



EB-2008-0113

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

AND IN THE MATTER OF an Application by Hydro One
Networks Inc. for an Order or Orders approving or fixing
just and reasonable rates and other charges for the
transmission of electricity commencing January 1, 2009.

AND IN THE MATTER OF the Board's Order dated
October 17, 2007 which approved just and reasonable
rates for the transmission of electricity.

BEFORE: Ken Quesnelle
Presiding Member

Pamela Nowina
Vice Chair & Member

Paul Vlahos
Member

**DECISION AND RATE ORDER
ONTARIO UNIFORM TRANSMISSION RATES**

Background

Hydro One Networks ("Hydro One" or the "Applicant" or the "Company") filed an application dated May 30, 2008 with the Ontario Energy Board (the "Board") under section 78 of the *Ontario Energy Board Act, 1998*; S.O. c. 15, (Sched B) (the "Act") for an order or orders adjusting rates for the transmission of electricity, to be implemented on January 1, 2009.

The Board assigned file number EB-2008-0113 to the application. On June 20, 2008, the Board issued Notice of Application and Procedural Order No. 1, which established that submissions from all parties other than Hydro One were due by July 7, 2008 and Hydro One's reply was due July 21, 2008. The Notice was sent to all registered intervenors in the previous transmission proceeding (EB-2006-0501), as well as all transmitters, embedded distributors and Hydro One's directly connected customers. VECC was the only party to the proceeding that made a submission. On July 21, 2008, Hydro One filed its reply submission.

Hydro One's application seeks adjustments to the Ontario Uniform Transmission Rate Schedules, which were previously adjusted by the Board in its Ontario Uniform Transmission Rate Order of October 17, 2007 (EB-2007-0759). This Order approved a rate schedule for the recovery of the revenue requirements of electricity transmitters in the Ontario Transmission Rates Pool which, in addition to Hydro One, includes the transmitters Great Lakes Power Limited, Canadian Niagara Power Inc. and Five Nations Energy Inc.

Hydro One's present application arose as a result of the Board's decisions in previous transmission rate proceedings which directed the implementation of an Earnings Sharing Mechanism ("ESM") and Revenue Difference Deferral Account ("RDDA").

The ESM was established by the Board in its EB-2005-0501 Decision dealing with whether or not Hydro One's transmission rates were just and reasonable. In this decision, the Board determined that excess earnings from Hydro One's transmission business from January 1, 2006 until new transmission rates were implemented should be shared equally by ratepayers and the Company. Earnings for 2006 were determined from actual results from Hydro One's 2006 audited transmission business financial statements. The Board's EB-2006-0501 Decision determined that a total refund to customers of \$56.7 million, or an annual refund of \$28.4 million for two years, would be necessary to clear the balance in the ESM account.

The RDDA was established by the Board in its March 30, 2007 EB-2006-0501 Partial Decision and Order, which dealt with Hydro One's request that a 2007 revenue deficiency deferral account be established. The RDDA was intended to capture the difference (positive or negative) between (a) revenue determined from the rates resulting from that proceeding, and (b) revenue determined using then currently approved transmission rates. The revenue difference was to be calculated for the period

from the effective date of Hydro One's new revenue requirement to the date on which new uniform transmission rates ("UTRs") were implemented. This period was January 1, 2007 to October 31, 2007. The establishment of the RDDA had the effect of terminating the ESM as at December 31, 2006. In its application, Hydro One stated that the balance in the RDDA that accumulated from January 1, 2007 to October 31, 2007 was \$61.8 million, which is in addition to the \$56.7 million ESM amount discussed above.

Accordingly, Hydro One's total over-recovery from customers arising from both the ESM and RDDA totalled \$118.6 million. In order to reflect the appropriate re-payment to transmission customers, the Board reduced the Board approved 2008 revenue requirement to allow for this repayment. The Board's EB-2006-0501 Decision determined that this balance should reduce Hydro One's revenue requirement at the first available opportunity, that being the fourteen month period from November 1, 2007 through December 31, 2008.

In the present application, Hydro One confirmed that the repayment to transmission customers would be completed by December 31, 2008. As such, in order to allow recovery of the Board approved 2008 revenue requirement from January 1, 2009, Hydro One requested adjustments to its revenue requirement and the uniform transmission rates, effective January 1, 2009. The UTR adjustments flow from the impact on the rate pool of the adjustment of Hydro One's revenue requirement.

No party opposed the rate adjustment requested by Hydro One.

