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BY COURIER

January 5, 2011

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli

EB-2010-0002 – Hydro One Networks’ 2011-2012 Electricity Transmission Revenue Requirement – Final Revenue Requirements & Charge Determinants in Accordance with Decision

In its Decision with Reasons dated December 23, 2010, the Board directed Hydro One to file with the Board and all intervenors of record a draft exhibit showing the final revenue requirement to reflect the Board’s findings in this Decision and an exhibit showing the calculation of the uniform transmission rates and revenue shares resulting from this Decision.

Attached please find the requested exhibits, as well as documentation providing a clear explanation of all calculations and assumptions used in deriving the amounts used in these exhibits, as specified by the Board. The revenue requirements of \$1345.6 million for 2011 and \$1657.6 million in 2012 are detailed in exhibits 1.0 to 1.9. The calculation of the 2011 UTR’s, wholesale meter rates, low voltage switchgear credit, charge determinants and revenue shares resulting from the Board’s findings in this decision are detailed in exhibits 2.0 to 6.0. The 2011 UTR’s in \$/kW-Month are determined to be 3.22 for Network, 0.79 for Line Connection and 1.77 for Transformation Connection. In addition, a listing of the studies and reports requested by the Board in their Decision and a listing of all variance and deferral accounts as approved by the Board in their Decision are provided in exhibits 7 and 8 respectively.

The attached exhibits reflect all changes as ordered by the Board to Hydro One’s proposed submission as summarized in Hydro One’s prefiled evidence. In summary, Hydro One has:

- Reduced OM&A costs by 3% for 2011 and 4% for 2012

- Applied the cost of capital parameters released by the Board on November 15, 2010 for purposes of establishing Hydro One's cost of capital for 2011. The 2012 test year cost of capital parameters will be set based upon September 2011 data which will be issued by the OEB in due course.
- Updated the average cost of embedded debt for 2011 and 2012 by incorporating the actual principal amount and cost rate for debt issued in 2010, and the forecast coupon rates for 2011 and 2012 as per the September 2010 consensus forecast and October 2010 long-term consensus forecast respectively.
- In 2012, reflected the \$200 million shift of CAPEX to OM&A due to the transition to IFRS capitalization policy. Rate base was also updated to reflect this change.
- Recalculated the resulting HST-related reduction in OM&A to reflect the above changes in the OM&A envelopes and recognized this reduction in the revenue requirement. Recalculated the capital related HST effect in the revenue requirement to reflect the removal of projects D43 and D44 and the 2012 transition to IFRS capitalization policy.
- Recalculated the rate base to reflect the revised AFUDC rates for 2010, 2011 and 2012 and the removal of the accelerated inclusion of CWIP with respect to the Bruce to Milton project.
- Removed the capital expenditures in both test years for Protection and Control Development projects D43 and D44 as identified by the OEB. As these projects are forecast to come into service in 2011 and 2012, the 2011 and 2012 Revenue Requirement was also reduced.
- Revised the Forecast of External Revenues to reflect the increase to the forecast for Station Maintenance.
- Increased the forecast of Export Transmission Service Revenue.
- Applied a 12 month disposition for all variance accounts.
- Due to the reduced 2011 Revenue Requirement from the above changes, Hydro One has also lowered its Low Voltage Switchgear Credit along with its Wholesale Meter Rate.

In the Decision, the Board has outlined its concerns in some specific areas and provided indications as to how Hydro One could improve its next Transmission Business cost of service application. Hydro One accepts and appreciates the guidance the Board has provided and will reflect it in its next Transmission cost of service application.

As directed by the Board, all intervenors, by copy of this letter, are notified of this filing with the Board and of the fact that they have the opportunity to provide comment, if any, to the Board within 7 calendar days from today.

If you have any questions regarding this submission please contact Anne-Marie Reilly at 416 345-6482.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

c. EB-2010-0002 Intervenors (electronic)

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REVENUE REQUIREMENTS, CHARGE DETERMINANTS & OTHER

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Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

Revenue Requirement Summary

(\$ millions)	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
OM&A	Exhibit 1.1	436.3	450.0	(17.6)	177.1	418.8	627.1
Depreciation	Exhibit 1.2	302.9	334.8	(1.0)	(4.1)	301.8	330.8
Return on Debt	Exhibit 1.4	284.8	312.3	(27.3)	(25.1)	257.5	287.1
Return on Equity	Exhibit 1.4	340.5	380.4	(37.0)	(28.3)	303.5	352.1
Income Tax	Exhibit 1.5	80.9	70.0	(17.0)	(9.4)	64.0	60.6
Base Revenue Requirement		1,445.5	1,547.4	(99.9)	110.2	1,345.6	1,657.6
Deduct: External Revenue	Exhibit 1.6	31.3	24.7	2.4	4.0	33.7	28.7
Subtotal		1,414.2	1,522.7	(102.3)	106.2	1,311.8	1,628.9
Deduct: Export Tx Service Revenue	Exhibit 1.7	(10.1)	(10.2)	(5.9)	(5.8)	(16.0)	(16.0)
Deduct: Other Cost Charges	Exhibit 1.8	(10.0)	2.6	2.6	(2.6)	(7.4)	-
Add: Low Voltage Switch Gear	Note 2	11.8	12.5	(0.7)	1.4	11.1	13.9
Rates Revenue Requirement		1,405.8	1,527.5	(106.3)	99.3	1,299.5	1,626.8

