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BY COURIER

May 11, 2012

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

Dear Ms. Walli:

EB-2012-0180 – Hydro One Networks Inc. Request for an Accounting Order to Establish an Incumbent Transmitter Deferral Account – Responses to Interrogatory Questions

Please find attached an electronic copy of responses provided by Hydro One Networks to Interrogatory questions. Two (2) hard copies will be sent to the Board shortly.

An electronic copy of the Interrogatories have been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Ontario Energy Board (Board Staff) INTERROGATORY #1 List 1

Interrogatory

General

Reference:

- EB-2012-0180, Application and Evidence, March 22, 2012

Clarification:

- (a) Please indicate whether Hydro One Networks Inc. (“HONI”) agrees that if the Board grants HONI any of the requests for the sub-accounts related to the three areas listed in the noted application:
- there is no guarantee of recovery of costs recorded in these sub-accounts;
and
 - a review of the prudence of any and all of the costs and investments in those subaccounts will be conducted at the time of disposition of the account.

Response

- (a) Yes, HONI agrees with the statements given above.

Ontario Energy Board (Board Staff) INTERROGATORY #2 List 1

Interrogatory

General

References:

- Ontario's Long-Term Energy Plan, published November 23, 2010/ Section 4 titled "reliable transmission/modern distribution" and FIGURE 12: titled "PRIORITY TRANSMISSION PROJECTS"
- Application on May 19, 2010 by HONI for approval of its 2011, and 2012 Transmission revenue requirement (EB-2010-0002)
- EB-2012-0180, Application and Evidence, March 22, 2012

At the first reference, FIGURE 12 LISTS THE East-West Tie as one of five projects identified for priority investment, and stated in part that:

The East-West tie will be submitted to the OEB to carry out a designation process to select the most qualified and cost-effective transmission company to develop the line.

Question:

With the view that prior to publishing major policies affecting the electricity energy sector such as the noted Long Term Energy Plan, staff of the Ministry of Energy ("MOE") engage various key parties in informal and formal consultations such as the Ontario Power Authority and Hydro One Networks Inc. ("HONI"), please respond to the following:

- (a) Please comment on the view that HONI was in a position to anticipate implementation of the designation process initiative during the noted transmission rate proceeding (EB-2010-0002), identified in the second reference, and therefore should have been able to update its forecast for the test year 2012 to reflect the costs identified in this application (see third reference) under:
 - 3.0 Support Costs for OEB Designation Process
 - 4.0 Development Work Associated with Stations and Other Supporting Asset Expenditures,

Response

- (a) Hydro One Transmission filed its transmission rate application on May 19, 2010 (EB-2010-0002). It was not until the Long Term Energy Plan ("LTEP") was released on November 23, 2010 that formal communication was provided suggesting that, "the East-West tie will be submitted to the OEB to carry out a designation process to

1 select the most qualified and cost-effective transmission company to develop the line
2 [page 46].” HONI was not in a position to anticipate implementation of the
3 designation process at the time of the submission of its Transmission Rates
4 Application. However, HONI did suspend all development work on the Green
5 Energy Transmission projects in May 2010 based on communication with the
6 Ministry of Energy and Infrastructure.

7
8 Regardless, at that time HONI would not have been and is still not able to forecast the
9 Support Costs and the Station Development work requested to be tracked in the EWT
10 deferral account for the EWT Line Transmitter Designation proceeding. As
11 mentioned in the application, this process is new to Ontario and HONI has no
12 precedent or experience to forecast the amount of time and effort that will be required
13 of them to assist the Board in this proceeding. HONI cannot anticipate the quantity
14 and type of questions that it will be asked. HONI has participated as an intervenor in
15 the EWT designation proceeding to be helpful to the Board and to the designation
16 process and as such may incur incremental costs. HONI has documents prepared by
17 consultants hired prior to the establishment of the designation process which the
18 Board may direct to be used in this proceeding (see **Exhibit I, Tab 1, Schedule 5**).
19 HONI cannot anticipate if parties will have questions on these documents that may
20 result in the need to reengage these consultants. Station and other support asset
21 development work required to connect the new line to the transmission system is
22 dependent upon the solution proposed by the designated transmitter, and as a result
23 would also have been unknown in May 2010, and remains so today.

Ontario Energy Board (Board Staff) INTERROGATORY #3 List 1

Interrogatory

General

References:

- EB-2007-0673, Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors , September 17, 2008, page VIII, Table 6
- EB-2012-0180, Application and Evidence, March 22, 2012

At the first reference, on page VIII Table 6 is titled "Z-Factor Amount Eligibility Criteria", where basic criteria are outlined for Z-factor costs to be considered for recovery. Board staff is of the view that these basic criteria are applicable for a request to establish a deferral account. In order for amounts to be considered for recovery in the Z-factor, the amounts must satisfy all three criteria set out in the noted Table 6. These criteria are:

Causation - Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.

Materiality - The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.

Prudence - The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

Questions/ Requests:

- (a) Please describe in detail how each of the following would satisfy the criteria "Materiality" and "Prudence" in order to qualify for inclusion in a deferral account:
 - i) 2.0 OEB Allocated Proceeding Costs
 - ii) 3.0 Support Costs for OEB Designation Process
 - iii) 4.0 Development Work Associated with Stations and Other Supporting Asset Expenditures
- (b) With regard to each of the activities identified in the three categories of Question a):
 - i) 2.0 OEB Allocated Proceeding Costs
 - ii) 3.0 Support Costs for OEB Designation Process
 - iii) 4.0 Development Work Associated with Stations and Other Supporting Asset Expenditures,

1 please respond to the following:

- 2 1. Confirm that the expenses anticipated are specific to EB-2011-0140; that is, that
3 they are incremental to transmission planning and projects indentified through the
4 normal course of business and capital planning.
- 5 2. Advise on what threshold amount is considered to be material for recording
6 purposes and on what basis this amount is determined?
- 7 3. Advise as to what date HONI anticipates that the recording of costs in the
8 account related to these activities will cease?
- 9 4. Advise as to what is HONI's best estimate of the total costs expected to be
10 recorded in the proposed deferral account for EB-2011-0140, and please give an
11 explanation for these estimates.
- 12 5. Advise as to when HONI would expect to seek approval to dispose of the East
13 West Tie Deferral Account ("EWTDA")

14
15 (c) What is the regulatory precedent for the collection of each of the identified costs
16 proposed to be included in the EWTDA?

17
18 (d) If the costs to be recorded in the EWTDA are not known at this time, what would be
19 the basis of the approval to record these amounts in a deferral account?

20
21
22 (e) What new or additional information is available that would improve the Board's
23 ability to make a decision to approve the recording of these costs in a deferral
24 account?

25
26 [Response](#)

27
28 (a) HONI is not seeking approval for the disposition of the requested deferral account at
29 this time. HONI does not concur that the "Z-Factor Amount Eligibility Criteria"
30 should be used for the establishment of a deferral account. The materiality threshold
31 should be applicable only to the disposition of a deferral account.

32
33 The prudence of the costs will be subject to review at a future proceeding when
34 HONI requests disposition of this account.

1 (b)

- 2 1. Confirmed.
- 3 2. HONI does not believe there is a defined materiality limit for recording and
4 establishing deferral accounts.
- 5 3. Costs will cease to be recorded:
 - 6 a. OEB Allocated Proceeding Costs – Once the EB-2011-0140 proceeding has
7 completed and HONI has received the final proceeding invoice, including all
8 cost awards, from the Board;
 - 9 b. Support Costs for OEB Designation Process – Once the Board has issued a
10 decision on the designated transmitter. In addition, HONI may be asked to
11 support the Board in the S.92 application process; if so, these costs would also
12 be included in the deferral account, up to the end of such hearing;
 - 13 c. Development Work Associated with Stations & Other Supporting Asset
14 Expenditures – Once S.92 approval is received for the designated transmitter.
- 15 4. HONI is not in a position currently to estimate the total costs of the EWTDA.
- 16 5. HONI would seek to have the account balance disposed of at a future
17 transmission rate application when principle charges cease.

18
19 (c) The IPSP and Other Preliminary Planning Costs deferral account previously approved
20 as part of EB-2008-0272 is the regulatory precedent. In its pre-filed evidence in
21 support of the establishment of that account, HONI provided the following excerpt
22 from EB-2006-0501 Partial Decision and Order (dated March 30, 2007) as part of the
23 rationale for the establishment of the IPSP account. “Deferral accounts ... are
24 accounting devices intended to allow an entity to capture and record in an identifiable
25 location an aspect of operations, the final quantum and disposition of which is
26 dependent on some future unknown event.” HONI is of the view that the request for
27 the EWTDA is of a similar nature.

28
29 (d) HONI is seeking the deferral account based on the following factors:

- 30 i. HONI cannot forecast the amount of time and effort that will be required;

- 1 ii. The cost associated with this account may be of a significant amount;
- 2 iii. The anticipated costs are not included in the 2012 approved revenue requirement.

3

4 HONI believes that it is important to track all support expenditures in order for the
5 OEB to be able to understand and be informed of all the costs that relate to the
6 designation process for the EWT Line. For this purpose, HONI plans to separately
7 track the non-incremental labour.