In its submission, VECC stated that it had reviewed Hydro One's application and did not take issue with its calculations of the UTRs. However, VECC noted that part of Hydro One's rationale for the UTR adjustment was the expectation that continued use of the existing UTRs would result in an over-payment to customers of the \$56.7 million of Earnings Sharing resulting from the 2006 excess earnings. On this basis, VECC submitted that the Board should require Hydro One to report in early 2009 regarding the actual amount repaid to customers as of December 31, 2008 as part of the company's application for 2009/2010 rates.

In response to VECC's submission, Hydro One stated that it had incorporated the disposition of the \$56.7 million re-payment to customers in its calculation of the UTRs, as directed by the Board, and that there was no deferral account keeping an actual tally of the dollars. Hydro One further stated that it had undertaken a comparison of the

forecasted Hydro One transmission billing charges from November 1, 2007 until May 31, 2008 (latest billing period) with the actual transmission billing charges during the same period and found that they were less than 0.5% different from each other. Hydro One concluded that this clearly demonstrated the actual dollars being re-paid each month are the same as the estimated re-payment amount of \$56.7 million and that it was confident the seven month period was a good representation of the complete 14 months. On this basis, Hydro One argued that the full \$56.7 million re-payment will be complete at the end of December 2008.

Board Findings

The Board approves Hydro One's proposal that uniform transmission rates and revenue shares be adjusted as set out by Hydro One in its application.

In so finding, the Board notes that the request by Hydro One for rates effective January 1, 2009 had first been made in its September 2007 filing. At that time, the Board declined to approve these rates on the basis that the request was premature and would be more appropriately considered at the time the Board reviewed UTRs in 2008.

When the Board made this determination, it was anticipated that Hydro One's next transmission cost of service filing could take place in mid-2008 in order to set rates for the beginning of 2009. The filing of this application is now anticipated some time in or about September 2008. Therefore, it is unlikely that the Board will be in a position to set rates in that proceeding in time for January 1, 2009 implementation.

With respect to VECC's submission, the Board notes Hydro One's reply submission but finds that it is not necessary for the Board to consider this new information in order for the Board to reach a determination in this matter. The Board is of the view that in the normal course of events there will be numerous shifts in both directions in many of Hydro One's accounts by the time of its next rate filing. As such, the Board does not believe that it is necessary to require specific reporting on this one item as requested by VECC.

THEREFORE, THE BOARD ORDERS THAT:

1. The terms and conditions and the rates set out in Appendix A to this Order are approved, effective January 1, 2009, and replace the terms and conditions and rates set out in the previous uniform transmission rate order on that date.
2. The revenue allocators set out in Appendix B to this Order are approved, and replace the revenue allocators set out in the previous rate order.
3. VECC shall file with the Board and forward to Hydro One its cost claim within 26 days from the date of this Decision and Rate Order.
4. Hydro One shall file with the Board and forward to VECC any objections to the claimed costs within 40 days from the date of this Decision and Rate Order.
5. VECC shall file with the Board and forward to Hydro One any responses to any objections for cost claims within 47 days of the date of this Decision and Rate Order.
6. The Board's costs of and incidental to this proceeding, if any, shall be paid by Hydro One immediately upon receipt of the Board's invoice.

ISSUED at Toronto, August 28, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

**APPENDIX "A" TO
ONTARIO UNIFORM TRANSMISSION RATE ORDER**

EB-2008-0113

August 28, 2008

APPENDIX A

**ONTARIO TRANSMISSION RATE SCHEDULES
EB-2008-0113**

The rate schedules contained herein shall be effective January 1, 2009.

Issued: August 28, 2008
Ontario Energy Board

TRANSMISSION RATE SCHEDULES

TERMS AND CONDITIONS

(A) APPLICABILITY

The rate schedules contained herein pertain to the transmission service applicable to:

- The provision of Provincial Transmission Service (PTS) to the Transmission Customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario.
- The provision of Export Transmission Service (ETS) to electricity market participants that export electricity to points outside Ontario utilizing the transmission system in the province of Ontario. The Rate Schedule ETS applies to the wholesale market participants who utilize the Export Service in accordance with the Market Rules of the Ontario Electricity Market, referred to hereafter as Market Rules.

These rate schedules do not apply to the distribution services provided by any distributors in Ontario, nor to the purchase of energy, hourly uplift, ancillary services or any other charges that may be applicable in electricity markets administered by the Independent Electricity System Operator (IESO) of Ontario.

(B) TRANSMISSION SYSTEM CODE

The transmission service provided under these rate schedules is in accordance with the Transmission System Code (Code) issued by the Ontario Energy Board (OEB). The Code sets out the requirements, standards, terms and conditions of the transmitter's obligation to offer to connect to, and maintain the operation of, the transmission system. The Code also sets out the requirements, standards, terms and conditions under which a Transmission Customer may connect to, and remain connected to, the transmission system. The Code stipulates that a transmitter shall connect new customers, and continue to offer transmission services to existing customers, subject to

a Connection Agreement between the customer and a transmitter.

