

1                   **SUMMARY OF BOARD DIRECTIVES AND UNDERTAKINGS**  
 2                                   **FROM PREVIOUS PROCEEDINGS**

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 4   This exhibit identifies Board directives to Hydro One Distribution from its previous rates  
 5   proceedings. Table 1 lists the directives and indicates the Exhibit number in this  
 6   application in which the evidence responds to the Board directives, or provides the  
 7   response itself.

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 9   **Table 1**  
 10   **Directives from Proceeding RP-2005-0020/EB-2005-0378 (2006 Distribution Rates)**

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Item #	Issue	Summary of Directive	Reference Exhibit
(i)	CDM	<p>The Board expects Hydro One to provide a more sound analysis of CDM program details and reduction objectives in future applications. (2.3.9)</p> <p><b>Response Note - Hydro One will take guidance on planned reductions and funding from OPA based programs.</b></p>	Exhibit A, Tab 14, Schedule 3, Section 2.6
		<p>The Board expects Hydro One to present future CDM load reduction forecasts with a bottom-up analysis estimating the expected results of their CDM activities and those of others that affect their loads. The Board expects Hydro One's next CDM load reduction forecast, of this order of magnitude, to include a proposal for an LRAM. (2.3.13)</p> <p><b>Response Note - Hydro One has concerns with the practical difficulties and related accuracy of determining the actual amount of CDM savings achieved by its customers in a given year, through the implementation of CDM initiatives from various sources such as the Ontario Power Authority, Provincial Government and Federal Government. Hydro One believes it is prudent to wait for the OPA to develop Measurement and Verification programs for determining actual CDM achievements and as such is not proposing or requesting an LRAM at this time.</b></p>	Exhibit A, Tab 14, Schedule 3, Section 4.0

Item #	Issue	Summary of Directive	Reference Exhibit
(ii)	Compensation	<p>The Board has noted in this proceeding that since the de-merger on Ontario Hydro, Hydro One has taken a number of steps to control its overall compensation costs .... These are positive steps and the Board expects the company to continue and enhance such efforts in the future and report to the Board at the next main rates case. The Board is particularly concerned about the apparently high labour rates. In this respect, the Board expects Hydro One to identify what steps the company has taken or will take to reduce labour rates. (3.4.3)</p>	<p>Exhibit C1, Tab 3, Schedule 2</p>
		<p>The Board will not make an adjustment to the proposed OM&amp;A costs based on compensation levels at this time but expects the utility to demonstrate in the future that lower compensation costs per employee have been achieved or demonstrate concrete initiatives whereby compensation costs will be brought more in line with other utilities. (3.4.5)</p>	<p>Exhibit C1, Tab 3, Schedule 2</p>
		<p>The Board expects Hydro One to file appropriate evidence in the next main rates case to establish that none of the incentive compensation should be charged to the shareholder. (3.4.6)</p>	<p>Exhibit C1, Tab 3, Schedule 2</p>
(iii)	Benchmarking	<p>While the Board is not prepared to order a comprehensive benchmarking study, the Board sees value in a high level benchmarking study for initial review at the next rate proceeding. The Board directs Hydro One to engage an independent party to develop a list of comparable North American companies with similar business models (transmission and/or distribution) and to report on high level comparative performance and cost information for Hydro One and these companies. In future rate cases, this information may assist with determination of areas for a more comprehensive benchmarking review. The Board does not anticipate that the high level benchmarking study will be overly costly. Hydro One will want to consult with intervenors regarding the scope of the study. The independent study should be submitted as part of Hydro One's next main application for distribution rates. (3.5.6)</p>	<p>Exhibit A, Tab 15, Schedule 2  Exhibit A, Tab 16, Schedule 1</p>
		<p>In addition, the Board directs Hydro One to engage an independent party to develop a comparison of labour rates and overtime policies amongst Hydro One, other comparative Ontario electricity distributors and other Canadian utilities as identified in the high level benchmarking study. This independent study should also be submitted as part of Hydro One's next main applications for distribution and transmission rates. (3.5.7)</p>	<p>Exhibit A, Tab 15, Schedule 2</p>

