Consumers Council of Canada (CCC) INTERROGATORY #21 List 2

Interrogatory

Ref: B1/T3/S1

Issue 4.4
Issue: Should the capital structure, capital costs, and ROE vary between Hydro One's distribution and transmission business.

The OEB has, in its Report of the Board dated December 20, 2006, set out a framework for debt and equity structure for Ontario electric LDCs. Please explain why HON Transmission should be treated under a different framework. In addition, please explain specifically why HON Tx should be treated from HON Dx.

Response

The framework set out by the Board in its December 20, 2006 report was the result of a generic technical conference process for the LDCs, rather than the result of a full testing of evidence. The framework for the LDCs set out in the Board report is essentially a default position. Each LDC has the ability to bring its own evidence on cost of capital when it has its rates rebased.

HONI Tx is filing cost of capital evidence specific to its own circumstances, which is subject to a full evidentiary process. In that process, HONI Tx expects that the Board will take account of the various indicators that support the conclusion that the default position produces results that do not meet the standard of comparability of returns.