



1 Hydro One Distribution believes the view expressed by the majority of stakeholders is  
2 the prudent course of action at this time. Until such time as the guiding principles and  
3 density cost drivers are established, it is inappropriate to proceed to detailed analysis.

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5 Hydro One Distribution noted during the first stakeholder session its concern with  
6 making changes to the current rate classes and cost allocation methodology at this time,  
7 given the following:

- 8 • Hydro One is still in the middle of the 4 year Harmonization plan approved by the  
9 Board in its last Decision
- 10 • The increasing pressure on rates driven by work related to the Smart Network and  
11 Distributed Generation connections (*Green Energy and Green Economy Act,*  
12 *2009*)
- 13 • Direction provided in the Board staff discussion paper entitled "Rate  
14 Classification for Electricity Distribution Customers" on eliminating density-  
15 related customer classification

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17 Therefore, Hydro One Distribution believes a staged approach to addressing the Board  
18 direction is a reasonable way to proceed that avoids making disruptive, and possibly  
19 unnecessary, changes to the current rate design.

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21 Hydro One Distribution retained Elenchus Research Associates ("ERA") to assist in  
22 developing the Principles that should be considered in establishing the relationship  
23 between Density and cost causality. ERA presented its initial thinking at the second  
24 Stakeholder session held May 25, 2009. ERA's report is included as Attachment A to  
25 this Exhibit.

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27 For this submission, Hydro One Distribution has used to same Density criteria and  
28 weighting factors that were used in EB-2007-0681. The only change was that, as  
29 suggested at the first Stakeholder Session by FOCA, the weighting factor for Seasonal

- 1 customers was set to one, as it is done for all other customer classes that have no density
- 2 based differentiation.