8

- 9 (e) HONI continues to participate in this proceeding. As noted above, HONI believes
10 that the tracking of these costs will assist the OEB and various stakeholders in a better
11 understanding of the total costs that relate to the designation process for the EWT
12 Line.

Ontario Energy Board (Board Staff) INTERROGATORY #4 List 1

Interrogatory

OEB Allocated Proceeding Costs

References:

- EB-2012-0180, Application and Evidence, March 22, 2012/sec 2.2/p. 2
- Procedural Order No. 1 of EB-2011-0140, March 9, 2012

At the first reference, HONI indicates that:

- The Board determined in the second reference that the costs of proceeding EB-2011-0140, both cost awards to eligible intervenors and the Board's own costs, will be recovered through the Ontario Uniform Transmission Rates ("UTR").
- HONI did not include these costs in its 2012 approved transmission revenue requirement, nor does HONI have the ability to control or forecast what these costs will be.
- As such, HONI proposes to collect these amounts in a deferral account for disposition and recovery at a future date in accordance with Board direction.

It is also noted that in the Decision with Reasons dated December 23, 2010 for HONI's 2011/2012 transmission rates (EB-2010-0002), the Board did not approve the use of the "OEB Cost Differential Account" by HONI, since its revenue requirement already included an amount for OEB cost assessments.

Question/Clarification:

- (a) The noted costs are expected to affect all the existing licensed transmitters. The Board may on its own motion determine whether such costs are material, and if so may take the appropriate steps to reflect such costs when it updates the UTR.

Please state the reasons why HONI would still need to record these costs in a deferral account, given the fact that the Board may take steps to reflect these costs in rates when the UTR is updated.

Response

- (a) HONI's understanding is that the OEB Allocated Proceeding Costs will be charged to licensed transmitters. EB-2011-0140's Procedural Order No. 1, page 2, says that:

"the Board has determined that the costs of this proceeding, both cost awards to eligible intervenors and the Board's own costs, will be

1 recovered from licensed transmitters... The costs will be apportioned
2 between these transmitters based on their respective transmission
3 revenues.”

4
5 HONI is unaware of an alternative mechanism that is available for the OEB that
6 would directly charge these costs through the UTRs.

7
8

Ontario Energy Board (Board Staff) INTERROGATORY #5 List 1

Interrogatory

Support Costs for OEB Designation Process

Reference:

- EB-2012-0180, Application and Evidence, March 22, 2012/section 3.1/p. 3

At the above reference, HONI stated, in part, that:

Provided below is a brief description of the costs to be included in each to the three subaccounts.

(i) Incremental Consultant Expenditures – expenditures that [HONI] may incur to engage external consultants to assist with the [East-West Tie line] designation process. For example, if the Board asks [HONI] to engage with a consultant to provide clarification on a report they had previously completed for [HONI].

Questions/Clarifications:

- Please list each of the consultants' reports produced regarding the East-West Tie line that HONI believes it could potentially be asked clarification questions about in the EB-2011-0140 proceeding and provide, for each, a brief description and the author's name.
- Please comment on the fact that HONI's staff may be able to respond to clarification of aspects of a consultant's report. Where this occurs, incremental efforts by a consultant will not be needed.

Response

- On May 7, 2010 HONI filed (in EB-2011-0140) a Documents List of incumbent information prepared and related to the East West Tie line. The following is an excerpt of consultant's reports from that list.

Report Name	Report Description	Author
Study Estimates Report	Study estimates for various line options and associated breaker installations and line terminations for proposed East-West Tie Line, Contains: Engineering sketches; bill of major materials; assumptions, scope descriptions; project schedule; cost estimate; work breakdown structure; analysis (contingency, risk, escalation)	SNC Lavalin May 19, 2010

Services Plan	Work plan and budget for consultation activities for East West Tie Line in relation to Terms of Reference and Individual Environmental Assessments, including Canadian Environment Assessment Agency screening, OEB section 92 submission activities, First Nations and Métis consultation, and Biodiversity Initiative activities	<i>Dillon Consulting Limited</i> January 26, 2010
Environmental Assessment Plan	Proposal for consulting services for proposed East-West Tie line in relation to pre-EA work, Terms of Reference, Environmental Assessment, general support (CEAA screening, OEB application, Biodiversity Initiative, orthophotography, other permits/approvals) Contains: cost estimate and assumptions	<i>Stantec Inc.</i> February 9, 2010
Socio-Economic Assessment Plan	Work plan for activities for proposed East-West Tie line relating to: socio-economic, cultural and heritage sections of Terms of Reference and Environmental Assessment; socio-economic studies; conducting public information centres on socio-economic matters	<i>Senes Consultants Limited</i> January 26, 2010
Maps & Tiles	Map tiles of existing East-West Tie line by sections Overview map of existing East-West Tie Line	<i>Inergi L.P.</i> May 7, 2010

1

2 In addition, HONI has the following other information on the East West Tie Line.

3

Project Definition Report	Study estimates for various project implementation options for proposed East-West Tie line Contains: scope of work; assumptions (line, station, environmental, real estate, corporate communication); technical comparison tables (line, station); risk assessment; preliminary schedule; cost breakdown (development, implementation) - prepared: June 4, 2010	June 4, 2010
North and Central Transmission Projects Presentation	Presentation on North-South transmission expansion, Algoma-Sudbury transmission expansion, East-West transmission tie, and Manitoulin Island enabler	January 27, 2010
Transmission Expansion in NW Ontario Presentation	Presentation on Northwest transmission expansion and East-West Tie expansion	April 22, 2010
GPS Coordinates of existing East-West Tie line tower structures	Longitude and latitude for each tower structure of existing line	
Aerial "flyover" video of existing East-West Tie line	Video of aerial view of existing line (Wawa TS x Lakehead TS)	

Station graphics showing existing line entrances (Wawa TS, Marathon TS, Lakehead TS)	Photos (top-down view) of transformer stations with line entrances superimposed	
Typical transmission line maintenance practices	Photos (top-down view) of transformer stations with line entrances superimposed	
Real Estate	Categories of land rights and percentages along existing East-West Tie line - land type percentages (Crown, park, private, First Nation) Licences and permits - licences and permits for provincial Crown lands and Pukaskwa National Park Other real estate info – easements with private landowners	
Historical Outage Data (weather events)	Line outage statistics (forced momentary, forced sustained, planned outages) from 2002 to 2011 along existing line	
Real Estate Agreements with First Nations	Agreements with First Nations for land rights along existing lines	

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There may be other incremental costs through consultation with other parties that HONI could incur for which recovery would also be requested.

(b) Depending on the specific request, HONI staff may or may not, be able to provide the required clarification without the external consultant's assistance.

Ontario Energy Board (Board Staff) INTERROGATORY #6 List 1

Interrogatory

Support Costs for OEB Designation Process

Reference:

- EB-2012-0180, Application and Evidence, March 22, 2012/section 3.1/p. 3-5

At the noted reference, HONI is proposing to track labour costs in a sub-account as a part of the support costs that HONI is expecting to incur in relation to EB-2011-0140.

One page 5 of the noted reference, HONI indicated that it will track non-incremental labour dedicated to the designation process which are already approved in its current revenue requirement. HONI also indicated that it will not seek the recovery of these nonincremental labour costs and that tracking these costs will ensure that they are available should the Board need the information at a later date.

Questions/Requests:

- (a) If HONI is of the view that non-incremental costs are needed for possible use at a later date, please comment on the view that HONI can keep track of such costs without recording such costs in a deferral account.
- (b) Please describe the processes HONI plans to implement to ensure that the nonincremental labour costs are kept separate from the incremental labour costs in the EWTDA. Would HONI be implementing a rigorous time-keeping of all staff working on this project to ensure accuracy in tracking the two categories of costs? If so, would such evidence be available upon request? Please confirm that HONI would not record overtime incurred by management in the EWTDA.

Response

- (a) Agreed. HONI would be able to track the non-incremental costs without the use of a deferral account. However, HONI believes that there are benefits to recording these expenditures in its formal accounting records to ensure auditability and accuracy. Amounts included in this sub-account will be contra'd and therefore not be reported on a quarterly basis. The amounts would be readily available upon request.

- (b) HONI will use employee time tracking sheets to record the number of hours worked for non-incremental labour. These tracking sheets will be sent to a centralized

1 mailbox, aggregated, and costed through the use of a standard labour rate to
2 determine the amounts to be posted to the account.

3
4 HONI will only seek recovery of incremental labour costs if the proceeding results in
5 heavy time demand on existing staff, such that a backfill position is required. In this
6 case, a contract worker would be hired whose time tracking sheets would be
7 identified and charged to the EWTDA.

8
9 Times tracking sheets and documents to support the account balances would be made
10 available upon request.

11
12 Overtime pay is not available for HONI's management staff, thus there would be no
13 amount charged to the EWTDA.

