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File No. T967518

July 21, 2008

VIA COURIER AND RESS FILING

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

Dear Ms. Walli:

**Re: EB-2007-0681 - Hydro One Networks' 2008 Distribution Rate Application
- Milton Hydro Compliance with Undertaking to file Exhibit No. K6.9**

During the course of Mr. Donald Thorne's oral evidence at the hearing in the above-referenced matter on July 18, 2008, Milton Hydro gave an undertaking to provide to the Board copies of its correspondence with the Board with respect to the Hydro One low voltage facility charges, beginning with Mr. Thorne's letter of April 24, 2007. The material to be filed was identified as Exhibit No. K6.9 at the hearing.

Pursuant to the undertaking, attached please find the following:

1. Mr. Thorne's letter to the Ontario Energy Board dated April 24, 2007;
2. Letter from Brian Hewson, Chief Compliance Office to Mr. Thorne dated July 26, 2007;
3. Email correspondence between Mr. Don Thorne and Mr. Brian Hewson in emails dated August 13, October 17 and October 18, 2007.

Pursuant to Procedural Order No. 2 issued on February 2, 2008, please find three hard copies of the foregoing. Electronic copies of these documents have been filed using the Board's Regulatory Electronic Submission System (RESS) and the proof of successful submission slip is attached.

Yours very truly,

GOWLING LAFLEUR HENDERSON LLP

A handwritten signature in black ink, appearing to read 'Carl Mathias', with a stylized flourish at the end.

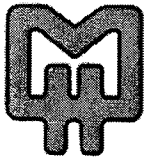
Carlton D. Mathias

cc. Tom Brett

CDM/cvc

Encls.

TOR_LAW\6915595\1



MILTON HYDRO DISTRIBUTION INC.

55 THOMPSON ROAD SOUTH, MILTON, ONTARIO L9T 6P7
TELEPHONE (905) 876-4611 • FAX (905) 876-2044

April 24, 2007

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary

Dear Ms. Walli:

RE: HydroOne LV Charges – Palermo TS, Milton Feeders M1 & M3

It has come to our attention that HydroOne may have misapplied shared LV charges to Milton feeders M1 and M3 from HydroOne Palermo TS or that the definition of shared LV facilities is flawed.

Background

Palermo TS is located in Oakville on a boundary between Oakville and Milton (Highway 25). Milton feeders M1 & M3 were constructed in 1982. At that time it was the practice of the former Ontario Hydro that they would construct, own and maintain overhead feeder assets on their property. Palermo TS property is contiguous to Highway 25 and therefore Milton's connection point to Palermo TS was established as the first pole on the municipal road allowance. Therefore, the only HydroOne ownership of Palermo feeders M1 & M3 are the six poles on their property.

Our understanding of where low-voltage facility charges would apply is where HydroOne was required to construct, own and maintain distribution delivery assets to distributor's boundaries. An example of this would be in Burlington's case where Hydro One owns about a 2 KM double circuit overhead pole line in Milton connecting Palermo TS to Burlington.

It would appear from a review of HydroOne billing information that they have designated these 6 poles as shared LV facilities and are currently charging Milton about \$10,000 per month for their use. They have recently offered to sell these six poles (replacement cost less than \$30,000) to Milton Hydro for \$220,000 stating that their lost revenue was estimated at over \$700,000. HydroOne is claiming that they are and have been following the rules.

Milton Hydro is seeking to recover all shared LV charges that HydroOne has billed Milton Hydro for these overhead facilities on their property. We are willing to pay HydroOne for the use of these specific assets and to purchase on the same basis.

Milton Hydro is seeking the Boards assistance in this matter.

Regards,
MILTON HYDRO DISTRIBUTION INC.

