



EB-2007-0917
EB-2007-0947

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application pursuant to section 74 of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. and Whitby Hydro Electric Corporation seeking an order to amend their current Electricity Distribution Licences (ED-2003-0043 and ED-2002-0571 respectively);

AND IN THE MATTER OF an application pursuant to section 74 of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. and Peterborough Distribution Inc. seeking an order to amend Peterborough Distribution Inc.'s current Electricity Distribution Licences (ED-2002-0504);

AND IN THE MATTER OF an application pursuant to section 86(1)(b) of the *Ontario Energy Board Act, 1998* by Whitby Hydro Electric Corporation seeking an order granting leave to sell distribution assets necessary in serving the public to Hydro One Networks Inc.;

AND IN THE MATTER OF an application pursuant to section 86(1)(b) of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. seeking an order granting leave to sell distribution assets necessary in serving the public to Peterborough Distribution Inc.

BEFORE: Cynthia Chaplin
Presiding Member

Ken Quesnelle
Member

Cathy Spoel
Member

DECISION AND ORDER

THE APPLICATIONS

Hydro One Networks Inc. ("Hydro One") filed a joint application with Whitby Hydro Electric Corporation ("Whitby Hydro") on November 19, 2007 under sections 74 and 86(1)(b) of the *Ontario Energy Board Act, 1998* (the "Act"). Hydro One has also filed a joint application with Peterborough Distribution Inc. ("Peterborough Distribution") on December 14, 2007 under sections 74 and 86(1)(b) of the Act. Hydro One, Whitby Hydro and Peterborough Distribution are collectively referred to as the ("Applicants").

Hydro One and Whitby Hydro

The joint application by Hydro One and Whitby Hydro seeks an order of the Board to:

- (a) amend the service areas in tab 4 of Appendix B and Schedule 1 of Hydro One and Whitby Hydro's electricity distribution licences, respectively, to reflect the transfer of 27 customers from Whitby Hydro's licensed service area to Hydro One's licensed service area; and
- (b) approve the sale by Whitby Hydro to Hydro One of distribution assets necessary in serving these customers.

The 27 customers proposed to be transferred to Hydro One's licensed service area are currently located within Whitby Hydro's licensed service area and are customers of Whitby Hydro but are physically served electricity by Hydro One under a long term load transfer ("LTLT") agreement between Hydro One and Whitby Hydro. If the proposed amendments are approved, these customers will be billed and otherwise served by Hydro One as Hydro One's customers. The lands where the subject customers are located are described in section 1 of Appendix A to this Decision and Order.

The assets proposed to be sold to Hydro One by Whitby Hydro consist of 16 overhead transformers ranging from 5 KVA to 37.5 KVA, overhead conductors and underground conductors. The sale price of the assets is \$5,387.39 including GST, which represents the net book value of the assets.

Hydro One and Peterborough Distribution

The joint application by Hydro One and Peterborough Distribution seeks an order of the Board to:

- (a) amend the service area in Schedule 1 of Peterborough Distribution's electricity distribution licence to reflect the transfer of four customers from Hydro One's licensed service area to Peterborough Distribution's licensed service area;
- (b) amend the service area in Schedule 1 of Peterborough Distribution's electricity distribution licence to reflect the transfer of two customers from Peterborough Distribution's licensed service area to Hydro One's licensed service area; and
- (c) approve the sale by Hydro One to Peterborough Distribution of distribution assets necessary in serving the customer(s) proposed to be transferred from Hydro One to Peterborough Distribution.

The four customers proposed to be transferred to Peterborough Distribution's licensed service area are currently located within Hydro One's licensed service area and are customers of Hydro One but are physically served electricity by Peterborough Distribution under an LTLT agreement between Peterborough Distribution and Hydro One. If the proposed amendments are approved, these customers will be billed and otherwise served by Peterborough Distribution as Peterborough Distribution's customers. The lands where the subject customers are located are described in section 2 of Appendix A to this Decision and Order.

The two customers proposed to be transferred to Hydro One's licensed service area are currently located within Peterborough Distribution's licensed service area and are customers of Peterborough Distribution but are physically served electricity by Hydro One under an LTLT agreement between Hydro One and Peterborough Distribution. If the proposed amendments are approved, these customers will be billed and otherwise served by Hydro One as Hydro One's customers. The lands where the subject customers are located are described in section 3 of Appendix A to this Decision and Order.