14
15

Ontario Energy Board (Board Staff) INTERROGATORY #7 List 1

Interrogatory

Development Work associated with Stations and Other Supporting Asset Expenditures

Reference:

- EB-2008-0272, Decision with Reasons, dated May 28, 2009/p. 60
- EB-2009-0416, Decision and Order, dated March 25, 2010
- EB-2012-0180, Application and Evidence, dated March 22, 2012/sec. 4.1/p. 6

At first reference, Board staff notes that in the proceeding EB-2008-0272, the Board authorized the creation of a deferral account for “IPSP & Other Long Term Projects Preliminary Planning Costs.” Further, at the second reference, in EB-2009-0416, the Board permitted HONI to extend coverage of above noted deferral account to cover costs associated with 14 additional projects that included the East West Tie line.

At the third reference, in the current application, HONI is proposing to record the costs of development work associated with stations and other supporting assets to permit the eventual connection of the East-West Tie line to the transmission system.

Questions/Requests:

(a) Please identify and provide details, including costs incurred to date, for all activities that HONI has undertaken as well as details for the proposed activities described in the third reference that HONI is expecting to undertake in the future in relation to the connection of the East-West Tie line to the provincial transmission station including:

- planning;
- scoping;
- preliminary engineering;
- estimating station work;
- environmental assessment;
- consultation with First Nations and Métis; and
- real estate expenditures.

(b) Please provide cost estimates for each of the activities identified in Question (a).

(c) Has HONI recorded any of the costs associated with any of the activities identified in (a) above in the deferral account for “IPSP & Other Long Term Projects Preliminary Planning Costs”? If so, why would the EWTDA still be needed if costs would be recorded in the deferral account for “IPSP & Other Long Term Projects Preliminary Planning Costs”?

(d) Please distinguish between the costs HONI intends to record in the EWTDA and the deferral account for "IPSP & Other Long Term Projects Preliminary Planning Costs."

Response

(a) Hydro One has not incurred any development work costs to date associated with preliminary station and other supporting asset work.

The proposed activities mentioned above (e.g. planning, scoping, etc.) that Hydro One expects to undertake to permit the connection of the new line are standard requirements necessary to plan transmission station work. For instance, material will be required which often requires long lead times. In order to know what material to order, activities such as planning, scoping, etc. are needed. If work is required outside of the station, land acquisition may be needed, again a time-sensitive process. Environmental Assessment takes time and effort. Affected First Nations and Métis will need to be consulted in advance of notification to the general public of project details.

In addition, any capital costs relating to station work for the EWT Line will also be recorded in the deferral account until S.92 approval of the line is received.

(b) HONI is unable to estimate the costs of these activities until the EWT line project details are put forth by the designated transmitter and the resulting station upgrades are known. For reference purposes, preliminary development costs are generally about 1% of total project costs.

(c) No, HONI has not recorded any of these costs in the IPSP & Other Long Term Projects Preliminary Planning Costs account. The IPSP & Other Long Term Projects Preliminary Planning Cost relates to development costs associated with the Green Energy Transmission line build projects, including the East West Tie Line, not station upgrade work.

1

2 (d) Please see part c) above.

3

Ontario Energy Board (Board Staff) INTERROGATORY #8 List 1

Interrogatory

Development Work associated with Stations and Other Supporting Asset Expenditures

Reference:

- EB-2012-0180, Application and Evidence, dated March 22, 2012/sec. 4.1/p. 6
- Transmission System Code (“TSC”), June 10, 2010/Sec. 6.3
- Transmission System Code (“TSC”), June 10, 2010/Sec. 6.8
- *Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, (the “Act”)* section 70 (1) and 70 (2) (c)

At the first reference, HONI stated in part that:

The risk profile of these costs is different from that of [HONI's] normal capital construction activities as, unlike other projects, [HONI] is not managing this project or the approval process. As a result, [HONI] does not have the level of accounting assurance that the project will ultimately proceed and go in-service that it requires in order to capitalize these amounts under generally accepted accounting principles. To meet the required in-service date of the EWT Line, station development work needs to commence prior to the designated transmitter receiving its S.92 approval.

At the second reference, the TSC prescribes “Cost Responsibility for New and Modified Connections”, balancing the interests of all parties including existing transmission rate payers, where for instance in subsection 6.3.10 the TSC states that:

6.3.10 Where a transmitter needs to construct new or modified network or connection facilities as a result of a connection application from a customer, the transmitter may require a reasonable security deposit in a form referred to in section 6.3.11 from the customer, taking into account the size of the new load or generator output, as the case may be. Where the security deposit is in the form of cash, the transmitter shall return the security deposit to the customer, together with interest at the rate referred to in section 6.3.11, less the amount of any capital contribution owed by the customer, once the customer's facilities are connected to the transmitter's transmission facilities. Where the security deposit is in a form other than cash, the transmitter shall return the security deposit to the customer once the customer's facilities are connected to the transmitter's transmission facilities and any capital contribution has been paid.

At the third reference, the TSC outlines “Obligations Between Neighbouring Ontario Transmitters”.

At the fourth reference, under “Licence conditions”, section 70 (1) of the Act indicates that a Licence may prescribe various conditions, and 70(2) describes examples of conditions of which subsection (c) states that:

(c) requiring the licensee to enter into agreements with other persons on specified terms (including terms for a specified duration) approved by the Board relating to its trading or operations or for the connection to or use of any lines or plant owned or operated by the licensee or the other party to the agreement;

Questions/Clarifications:

- (a) Please indicate whether or not HONI would include in its agreement with the designated transmitter, as required by section 6.8 of the TSC, conditions similar to the conditions outlined at the second reference where HONI can require reasonable security deposit from the designated transmitter to guard against risks that it outlined at the first reference.
- (b) Please clarify HONI’s view on what the trigger is for HONI to commence its development work for the stations and other supporting assets. In other words, is it the issuance by the Board of its decision identifying the designated transmitter, the issuance by the Board of a leave to construct order, or some other event?
- (c) Please comment on the view that under the sect 70 (2) (c) of the Act, quoted above, the Board can amend HONI’s transmission licence to require HONI to enter into an agreement with the eventual designated transmitter where reasonable security deposit can be arranged to guard against risks that it outlined at the first reference
- (d) Please comment on the view that it appears that HONI will have adequate time to conclude an agreement with the designated transmitter to identify the development and construction work needed, and the security deposit it would require to ensure that its transmission ratepayers are held harmless.
- (e) Please comment on the view that if one of the two approaches outlined above, is implemented, a deferral subaccount for this purpose is unnecessary.

Response

- (a) HONI notes that Section 6.3.10 of the TSC applies to customers only. As such, HONI cannot compel a neighbouring transmitter to accept the conditions in Section 6.3.10 in an agreement and therefore remains of the view that it would be more prudent to proceed with the requested deferral sub-account.

1 (b) HONI's expectation is that development work would start once the Board has
2 designated a transmitter or as otherwise directed by the Board.

3
4 (c) HONI concurs that the Board appears to have such authority.

5
6 (d) In light of the current uncertainties (e.g. identity and negotiating style of the
7 neighboring transmitter, authority, etc.) HONI does not have sufficient information to
8 confirm whether there would be adequate time.

9
10 (e) HONI concurs that a deferral sub-account would not be required for any development
11 work costs that would be recoverable through an agreement under the TSC or through
12 an order of the Board.

Ontario Energy Board (Board Staff) INTERROGATORY #9 List 1

Interrogatory

Development Work associated with Stations and Other Supporting Asset Expenditures

Reference:

- EB-2012-0180, Application and Evidence, dated March 22, 2012/sec. 4.3/p. 7

At the above reference, HONI stated in part that it will:

“make a recommendation on the specific accounting entries that will be followed with respect to this sub-account at a future date.”

Clarification:

- (a) Please provide the accounting entries for the noted sub-account. If they are not available, please indicate when HONI will propose the accounting entries for the noted sub-account.
- (b) Please confirm that no capital costs are being proposed for recording in the sub account at this time.
- (c) Please state if any capital costs were incurred related to 4.0 Development Work associated with Stations & Other Supporting Asset Expenditures. If so, how does HONI propose to record and recover these costs?

Response

- (a) The planned entries for the noted sub-account are as follows:

Dr: 2055 Construction Work in Progress -- Electric
Cr: 2205 Accounts Payable

Initial entry to record Networks' own pre-engineering expenditures incurred to prepare stations and other assets for connection of the East West Tie line.

1 Dr: 15XX Other Regulatory Assets – Sub account “East West Tie Deferral
2 Account – Stations and Other Assets Development Work”
3 Cr: 15YY Other Regulatory Assets – Sub account “East West Tie Deferral
4 Account – Stations and Other Assets Development Work”
5

6 Entry to track capital expenditures in the EWTDA.
7

8 Note that the proposed method of tracking capital spending in a deferral account is
9 analogous to the tracking treatment previous used for Conservation and Demand
10 Management capital expenditures (see Questions 2 to 4 in the December 2005 FAQ
11 to the Accounting Procedures Handbook).
12

13 (b) HONI is proposing to record capital costs in this sub-account.
14

15 (c) No capital expenditures have yet been incurred related to Development Work
16 associated with Stations & Other Supporting Asset Expenditures.
17

London Property Management Association (LPMA) INTERROGATORY #1 List 1

Interrogatory

Reference: March 22, 2012 Letter re Hydro One Networks Inc. Request for an Accounting Order to Establish an Incumbent Transmitter Deferral Account.

