Consumers Council of Canada (CCC) INTERROGATORY #6 List 2

Interrogatory

Ref: A/T13/S1/p. 9

Issue Number 1.4
Issue: Is Hydro One's proposal to establish a revenue requirement beyond the 2007 and 2008 test years appropriate?

Given the uncertainty around the outcome of the OPA's IPSP process why not delay the development and Board approval of a rate-setting mechanism for the 2009-2010 period? In effect, why should the proposal not be viewed as premature given, as HON states, the industry is going through a "period of significant uncertainty"?

Response

Hydro One's proposal to establish a revenue requirement beyond the 2007 and 2008 test years provides sufficient flexibility to deal with the uncertainties associated with the OPA's IPSP process. For example, if the IPSP were not yet approved by the time Hydro One would submit the adjusted revenue requirement for 2009, the adjusted revenue requirement components would reflect only the incremental capital work that Hydro One expected for 2009. This incremental work would include non-IPSP related projects and given that the IPSP was not approved it would include pre-IPSP related projects.

Hydro One believes that it is precisely because of the potential for a period of significant uncertainty that having a mechanical adjustment mechanism allows Hydro One to continue with the necessary work to maintain the reliability and quality of service to its transmission customers and to meet government's directives, and have the assurance that it can recover the costs.