D. R. Thorne, P. Eng.
President & CEO

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Compliance Office

July 26, 2007

Board File: CO20070015

Mr. Don Thorne, P.Eng
President & CEO
Milton Hydro Distribution Inc.
55 Thompson Road South
Milton, Ontario L9T 6P7

Re: HYDRO ONE LOW VOLTAGE FACILITY CHARGES

Dear Mr. Thorne:

I am writing you in response to a concern that Milton Hydro Distribution Inc. ("Milton Hydro") has raised with the Ontario Energy Board ("OEB") relating to the business activities of Hydro One Networks Inc. ("Hydro One"). Specifically, Milton Hydro has presented the view that Hydro One may have misapplied shared Low Voltage Facility charges ("LV charges") or that the definition of shared LV charges is flawed. Your concern was forwarded to the OEB's Compliance Office for review.

This concern relates to Milton Hydro's M1 and M3 feeders from Hydro One's Palermo TS. You have stated that the Palermo TS is located in Oakville on the boundary between Oakville and Milton. You also stated that Hydro One owns a span of six poles between the Palermo TS and Milton Hydro's connection point.

It is my understanding that Hydro One is currently applying LV charges for these facilities based on Hydro One's approved "Shared LV Line" \$ per kW rate. It is Milton Hydro's view that these LV charges should be based on Hydro One's approved "Specific LV Line" \$ per Km rate.

Hydro One has reported that the M1 and M3 feeders have been classified as "Shared LV Lines" based on the fact that the lines are not located entirely within Milton Hydro's service territory.

I have reviewed Appendix G of Hydro One's 2006 Distribution Rate Order (RP-2005-0020/EB-2005-0378), which sets Hydro One's current rates for LV charges. The rate order states that the "Shared LV Line" rate shall be applied to:

"all LDCs ... with delivery points directly connected to Hydro One's Distribution's LV system."

This rate order also states that the "Specific LV Line" rate shall be applied to:

"all LDC's with a delivery point embedded in Hydro One's Distribution's service territory as host distributor and connected through a Hydro One Distribution-owned Specific LV Line or Distribution Line which is located in that LDC's service area and serving only the LDC."

Hydro One provided an excerpt from the Board's rate proceeding RP-2000-0023, in which the Board originally set Hydro One's LV charges. This excerpt comes from Hydro One's application to the Board, Exhibit E, Revised 2001-10-10, Tab 2, Schedule 2, Page 12 of 24 and states in part:

"the term 'specific line' is used only to refer to a line within an LDC's territory and used only to deliver electricity to the customers of that LDC ... The definition of 'specific line' excludes a line that runs through Networks-service territory even if it services only one municipal LDC ... The shared line category is defined as all lines that are not 'specific' as per the pervious paragraph ... In some cases, the circuit is not shared by other customers, but is defined as 'shared' because it runs through the territory serviced by Networks or some other LDC."

Based on the applicable rate filings, it my view that the "Specific LV Line" rate applies only in those instances where the facilities are located entirely within the LDC's service area. Based on the information provided, it appears that the LV lines in question are not located entirely in Milton Hydro's service area. Therefore, I can not conclude that Hydro One is charging Milton Hydro LV charges in a non-compliant manner.

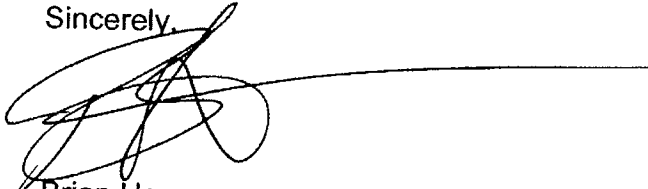
The views expressed in this letter are mine and are not binding on the Board. Although no statutory power of decision has been delegated to me, I may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998* in relation to non-compliance.

If you continue to have concerns with the way that Hydro One's LV charges are determined and the appropriateness of the categories and/or definitions used, I recommend that you intervene in Hydro One's next rate application and submit your

concerns on this matter. Hydro One has reported that they will be filing an application for 2008 distribution rates later this year.

If you would like to discuss the content of this letter or have any questions or concerns, please do not hesitate to contact me at (416) 440-7628, or Paul Gasparatto, Project Advisor, Compliance, at (416) 440-7724.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Brian Hewson
Chief Compliance Officer

From: Don Thorne
Sent: Thursday, October 18, 2007 10:19 AM
To: Brian Hewson
Cc: Theodore Antonopoulos; Cynthia Murray
Subject: RE: HydroOne LV Charges - Board File CO200070015
Thanks Brian. I look forward to hearing from Ted.

