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Please Reply to the TORONTO OFFICE

BY EMAIL and COURIER

November 21, 2008

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2008-0272
Hydro One Transmission 2009/2010 rate proceeding

Further to Procedural Order #1 in the above-captioned proceeding, we are writing to provide the submissions of our client, the School Energy Coalition ("SEC"), on the draft issues list circulated by Board Staff.

We have read the submissions filed earlier today by Mr. Buonaguro on behalf of the Vulnerable Energy Consumers' Coalition (VECC). We provide the following brief submissions, largely in support of the submissions of VECC:

- With respect to Issue 1 (General), we agree with the rationale put forward by VECC for its proposed Issues 1.2 to 1.4 and support the inclusion of those issues on the Issues List.
- SEC agrees with VECC's interpretation of the scope of Issues 2.1 and 2.2. We believe that export revenue should naturally be considered along with "Other Revenue" generally and therefore VECC's proposed revision to Issue 2.2 is likely not necessary, although we have no objection to it.
- With respect to Issue 3 (OM&A), we agree with VECC's interpretation of the scope of existing Issues 3.2 and 3.3. We also agree with the rationale for including an issue relating to Hydro One's overhead capitalization rate and income taxes and therefore support the inclusion of VECC's proposed Issues 3.4 and 3.5 on the Issues List.
- With respect to Issue 4, Capital Expenditures and Rate Base, normally in rate proceedings such as this one there is a specific issue dealing with the determination of rate base in the test years (as well as in the historic years since that may affect the test year rate base). Therefore,

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we agree with VECC's suggested additional Issue 4.3. We also agree that there is a need to address the appropriateness of the working capital calculation and the lead lag study, however, that issue may be subsumed under VECC's proposed Issue 4.3.

- Regarding VECC's proposed Issue 4.5 (depreciation expenses) we agree in principle with the need to review the applicant's depreciation expenses. However, we note that, while rate base is partially a function of depreciation, depreciation expenses are normally grouped with OM&A issues.
- For the reasons set out in VECC's letter, SEC supports the inclusion of VECC's proposed Issue 6.2.
- With respect to the cost of capital issues proposed by VECC, SEC agrees that they should be part of the Issues List. HON is planning to issue almost \$1.9 Billion in new debt from 2008-2010 [Exhibit B2/1/2, pp. 4-6] and the forecasted cost of that debt will obviously have a large impact on transmission rates. With respect to cost of capital issues determined with reference to the Board-approved guidelines, SEC notes that in electricity distribution cases these issues are still considered as part of the Board's review of the application, largely to determine whether the guidelines have been followed correctly, as VECC has suggested.

All of which is respectfully submitted.

Yours very truly,

SHIBLEY RIGHTON LLP

Original signed

John De Vellis

Encl.

c.c. (email only): Mr. Glen MacDonald, Senior Advisor, Regulatory Affairs, Hydro One Networks Inc.
 Ms Donna Campbell, Board Counsel
 Mr. Harold Thiessen, Board Staff
 Intervenors of record