(iv)	Spending on Line Losses	The Board does accept the submissions of intervenors regarding the expected benefits of the \$4.75 million expenditure and directs Hydro One to include in its next main rates case filing a budget and a work plan to implement all the cost-effective line-loss reduction suggestions contained within the Kinetrics study. If Hydro One concludes that any of the recommendations in the Kinetrics study should not be implemented, it must clearly demonstrate the reasons for that position, and an accompanying budget and work plan for its preferred implementation plan. (4.3.10)	Exhibit A, Tab 15, Schedule 3
(v)	AFUDC	The Board therefore directs Hydro One to recalculate the AFUDC using a rate of 6.2%, which is the Company's blended long-term debt rate. (4.4.4)  <i>The AFUDC rate to be used by LDCs is currently prescribed under the Board-approved interest rate methodology (EB-2006-0117)</i>	Exhibit D1, Tab 4, Schedule 1
(vi)	Deferral Accounts – Pension Costs, MEU Rate Mitigation	The Board directs Hydro One to recalculate the interest using 3.88% instead of 7.71%. (6.2.3)  The Board directs Hydro One to recalculate the interest using 5.75% instead of 7.71%. (6.2.7)  <i>Deferral Account interest rates now prescribed under the Board-approved interest rate methodology (EB-2006-0117)</i>	Exhibit F1, Tab 1, Schedule 1
(vii)	Line Loss Factors	The Board is of the view that either a less expensive metering program, or a second effort to evaluate line losses using current load data and local experience, may provide loss factor estimates that are more acceptable and credible to stakeholders. (7.3.10)	Exhibit A, Tab 15, Schedule 3
		The Board expects Hydro One to continue its efforts to refine line loss factors as they affect the bills of individual LV customers. (7.3.12)	Exhibit G1, Tab 10, Schedule 1, Section 1.1

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2 **Board Directives from Proceeding EB-2005-0528 (Rates for Distributed Generation)**

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Item #	Issue	Summary of Directive	Reference Exhibit
(i)	Rates for Distributed Generation	The Board therefore directs the Company as part of its upcoming cost allocation review filing to properly identify the costs for serving the proposed new rate classification (s), Following this, the Board will expect the Company to come forward with an updated rate design proposal for distributed generators that also considers the benefits that these customers provide.	Exhibit G2, Tab 1, Schedule 1 Section 4.0

1           **Board Directives from Proceeding EB-2006-0501 (2007 and 2008 Electricity**  
 2                                   **Transmission Revenue Requirements)**

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Item #	Issue	Summary of Directive	Reference Exhibit
(i)	Benchmarking	The PA study filed in this Application suffered from various deficiencies and shortcomings, as noted by the authors of the study, the Applicant and the intervenors. The Board expects the new study to be comprehensive and reliable, with none of the limitations of the PA study. If Hydro One cannot correct all of these deficiencies in time for the Company's 2008 Distribution rate filing, the Board expects them to be corrected in the 2009 transmission filing. (Page 33 of Decision with Reasons)	Exhibit A, Tab 15, Schedule 2 Attachments A and B.
(ii)	Reduction in CDM Forecast	The Board finds that Hydro One should reduce the expected impact of CDM on total Ontario peak demand by 350 MW. (Page 92 of Decision with Reasons)	Exhibit A, Tab 14, Schedule 3, Section 2.6

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5           **Directive in Letter from the Board dated October 29, 2007 Re: Ontario Uniform**  
 6                                   **Transmission Rate Order, EB-2007-0759**

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Item #	Issue	Summary of Directive	Reference Exhibit
(i)	Retail Transmission Rates and Associated Variance Accounts	The Board directs each distributor to propose an adjustment to their retail transmission rates and disposition of the associated variance account balances in its 2008 Cost of Service or Incentive Rate Mechanism application, as applicable. The Board notes that resetting these rates should take into consideration the reduction in the wholesale transmission rates and the pattern of variance in the accounts.	Exhibit G1, Tab 6, Schedule 1 and Exhibit F1, Tab 1, Schedule 1.

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