- a) Please explain why Hydro One is asking for the account to be effective from January 3, 2012, when the OEB did not commence the EB-2011-0140 proceeding until February 2, 2012.
- b) Please provide any deferral or variance accounts that have been approved by the OEB for Hydro One Networks where the account had an effective date prior to the date of the request for the account, or prior to the commencement of the relative proceeding at the OEB.
- c) Please explain why the Board should approve the inclusion of costs in a deferral account prior to the request for the deferral account.

Response

- a) Although the Board did not issue a Notice of Application for EB-2011-0140 until February 2, 2012, there was activity relating to this proceeding prior to that date. On August 12, 2011 Board Staff sent a letter to licensed transmitters and other interested parties to indicate their interest in filing a development plan. Since this notification, meetings and consultation have occurred between Board Staff and potential transmitters which HONI has attended.

HONI is asking for this account to be effective from January 3, 2012 to track the cost incurred and attributable with preliminary work on the EWT Line proceeding (e.g. HONI participated in meetings for the EWT Line designation process arranged by Board Staff in January 2012).

1 b) HONI is unaware of any deferral or variance accounts that have been approved by the
2 OEB for Hydro One Networks in which the account had an effective date prior to the
3 date of the request for the account, or prior to the commencement of the relative
4 proceeding at the OEB.

5

6 c) See part a) above.

7

London Property Management Association (LPMA) INTERROGATORY #2 List 1

Interrogatory

Reference: March 22, 2012 Letter re Hydro One Networks Inc. Request for an Accounting Order to Establish an Incumbent Transmitter Deferral Account.

For each of the three types of costs noted in Section 1.0 Background section of the letter that Hydro One proposes to track in the requested account, please provide:

- a) The actual costs incurred by Hydro One from January 3, 2012 to March 21, 2012; and
- b) The total costs forecast to be incurred by Hydro One, if available.

Response

- a) To date, there has not been any incremental costs incurred which HONI will be seeking recovery for in this deferral account from January 3, 2012 to March 21, 2012. However, with respect to OEB Allocated Proceeding Costs, the Board on March 2, 2012 issued Procedural Order No. 1 for EB-2011-0140. Within this Order, the Board determined that the cost of that proceeding would be recovered from licensed transmitters whose revenue requirements are recovered through the Ontario Uniform Transmission Rates. As indicated in Exhibit I, Tab 2, Schedule 1, the Board initiated EB-2011-0140 on August 12, 2011 with a letter to licensed transmitters and other interested parties. As a result, there may be costs that will be recoverable through UTRs from that date. As yet, HONI has not received an invoice from the Board for costs incurred in this proceeding, but there is the possibility that there will be costs charged but not invoiced that occurred prior to March 22, 2012.

HONI has been tracking non-incremental labour costs since January 3, 2012. The total cost to March 21, 2012 is \$50,000. HONI will not be seeking recovery of these costs.

- 1 b) As indicated in HONI's application, HONI is unable to forecast costs related to the
- 2 request for this deferral account as the designation process is new to Ontario and as
- 3 such there is no precedent to establish costs for such a proceeding.

4

1 **London Property Management Association (LPMA) INTERROGATORY #3 List 1**

2
3 **Interrogatory**

4
5 **Reference: March 22, 2012 Letter re Hydro One Networks Inc. Request for an**
6 **Accounting Order to Establish an Incumbent Transmitter Deferral Account.**

7
8 Please provide a definition of materiality as used in Section 3.2 of the letter.

9
10 **Response**

11
12 Please see Exhibit I, Tab 1, Schedule 3a).

School Energy Coalition (SEC) INTERROGATORY #1 List 1

Interrogatory

What is the Hydro One's materiality threshold for deferral account disposition?

Response

HONI respectfully defers to the Board to set a materiality threshold for disposition of deferral accounts.

School Energy Coalition (SEC) INTERROGATORY #2 List 1

Interrogatory

With respect to the support costs for the OEB designation process:

- a) How specifically does Hydro One propose to track non-incremental labour costs?
- b) How will Hydro One determine when labour required is incremental?
- c) What type of records will Hydro One be keeping so the prudence of these costs can be examined upon disposition?
- d) Is the method Hydro One will use for tracking support costs, the same method that it is using for tracking and billing EWT LP for its use of Hydro One personal and other costs? If not, please explain the difference.

Response

- a) Please see Exhibit 1, Tab 1, Schedule 6 b).
- b) Please see Exhibit 1, Tab 1, Schedule 6 b).
- c) HONI will be using the same type of reporting and record keeping as it currently does for existing regulatory Accounts. As well, HONI will be using time tracking sheets with the appropriate description of work, to record employees' time spent on the EWT proceeding.
- d) Yes.

1 **School Energy Coalition (SEC) INTERROGATORY #3 List 1**

2
3 **Interrogatory**

4
5 Hydro One states that will track costs from January 3, 2012. For each proposed sub-
6 account, what is the total amount tracked so far.

7
8 **Response**

9
10 Please see Exhibit I, Tab 2, Schedule 2a).

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #1 List 1

Interrogatory

Reference: Application, Sections 3.1 and 4.1

**EB-2010-0002, Exhibit C1, Tab 2, Schedule 4, page 10 and Exhibit F1,
Tab 1, Schedule 2, page 3**

- a) Please confirm that Hydro One Networks' 2011-2012 Rate Application referenced \$4.1M and \$3.0M respectively in 2011 and 2012 for development work for the East-West Tie Expansion and that any actual expenditures were to be "captured in a variance deferral account"
- b) Please indicate why this existing deferral account could not be used to capture the types of costs described in Section 3.1 of the current Application.

Response

- a) Yes, Hydro One Networks' 2011-2012 Rate Application referenced the above forecast development work to be captured in a deferral account for the East-West Tie Expansion Project.
- b) The existing Long-Term Project Development OM&A Account ("LTPD Account") referenced above does not have the same purpose as the current requested East West Tie Deferral Account ("EWTDA"). The LTPD Account was created to capture costs for Hydro One Transmission to plan, develop and implement transmission Green Projects (including the EWT Line) as identified by the Minister of Energy and Infrastructure in September 2009 (see **EB-2010-0002, Exhibit A, Tab 11, Schedule 4, page 45**), including costs to prepare applications to obtain Environmental Assessment and Section 92 Leave to Construct approvals as the transmitter for the project. Hydro One Transmission has not sought Transmitter Designator status for the East West Tie Project.

1 The EWTDA is not to capture costs relating to planning, developing and
2 implementing the East West Tie Line ("**EWT Line**"). Its purpose relates to costs
3 associated with the designation process and development work that HONI will need
4 to undertake to permit the eventual connection of the EWT Line to the transmission
5 system. The costs captured in this account have a different purpose and risk profile
6 than those in the LTPD Account, and as a result HONI believes they should not be
7 combined with the latter.

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #2 List 1

Interrogatory

Reference: Application, Section 3.1

- a) Will Hydro One Networks' staff be undertaking any work in direct support of EWT LP's application to be the "designated transmitter"?
- b) Will Hydro One Networks' staff be undertaking any work in direct support of EWT LP activities if the latter is chosen as the designated transmitter?
- c) If yes to either (a) or (b) does Hydro One Networks plan to segregate the work/resources involved in directly supporting EWT LP from those required as the incumbent in providing support to the OEB process (and ultimately the designated transmitter) and undertaking any necessary work related to the ultimate connection of the E-W Tie to Hydro One Networks' existing facilities. If so, how does it plan to do so?

Response

- a) Yes, some Hydro One Networks' staff will undertake work in direct support of EWT LP's application to be the designated transmitter.
- b) Yes, it is anticipated that there will be some Hydro One Networks' staff working for EWT LP if it is chosen as the designated transmitter.
- c) HONI has established protocols for employees, who are supporting the EWT Line project, either in the capacity as the incumbent transmitter or engaged in work for EWT LP, on the management of information and the avoidance of conflicts of interest. These protocols were filed in EB-2011-0140 on January 9, 2012 (see **Attachment 1**). A further directive was issued to HONI staff engaged in either process on February 28, 2012 (see **Attachment 2**) to ensure appropriate steps are taken to manage information flow.

Hydro One Networks Inc.

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Fax: (416) 345-5870
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Susan.E.Frank@HydroOne.com

Filed: May 11, 2012

EB-2012-0180

Exhibit I-4-2

Attachment 1

Page 1 of 19

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

January 9, 2012

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

Dear Ms. Walli:

EB-2011-0140 – East-West Tie - Designation Process Information Request – Hydro One Protocols

In a letter dated December 22, 2011, the Ontario Energy Board (“Board”) requested Hydro One Networks Inc. (“Hydro One”) to provide a description of the protocols in place to ensure that any information and resources that have been developed or acquired, relevant to the development of the East-West Tie Line, cannot be accessed by any registered transmitter. Additionally, the Board asked Hydro One to describe the protocols developed (or proposed to be developed) regarding the sharing, with all registered transmitters, of information necessary to prepare an application for designation.