(C) TRANSMISSION DELIVERY POINT

The Transmission Delivery Point is defined as the transformation station, owned by a transmission company or by the Transmission Customer, which steps down the voltage from above 50 kV to below 50 kV and which connects the customer to the transmission system.

The demand registered by two or more meters at any one delivery point shall be aggregated for the purpose of assessing transmission charges at that delivery point if the corresponding distribution feeders from that delivery point, or the plants taking power from that delivery point, are owned by the same entity within the meaning of Ontario's *Business Corporations Act*.

The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV.

(D) TRANSMISSION SERVICE POOLS

The transmission facilities owned by the licenced transmission companies are categorized into three functional pools. The transmission lines that are used for the common benefit of all customers are categorized as Network Lines and the corresponding terminating facilities are Network Stations. These facilities make up the Network Pool. The transformation station facilities that step down the voltage from above 50 kV to below 50 kV are categorized as the Transformation Connection Pool. Other electrical facilities (i.e. that are neither Network nor Transformation) are categorized as the Line Connection Pool.

All PTS customers incur charges based on the Network Service Rate (PTS-N) of Rate Schedule PTS.

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The PTS customers that utilize transformation connection assets owned by a licenced transmission company also incur charges based on the Transformation Connection Service Rate (PTS-T). The customer demand supplied from a transmission delivery point will not incur transformation connection service charges if a customer fully owns, or has fully contributed toward the costs of, all transformation connection assets associated with that transmission delivery point.

The PTS customers that utilize lines owned by a licenced transmission company to connect to Network Station(s) also incur charges based on the Line Connection Service Rate (PTS-L). The customer demand supplied from a transmission delivery point will not incur line connection service charges if a customer fully owns, or has fully contributed toward the costs of, all line connection assets connecting that delivery point to a Network Station. Similarly, the customer demand will not incur line connection service charges for demand at a transmission delivery point located at a Network Station.

(E) MARKET RULES

The IESO will provide transmission service utilizing the facilities owned by the licenced transmission companies in Ontario in accordance with the Market Rules. The Market Rules and appropriate Market Manuals define the procedures and processes under which the transmission service is provided in real or operating time (on an hourly basis) as well as service billing and settlement processes for transmission service charges based on rate schedules contained herein.

(F) METERING REQUIREMENTS

In accordance with the Market Rules and the Transmission System Code, the transmission service charges payable by Transmission Customers shall be collected by the IESO. The IESO will utilize Registered Wholesale Meters and a Metering Registry in order to calculate the monthly transmission service charges payable by the Transmission Customers.

Every Transmission Customer shall ensure that each metering installation in respect of which the customer has an obligation to pay transmission service charges

arising from the Rate Schedule PTS shall satisfy the Wholesale Metering requirements and associated obligations specified in Chapter 6 of the Market Rules, including the appendices therein, whether or not the subject meter installation is required for settlement purposes in the IESO-administered energy market. A meter installation required for the settlement of charges in the IESO-administered energy market may be used for the settlement of transmission service charges.

The Transmission Customer shall provide to the IESO data required to maintain the information for the Registered Wholesale Meters and the Metering Registry pertaining to the metering installations with respect to which the Transmission Customers have an obligation to pay transmission charges in accordance with Rate Schedule PTS.

The Metering Registry for metering installations required for the calculation of transmission charges shall be maintained in accordance with Chapter 6 of the Market Rules. The Transmission Customers, or Transmission Customer Agents if designated by the Transmission Customers, associated with each Transmission Delivery Point will be identified as Metered Market Participants within the IESO's Metering Registry. The metering data recorded in the Metering Registry shall be used as the basis for the calculation of transmission charges on the settlement statement for the Transmission Customers identified as the Metered Market Participants for each Transmission Delivery Point.

The Metering Registry for metering installations required for calculation of transmission charges shall also indicate whether or not the demand associated with specific Transmission Delivery Point(s) to which a Transmission Customer is connected attracts Line and/or Transformation Connection Service Charges. This information shall be consistent with the Connection Agreement between the Transmission Customer and the licenced Transmission Company that connects the customer to the IESO-Controlled Grid.

