement for 2009 and 2010 should be established through a full cost-of-service proceeding.

In the present application, Hydro One noted the Board's expectation that it would return with a cost of service application for 2009 and stated that it was preparing a 2009-2010 Transmission Revenue Requirement and Rate Application to be submitted at the end of August 2008. Hydro One further noted that the Board's Decision had directed it to complete a number of studies with specific stakeholder engagement prior to the next application. Hydro One confirmed that it was currently undertaking these studies and was extensively involving stakeholders, but that to ensure complete and comprehensive responses to the Board directives, these studies would not be complete until later this year, at which time they would be incorporated into the rate application. Hydro One stated that with the August 2008 submission date, it was recognized that the associated approved uniform transmission rates might not be implemented until mid-2009, which would result in an over-payment of the ESM and RDDA to customers in the absence of the proposed rate adjustment.

The uniform transmission rates also apply to the other Ontario transmitters: Great Lakes Power Inc., Canadian Niagara Power Inc., and Five Nations Energy Inc. As such, in the event the Board approves Hydro One's application, it will be necessary that the Board establish a new uniform rate and new allocation factors.

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Hydro One has provided the Board with an exhibit that sets out the proposed revenue requirements and charge determinants for Hydro One and the currently approved revenue requirements and charge determinants for the other Ontario transmitters. This includes the calculation of the allocation factors required by the Independent Electricity System Operator (IESO) to allocate the appropriate revenues to the transmitters. The exhibit is attached to this procedural order as Appendix A.

In order to reflect the expected outcomes expressed in the EB-2006-0501 proceeding related to the Applicant's revenue requirement and in recognition of the expected timing of the 2009 rate application, the Board considers it necessary to make provision for the following procedural matters. Please be aware that this procedural order may be amended, and further procedural orders may be issued from time to time.

The Board invites submissions from all parties on Appendix A.

**THEREFORE, THE BOARD ORDERS THAT:**

1. All parties, other than Hydro One Networks Inc., may make written submissions to the Board regarding the calculation of the uniform transmission rates and the revenue shares. The submissions must be received by the Board and copied to all other parties no later than July 7, 2008.
2. Hydro One Networks Inc. may provide reply submissions to the submissions received from other parties on July 21, 2008.
3. All parties shall file their submissions with the Board Secretary, 2 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, Martin Davies [martin.davies@oeb.gov.on.ca](mailto:martin.davies@oeb.gov.on.ca) and Board Counsel Ljuba Cochrane [ljuba.cochrane@oeb.gov.on.ca](mailto:ljuba.cochrane@oeb.gov.on.ca) on all electronic correspondence related to this case.

**DATED** at Toronto, June 20, 2008.

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**APPENDIX "A"**

**TO PROCEDURAL ORDER NO. 1**

**BOARD FILE NO. EB-2008-0113**

**DATED JUNE 20, 2008**

**Table 4**  
**Hydro One Networks Inc.**  
**Implementation of Decision with Reasons on EB-2006-0501**  
**Proposed Uniform Transmission Rates and Revenue Disbursement Factors**  
**(for Rates Effective January 1, 2009)**

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$2,912,596	\$757,111	\$1,508,293	\$5,178,000
CNPI	\$2,594,474	\$674,417	\$1,343,552	\$4,612,443
GLPL	\$19,566,608	\$5,086,215	\$10,132,598	\$34,785,422
H1N	\$638,600,000	\$166,000,000	\$330,700,000	\$1,135,300,000
All Transmitters	\$663,673,679	\$172,517,743	\$343,684,443	\$1,179,875,865

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	44.915	44.915	44.915	
CNPI	583.420	668.600	668.600	
GLPL	4,150.498	2,847.032	2,777.933	
H1N	253,730.000	242,393.000	208,377.000	
All Transmitters	258,508.833	245,953.547	211,868.448	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Provincial (Uniform) Rates (\$/kW-Month)	2.57	0.70	1.62	
	↓	↓	↓	
FNEI Allocation Factor	0.00439	0.00439	0.00439	
CNPI Allocation Factor	0.00391	0.00391	0.00391	
GLPL Allocation Factor	0.02948	0.02948	0.02948	
H1N Allocation Factor	0.96222	0.96222	0.96222	
Total of Allocation Factors	1.00000	1.00000	1.00000	