Don Thorne, P. Eng.
President & CEO
Milton Hydro Distribution Inc.
Phone: 905-878-3483, ext. 227
Fax: 905-876-2044
Email #1: donthorne@miltonhydro.com
Email #2: drthorne@sympatico.ca

From: Brian Hewson [<mailto:Brian.Hewson@oeb.gov.on.ca>]
Sent: Wednesday, October 17, 2007 5:27 PM
To: Don Thorne
Cc: Theodore Antonopoulos
Subject: RE: HydroOne LV Charges - Board File CO200070015

Don,

I have spoken with Ted Antonopoulos who is the Hydro One case manager. He is looking into the matter as an item for the rate case.

Brian Hewson

Chief Compliance Officer
ONTARIO ENERGY BOARD
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Direct: 416-440-7628
Fax: 416-440-7656
Email: Brian.Hewson@oeb.gov.on.ca

For general enquiries please contact the Market participant Hotline at:
Market.Operations@oeb.gov.on.ca

From: Don Thorne [<mailto:donthorne@miltonhydro.com>]
Sent: October 17, 2007 4:56 PM
To: Brian Hewson
Subject: FW: HydroOne LV Charges - Board File CO200070015

Hi Brian,

The last time we discussed this matter on the phone in August, I was left with the impression(possibly in error) that there was some staff (not Compliance) work going on regarding this subject and that I would be contacted. If there is a contact that you could provide me I would appreciate it. If this matter is not on anybody's radar screen then could you provide your thoughts on what may be appropriate for us to do next. Writing to the Board is my least favorite option unless you advise otherwise.

Thanks for your help.

Regards,

Don

Don Thorne, P. Eng.
President & CEO
Milton Hydro Distribution Inc.
Phone: 905-878-3483, ext. 227
Fax: 905-876-2044
Email #1: donthorne@miltonhydro.com
Email #2: drthorne@sympatico.ca

From: Don Thorne

Sent: Monday, August 13, 2007 7:38 PM

To: Brian Hewson (brian.hewson@oeb.gov.on.ca)

Subject: HydroOne LV Charges - Board File CO200070015

Brian,

Thank you for your response to my concerns regarding LV charges relating to Palermo TS M1 and M3 feeders. I appreciate your view that HydroOne have applied LV charges correctly however I continue to believe that there is a flaw in the approved methodology in that that existing definition did not anticipate our situation (and likely others). Your suggestion that we intervene in the next HydroOne rate hearing is unfortunately not very helpful. As an LDC our costs are not recoverable and at the apparent going rate of \$650/hour for assistance by regulatory lawyers that we recently experienced, and given that there is no potential gain or loss mitigation for Milton Hydro Distribution Inc., why would we do this? It occurred to me to solicit the interest of current interveners, however, since they would likely view this to be a zero sum issue for their clients I doubt that they would have interest. Also it is unlikely that some ratepayer group within Milton could be found to intervene in this non transparent, complex issue. Therefore it would seem to me that it is the Boards responsibility to protect the interests of consumers in Milton with regard to equitable treatment in this matter since there are clearly significant barriers inhibiting them from protecting themselves using standard OEB processes.

There are also some fundamental questions that the Board needs to answer with regard to these Shared LV facilities. Forgetting about Milton's specific circumstances for the moment it would seem that some of the questions that the Board should be asking are:

- Is it appropriate for HydroOne to be selling Shared LV facilities
- If yes, how is it that these assets should be priced
- What is the appropriate accounting treatment with respect to the sale/purchase of these assets

I would be pleased to discuss this matter further with you or whoever may handle this file going forward.

Regards,

Don

Don Thorne, P. Eng.
President & CEO
Milton Hydro Distribution Inc.
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Fax: 905-876-2044
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Email #2: drthorne@sympatico.ca

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