Hydro One has identified specific employees to work on the Application for Designation and has issued a mandatory Directive to those employees. The Directive instructs that all inquiries are to be made through the Board and not through the normal internal resources. A second mandatory Directive was sent to all other relevant employees that will be working on inquiries from all registered transmitters. The second Directive instructs internal resources to direct all inquiries to the Board – even if the inquiry originates from Hydro One. Both Directives outline the requirement for all Hydro One employees to follow the Directives and avoid providing EWT LP with any unfair advantage throughout the process for East-West Tie Designation. Both Directives (and an errata sheet) are attached with this response.

Furthermore, all Hydro One employees are bound by the Corporate Code of Conduct. One of three core principles of the Code of Conduct is Integrity. Along with various other obligations, the section states that all employees

“Recognize the value of competition and to not engage in practices that seek to reduce the openness and fairness of competition. We do not prevent others from competing freely and fairly with us, except when constrained by law.”

Hydro One will provide all registered transmitters with equal access to information for the East-West Tie Designation process.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

DIRECTIVE

September 20, 2011

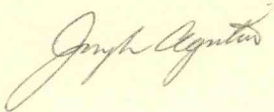
To: Myles D'Arcey; Nairn McQueen; Wayne Smith; Mike Sheehan; Rick Stevens; Laura Cooke, Susan Frank; LeeAnne Cameron; Bing Young; Ian Bradley; Randy Church; Andrew Skalski

Re: East-West Tie Designation Process—Handling of Inquiries by Persons Seeking Designation

Ontario's Long-Term Energy Plan, published November 23, 2010, identified the need to build the "East-West Tie", a new transmission line along the northern shore of Lake Superior. Pursuant to the Plan, the OEB is conducting a designation process (which it initiated on August 22, 2011) to select the most qualified and cost-effective licensed transmission company to develop the project. As the owner/operator of the transmission system to which the new line will connect (a.k.a. the "incumbent" transmitter), Hydro One can expect to receive requests for information from parties preparing applications for designation. Hydro One itself may seek to be designated to develop the East-West Tie. You are receiving this directive because the nature of work in your area suggests that you may receive requests from internal or external parties for incumbent transmitter information or advice.

To avoid having an unfair advantage in the designation process and to avoid even the appearance that its role as incumbent transmitter gives it an unfair advantage in the designation process, Hydro One is instituting measures to withhold information regarding Hydro One in its role as incumbent transmitter and information related to queries from competitors in the designation process from persons within Hydro One involved in preparing Hydro One's own application for designation. To ensure transparency, the OEB has agreed to manage all inquiries to the 'incumbent' transmitter regarding information associated with the East-West Tie project. Therefore, if you or any of your staff are contacted directly on a matter of this nature, please redirect the inquirer to the OEB, **even if the inquiry originates within Hydro One**. The OEB will then redirect inquiries to Hydro One, as appropriate, and determine whether to disseminate, to all participants, the queries and the responses. Hydro One has designated Philip Poon of Regulatory Affairs to receive all such inquiries redirected by the OEB.

Your cooperation is required to avoid the sharing of any incumbent transmitter information relevant to this initiative, with anyone (including Hydro One staff) participating as an applicant in the East-West Tie transmitter designation process. You must direct everyone in your respective groups who is in a position to provide such information to follow this protocol. If you are unsure whether certain information falls into this category, please contact Philip Poon at (416) 345-5064.



Joseph Agostino
General Counsel

Hydro One Inc.
483 Bay Street
North Tower, 15th floor
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345 6301
Fax: (416) 345 6056

Joseph Agostino
General Counsel



DIRECTIVE

September 20, 2011

To: Peter Gregg; Sandy Struthers; Carmine Marcello; Mike Penstone; Rhonda Wise

Re: East-West Tie Designation Process—Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

As the incumbent transmitter, Hydro One can expect to receive requests for information from parties preparing applications for designation. To avoid giving ourselves an unfair advantage in the designation process, and to avoid even the appearance that our role as incumbent transmitter gives us an unfair advantage, we have suggested, and the OEB has agreed, that the OEB manage all inquiries to the 'incumbent' transmitter. Hydro One personnel responding to such redirected inquiries are being instructed not to share such information with you.

For this separation to work, you are asked to make inquiries relating to our existing transmission assets, and the work associated with them, to the OEB, rather than from an internal resource as you would normally. You must direct anyone gathering information on your behalf to follow this protocol as well. The OEB will then redirect all inquiries to Hydro One, as appropriate, through Philip Poon in Regulatory Affairs.

Thanks for your co-operation.

A handwritten signature in dark ink, appearing to read "Joseph Agostino".

Joseph Agostino
General Counsel

From: AGOSTINO Joseph
Sent: September 20, 2011 4:31 PM
To: SKALSKI Andrew
Cc: WISE Rhonda
Subject: FW: East-West Tie Designation Process-Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

Andrew, you should have been included in this attached Directive. I am forwarding it to you and deeming this email to be your inclusion in the Directive.

*Joseph Agostino
General Counsel
Hydro One Inc.
15th Floor, North Tower
483 Bay Street, Toronto
Tel: 416.345.6301
Fax: 416.345.6056
email: joe.agostino@hydroone.com*

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From: LOCKYER Gwen
Sent: Tuesday, September 20, 2011 12:50 PM
To: GREGG Peter; STRUTHERS Sandy; MARCELLO Carmine; PENSTONE Mike; WISE Rhonda
Subject: East-West Tie Designation Process-Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

***Attachment Sent on Behalf of Joseph Agostino, General Counsel,
Hydro One Inc.***

CODE OF BUSINESS CONDUCT



Integrity • Excellence • Citizenship



Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber

www.fsc.org Cert no. SW-COC-002717
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HYDRO ONE – A GREAT COMPANY

Great companies have great people, great values and great aspirations. Hydro One is fortunate to be one of those companies. Our people accomplish projects of remarkable scope and of infinite detail. Our values guide us to consider the needs of each other and those of our customers, in spite of our many challenges. And our key aspiration – to help Ontarians secure a safe and reliable electricity future – gives us a special purpose and importance for the communities we serve.



The principles we stand on are integrity, excellence and citizenship. They form the foundation for all of our great endeavours and define who we are as a company. They also help to lead us in everything we do towards achieving new levels of professionalism, ingenuity and generosity.

Hydro One's Code of Business Conduct embraces these core principles. It is designed to help us remain a great company and to guide us in making the right choices and decisions on behalf of our colleagues, our customers, our shareholder and all Ontarians.

I encourage you to read the Code and to refer to it when you face questions of an ethical nature. If you are not sure of the right course of action, ask your supervisor. You can also consult with our Corporate Ethics Officer.

Ensuring public confidence and trust in Hydro One is an important responsibility we all share. Our actions, as guided by our Code, will help us to continue to maintain and enhance public confidence and trust in Hydro One.

A handwritten signature in black ink, appearing to read 'L Formusa'.

Laura Formusa
President and CEO
Hydro One Inc.



OUR PRINCIPLES

Integrity • Excellence • Citizenship

These principles are the foundation of Hydro One's corporate Code of Business Conduct ("Code") and its corporate policies. Everyone who works at Hydro One Inc. or any of its subsidiaries follows these principles when conducting business.

For Hydro One to be successful, we must continue to earn the trust and confidence of our customers and stakeholders. Each business action and decision provides us with this opportunity.

Hydro One expects all employees, at every level, to conduct themselves in accordance with this Code and will hold employees accountable for their conduct. If employees do not comply with this Code, they will be subject to disciplinary procedures, up to and including dismissal. Parallel expectations and associated consequences apply to our agents, consultants, contractors and business partners.

Integrity Excellence Citizenship

Integrity

Conducting business with unfailing honesty is what integrity is all about. Integrity means that all employees at every level of the organization:

- Conduct business lawfully and ethically, establishing honest dealings in all relationships and expecting the same of those with whom we have business relationships;
- Comply with all applicable laws, statutes, regulations and contractual obligations;
- Avoid conflicts of interest between their personal interests and their role in the conduct of company business;
- Do not disclose confidential information inappropriately;
- Recognize the value of competition and do not engage in practices that seek to reduce the openness and fairness of competition. We do not prevent others from competing freely and fairly with us, except when constrained by law; and
- Protect the company's assets and use them responsibly and for business purposes.



Excellence

Hydro One is an efficient and dynamic transmission and distribution company that is a leader in North America in the areas of safety, customer service and reliability. All Hydro One employees are stewards of Ontario's electricity delivery system and are responsible for ensuring that they work safely, efficiently and responsibly for the people of Ontario. Accordingly, Hydro One demands excellence from everyone at every level in the organization. We achieve excellence by:

- Performing our work safely;
- Providing our customers with reliable service;
- Continuing to improve performance;
- Upgrading our skills and developing the talents and abilities of others; and
- Fostering and maintaining respectful, trusting, and collaborative relationships with our colleagues.

Citizenship

Our work at Hydro One touches the lives of millions of customers and people across Ontario. They depend on us and we have a responsibility to them. We show our commitment to them by:

- Conducting our business in a way that protects the health and safety of the public and our fellow employees;
- Conducting our business in an environmentally-responsible manner;
- Respecting and supporting the social and cultural fabric of the communities where we work, live, and serve; and
- Treating everyone with respect and dignity.