Note 1: In 2011, a variance account will be established for property rights payments to track changes from approved amounts. In 2012, IFRS transition variance accounts will be established for the impact of further changes to IFRS; IFRS gains and losses; and the \$200 million impact on 2012 Revenue Requirement of adopting IFRS accounting for overheads capitalized [this is estimated to be \$196.7 million once the rate base impact is taken into account of the shift from capex to OM&A]. Further, the 2012 Revenue Requirement impact if the Bruce to Milton Project in-service date is delayed from 2012 until 2013 will also be tracked in a variance account. Also, variance accounts will continue to be utilized for export revenues, secondary land use, External Station Maintenance and E&CS revenues to track changes from approved amounts.

Note 2: The value of \$13.9M for LVSG in 2012 is an estimate and will be revised once the 2012 Revenue Requirement is finalized in the fall of 2011.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

OM&A

(\$ millions)

Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
See supporting details below	436.3	450.0	(17.6)	177.1	418.8	627.1

OEB Decision Impact Supporting Details

Adjustments	Reference	2011 OM&A Impacts	2012 OM&A Impacts
Adjustment for HST	Page 11	(4.6)	(5.1)
Envelope Reduction	Page 11	(13.0)	(17.8)
IFRS Accounting for Overheads Capitalized	Page 64	-	200.0
		<u>(17.6)</u>	<u>177.1</u>

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

Rate Base and Depreciation

(\$ millions)	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Rate Base	See supporting details below	8,378.5	9,134.6	(526.0)	(408.3)	7,852.6	8,726.3
Depreciation	See supporting details below	302.9	334.8	(1.0)	(4.1)	301.8	330.8

OEB Decision Impact Supporting Details

Working Capital Adjustment

Rate Base Details

Utility plant (average)

Gross plant at cost

Less: Accumulated depreciation

Add: CWIP

Net utility plant

Working capital

Cash working capital

Materials & supplies inventory

Total working capital

Total Rate Base

Working capital as % of OM&A

OM&A Reduction (net of adjustment for HST)

Working capital reduction

Reference	2011 Detailed Computation	2012 Detailed Computation	2011 Rate Base Impact	2012 Rate Base Impact	2011 Depreciation Impact	2012 Depreciation Impact
Pre-filed Evidence Exh D1-1-1	12,297.3	13,509.5				
	(4,429.1)	(4,690.6)				
	485.8	289.0				
	<u>8,354.0</u>	<u>9,107.9</u>				
	7.1	5.0				
	17.4	21.7				
	<u>24.5</u>	<u>26.7</u>				
	<u>8,378.5</u>	<u>9,134.6</u>				
(a)	5.6%	5.9%				
Exhibit 1.1 (b)	(13.0)	182.2				
(c) = (a) x (b)	<u>(0.7)</u>	<u>10.8</u>	(0.7)	10.8		

Capex Adjustments

		2011 Capex	2012 Capex				
Adjustment for HST (includes working capital)	Page 30	(39.2)	(30.6)	(26.7)	(53.3)	(0.8)	(1.7)
Adjustment for AFUDC rate	Page 31	(3.2)	(2.1)	(7.9)	(10.3)	(0.2)	(0.2)
D43 and D44 Adjustment	Page 43	(10.0)	(29.8)	(5.0)	(24.6)	(0.1)	(0.5)
Bruce x Milton CWIP removal	Page 47	-	-	(485.8)	(289.0)	-	-
Bruce x Milton AFUDC add back (Note 1)	Page 47	24.0	35.5	-	18.0	-	0.4
IFRS Accounting for Overheads Capitalized	Page 64	-	(200.0)	-	(60.0)	-	(2.0)
Total		<u>(28.4)</u>	<u>(227.0)</u>	<u>(526.0)</u>	<u>(408.3)</u>	<u>(1.0)</u>	<u>(4.1)</u>

Note 1: The 2012 Rate Base Impact of the Bruce to Milton AFUDC add back is net of a \$23.3 million in-service additions correction. This latter amount will be placed into service in 2013.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Capital Expenditures

(\$ millions)	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Capital expenditures	<i>See supporting details below</i>	1,151.8	1,008.3	(28.4)	(227.0)	1,123.4	781.3

OEB Decision Impact Supporting Details

		2011 Capex Impacts	2012 Capex Impacts
Adjustment for HST (includes working capital)	Page 30	(39.2)	(30.6)
Adjustment for AFUDC rate	Page 31	(3.2)	(2.1)
D43 and D44 Adjustment	Page 43	(10.0)	(29.8)
Bruce x Milton AFUDC add back	Page 47	24.0	35.5
IFRS Accounting for Overheads Capitalized	Page 64	-	(200.0)
		<u>(28.4)</u>	<u>(227.0)</u>

