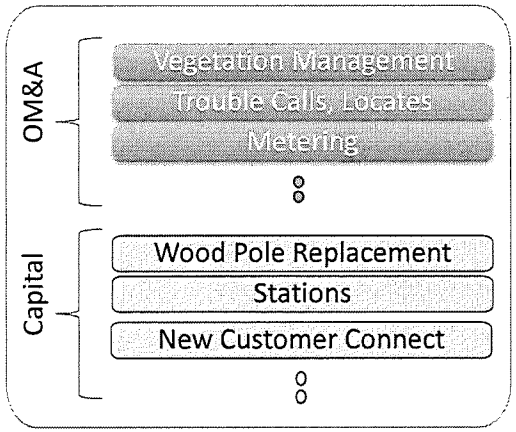
K1.2

HYDRO ONE FORECAST METHODOLOGY OVERVIEW

LDC Specific Adjustments and Demographic Categorization to Generate the Average Cost per Demographic

Hydro One Investment Areas



Adjustments

Identify Incremental Costs

LDC Specific Characteristics

- Asset Condition
- PCB Compliance Status
- Proportion of Overhead vs. Underground Circuits

Categorize by Demographic

Demographic	OM&A	Sustainment Capital	Growth Capital
Circuit km	✓	✓	
Stations	✓	✓	
ROW km	✓		
Existing Customers	✓	✓	
Incremental Capacity			✓
New Customers			✓

Average $ / Demographic

OM&A / Demographic

- $/Circuit km
- $/Stations
- $/ROW km
- $/Existing Customers

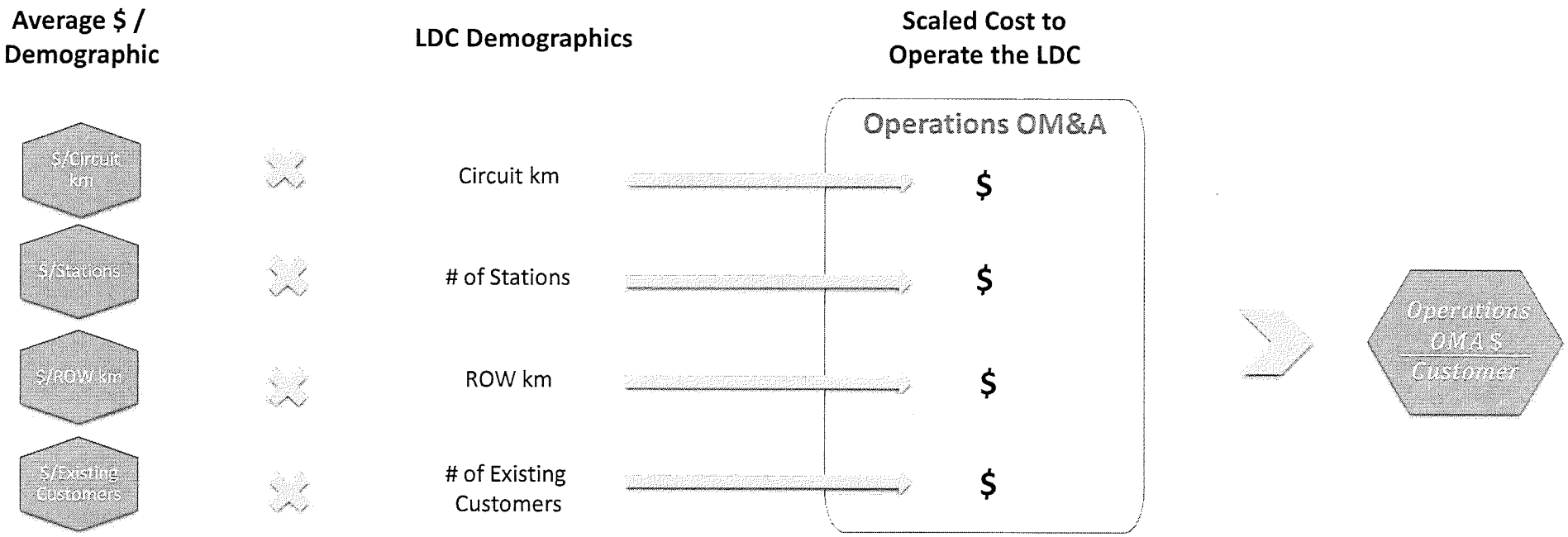
Sustainment Capital / Demographic

- $/Circuit km
- $/Stations
- $/ Existing Customers

Growth Capital / Demographic

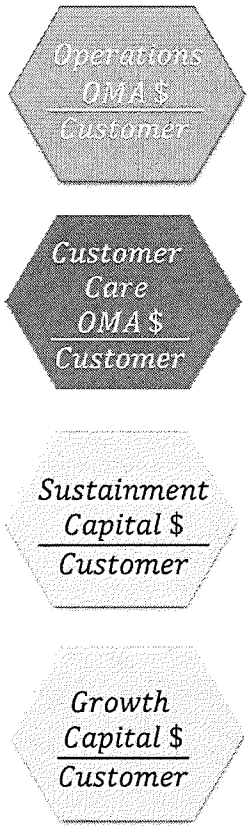
- $/ Incremental Capacity
- $/New Customers

Determine Scaled Cost to Derive Cost per Customer



A similar process was applied to derive

Establish 10 Year Incremental Hydro One Forecast Line Items



Years 1 – 10 Customer Count Forecast

Annual Inflation Escalation

Additional Costs Not Captured In the Per Customer Factors

- Property Taxes
- Operations Center Lease
- Additional Station Investments
- ⋮

Hydro One LDC Forecast

	Year 1	Year 2	.....	Year 10
Operations OM&A	$	$	$	$
Customer OM&A	$	$	$	$
Other OM&A	$	$	$	$
Sustainment Capital	$	$	$	$
Growth Capital	$	$	$	$

TABLE 1: HYDRO ONE FORECASTS

Hydro One Forecast (OPDC)

$M	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A	4.1	2.0	2.1	1.7	1.7	1.7	1.8	1.8	1.8	1.9
Capital	3.4	2.4	2.4	2.5	2.6	2.8	2.8	2.9	2.9	3.0

Hydro One Forecast (PDI)

$M	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A	8.7	4.5	4.3	3.8	3.9	3.9	4.0	4.1	4.2	4.2
Capital	6.0	7.5	5.4	5.1	5.7	7.1	5.4	5.6	5.7	5.9