(G) EMBEDDED GENERATION

The Transmission Customers shall ensure conformance of Registered Wholesale Meters in accordance with Chapter 6 of Market Rules, including

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Metering Registry obligations, with respect to metering installations for embedded generation that is located behind the metering installation that measures the net demand taken from the transmission system if (a) the required approvals for such generation are obtained after October 30, 1998; and (b) the generator unit rating is 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation; and (c) the Transmission Delivery Point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water.

Accordingly, the distributors that are Transmission Customers shall ensure that connection agreements between them and the generators, load customers, and embedded distributors connected to their distribution system have provisions requiring the Transmission Customer to satisfy the requirements for Registered Wholesale Meters and Metering Registry for such embedded generation even if the subject embedded generator(s) do not participate in the IESO-administered energy markets.

(H) EMBEDDED CONNECTION POINT

In accordance with Chapter 6 of the Market Rules, the IESO may permit a Metered Market Participant, as defined in the Market Rules, to register a metering installation that is located at the embedded connection point for the purpose of recording transactions in the IESO-administered markets. (The Market Rules define an embedded connection point as a point of connection between load or generation facility and distribution system). In special situations, a metering installation at the embedded connection point that is used to settle energy market charges may also be used to settle transmission service charges, if there is no metering installation at the point of connection of a distribution feeder to the Transmission Delivery Point.

In above situations:

- The Transmission Customer may utilize the metering installation at the embedded connection point, including all embedded generation and load connected to that point, to satisfy the requirements described in Section (F) above provided that the

same metering installation is also used to satisfy the requirement for energy transactions in the IESO-administered market.

- The Transmission Customer shall provide the Metering Registry information for the metering installation at the embedded connection point, including all embedded generation and load connected to that point, in accordance with the requirements described in Section (F) above so that the IESO can calculate the monthly transmission service charges payable by the Transmission Customer.

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RATE SCHEDULE: PTS	PROVINCIAL TRANSMISSION SERVICE
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APPLICABILITY:

The Provincial Transmission Service (PTS) is applicable to all Transmission Customers in Ontario who own facilities that are directly connected to the transmission system in Ontario and that withdraw electricity from this system.

	<u>Monthly Rate (\$ per kW)</u>
Network Service Rate (PTS-N):	
\$ Per kW of Network Billing Demand ^{1,2}	2.57
Line Connection Service Rate (PTS-L):	
\$ Per kW of Line Connection Billing Demand ^{1,3}	0.70
Transformation Connection Service Rate (PTS-T):	
\$ Per kW of Transformation Connection Billing Demand ^{1,3,4}	1.62

The rates quoted above shall be subject to adjustments with the approval of the Ontario Energy Board.

Notes:

1. The demand (MW) for the purpose of this rate schedule is measured as the energy consumed during the clock hour, on a "Per Transmission Delivery Point" basis. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV at the Transmission Delivery Point.
2. The Network Service Billing Demand is defined as the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85 % of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. The peak period hours will be between 0700 hours to 1900 hours Eastern Standard Time during winter (i.e. during standard time) and 0600 hours to 1800 hours Eastern Standard Time during summer (i.e. during daylight savings time), in conformance with the meter time standard used by the IMO settlement systems.
3. The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by embedded generation for which the required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.
4. The Transformation Connection rate includes recovery for OEB approved Low Voltage Switchgear compensation for Toronto Hydro Electric System Limited and Hydro Ottawa Limited.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code, in particular the Connection Agreement as per Appendix 1 of the Transmission System Code, and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to services provided under this Rate Schedule.

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RATE SCHEDULE: ETS	EXPORT TRANSMISSION SERVICE
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APPLICABILITY:

The Export Transmission Service is applicable for the use of the transmission system in Ontario to deliver electrical energy to locations external to the Province of Ontario, irrespective of whether this energy is supplied from generating sources within or outside Ontario.

Hourly Rate

Export Transmission Service Rate (ETS): \$1.00 / MWh

The ETS rate shall be applied to the export transactions in the Interchange Schedule Data as per the Market Rules for Ontario’s Electricity Market. The ETS rate shall be subject to adjustments with the approval of the Ontario Energy Board.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to service provided under this Rate Schedule.

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**APPENDIX "B" TO
ONTARIO UNIFORM TRANSMISSION RATE ORDER**

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August 28, 2008

Ontario Uniform Transmission Rates

Revenue Allocators

Effective January 1, 2009

Transmitter	Network	Line Connection	Transformation Connection
Five Nations Energy Inc.	0.00439	0.00439	0.00439
Canadian Niagara Power Inc.	0.00391	0.00391	0.00391
Great Lakes Power Ltd.	0.02948	0.02948	0.02948
Hydro One Networks Inc.	0.96222	0.96222	0.96222
Total	1.00000	1.00000	1.00000