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

Capital Structure and Return on Capital

(\$ millions)	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Return on Rate Base							Note 3
Rate Base	Exhibit 1.2	\$ 8,378.5	\$ 9,134.6	\$ (526.0)	\$ (408.3)	\$ 7,852.6	\$ 8,726.3
Capital Structure:							
Third-Party long-term debt		54.9%	56.7%	5.0%	3.8%	59.8%	60.5%
Deemed long-term debt		1.1%	-0.7%	(5.0%)	(3.8%)	-3.8%	-4.5%
Short-term debt		4.0%	4.0%	0.0%	0.0%	4.0%	4.0%
Common equity		40.0%	40.0%	0.0%	0.0%	40.0%	40.0%
Capital Structure:							
Third-Party long-term debt	Exhibit 1.4.1 and 1.4.2	4,599.3	5,175.1	100.0	100.0	4,699.3	5,275.2
Deemed long-term debt		92.7	(59.8)	(394.6)	(328.7)	(301.9)	(388.5)
Short-term debt		335.1	365.4	(21.0)	(16.3)	314.1	349.1
Common equity		3,351.4	3,653.8	(210.4)	(163.3)	3,141.0	3,490.5
		8,378.5	9,134.6	\$ (526.0)	\$ (408.3)	7,852.6	8,726.3
Allowed Return:							
Third-Party long-term debt	Note 1, Exhibit 1.4.1 & 1.4.2	5.67%	5.64%	(0.14%)	(0.24%)	5.52%	5.40%
Deemed long-term debt	Note 1, Exhibit 1.4.1 & 1.4.2	5.67%	5.64%	(0.14%)	(0.24%)	5.52%	5.40%
Short-term debt	Note 2, Page 50	3.99%	5.00%	(1.06%)	0.19%	2.93%	5.19%
Common equity	Note 2, Page 50	10.16%	10.41%	(0.50%)	(0.32%)	9.66%	10.09%
Return on Capital:							
Third-Party long-term debt		260.6	291.7	(1.1)	(7.1)	259.5	284.6
Deemed long-term debt		5.3	(3.4)	(21.9)	(17.6)	(16.7)	(21.0)
Short-term debt		13.4	18.3	(4.2)	(0.2)	9.2	18.1
AFUDC return on Niagara Reinforcement Project	see below	5.6	5.6	(0.1)	(0.3)	5.5	5.3
Total return on debt		\$ 284.8	\$ 312.3	\$ (27.3)	\$ (25.1)	\$ 257.5	\$ 287.1
Common equity		\$ 340.5	\$ 380.4	\$ (37.0)	\$ (28.3)	\$ 303.5	\$ 352.1
AFUDC return on Niagara Reinforcement Project							
CWIP		99.1	99.1			99.1	99.1
Deemed long-term debt		5.7%	5.7%			5.52%	5.40%
		<u>5.6</u>	<u>5.6</u>			<u>5.5</u>	<u>5.3</u>

Note 1: Long-term debt rates have been updated to reflect actual 2010 debt issuances (as shown in Exhibit 1.4.1 lines 27 and 28 and Exhibit 1.4.2 lines 26 and 27) and the forecast coupon rates for 2011 and 2012 have been updated as per the September 2010 Consensus Forecast and October 2010 long-term Consensus Forecast respectively.

Note 2: The approved rates follow the OEB's November 15, 2010 guidance on cost of capital parameters to reflect the September 2010 Consensus Forecast.

Note 3: The 2012 cost of capital parameters & impacts are based on the October 2010 long-term Consensus Forecast and are for illustrative purposes only. Hydro One will submit a 2012 draft rate order to the OEB reflecting the cost of capital parameters issued by the Board once the September 2011 Consensus Forecast becomes available. At that point the up-to-date cost of capital parameters will be applied to determine the 2012 amounts.

