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BY COURIER

November 25, 2008

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

EB-2008-0272 – Hydro One Networks' 2009-2010 Transmission Revenue Requirement and Rate Application – Comments Respecting Proposed Issues List

Hydro One Networks Inc. ("Hydro One") is pleased to provide the following comments respecting the proposed issues list included as Appendix A to Procedural Order No.1, issued by the Board on November 14, 2008 and comments by intervenors submitted on November 21, 2008.

The issues list covers topics Hydro One believes will be the prime areas for focus during the hearing and excludes issues that:

- were identified as not being of concern during the stakeholder sessions;
- relate to the use of a methodology reviewed and accepted by the Board in a previous proceeding;
- relate to evidence where there is not a material change from the evidence reviewed as part of a previous rate application; and
- relate to evidence based on external consensus forecasts

Hydro One notes that there is general acceptance of the proposed issues list by the intervenors. The Vulnerable Energy Consumers Coalition ("VECC"), however, has felt the need for further specification within the broad issues categories.

Hydro One, like the Consumers Council of Canada and the Canadian Manufacturers & Exporters, believe the changes proposed by ("VECC") in their submission of November 21, 2008 are largely addressed under a broader interpretation of the issues as proposed in Procedural Order No. 1. As such, many of the modifications and additions proposed by VECC are not required.

For example, VECC's proposed Issue 1.2 can be addressed under Issue 3.2, dealing with Shared Services and proposed Issue 1.3 can be dealt with under Issue 2.1 since the economic indicators underlie the load forecast. Similarly, proposed Issue 3.4 respecting overhead capitalization can be addressed under Issue 3.2, Shared Services OM&A.

Hydro One supports VECC's inclusion of an issue to address the proposed rate base levels for 2009 and 2010. Issue 4.3 should read:

4.3 Are the amounts proposed for rate base in 2009 and 2010 appropriate?

Again, a broader interpretation of this issue will cover VECC's proposed Issues 4.4 and 4.5 since 2009 and 2010 rate base levels implicitly includes previous in-service additions.

VECC also proposed the addition of issues which Hydro One does not feel are required.

Proposed Issue 1.4 references the Export Transmission Service Rates Study to be undertaken by the IESO. AMPCO supported the inclusion of a similar issue 7.3. Inclusion of this issue is premature. The IESO has not responded to the Board's direction with respect to this study from the EB-2006-0501 Decision. Hydro One believes this issue is best raised during an IESO proceeding prior to any consideration in a Hydro One proceeding.

Proposed Issue 3.5 deals with the need to review income and other taxes. Since Hydro One follows all applicable tax guidelines and the application reflects current prevailing tax rates, the Company sees no need to include this as an additional issue. Any changes that might arise will continue to be captured in the tax rate change deferral account. This account is captured under Issues 5.1 and 5.2.

Proposed Issue 6.2 deals with the need to review the cost allocation methodology. Hydro One has not made any changes, nor is Hydro One proposing any changes, to the methodology last approved by the Board in their EB-2006-0501 Decision. Accordingly there is no need to have this added as an issue.

VECC also proposed two other issues be added, one respecting the appropriateness of new long-term debt and another issue dealing with whether Hydro One's proposed cost of capital is consistent with Board approved guidelines. The first issue can be dealt with under Issue 2.1 where the economic assumptions can be reviewed by stakeholders. Since Hydro One will follow the Board guidelines respecting the determination of the cost of capital, the Company does not see a need for this to be included as an issue.

The School Energy Coalition ("SEC") in their submission largely supported VECC's proposed issues additions. As such Hydro One's comments above apply equally to the submissions of SEC.

In their submission of November 21, 2008, Pollution Probe ("PP"), felt there is a need to add proposed Issue 3.4 to deal with Conservation and Demand Management ("CDM") specifically directed at large volume direct customers. Hydro One's submission does not request any funding for CDM programs

directed at this market. Hydro One feels direct customers have and will continue to invest in energy efficiency improvements as part of their ongoing business plans to remain competitive. These companies also have access to funding of CDM initiatives directly from the OPA. As such, there is no need for rate payers to fund additional initiatives and the Board should not add this as an issue in the EB-2008-0272 proceeding.

AMPCO in their November 21, 2008 submission also supported a shortened issues list and Hydro One agrees that the points raised by AMPCO can be addressed in the proposed issues list. It is not clear to Hydro One what AMPCO means by the “examination of Hydro One’s activities on behalf of other organizations” in their discussion under Issue 2.2. AMPCO’s specific example of “pre-development work in support of the OPA” is already addressed by Issue 5.3, which specifically requests a variance account for this work. As such, Issue 2.2 should remain as drafted.

With respect to AMPCO’s proposed Issue 7.1, the determination of the proposed charge determinants are initially discussed in the pre-filed exhibit dealing with the load forecast and as such AMPCO’s issue can be appropriately reviewed under Issue 2.1 of the originally proposed issues list.

AMPCO is also proposing the inclusion of issue 7.2 dealing with the appropriateness of the network charge determinant methodology. Although Hydro One does not support a change in methodology, if AMPCO intends to file evidence in support of their position, the Board may feel it is necessary to include this issue in the final issues list.

Hydro One believes the proposed issues list as suggested above will assist in focusing the oral hearing on the key issues in the Application and would further suggest that acceptance of a streamlined issues list negates the need for a settlement process.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

c. EB-2008-0272 Intervenors