Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs

hydro one

BY COURIER

July 19, 2007

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

Dear Ms. Walli:

EB-2007-0667 – Staff Discussion Paper on the Implications Arising From a Review of Electricity Distributors' Cost Allocation Filings - Hydro One Networks' Comments

Hydro One Networks ("Hydro One") welcomes the opportunity and is pleased to offer comments and responses to questions posed by Board Staff in its Discussion Paper ("the Paper") on The Implications from a Review of the Electricity Distributors' Cost Allocation Filings dated June 28, 2007.

Hydro One is generally supportive of the Board Staff's positions recommended in the discussion paper as these reflect a well balanced approach to implementing the results of the Cost Allocation Study and allow the start of a process of developing and eventually implementing cost-based distribution rates.

Hydro One's comments on the questions raised in the Paper are presented below.

What is the appropriate range for the revenue to cost ratio for customer classes?

Hydro One agrees that a wider range of revenue/cost ratio, as outlined in the paper, rather than the range traditionally used would be more appropriate going forward in the rebasing of distribution rates. This is particularly important since current distribution rates are not based on cost allocation studies and a wider range will assist in mitigating the potential bill impact to customer groups that currently under-contribute when compared to properly allocated costs.

What is the appropriate cost range to test the fixed monthly customer charge?

hydro one

Hydro One agrees that fixed monthly charges should be set within the range proposed by Board Staff in the Paper. Setting the fixed charge within the proposed range would better reflect the fixed nature of the costs that customers impose on distributors.

Should the establishment of a USL metering credit be based on an individual utility's costs?

Hydro One supports Board Staff position that USL metering credits should be based on each distributors own costs and should not be set uniformly across the Province based on averages. Establishing a cost-based credit for USL enables LDCs to keep USL customers in the General Service customer classification and avoids the creation of a new separate customer classification exclusively for USL. USL customers would be billed a lower fixed charge than the other General Service customers reflecting this credit and the same volumetric charge. This rate design approach can be used to properly allocate the costs that USL customers impose on distributors.

Should the establishment of a transformer credit be based on an individual utility's costs?

Hydro One supports Board Staff position that transformer ownership credits should be based on each distributors own costs and should not be set uniformly across the Province based on averages.

Should the determination of appropriate Stand-by rates for customers with load displacement generation be based on an individual utility's costs?

Hydro One supports Board Staff in their view that stand-by charges for customers with Load Displacement Generation should be based on each distributors own costs and should not be set uniformly across the Province based on averages.

Sincerely,

Susan Frank