Hydro One Networks Inc.
Transmission
Cost of Long-Term Debt Capital
Test Year (2011)
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates	
						Total Amount (\$Millions)	Per \$100 Principal (Dollars)		at 12/31/10 (\$Millions)	at 12/31/11 (\$Millions)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8		
2	22-Jun-01	6.400%	1-Dec-11	174.0	(0.5)	174.5	100.28	6.36%	174.0	0.0	160.6	10.2		
3	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7		
4	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	87.0	87.0	5.1		
5	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9		
6	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	189.0	189.0	10.8		
7	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1		
8	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6		
9	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6		
10	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4		
11	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4		
12	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8		
13	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9		
14	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2		
15	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9		
16	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5		
17	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8		
18	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8		
19	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9		
20	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3		
21	14-Jan-09	5.000%	12-Nov-13	130.0	(3.7)	133.7	102.87	4.33%	130.0	130.0	130.0	5.6		
22	3-Mar-09	6.030%	3-Mar-39	195.0	1.1	193.9	99.43	6.07%	195.0	195.0	195.0	11.8		
23	16-Jul-09	5.490%	16-Jul-40	210.0	1.3	208.7	99.37	5.53%	210.0	210.0	210.0	11.6		
24	19-Nov-09	3.130%	19-Nov-14	175.0	0.6	174.4	99.64	3.21%	175.0	175.0	175.0	5.6		
25	15-Mar-10	5.490%	16-Jul-40	120.0	(0.7)	120.7	100.59	5.45%	120.0	120.0	120.0	6.5		
26	15-Mar-10	4.400%	1-Jun-20	180.0	0.8	179.2	99.56	4.45%	180.0	180.0	180.0	8.0		
27	13-Sep-10	2.950%	11-Sep-15	150.0	0.5	149.5	99.64	3.03%	150.0	150.0	150.0	4.5	Note 1	
28	13-Sep-10	5.000%	19-Oct-46	150.0	(0.4)	150.4	100.27	4.98%	150.0	150.0	150.0	7.5	Note 1	
29	15-Mar-11	5.370%	15-Mar-41	300.0	1.5	298.5	99.50	5.40%	0.0	300.0	230.8	12.5	Note 2	
30	15-Jun-11	4.460%	15-Jun-21	300.0	1.5	298.5	99.50	4.52%	0.0	300.0	161.5	7.3	Note 2	
31	15-Sep-11	3.410%	15-Sep-16	300.0	1.5	298.5	99.50	3.52%	0.0	300.0	92.3	3.2	Note 2	
32	Subtotal									4228.1	4954.1	4699.3	251.8	
33	Treasury OM&A costs												2.1	
34	Other financing-related fees												5.7	
35	Total									4228.1	4954.1	4699.3	259.5	5.52%

Note 1: Updated to reflect actual 2010 debt issuance

Note 2: Updated to reflect the forecast coupon rates for 2011 as per the September 2010 Consensus Forecast

Hydro One Networks Inc.
Transmission
Cost of Long-Term Debt Capital
Test Year (2012)
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/11 (\$Millions)	at 12/31/12 (\$Millions)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
2	22-Jun-01	6.930%	1-Jun-32	109.3	1.0	108.2	99.05	7.01%	109.3	109.3	109.3	7.7	
3	17-Sep-02	5.770%	15-Nov-12	87.0	0.4	86.6	99.55	5.83%	87.0	0.0	73.6	4.3	
4	17-Sep-02	6.930%	1-Jun-32	58.0	(2.2)	60.2	103.71	6.64%	58.0	58.0	58.0	3.9	
5	31-Jan-03	5.770%	15-Nov-12	189.0	(0.9)	189.9	100.48	5.70%	189.0	0.0	159.9	9.1	
6	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
7	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
8	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
9	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
10	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
11	19-May-05	5.360%	20-May-36	228.9	8.2	220.7	96.44	5.60%	228.9	228.9	228.9	12.8	
12	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
13	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
14	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
15	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
16	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
17	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8	
18	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
19	10-Nov-08	5.000%	12-Nov-13	240.0	1.1	238.9	99.53	5.11%	240.0	240.0	240.0	12.3	
20	14-Jan-09	5.000%	12-Nov-13	130.0	(3.7)	133.7	102.87	4.33%	130.0	130.0	130.0	5.6	
21	3-Mar-09	6.030%	3-Mar-39	195.0	1.1	193.9	99.43	6.07%	195.0	195.0	195.0	11.8	
22	16-Jul-09	5.490%	16-Jul-40	210.0	1.3	208.7	99.37	5.53%	210.0	210.0	210.0	11.6	
23	19-Nov-09	3.130%	19-Nov-14	175.0	0.6	174.4	99.64	3.21%	175.0	175.0	175.0	5.6	
24	15-Mar-10	5.490%	16-Jul-40	120.0	(0.7)	120.7	100.59	5.45%	120.0	120.0	120.0	6.5	
25	15-Mar-10	4.400%	1-Jun-20	180.0	0.8	179.2	99.56	4.45%	180.0	180.0	180.0	8.0	
26	13-Sep-10	2.950%	11-Sep-15	150.0	0.5	149.5	99.64	3.03%	150.0	150.0	150.0	4.5	Note 1
27	13-Sep-10	5.000%	19-Oct-46	150.0	(0.4)	150.4	100.27	4.98%	150.0	150.0	150.0	7.5	Note 1
28	15-Mar-11	5.370%	15-Mar-41	300.0	1.5	298.5	99.50	5.40%	300.0	300.0	300.0	16.2	Note 2
29	15-Jun-11	4.460%	15-Jun-21	300.0	1.5	298.5	99.50	4.52%	300.0	300.0	300.0	13.6	Note 2
30	15-Sep-11	3.410%	15-Sep-16	300.0	1.5	298.5	99.50	3.52%	300.0	300.0	300.0	10.6	Note 2
31	15-Mar-12	6.220%	15-Mar-42	225.0	1.1	223.9	99.50	6.26%	0.0	225.0	173.1	10.8	Note 3
32	15-Jun-12	5.310%	15-Jun-22	225.0	1.1	223.9	99.50	5.38%	0.0	225.0	121.2	6.5	Note 3
33	15-Sep-12	4.260%	15-Sep-17	225.0	1.1	223.9	99.50	4.37%	0.0	225.0	69.2	3.0	Note 3
34	Subtotal								4954.1	5353.2	5275.2	276.8	
35	Treasury OM&A costs											2.1	
36	Other financing-related fees											5.7	
37	Total								<u>4954.1</u>	<u>5353.2</u>	<u>5275.2</u>	<u>284.6</u>	<u>5.40%</u>