The assets proposed to be sold to Peterborough Distribution by Hydro One consist of one 300 KVA underground transformer, 60 meters of 28 KV primary underground conductor and 80 meters #2 ACSR. The sale price of the assets is \$19,470.89 including GST, which represents the net book value of the assets.

THE PROCEEDING

The Board assigned file number EB-2007-0917 to the joint application by Hydro One and Whitby Hydro and issued its Notice of Application on December 19, 2007. The

Notice was served upon the customers located on the lands that are the subject of the service area amendment ("SAA") application. No one responded to the Notice.

The Board assigned file number EB-2007-0947 to the joint application by Hydro One and Peterborough Distribution and issued its Notice of Application on January 11, 2008. The Notice was served upon the customers located on the lands that are the subject of the SAA application. No one responded to the Notice.

By letter dated March 11, 2008, the Board requested additional information from the Applicants. On March 26 and 28, 2008, the Applicants filed the requested information with the Board.

Since the two applications raise the same issues, the Board combined these proceedings pursuant to its power under section 21(5) of the Act and issued a revised Notice of Applications and Written Hearing on April 14, 2008. The Notice was served upon the following persons:

- (a) customers located on the lands that are the subject of the SAA applications;
- (b) intervenors in Hydro One Network Inc.'s 2008 electricity distribution rates application (EB-2007-0681);
- (c) all licensed electricity distributors in Ontario; and
- (d) the Electricity Distributors Association.

In its Notice, the Board invited interested parties to make submissions on the applications generally and specifically on rate impact mitigation measures and methodologies. Board staff filed submissions with the Board on May 6, 2008. No other party filed a submission. Whitby Hydro and Hydro One filed reply submissions on May 22 and May 23 respectively.

LTLT AND THE DISTRIBUTION SYSTEM CODE

The Distribution System Code (the "DSC") requires that long term load transfers be eliminated by January 31, 2009.

A load transfer is an arrangement between two distributors whereby one distributor (i.e. physical distributor) supplies electricity directly to the other distributor's (i.e., the geographic distributor) customers. The physical distributor charges the geographic distributor in accordance with a load transfer agreement.

Section 6.5.4 of the DSC states that during the period between May 1, 2002 and January 31, 2009, a geographic distributor that services a load transfer customer shall either:

- (a) negotiate with the physical distributor that provides load transfer services so that the physical distributor will be responsible for providing distribution services to the customer directly, including application for changes to the licensed service areas of each distributor; or
- (b) expand the geographic distributor's distribution system to connect the load transfer customer and service that customer directly.

The Applicants made the applications in order to comply with this requirement.

The full record of this proceeding is available for review at the Board's offices. While the Board has considered the full record, the Board has summarized and referred only to those portions of the record that it considers helpful to provide context to its findings.

BOARD FINDINGS

Service Area Amendments

As prescribed in the DSC, one option available to a geographic distributor to eliminate an existing LTLT arrangement is to negotiate with the physical distributor to have the physical distributor take over responsibility for supply of the subject customers through amendments to their distribution service areas. The applicants have chosen this option.

In assessing the economic efficiency of the SAA approach, the Board is guided by the principles articulated by the Board in its combined decision on SAA dated February 27, 2004 (RP-2003-0044) and reflected in the Board's Filing Requirements for SAAs.

The Board's combined decision on SAA dated February 27, 2004 (RP-2003-0044) states:

The Board encourages parties to work together to eliminate these load transfers by determining which distributor can most rationally serve the customer(s) in question, from an economic efficiency, system planning, reliability and safety perspective. The Board will look favourably upon service area amendments where applicant and incumbent distributors consent to a rationalization or elimination of load transfer arrangements, including any financial arrangements which may be required.

The applications before the Board in this proceeding are joint applications where both the geographic and the physical distributor agreed on the statements made in the application. The Applicants stated that the proposed SAA is a cost-efficient approach for eliminating the existing LTLT arrangements. In addition, the Applicants indicated that the proposed SAA is consistent with existing networks (i.e. avoids duplication of assets) and will have no impact on infrastructure reliability.

The application by Hydro One and Whitby Hydro indicates that the estimated cost to connect the 27 LTLT customers to Whitby Hydro's distribution system is \$291,000 with estimated annual revenue of \$15,449. The application also indicates that only minor future growth is expected in the area where the subject customers are located.