STANDARDS OF BUSINESS CONDUCT

Hydro One expects every employee at every level of responsibility to follow the principles and standards of business conduct described in this Code. These principles and standards apply in every part of Hydro One Inc. or any of its subsidiaries, to the Hydro One Board of Directors, and to the extent feasible, are equally applicable to our agents, consultants, contractors and business partners.

If there is a case where the Code does not provide the answer to a particular ethical issue, or if you have questions about our Code, talk to your supervisor or consult Hydro One's Code intranet site, which includes a section dedicated to answers to frequently asked questions. If your question remains unanswered, you may contact Hydro One's Corporate Ethics Officer.

WORK ENVIRONMENT

Health and Safety

Health and safety are the keys to the success of the company and are of paramount importance to Hydro One. Healthy employees working safely are essential to achieving our corporate goals. We are all accountable for health and safety. Fulfilling our individual accountabilities is a vital and fundamental requirement of every employee's job. While management has the responsibility for managing health and safety, all employees must make safety the prime consideration in every decision made and every action taken. All employees will visibly support practices and programs that promote excellence.

Each of us has a personal responsibility to come to work fit for duty, to work safely and to identify, report, and where appropriate, correct workplace hazards. While at work, employees must not be impaired by the use of alcohol, medication, or illicit drugs, shall comply with Hydro One's Safety Rules, and shall not bring or permit anyone else to bring alcohol or any illicit drugs to any Hydro One workplace.

The delivery of products and services in a safe manner is essential to the success of the business. We are committed to minimizing the risk of injury to the public associated with our operations and the provision of services.

Diversity

We value the background, experience, perspective, and talent of each individual. We strive to create a workforce that reflects the diverse populations of the communities in which we operate.

We do not discriminate in hiring and employment practices on grounds prohibited by applicable law, which includes such grounds as race, ancestry, colour, place of origin, sex, ethnic origin, age, marital and family status, physical abilities, sexual orientation, creed, religion, or citizenship.

Harassment

We treat employees and persons with whom we do business with dignity and respect.

We do not tolerate personal harassment, including behaviour that demeans, threatens, or humiliates a person or group of people. We do not tolerate sexual or racial harassment. We do not tolerate comments or conduct that ridicule or disparage a group of employees, even if not directed at a particular employee.

We do not tolerate any behaviours that may promote violence in the workplace. Workplace violence often begins with harassment. We have a duty to take preventive action by bringing forward information relating to emerging situations in the workplace that may result in violence.

Work Performance

As employees, we are accountable for our work and for our results, and are committed to giving our full effort in everything we do. We expect to be evaluated by such standards as quality, quantity, timeliness, and whether the work has been completed safely and within the limits of allocated resources. We recognize that we must continue to seek new ways to be more effective and efficient. We expect our supervisors to follow leadership practices that promote an environment where high performance is encouraged. We expect our supervisors to set clear expectations and to provide appropriate support and timely feedback. We expect a work environment in which suggestions for improvement are welcomed and implemented where appropriate.

Developing our Potential

As a company, we recognize that the capability and commitment of our people is our most valuable asset and is critical to our business success. Supervisors are expected to treat employees in a manner that encourages commitment and high performance. At the same time, supervisors are held accountable for maintaining and enhancing the capability of their unit. Although each of us is responsible for our own career planning and development, we understand that the company will support our active pursuit of a jointly agreed and supported development plan. As a result, we can expect to increase our personal contribution and value, as well as our collective capability within the company.



CONFLICT OF INTEREST

Avoiding Conflicts of Interest

We avoid any conflict of interest. A conflict of interest is any situation where our personal interest interferes in any way or even appears to interfere with the interests of Hydro One and the making of decisions with honesty and integrity. There are three broad guidelines for avoiding conflicts of interest:

- Any business decision for Hydro One is to be based on merit and made strictly in the best interests of Hydro One;
- No personal benefits, whether direct or indirect, are to be derived for ourselves, family members or friends as a result of reaching business decisions on behalf of Hydro One; and
- We are to avoid any situation that may – or even appear to – create a conflict of interest between our personal interests and those of Hydro One.

Areas of conflict of interest that may arise in the course of our day-to-day work are covered in other sections. We have an obligation to declare any conflict of interest or any potential or perceived conflict of interest to our supervisor or to the Corporate Ethics Officer.

Outside Business Activities

While we all have a right to personal freedom outside working hours, certain outside business activities may constitute a conflict of interest.

We do not serve as directors of any organization that supplies goods or services to Hydro One, buys goods or services from Hydro One, or competes with Hydro One, without the approval of the Corporate Ethics Officer.

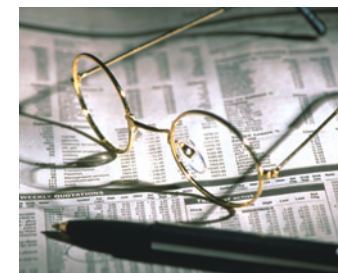
We may work for another organization, including one set up by ourselves, provided it is not a supplier, a commercial or industrial customer, or competitor of Hydro One, or does not affect our work performance at Hydro One. Where it is not clear whether external work interferes with our duty to Hydro One or affects our work performance at Hydro One, it is the responsibility of the employee to seek the prior approval of the Corporate Ethics Officer.

We do not perform work for the other organization on Hydro One's time, nor do we use Hydro One equipment, supplies, personnel or intellectual property for the use of the other organization.

We do not promote any non-Hydro One product or service to others during working hours. Contact with customers and colleagues from the outside activity should be limited during work hours and must not interfere with our regular duties. We do not sell products or services from our outside work to Hydro One.

Investments

Investment in a Hydro One competitor or supplier can create a potential conflict of interest. We, and our immediate family members – including common-law relationships – normally may not hold any ownership or financial interest in any organization that competes with any business activity of Hydro One or that sells goods and services to the company where that interest may give rise to a potential or perceived conflict of interest. Exceptions include where the interest is exercised through a blind trust, or equivalent, such as a mutual fund, or as discussed below.



While, as an example, ownership of less than five per cent of the issued shares of a publicly-traded corporation would be permitted for an employee and immediate family members in total, there may be situations in which such ownership would give rise to the potential for a conflict of interest. Any holdings which exceed these limits will be approved only on an exception basis, and must receive prior approval from the employee's supervisor and the Corporate Ethics Officer.

It is the responsibility of employees to disclose to their supervisor, and to the Corporate Ethics Officer, any investments which contravene these guidelines. With respect to investments in publicly-traded shares, disclosure is only required if the investment or financial interest exceeds five per cent of the issued shares or the value of the company, or if an investment below this level could be perceived to create a potential conflict of interest. As well, disclosure is not required for investments held in a blind trust or equivalent, such as a mutual fund.



In addition, in order to avoid conflict of interest situations, when we are aware that a family member or a friend has more than five per cent ownership in a competitor or supplier of Hydro One, we must inform our supervisor and the Corporate Ethics Officer, both of the ownership interest and of our relationship to the investor. It is the responsibility of management to ensure that the employee appreciates the potential conflict of interest that might arise from his/her relationship with the investor.

Confidential Information

Confidential information includes, but is not limited to, any trade secrets or intellectual property and any proprietary, sensitive, technical, commercial, strategic, financial, customer and personal information about customers and employees that is not made available publicly. We are responsible for knowing what information must remain in confidence and for seeking clarification from our supervisor if in doubt.

We do not disclose confidential information – except as required by law – to anyone outside Hydro One, including family and friends, even after we have left Hydro One's employ. Within Hydro One, we do not disclose confidential information to colleagues other than is necessary to ensure that we can effectively perform our assigned work. We protect confidential information against theft, fraudulent use, loss, unauthorized access, or misuse (notably as it relates to how we collect, store and retain confidential information on our computer assets). We recognize that any unauthorized use of confidential information exposes Hydro One to legal, commercial and liability risks.

Personal information about employees must be managed and kept in a confidential manner respecting the privacy of the individual, and taking into account our obligations under any applicable legislation and our business practices.

Purchasing and Suppliers

We protect Hydro One's reputation by refusing to make purchasing decisions based on favouritism, prejudice, preferential treatment or personal gain. We make them honestly and with integrity, using such criteria as competitive pricing, quality, quantity, delivery, and service. We refuse involvement in purchasing decisions that could lead to a conflict of interest, and we declare to our supervisor or to the Corporate Ethics Officer all conflicts or potential conflicts, seeking guidance from our supervisor or the Corporate Ethics Officer when we are uncertain.

We treat suppliers courteously, respectfully, and in a professional manner.

We inform suppliers of our Code and we expect suppliers to abide by it. Non-compliance must be communicated to Hydro One's Corporate Ethics Officer who will recommend what actions should be taken. An example of an action would be to discuss our ethics with suppliers and make it known to them that their conduct is unacceptable. A relationship with a supplier should be ended if there is a lack of improvement, consistent with any contractual obligations.

Conducting Business Relationships – Gifts and Entertainment

Hydro One employees, representatives and business partners do not offer, give, solicit, or receive:

- any form of bribe or kickback;
- gifts of cash, gift certificates, services, discounts, or loans;
- any gift, entertainment, or similar type of benefit that does not serve a legitimate business purpose; or
- any gift, entertainment, or similar type of benefit that may compromise or appear to compromise their ability to make business decisions in the best interest of Hydro One.