Note 1: Updated to reflect actual 2010 debt issuance

Note 2: Updated to reflect the forecast coupon rates for 2011 as per the September 2010 Consensus Forecast

Note 3: Updated to reflect the forecast coupon rates for 2012 as per the October 2010 long-term Consensus Forecast

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

Income Tax

(\$ millions)	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Income Taxes	<i>See supporting details below</i>	80.9	70.0	(17.0)	(9.4)	64.0	60.6

Income Tax Supporting Details

			Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Rate Base	Exhibit 1.2	a	\$ 8,378.5	\$ 9,134.6	\$ (526.0)	\$ (408.3)	\$ 7,852.6	\$ 8,726.3
Common Equity Capital Structure		b	40.0%	40.0%			40.0%	40.0%
Return on Equity	Exhibit 1.4	c	10.16%	10.41%	-0.50%	-0.32%	9.66%	10.09%
Return on Equity		d = a x b x c	340.5	380.4	(37.0)	(28.3)	303.5	352.1
Regulatory Income Tax		e = l	80.9	70.0	(17.0)	(9.4)	64.0	60.6
Regulatory Net Income (before tax)		f = d + e	<u>421.4</u>	<u>450.3</u>	<u>(54.0)</u>	<u>(37.7)</u>	<u>367.4</u>	<u>412.6</u>
Timing Differences (Note 1)		g	(127.3)	(175.6)	(0.1)	8.0	(127.4)	(167.7)
Taxable Income		h = f + g	<u>294.1</u>	<u>274.7</u>	<u>(54.1)</u>	<u>(29.7)</u>	<u>240.0</u>	<u>245.0</u>
Tax Rate		i	28.3%	26.3%			28.3%	26.3%
Income Tax		j = h x i	83.1	72.1	(15.3)	(7.8)	67.8	64.3
less: Income Tax Credits		k	(2.2)	(2.2)	(1.7)	(1.6)	(3.9)	(3.8)
Regulatory Income Tax		l = j + k	<u>80.9</u>	<u>70.0</u>	<u>(17.0)</u>	<u>(9.4)</u>	<u>64.0</u>	<u>60.6</u>

Note 1. Book to Tax Timing Differences

Timing difference adjustments								
less: lower depreciation due to capex reductions	Exhibit 1.2				(1.0)	(4.1)		
add: CCA changes related to capex reductions								
Adjustment for HST	Page 30				2.2	4.6		
Adjustment for AFUDC rate	Page 31				0.3	0.4		
D43 and D44 Adjustment	Page 43				0.2	1.0		
Bruce x Milton AFUDC add back	Page 47				-	(0.7)		
IFRS Accounting for Overheads Capitalized	Page 64				-	6.2		
add: Tax adjustments								
Tax Adjustments to CCA					(3.5)	(1.1)		
Ontario credit addback					1.7	1.6		
					<u>(0.1)</u>	<u>8.0</u>		

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

External Revenue

(\$ millions)

Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
External Revenue	31.3	24.7	2.4	4.0	33.7	28.7

External Revenue Details
Page 51

	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Secondary Land Use	12.6	12.5	-	-	12.6	12.5
Station Maintenance	4.6	3.0	2.4	4.0	7.0	7.0
Engineering & Construction	11.0	6.0	-	-	11.0	6.0
Other	3.2	3.2	-	-	3.2	3.2
Total	31.3	24.7	2.4	4.0	33.7	28.7

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Export Transmission Service Revenue

(\$ millions)

	Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Export Transmission Service Revenue	Page 54	(10.1)	(10.2)	(5.9)	(5.8)	(16.0)	(16.0)

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Deferral and Variance Accounts

(\$ millions)

Supporting Reference	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Deferral and Variance Accounts Page 55-56	(10.0)	2.6	2.6	(2.6)	(7.4)	-

Deferral and Variance Accounts Details
Page 55-56

	Hydro One Proposed 2011	Hydro One Proposed 2012	OEB Decision Impact 2011	OEB Decision Impact 2012	OEB Approved 2011	OEB Approved 2012
Export Service Credit Revenue	(4.9)		-	-	(4.9)	
External Secondary Land Use	(3.2)		-	-	(3.2)	
External Station Maint. & E&CS	(4.4)		-	-	(4.4)	
IPSP & Other LT Proj. Planning	1.0	1.0	1.0	(1.0)	2.0	
Pension Cost Differential	1.5	1.6	1.6	(1.6)	3.1	
Total	(10.0)	2.6	2.6	(2.6)	(7.4)	-

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Continuity of Revenue Requirement

