Consumers Council of Canada (CCC) INTERROGATORY #3 List 2

Interrogatory

Ref: C1/T5/S1, p. 2

Issue 1.1
Issue: Are the Affiliate Services Agreements still cost effective and efficient in delivering services? Have any changes occurred in these arrangements since the 2006 distribution rates proceeding?

The Board approved the Common Corporate Cost Allocation methodology for the 2006 allocation to HON Distribution. To the extent the overall pool of costs has changed for 2007 and 2008 please explain, specifically, how HON Tx assesses the reasonableness of that pool of costs.

Response

As discussed in Exhibit C1/Tab 5/ Schedule 1, Hydro One utilized the Rudden study to ensure that a consistent allocation of common costs to the transmission and distribution businesses and to each Hydro One affiliate is based on clearly articulated shared services and an established costs allocation approach. The Board accepted the recommendations contained in the Rudden study for purposes of setting 2006 Distribution rates, and also considered it reasonable for the Company to employ the Rudden methodology in the Transmission rate case. The level of Common Costs (Ref: Exhibit C1, Tab 2, Schedule 5) is deemed appropriate as they are reviewed and established as a part of the annual business planning process which includes a review by the Executive Committee and subsequent approval by the Board of Directors (Ref: Exhibit A, Tab 14, Schedule 1).