The onus is on everyone to act with integrity, use good judgment and consider all implications before accepting or giving gifts, entertainment or similar favours. They should be of a nature and amount that avoids embarrassment, does not constitute a real personal enrichment of the recipient, and would not reflect unfavourably on Hydro One or the recipient, if subjected to public scrutiny. Generally speaking, acceptable gifts will have a nominal value.

Unacceptable gifts should be returned with thanks and clarification of our policy, or suitably distributed in the community. These requirements do not change during traditional gift-giving seasons.

Insider Trading and Personal Advantage

We do not divulge confidential or proprietary information about our company or its affiliates, and their customers and suppliers, to any unauthorized person, or release confidential information in advance of its authorized release. We do not use for private speculation or personal advantage, data or information that is not available to the general public.



PROTECTING THE ENVIRONMENT

The Environment

We will comply with all environmental laws and regulations and will move beyond compliance where it makes good business sense to do so. We will design, build and operate our facilities to make efficient use of resources, prevent pollution and reduce environmental effects to the extent that is reasonably achievable. We will set environmental objectives and targets, monitor our performance relative to expectations, and implement programs to achieve continual improvement.

Supervisors are expected to provide visible leadership and employees will identify, anticipate and report potential environmental effects, and are expected to know and comply with corporate policies, procedures and standards which incorporate legal requirements and generally accepted industry practices.

SAFEGUARDING COMPANY ASSETS

Proper Use of Assets

We protect the company's assets, use them properly, safely, efficiently, and only for Hydro One business. We comply with all corporate policies, standards and guidelines governing the company's assets. We do not use company assets in a manner that compromises our business practices or offends, harasses, or promotes unacceptable behaviour.

We protect our assets from all external and internal threats including theft, fraud, destruction, vandalism, terrorism or neglect. We dispose of company property in an ethical and approved manner. Theft or fraud will not be tolerated.

Any use of company assets for a non-business reason (charitable work, for example) must be approved by the supervisor accountable for that asset.

Accounting and Finance

Hydro One will conduct its financial affairs only for lawful and proper purposes in accordance with approved authorities, and properly record resulting transactions. Employees shall not mislead, manipulate, coerce or fraudulently influence any accountant. No undisclosed funds or accounts may be established. All cash and bank account and other business transactions are handled in a manner that avoids any questions of bribery, kickbacks, other illegal or improper payments or any suspicion of impropriety whatsoever. Employees have a responsibility to report concerns about the integrity of financial reporting and have an obligation to report concerns to Hydro One's Corporate Ethics Officer. Alternatively, if an employee is uncomfortable doing so directly, Hydro One has selected ClearView Strategic Partners Inc. ("ClearView") to provide a secure

third-party reporting system (“ClearView Connects™”) that allows employees to anonymously report concerns regarding accounting, internal accounting controls, or auditing matters. ClearView can be reached by calling 1-866-921-4491, by accessing their website at www.clearviewconnects.com or by mailing an anonymous report to ClearView, P.O. Box 90505, Toronto, Ontario, M1J 3N7 (for P.O. Box reports, please ensure you identify the organization as Hydro One). Choosing to include personal information in a report to ClearView means you have consented to the collection of that personal information by Hydro One, which will be sent to Hydro One. There will be no reprisal against an employee for making a report in good faith.

Business Reporting

All Hydro One financial reports, accounting records, research reports, sales reports, expense accounts, time sheets, and other documents must accurately and clearly represent the relevant facts or true nature of a transaction. Financial transactions and performance will be disclosed in accordance with appropriate generally accepted accounting principles.

Managing Risk

We will appropriately identify and control the company’s risks, within the limits of our accountabilities and allocated resources. This does not mean eliminating all risks, but rather it means mitigating the risks to acceptable levels for the company. Risk is defined as any possible event that may adversely impact the company’s business objectives. We will understand the business objectives relevant to our work, and ask our supervisors for help or information on objectives where these are not understood. If, in our opinion, there are situations where risks are not being appropriately controlled, either by other Hydro One employees or by contract employees, we will discuss the situation with our supervisors and, if not resolved, we will consult the Corporate Ethics Officer for direction.



Using E-mail and the Internet

While limited and reasonable personal use is permitted with your supervisor’s approval, access to e-mail and the Internet is made available to promote effective work-related research, improve our professional development and enhance corporate-wide communication. Since the Internet is an “open” environment and accessible to numerous users, care must be taken to protect and treat as confidential all corporate information, including customer or any other information of a commercially sensitive nature, which is not publicly available.

When using e-mail or the Internet we will not download programs not already supported by Hydro One, access sites carrying socially or politically offensive material, access sites in any way related to terrorism, send chain letters, send threatening, libelous or harassing messages or send, view or obtain pornographic material.

We will not use the Internet to play games, gamble, participate in non-work related online based social networking (i.e. Facebook, MySpace, dating sites, etc.), post or send messages under disguised identification or send confidential information unless effectively protected (i.e. using encryption.)

RELATIONSHIPS

Relationships with Customers

In all aspects of doing business with customers, we strive to build a strong and mutually valued relationship. We demonstrate that Hydro One is a customer-focused company in every transaction. We strive to give our customers high value, reliable products and services. We seek customers' views on issues affecting them, consider their views, and give them feedback where possible. Customers are given the information they need to make informed choices and they receive truthful information about our products and services. Their safety and health is protected. We respect our customers' privacy and diversity. In all interactions with customers, every employee shall act as an ambassador of Hydro One thereby treating customers courteously, respectfully, and in a professional manner.

Fair Competition

We obey the laws governing competition, not conspiring with anyone to lessen fair competition. We do not engage in anti-competitive practices or illegal activities such as price-fixing, bid-rigging, and kickbacks. We ensure all procurement policies, procedures and required processes are followed.

We gather information about competitors in a lawful manner. We do not, directly or indirectly, misrepresent ourselves, use a third party, or offer bribes or gifts to solicit proprietary information about competitors.

Relationships with Non-Profit and Professional Organizations

We have a civic responsibility to contribute to our communities and to our professional organizations, provided our participation does not interfere with our duty to Hydro One. We only perform services on company time and/or use company assets for an organization when we have prior approval from our supervisor and/or the supervisor accountable for the asset. If we act as a spokesperson for an organization, we make it clear we are speaking for that organization or for ourselves, and not acting as a spokesperson or representative of Hydro One.

Political Participation

As private citizens, we take part in the democratic process at any level, including campaigning in elections, during non-working hours. Prior company approval is required if we need a leave of absence to participate, and our participation must be kept strictly separate from our association with Hydro One. All such leaves of absence will be without pay.

Conducting International Business

We apply Hydro One's Code to all the company's operations, international as well as domestic. Hydro One employees and business partners comply with the letter and spirit of domestic and foreign legal requirements as they apply to all business activities.

Hydro One employees and business partners are committed to ensuring that internationally-recognized human rights of men, women, children, and indigenous and tribal peoples, are respected in all Hydro One activities, wherever Hydro One does business.

We consult with relevant government authorities and local communities to ensure a project does not pose a disproportionate physical, social, or economic danger to the neighbouring populations, property, or environment.

Hydro One employees and business partners maintain the highest standards of conduct, in Ontario, North America and overseas. We adhere to the same standards provided by Canadian law concerning the conduct of business in foreign countries. We resist all other trade restrictions or restrictive trade practices where they violate international norms and standards.





ENSURING COMPLIANCE

At Hydro One, we are committed to building upon our well-earned reputation as an ethical and credible company. For each of us, this means living up to the principles of integrity, excellence and citizenship in everything we do, as well as ensuring complete compliance with our Code.

Your accountabilities and reporting responsibilities are outlined on the following pages. If you have any questions or concerns about your obligations, be sure to discuss them with your supervisor or the Corporate Ethics Officer.

ACCOUNTABILITIES

All employees shall:

- comply with the Code;
- complete any required training on the Code;
- declare all conflicts of interest, perceived conflicts of interest, and potential conflicts of interest to their supervisor or the Corporate Ethics Officer;
- immediately report any violations or suspected violations of the Code to their supervisor or the Corporate Ethics Officer;
- immediately report any concerns regarding questionable accounting or auditing matters to the Corporate Ethics Officer or through ClearView; and
- inform suppliers of our expectation that they comply with our Code and immediately report non-compliance to the Corporate Ethics Officer.

In all good faith reporting, employees are assured that there will be no reprisals.

All MCP employees, in addition to their responsibilities as employees, shall:

- annually confirm, and update throughout the year as necessary, that they have complied with the Code, that they have declared any conflicts of interest, actual or perceived, and taken appropriate steps to mitigate such conflicts, and that they have identified any outside appointments, directorships or officer positions using the form entitled “Compliance Form”. This form is available on *Plugin* at <http://plugin.hydroone.com> under the “Policies, Procedures, and Manuals” section – Code of Business Conduct.