	Submission		Remove CWIP		BxM AFUDC		HST		OM&A		AFUDC		Cost of Capital		D43 & D44		Tax Adjustments		IFRS		Total Adjustments		Revenue Requirement		
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Revenue Requirement																									
OM&A	436.3	450.0	0.0	0.0	0.0	0.0	(4.6)	(5.1)	(13.0)	(17.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	(17.6)	177.1	418.8	627.1	
Depreciation	302.9	334.8	0.0	0.0	0.0	0.4	(0.8)	(1.7)	0.0	0.0	(0.2)	(0.2)	0.0	0.0	(0.1)	(0.5)	0.0	0.0	0.0	(2.0)	(1.0)	(4.1)	301.8	330.8	
Return on debt	284.8	312.2	(16.1)	(9.7)	0.0	0.6	(0.9)	(1.8)	(0.0)	(0.0)	(0.3)	(0.3)	(9.9)	(11.5)	(0.2)	(0.8)	0.0	0.0	0.0	(1.6)	(27.3)	(25.1)	257.5	287.1	
Return on common equity	340.5	380.4	(19.7)	(12.0)	0.0	0.7	(1.1)	(2.2)	(0.0)	(0.0)	(0.3)	(0.4)	(15.7)	(11.4)	(0.2)	(1.0)	0.0	0.0	0.0	(1.9)	(37.0)	(28.3)	303.5	352.1	
Income tax	80.9	70.0	(7.8)	(4.3)	0.0	0.1	0.1	0.3	(0.0)	(0.0)	(0.1)	(0.1)	(6.2)	(4.0)	(0.0)	(0.2)	(3.1)	(2.0)	0.0	0.8	(17.0)	(9.4)	64.0	60.6	
	<u>1445.5</u>	<u>1547.4</u>	<u>(43.6)</u>	<u>(26.0)</u>	<u>0.0</u>	<u>1.8</u>	<u>(7.2)</u>	<u>(10.5)</u>	<u>(13.0)</u>	<u>(17.9)</u>	<u>(0.8)</u>	<u>(1.1)</u>	<u>(31.7)</u>	<u>(26.9)</u>	<u>(0.5)</u>	<u>(2.5)</u>	<u>(3.1)</u>	<u>(2.0)</u>	<u>0.0</u>	<u>195.3</u>	<u>(99.9)</u>	<u>110.3</u>	<u>1345.6</u>	<u>1657.6</u>	
Rate Base	8378.5	9134.6	(485.8)	(289.0)	0.0	18.0	(26.7)	(53.3)	(0.7)	(1.1)	(7.9)	(10.3)	0.0	0.0	(5.0)	(24.6)	0.0	0.0	0.0	(48.1)	(526.0)	(408.3)	7852.6	8726.3	
Capex	1151.8	1008.3	0.0	0.0	24.0	35.5	(39.2)	(30.6)	0.0	0.0	(3.2)	(2.1)	0.0	0.0	(10.0)	(29.8)	0.0	0.0	0.0	(200.0)	(28.4)	(227.0)	1123.4	781.3	
OEB Decision Page Reference			Page 47		Page 47		Page 30		Page 11		Page 31		Page 50		Page 43		Page 11		Page 64						

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

2011 Revenue Requirement by Rate Pool

	Supporting Exhibit	2011 Rate Pool Revenue Requirement (\$ Million)					
		Network	Line Connection	Transformation Connection	Uniform Rates Sub-Total	Wholesale Meter	Total
OM&A	1.1	203.9	38.9	104.6	347.5	0.5	348.0
Other Taxes (Grants-in-Lieu)	Note 1	43.5	10.9	16.4	70.7	0.0	70.8
Depreciation of Fixed Assets	1.2	167.2	39.5	78.6	285.3	0.1	285.4
Capitalized Depreciation	Note 2	(5.6)	(1.4)	(2.2)	(9.2)	(0.0)	(9.2)
Asset Removal Costs	Note 2	11.2	2.8	4.4	18.4	0.0	18.4
Other Amortization	Note 2	4.5	1.1	1.7	7.2	0.0	7.3
Return on Debt	1.4	158.2	39.5	59.7	257.4	0.1	257.5
Return on Equity	1.4	186.4	46.6	70.4	303.4	0.1	303.5
Income Tax	1.5	39.3	9.8	14.8	63.9	0.0	64.0
Base Revenue Requirement		808.6	187.7	348.5	1344.8	0.8	1345.6
Less Regulatory Asset Credit	1.8	(4.4)	(1.0)	(1.9)	(7.4)	(0.0)	(7.4)
Total Revenue Requirement		804.1	186.7	346.6	1337.4	0.8	1338.2
Less Non-Rate Revenues	1.6	(20.3)	(4.7)	(8.7)	(33.7)	(0.0)	(33.7)
Less Export Revenues	1.7	(16.0)			(16.0)		(16.0)
Plus LVSG Credit	6.0			11.1	11.1		11.1
Total Revenue Requirement for UTR		767.9	182.0	348.9	1298.8	0.8	1299.5
Hydro One Proposed Pool Revenue Requirement	Note 3	839.7	195.6	369.6	1405.0	0.8	1405.8

Note 1: Included with OM&A total in Exhibit 1.1. See EB-2010-0002 Exhibit G2, Tab 5, Schedule 1, Page 1.