In the Hydro One/Peterborough Distribution application, with respect to the customers proposed to be transferred to Hydro One from Peterborough Distribution, the application indicates that the estimated cost of connecting the customer on Hilliard Street to Peterborough Distribution's system is \$35,000. The application further indicates that Peterborough Distribution would be required to build three kilometers of line in order to serve the customer located on Douro 9th Line. According to the application, this customer is located on the Trent University campus and Trent University has its own distribution system. If the university decides to expand in the area, it may expand its own internal system.

With respect to the customers proposed to be transferred to Peterborough Distribution from Hydro One, the application indicates that in order for Hydro One to serve the three customers located on Parkhill Road in the City of Peterborough, Hydro One would have to construct 20 spans or approximately 1200 metres of three phase distribution line at a cost of approximately \$75,000. Furthermore, in order for Hydro One to serve the customer located on County Road 45 in the village of Norwood, Hydro One would have to construct a new three phase line for eight spans with a length of approximately 500 metres and at a cost of approximately \$50,000.

In its submission, Board staff asked whether the LTLT customers should be given the option of contributing to the connection costs as per the DSC and remaining with the geographic distributor. Whitby Hydro submitted that it makes little sense for Whitby Hydro to expand its distribution system at a significant cost and duplication of Hydro One's distribution system. Whitby Hydro further submitted that this offer was not extended to LTLT customers as the exorbitant costs involved make it prohibitive to proceed in this direction. Hydro One's position was similar to Whitby Hydro's position. In its submission, Hydro One added that in cases where more than one customer is impacted by a line extension decision, a process would need to be put in place to

resolve differences in customer choice. That approach is likely to lead to significant customer dissatisfaction.

The Board accepts the Applicants evidence and finds that the evidence filed by the Applicants in this proceeding adequately supports the SAA applications.

While some customers will be impacted by higher rates, these can be addressed in part through rate impact mitigation. The Board agrees with the applicants that it would not be cost effective for the distributor to incur significant capital costs to avoid a rate increase for a few customers. The Board also agrees that it would not be sensible for the affected customers to bear those capital costs. The Board concludes that service area amendments are the most efficient way to serve these customers while complying with the DSC.

The Board therefore approves the service area amendments as proposed by the Applicants.

Sale of Distribution Assets

With respect to the proposed sale of the distribution assets, the Applicants state that the assets will continue to be used to serve the same customers presently served by the assets. The Applicants further state that it is more economically efficient for the physical distributor to purchase the geographic distributor's distribution assets than it would be for the geographic distributor to remove those assets and for the physical distributor to install new assets.

The Board accepts the Applicants' evidence in this regard and finds that the sale of the subject assets by the geographic distributor to the physical distributor assist in facilitating the SAA to eliminate the subject LTLT arrangements. The sales of the subject distribution assets are therefore approved.

Rate Impact Mitigation

Customers being transferred from Whitby Hydro or Peterborough Distribution's service areas to Hydro One's distribution service area will be subject to higher distribution rates, based on current rates. According to the application, for customers moving from Whitby Hydro to Hydro One, an average residential customer consuming 1,000 kWh per month will experience an increase of \$23.96 on the delivery portion of the monthly electricity bill. This represents an increase of 59.3% on the delivery portion of the bill and 23.7%

on the total bill. Again, according to the application, for customers moving from Peterborough Distribution to Hydro One, an average residential customer consuming 1,000 kWh per month will experience an increase of \$31.18 on the delivery portion of the monthly electricity bill. This represents an increase of 93.9% on the delivery portion of the bill and 34.0% on the total bill.

As stated above, one of the issues identified in the Board's revised Notice was whether or not rate impact mitigation should be considered for these customers, and if so, how the rate impact mitigation should be implemented.

In its submission, Board staff referenced the 2006 Electricity Distribution Rates Handbook ("EDRH") criteria for determining whether an applicant is required to file a rate impact mitigation plan. The 2006 EDRH states that the applicant must file a mitigation plan if total bill increases for any customer class or group exceeds 10%. Hydro One submitted that the criteria for rate impact mitigation should be consistent with the 2006 EDRH.

