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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

August 29, 2006

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

EB-2005-0317 – OEB Electricity Distributors Cost Allocation Review – August 21, 2006 Further Comments on Select Issues – Hydro One Networks Comments

Hydro One Networks Inc. (Networks) and Hydro One Remotes are pleased to provide the following comments on the Board's select issues on Cost Allocation Methodology released August 21, 2006.

1) Load Data Requirements for Optional 3rd Run for Load Displacement Class

Networks will not model as part of Run 3 a separate standby rate classification using the alternative method. Networks proposes to model the separate class in Run 2 using actual metered usage of customers identified with load displacement generation. Networks agrees that the suggested filing question is reasonable but it will be applicable to very few distributors.

2a) Weighting Factors for Number of Bill

The proposed weighting factors appear reasonable and where applicable Networks will endeavour to use these factors for its customer groups.

2b) Weighting Factors for Services (Account # 1855)

Based on a study undertaken by Board staff on industry-wide USoA data, using 2004 reported RRR information, the account 1855 represented only 2.3% of Gross Assets. This could be due to distributors having recorded no assets in this account. The use of weighting factors would therefore have minimal impact on the cost allocation methodology results.

Since Networks does not record costs in account 1855, it would not be appropriate for it to comment on the practicality of such weighting factors. Networks is of the view that these factors should only be applied in cases where distributors have recorded dollars in account 1855.

3) Allocation of Conservation and Demand Management Costs (“CDM”)

Networks agrees with Board staff’s proposal to allocate CDM costs to the customer classes that benefit from these programs. The proposed approach will impact the results of future cost allocations, as distributors’ CDM activities are expected to increase in the future.

Networks would like to thank the Board for the opportunity to provide these comments.

Sincerely,

A handwritten signature in cursive script that reads "Susan Frank". The signature is written in black ink and is positioned below the word "Sincerely,".

Susan Frank