Note 2: Included with Depreciation total in Exhibit 1.2. See EB-2010-0002 Exhibit G2, Tab 5, Schedule 1, Page 1.

Note 3: See EB-2010-0002 Exhibit G2, Tab 5, Schedule 1, Page 1.

Hydro One Networks Inc.
Implementation of Decision with Reasons on EB-2010-0002

Summary Charge Determinants
(for Setting Uniform Transmission Rates for January 1, 2011 to December 31, 2011)

	Total MW *
Network	241,795
Line Connection	233,996
Transformation Connection	202,198

* 2011 charge determinants per Exhibit H1, Tab 3, Schedule 1, Table 1, multiplied by 12.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Uniform Transmission Rates and Revenue Disbursement Allocators
 (for Period January 1, 2011 to December 31, 2011)

Transmitter	Revenue Requirement (\$) (Note 3, Note 4)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$4,306,935	\$1,020,593	\$1,957,135	\$7,284,663
CNPI	\$2,727,030	\$646,211	\$1,239,202	\$4,612,443
GLPL	\$19,900,913	\$4,715,822	\$9,043,268	\$33,660,003
HIN (Note 1)	\$767,870,937	\$181,958,610	\$348,931,864	\$1,298,761,411
All Transmitters	\$794,805,816	\$188,341,236	\$361,171,470	\$1,344,318,521

Transmitter	Total Annual Charge Determinants (MW) (Note 3, Note 4)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPL	4,019.797	2,939.425	1,057.605	
HIN (Note 2)	241,794.994	233,995.528	202,198.429	
All Transmitters	246,585.331	237,817.013	204,000.824	

Transmitter	Uniform Rates and Revenue Allocators (Note 4)			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.22	0.79	1.77	
	↓	↓	↓	
FNEI Allocation Factor	0.00542	0.00542	0.00542	
CNPI Allocation Factor	0.00343	0.00343	0.00343	
GLPL Allocation Factor	0.02504	0.02504	0.02504	
HIN Allocation Factor	0.96611	0.96611	0.96611	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Hydro One Networks (HIN) 2011 UTR Revenue Requirement per Exhibit 2.0

Note 2: Hydro One Networks (HIN) Charge Determinant per Exhibit 3.0

Note 3: Data for Other Transmitters per Exhibit 4.1.

Note 4: Calculated data in shaded cells.

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Revenue Requirement and Charge Determinant Assumptions for Other Transmitters

Table 1
Approved Annual Revenue Requirement and Charge Determinants

Transmitter	Annual Revenue Requirement (\$)	Annual Charge Determinants (MW)			Approval Reference
		Network	Line Connection	Transformation Connection	
Five Nations Energy Inc. (FNEI)	7,284,663	187.120	213.460	76.190	Note 1
Canadian Niagara Power Inc. (CNPI)	4,612,443	583.420	668.600	668.600	Note 2
Great Lakes Power Transmission (GLPT)	33,660,003	4,019.797	2,939.425	1,057.605	Note 3

Note 1: 2011 Revenue Requirement is based on approved amount of \$6,327,089 effective March 1, 2010 plus forecast 2010 Deferred Rate Impact Amount of \$957,574 (10/12 of annual Revenue Requirement increase of \$1,149,089) per Board Decision and Order on EB-2009-0387 dated December 9, 2010. Charge Determinant per Board Decision on EB-2009-0387 dated November 1, 2010, page 26. Values agreed-to by FNEI per Email from R.King to H.Thiessen dated December 23, 2010.

Note 2: Per Board Decision on RP-2001-0034 dated December 11, 2001, pages 8 and 10.

Note 3: 2011 Revenue Requirement is based on approved amount of \$35,141,618 effective January 1, 2010 plus forecast 2010 Deferred Rate Impact Amount of \$356,196 and disposition of variance and deferral accounts per Board Decision and Order on EB-2009-0408 dated August 31, 2010. Charge Determinants per Settlement Agreement on EB-2009-0408 dated May 17, 2010, page 23. Values agreed-to by GLPT per Email from C.Keizer to H.Thiessen dated December 20, 2010.

HYDRO ONE NETWORKS INC.
Ontario, Canada

WHOLESALE METER SERVICE
And
EXIT FEE SCHEDULE

Rate Schedule: HON-MET
Issued: January 5, 2011
Ontario Energy Board

RATE SCHEDULE: HON-MET

HYDRO ONE NETWORKS - WHOLESALE METER SERVICE

APPLICABILITY:

This rate schedule is applicable to the *metered market participants** that are transmission customers of Hydro One Networks (“Networks”) and to *metered market participants* that are customers of a Local Distribution Company (“LDC”) that is connected to the transmission system owned by Networks.

* The terms and acronyms that are italicized in this schedule have the meanings ascribed thereto in Chapter 11 of the Market Rules for the Ontario Electricity Market.

a) Wholesale Meter Service

The *metered market participant* in respect of a *load facility* (including customers of an LDC) shall be required to pay an annual rate of \$ 7,700 for each *meter point* that is under the transitional arrangement for a *metering installation* in accordance with Section 3.2 of Chapter 6 of the Market Rules for the Ontario Electricity Market.