Hydro One submitted that the Board should reconsider the need to eliminate LTLTs, and recommended that an exemption for all existing LTLTs be provided. Whitby Hydro submitted that the Board leave existing LTLT customers where presently assigned in cases where the increase in rates is greater than 10%.

The Board does not agree with these submissions. A re-examination of the Board's policy with respect to the elimination of LTLT is not an issue before this Board in this proceeding. The Board's policy on the elimination of LTLTs was adopted as a result of the commercialisation of the distribution sector and the concomitant discontinuation of the use of municipal boundaries as demarcation identifiers of distribution franchise service areas. The policy addresses the recognition that LTLTs can give rise to cross subsidization between customers. Customers being served under the terms of LTLTs that are paying less than other similar customers who are not being served under the terms of an LTLT agreement are being subsidized. The original DSC, issued in 2000 and coming into force upon market opening, contained a requirement to eliminate LTLTs within 5 years of coming into force. The DSC came into force commensurate with the market opening in 2002, effectively setting the elimination deadline as 2007. An amendment was made in 2007 extending the deadline for elimination until 2009. There have been no changes to the regulatory framework pertaining to the manner in which licensed service areas are defined that would cause the Board to re-examine the LTLT elimination policy.

Both Hydro One and Whitby Hydro submitted that rate impact mitigation should be considered if the Board did not agree to review the policy in the DSC. Hydro One agreed with Board staff's submission that criteria for determining eligibility for rate impact mitigation should be consistent with the Board's 2006 EDRH (i.e., a total bill impact that exceeds 10%).

The Board agrees that there should be rate impact mitigation. The Board also agrees that eligibility for the rate impact mitigation should be consistent with the Board's 2006 EDRH. Therefore, if a customer is going to change distributors as a result of a service area amendment to eliminate an LTLT and the total bill impact for the customer is greater than 10%, the customer will be eligible for rate impact mitigation.

The rate impact on the customers moving to Hydro One's service area as a result of these applications is substantially greater than the 10% threshold established in the 2006 EDRH. Therefore, the Board will provide these customers with rate impact mitigation.

Whitby Hydro submitted that rate impact mitigation should take the form of rate harmonization over a ten year period. Whitby Hydro also submitted that the acquiring distributor should deal with the administrative and financial responsibility associated with rate impact mitigation. Hydro One submitted that customers moving to Hydro One could be transferred to one of its existing acquired distributor's rate classes and harmonized in a consistent approach as proposed in Hydro One's current distribution rate application (EB-2007-0681). Hydro One further submitted that funding for the plan should be tracked in a variance account by the acquiring distributor and the balance to be recovered from either the acquiring distributor's customers or the sending distributor's customers.

The Board finds that the rate impact mitigation plan shall be implemented by the distributor acquiring the customers. Therefore, in this case, Hydro One will be responsible for providing the rate impact mitigation.

The Board does not accept the methodology proposed by either Whitby Hydro or Hydro One. Whitby Hydro's proposal creates a considerable administrative burden for the acquiring distributor and results in a long term cross subsidization by the customers of the acquiring distributor. Hydro One's proposal is not practical and may result in customer confusion. Although in some circumstances rate impact mitigation over a longer period is suitable, the Board finds that long-term rate impact mitigation is not appropriate in the circumstances of these applications. Mitigating the cost burden on customers and providing them with time to arrange their budgeting to accommodate the

new rates must be balanced with the need to limit cross-subsidies among customers and control the administrative costs (which are borne by customers) associated with the mitigation process.

The Board believes that a simple form of rate impact mitigation needs to be considered having regard to the interests of all parties involved. The Board therefore finds the following methodology to be appropriate in the circumstances of these applications.

Upon transfer, the customers acquired by Hydro One shall be charged Hydro One's rates. However, Hydro One shall establish a credit to each transferred customer. The credit shall be equivalent to one-half of one year's increase on the delivery portion of the bill based on the individual customer's previous 12 months' consumption and based on the rates in effect at the time of this Order (e.g., if the impact on the delivery portion of the bill is \$300 per year, the credit to the customer shall be \$150). The credit shall be applied to the customer's account in equal instalments over the course of one year's bills beginning with the first bill after implementation of the Board's Order.

In addition, a suitable explanatory letter to the customer must accompany the first bill on which the credit is applied. The sample letter attached as Appendix B to this Decision and Order should be used as a format for the letter to be sent to the customers.

Hydro One requested a variance account to record lost revenue resulting from the rate impact mitigation plan as well as any costs involved in the set-up of such a plan.

The Board will allow Hydro One to track these costs in an already existing variance account. Hydro One shall record these costs in account 1508, Other Regulatory Assets, Sub-account LTLT Rate Impact Mitigation. Consideration of the disposition of the variance account will occur in the normal manner in the rate setting process.

Likewise, the consideration of the effect of the purchased assets on rate base will occur in the normal manner in the rate setting process.

IT IS THEREFORE ORDERED THAT:

1. Hydro One's Electricity Distribution Licence (ED-2003-0043), specifically tab 4 of Appendix B to the licence, is amended to include the lands described in section 1 of Appendix A to this Decision and Order.
2. Whitby Hydro's Electricity Distribution Licence (ED-2002-0571), specifically

Schedule 1 of the licence, is amended to exclude the lands described in section 1 of Appendix A to this Decision and Order.

3. Peterborough Distribution's Electricity Distribution Licence (ED-2002-0504), specifically Schedule 1 of the licence, is amended to include the lands described in section 2 and exclude the lands described in section 3 of Appendix A to this Decision and Order.
4. Whitby Hydro is granted leave to sell the assets described in the application to Hydro One.
5. Hydro One is granted leave to sell the assets described in the application to Peterborough Distribution.
6. Hydro One shall issue a credit to each customer being transferred to Hydro One from Whitby Hydro or Peterborough Distribution as a result of this Decision and Order. The credit shall be made in accordance with all of the terms and conditions contained in the Decision portion of this Decision and Order.
7. Hydro One is permitted to track the costs of the rate impact mitigation plan ordered in item number 6 above in account 1508, Other Regulatory Assets, Sub-account LTLT Rate Impact Mitigation

DATED at Toronto, July 25, 2008

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

The Lands that are Subject of the Service Area Amendments

Section 1: Lands to be Transferred to Hydro One's Licensed Service Area from Whitby Hydro's Licensed Service Area		
No.	Premise Address	Legal Description
1	165 Townline Road West, Whitby, ON	Concession 9, Part Lot 21 3.00AC
2	275 Townline Road West, Whitby, ON	Concession 9, Part Lot 22, Now RP40R95559, Part 1 34.11AC
3	345 Townline Road West, Whitby, ON	Concession 9, Part Lot 23 10.02AC
4	365 Townline Road West, Whitby, ON	Concession 9, Part Lot 23 10.00AC
5	395 Townline Road West, Whitby, ON	Concession 9, Part Lot 23, 24 10.03 AC
6	425 Townline Road West, Whitby, ON	Concession 9, Part Lot 24 10.07AC
7	445 Townline Road West, Whitby, ON	Concession 9, Part Lot 24 10.10AC
8	465 Townline Road West, Whitby, ON	Concession 9, Part Lot 24 10.03AC
9	485 Townline Road West, Whitby, ON	Concession 9, Part Lot 24 and Part Road Allowance between Lot 24 and Lot 25, 10.05AC
10	525 Townline Road West, Whitby, ON	Concession 9, Part Lot 25 and Part Road Allowance between Lot 24 and Lot 25 37500.00SF 250.00D
11	545 Townline Road West, Whitby, ON	Concession 9, Part Lot 25 and Road Allowance Part Parcel 1 11.29AC
12	565 Townline Road West, Whitby, ON	Concession 9, Part Lot 25, Parcel 2 10.02AC
13	585 Townline Road West, Whitby, ON	Concession 9, Part Lot 25, Parcel 3 10.03AC
14	605 Townline Road West, Whitby, ON	Concession 9, Part Lot 25, Parcel 4 10.04AC
15	625 Townline Road West, Whitby, ON	Concession 9, Part Lot 26 Now RP 40R14598, Part 2 0.86AC
16	665 Townline Road West, Whitby, ON	Concession 9, Part Lot 26 Now RP 40R-15077, Part 1 21.86AC
17	675 Townline Road West, Whitby, ON	Concession 9, Part Lot 26
18	9995 Ashburn Road North, Whitby, ON	Concession 9, Part Lot 26 ORMNATURAL LINKAGE-FULL 6.60AC
19	1175 Townline Road West, Whitby, ON	Concession 9, Part Lot 31 36.68AC
20	1245 Townline Road West, Whitby, ON	Concession 9, Part Lot 31, 32 110.32AC
21	1375 Townline Road West, Whitby, ON	Concession 9, Part Lot 33 71.00AC
22	1395 Townline Road West, Whitby, ON	Concession 9, Part Lot 33 1.05AC 224.94FR 208.91D
23	9909 Dagmar Road, Whitby, ON	Concession 9 Part Lot 34, 23.62AC
24	9895 Lake Ridge Road, Whitby, ON	Concession 9, Part Lot 35 11.11AC
25	9885 Lake Ridge Road, Whitby, ON	Concession 9, Part Lot 35 11.05AC
26	9695 Lake Ridge Road, Whitby, ON	Concession 9, Part Lot 35 11.52AC
27	9685 Lake Ridge Road, Whitby, ON	Concession 9, Part Lot 35 11.17AC
Section 2: Lands to be Transferred to Peterborough Distribution's Licensed Service Area from Hydro One's Licensed Service Area		
No.	Premise Address	Legal Description
1	1216 Parkhill Road, Peterborough, ON	Lot 3, Concession 1
2	1226 Parkhill Road, Peterborough, ON	Lot 8, Concession 1
3	1324 Parkhill Road, Peterborough, ON	Lot 7, Concession 1
4	2281 County Road 45, Norwood, ON	Lot 16, Concession 9
Section 3: Lands to be Transferred to Hydro One's Licensed Service Area from Peterborough Distribution's Licensed Service Area		
No.	Premise Address	Legal Description
1	1345 Hilliard St., RR4, Peterborough, ON	Lot 15, Concession 3
2	580 Duoro 9 th Line, RR9, Peterborough, ON	Lot 7, Concession 9