The Wholesale Meter Service rate covered by this schedule shall remain in place until such time as the rate is revised by Order of the Ontario Energy Board.

b) Fee for Exit from Transitional Arrangement

The *metered market participant* in respect of a *load facility* (including customers of an LDC) or a *generation facility* may exit from the transitional arrangement for a *metering installation* upon payment of a one-time exit fee of \$ 5,200 per *meter point*.

EFFECTIVE DATE: Date To Come (Date of Issue of Rate Order by Ontario Energy Board)	REPLACING RATE: EB-2008-0272 January 21, 2010	BOARD ORDER: EB-2010-0002	Page 2 of 2 Wholesale Meter Service Rate & Exit Fee Schedule for Hydro One Networks Inc.
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Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Wholesale Meter Rate Calculations

	Charge Determinant (Avg # of Meter Points)	Revenue Requirement (\$ Million)	OEB Approved Rate * (\$/Meter Point/Year)	Hydro One Proposed Rate * (\$/Meter Point/Year)
	<i>Note 1</i>	<i>Note 2</i>		
	(A)	(B)	(B) / (A)	
2011	100	0.8	7,700	8,400

* Rate is rounded down to the nearest \$100

Note 1: Per EB-2010-0002, Exhibit H1, Tab 4, Schedule 1, Table 1.

Note 2: Per Exhibit 2.0

Hydro One Networks Inc.
 Implementation of Decision with Reasons on EB-2010-0002

Low Voltage Switchgear (LVSG) Credit
 Effective January 1, 2011

Charge Determinant (MW) <i>(Note 1)</i>	Transformation Pool Revenue Requirement Before LVSG Credit (\$M) <i>(Note 2)</i>	Rate Before LVSG Credit (\$/kw/month)	Average Monthly NCP Demand for Toronto Hydro and Hydro Ottawa (MW) <i>(Note 3)</i>	LVS Proportion (%) <i>(Note 4)</i>	Final LSVG Credit (\$M)
(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (C)x(D)x(E)
202,198	337.8	1.671	2912	19.0%	11.1

Note 1: Per Exhibit 3.0

Note 2: Equals Total Revenue Requirement for Transformation Connection Pool less Non-Rate Revenues allocated to Transformation Connection Pool, as per information in Exhibit 2.0.

Note 3: Per Exhibit G1, Tab 4, Schedule 1, Table 1

Note 4: See EB-2010-0002 Exhibit G1, Tab 4, Schedule 1, page 1.

Hydro One Networks Inc
Implementation of EB-2010-0002 Decision with Reasons
Studies and Reports

	Decision Reference	Description	Actions Planned
CDM Measurement Study	Pages 6 & 7	Hydro One directed to work with the OPA in devising a robust effective and accurate means of measuring the expected impacts of CDM programs promulgated by the OPA.	Hydro One will consult with stakeholders and complete the study in time to inform the next rate application
Smart Grid Development Report	Page 14	Hydro One to file a detailed report describing the OM&A activities for Smart Grid undertaken along with an analysis of the results achieved and a description of how they relate to the transmission system.	Hydro One will prepare the report in time for the next transmission rate application
Compensation Benchmarking Study	Page 20	Hydro One directed to revisit its compensation cost benchmarking study in an effort to more appropriately compare compensation costs to those of other regulated transmission and/or distribution utilities in North America.	Hydro One will consult with stakeholders and complete the study in time for the next transmission rate application
<i>ETS Study by IESO</i>	<i>Page 75</i>	<i>The IESO is to undertake a genuinely comprehensive study to identify a range of proposed rates and the pros and cons associated with each proposed rate.</i>	<i>Hydro One understands that IESO will circulate the terms of reference to Hydro One and Intervenors and will complete the study in time for the next transmission rate application</i>

Hydro One Networks Inc.
Decision with Reasons on EB-2010-0002
Deferral and Variance Accounts

The Boards' Decision directed the Company to continue or establish a number of deferral/variance accounts. The following table includes a list of those accounts:

Account Name	Decision Reference
Rights Payments Variance Account - New	Page 21
Bruce to Milton Project In-Service Variance Account - New	Page 28
Impact for Change in IFRS Account (2012 Only) - New	Page 58
IFRS – Gains and Losses Account (2012 Only) - New	Page 58
IFRS Incremental Transition Cost Account	Page 58
Pension Cost Differential Account	Page 59
Long-term Project Development OM&A Account	Page 59
Tax Rate Changes Account	Page 59
Export Service Credit Revenue Variance Account	Page 54 & 60
External Station Maintenance and E&CS Revenue Variance Account	Page 52 & 60
External Secondary Land Use Revenue Variance Account	Page 52 & 60
IFRS Capitalization Policy Variance Account - New	Page 65

In its Decision, the Board denied the continuance of the use of the OEB Cost Differential Account by Hydro One Transmission. Effective January 1, 2011, this account will be closed.

For all new accounts identified above, Hydro One will provide the accounting entries that will be used to record the approved deferral and variance accounts by March 31, 2011.