Appendix B

Letter to be Sent to Customers being Transferred to Hydro One from Whitby Hydro or Peterborough Distribution

YOUR ELECTRICITY DISTRIBUTOR HAS CHANGED

Dear customer:

We would like to welcome you as a new customer of Hydro One Networks Inc. As directed by the Ontario Energy Board, you will notice a <\$> credit reflected on your electricity bill enclosed herewith.

As you were made aware through previous communications, you were a customer of <Whitby Hydro Electric Corporation or Peterborough Distribution Inc.> and received your electricity bills from <Whitby Hydro Electric Corporation or Peterborough Distribution Inc.> but your electricity was supplied by Hydro One Networks Inc. This arrangement is known as a long term load transfer.

The Ontario Energy Board requires electricity distributors to eliminate long term load transfer arrangements before January 31, 2009. One option available to electricity distributors to eliminate an existing long term load transfer arrangement is to permanently transfer the affected customers to the electricity distributor that physically supplies them with electricity.

To eliminate their load transfer arrangements, both <Whitby Hydro Electric Corporation or Peterborough Distribution Inc.> and Hydro One Networks Inc. applied to the Ontario Energy Board for an order approving an amendment to their licences to include you in Hydro One Networks Inc.'s service area (which makes you a customer of Hydro One). You previously received notice of this application. The Board approved the application on July 25, 2008. Accordingly, effective <date of transfer>, you became a customer of Hydro One Networks Inc. Going forward, you will be supplied and billed by Hydro One Networks Inc.

Electricity distributors' distribution rates are not identical (i.e., some electricity distributors' rates are higher than others for various reasons). These rates are all approved by the Ontario Energy Board.

Prior to your transfer to Hydro One Networks Inc., you were charged <Whitby Hydro Electric Corporation or Peterborough Distribution Inc.> rates.

Effective <date of transfer>, you will be charged Hydro One's rates. Based on your prior year's consumption, the estimated increase on the delivery portion of the monthly electricity bill is (\$). This represents an impact of approximately (%) on the delivery portion of the bill and approximately (%) on the total bill.

To mitigate the impact of the rate increase, the Ontario Energy Board has directed Hydro One to issue a credit to each customer transferred as a result of its July 25, 2008 Decision and Order. The amount of the credit is equivalent to one-half of one year's increase on the delivery portion of the electricity bill based on your consumption over the past year and will be applied against your bill in equal instalments over the course of the next year.

If you have any questions about this letter or your electricity rates, please call (name of person) at Hydro One Networks Inc. at (phone number).