Supervisors, in addition to their responsibilities as employees, shall:

- ensure that their employees understand and comply with the Code;
- ensure that their employees meet their accountabilities as outlined above;
- create an environment that ensures that employees feel comfortable bringing their concerns forward;
- be a knowledgeable and reliable source of advice;
- maintain the confidentiality of the identity of the individual raising

concerns to the extent permitted by law and the company’s ability to address the concern;

- inform the Corporate Ethics Officer of any conflict of interest declarations (including potential conflicts of interest);
- immediately inform the Corporate Ethics Officer of any actual or suspected violations of the Code; and
- provide written confirmation on an annual basis to their supervisor that they have reviewed the Code with their employees and that they have reported all Code violations and conflicts of interest to the Corporate Ethics Officer.

Direct Reports of the President and Subsidiary Presidents, in addition to their responsibilities as employees and supervisors, shall:

- monitor compliance with the Code and address infractions within their respective lines of business; and
- submit an annual due diligence report to the Chief Executive Officer and the Corporate Ethics Officer that confirms that the Code has been reviewed with all of their employees, that all their MCP employees have completed the “Compliance Form” and that all Code violations and conflict of interest declarations within their lines of business have been reported to the Corporate Ethics Officer.

The Corporate Ethics Officer shall:

- ensure that the Code is implemented within Hydro One;
- implement and maintain a secure third-party reporting system;
- annually review and update the Code for submission to the Human Resources and Public Policy Committee (“HRPP Committee”);
- track and report all reported violations of the Code to the HRPP Committee on an annual basis;
- track and report all reported violations of the Code regarding accounting, internal accounting controls, or auditing matters to the Audit and Finance Committee biannually or more frequently as required;
- provide advice and guidance with respect to the provisions of the Code;
- ensure that appropriate management action is taken to investigate and manage known or suspected violations of the Code;
- immediately report all anonymous complaints regarding the Code,

regardless of the materiality of such complaints, to the Chief Executive Officer (if the complaint does not involve the Chief Executive Officer), or the Chair of the Board (if the complaint involves the Chief Executive Officer); and

- report all anonymous complaints regarding the Code to the Board of Directors.

The Chief Executive Officer will submit the Code for approval by the Board of Directors of Hydro One Inc. and is accountable for development and implementation of any policies and procedures required for putting the Code into practice. The Chief Executive Officer is ultimately responsible for Hydro One's compliance with the Code and this includes ensuring the compliance of all employees.

The Board of Directors monitors compliance with the Code through the HRPP Committee and the Audit and Finance Committee, to whom the Corporate Ethics Officer reports. Any waivers from the Code for the benefit of directors or executive officers shall be granted solely by the Board of Directors and will be disclosed in accordance with all applicable legal requirements. In addition, the Board of Directors reviews and reassesses the Code annually.

WHO TO CONTACT

Maureen Wareham
Corporate Secretary and Corporate Ethics Officer
Tel: 416-345-6313
Email: maureen.wareham@HydroOne.com

EFFECTIVE DATE: JULY 1, 2008

DIRECTIVE

February 28, 2012

To: Myles D'Arcey; Nairn McQueen; Wayne Smith; Mike Sheehan; Rick Stevens;
Laura Cooke; Susan Frank; LeeAnne Cameron; Bing Young; Ian Bradley;
Randy Church; Peter Gregg; Sandy Struthers; Carmine Marcello; Mike Penstone;
Rhonda Wise; Andrew Skalski

Re: East-West Tie Designation Process

On September 20, 2011, Hydro One issued Directives for the management of information and avoidance of conflicts of interests related to the anticipated participation in the Ontario Energy Board's ("OEB") East-West Tie Designation Process ("Designation Process").

Since this time there have been new developments. Hydro One Inc. ("HOI") has acquired a participatory interest in EWT LP, an entity intending to obtain Transmitter Designation status for the East-West Tie Project from the OEB. Hydro One Networks Inc. ("HONI") has now decided not to seek Transmitter Designation status for the East-West Tie Project. HONI's roles and responsibilities in the Designation Process, however, will be to serve as a resource to the OEB and to facilitate the provision of relevant technical information during this proceeding.

In light of these developments, it is appropriate for further Directives to be provided to ensure appropriate steps are taken to manage information flow and avoid the appearance as well as the creation of conflicts of interest. These Directives apply to you, given your functional roles and responsibilities in respect of Hydro One's interest in the EWT LP Transmitter Designation Process, or given your management responsibilities within HONI and potential involvement of you or your staff in supporting the OEB proceeding.

Sharing and Access to Information

All individuals listed in Column 2 of Schedule A to this Directive are reminded that they are not permitted to access, nor request from HONI staff, electronic or hard copy information in the possession of HONI and that may reasonably be viewed as having commercial or competitive value to the East West Tie Project.

This type of information includes:

- all engineering technical studies or technical standards reports prepared by or for HONI that concern transmission developments within the East-West Tie Project area;
- all route design and alternative route assessment reports prepared by or for HONI that concern transmission developments within the East-West Tie Project area;

- all environmental and socio-economic studies or assessments prepared by or for HONI that concern transmission developments within the East-West Tie Project area; and
- all financial evaluations or studies prepared by or for HONI that concern transmission developments within the East-West Tie Project area.

All individuals listed in Column 1 of Schedule A are responsible for the development of protocols to ensure electronic information gathered by HONI, in its role as incumbent transmitter and assisting the OEB in its Transmitter Designation Process, will not be accessible nor shared with those individuals listed in Column 2 of Schedule A (i.e. individuals who are involved with HOI's participation in EWT LP). All developed protocols should be documented and available for review upon request.

Reporting Relationships

Individuals listed in Column 1 of Schedule A will now directly report to Mr. Joe Agostino on matters pertaining to HONI's participation in the Transmitter Designation proceeding. Persons reporting to Mr. Agostino will ensure that their direct reports understand these Directives and the restrictions surrounding inter-corporate sharing of East-West Tie Project information and the need to manage potential conflicts of interest.

Individuals listed in Column 2 of Schedule A will now report directly to Mr. Sandy Struthers on those matters that concern HOI's participation in EWT LP, including any involvement or assistance provided to EWT LP in its participation in the Transmitter Designation proceeding. Persons reporting to Mr. Struthers will ensure their direct reports understand these Directives and the restrictions surrounding inter-corporate sharing of East-West Tie Project information and the need to manage potential conflicts of interest.

Mr. Struthers and Mr. Agostino are members of Hydro One's Executive Committee ("EC") and Executive Leadership Team ("ELT"). Mr. Struthers will not participate in EC and ELT meetings that concern HONI's involvement in the Transmitter Designation Process. Similarly, Mr. Agostino will not participate in EC and ELT meetings that concern HOI's participation in the East West Tie Project. Mr. Struthers and not Mr. Agostino shall have full responsibility for the resourcing of all legal requirements of HOI's participation in EWT LP.

Managing Potential Conflicts in Meetings

Meetings convened amongst HONI employees and those individuals listed in Column 2 of Schedule A will not include topics that directly or indirectly concern the East-West Tie Project. As an example, individuals listed in Column 2 of Schedule A who are members of the HONI Transmission Major Projects Steering Committee must excuse themselves and not participate in any discussions that directly or indirectly include the consideration of the East-West Tie Project or the Transmitter Designation proceeding. Individuals listed in Column 2 of Schedule A are encouraged to request that formal agendas of meetings are prepared and circulated in advance. Where formal minutes of meetings are taken, all recusals should be formally noted.

Certification

All individuals listed in Schedule A are required to review these Directives on a regular basis. Every six months Column 1 individuals shall confirm in writing to Mr. Agostino and Column 2 individuals shall confirm in writing to Mr. Struthers that they have conformed with the requirements of these Directives.

Thank you for your co-operation with these matters. If you have any questions or concerns I would encourage you to contact Joe Agostino or Sandy Struthers directly.

A handwritten signature in cursive script, appearing to read 'L. Formusa', written in dark ink.

Laura Formusa
President & CEO
Hydro One Inc.

Attach: Schedule A

SCHEDULE A**EAST-WEST TIE PROJECT REPORTING RELATIONSHIPS**

COLUMN 1 HONI Direct Reports to J. Agostino	COLUMN 2 HOI/EWT LP Direct Reports to Sandy Struthers
Ian Bradley	LeeAnne Cameron
Randy Church	Peter Gregg
Laura Cooke	Carmine Marcello
Myles D'Arcey	Mike Penstone
Michael Engelberg	Andrew Skalski
Susan Frank	Rhonda Wise
Nairn McQueen	
Wayne Smith	
Mike Sheehan	
Rick Stevens	
Bing Young	

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #3 List 1**

2
3 **Interrogatory**
4

5 **Reference: Application, Section 3.1 and Appendix A**
6

- 7 a) Section 3.1 makes reference to three sub-accounts: one for incremental consultant
8 expenditures; a second for incremental administration costs and a third for labour.
9 However, Attachment A does not make any mention of three sub-accounts related to
10 incremental costs. Indeed in Appendix A it is not clear if there are one or two
11 proposed sub-accounts, since the sub-accounts under items (1) and (2) have the same
12 name. Please reconcile.
- 13 b) Why is it necessary to record the non-incremental costs (e.g. the base labour costs) in
14 the deferral account? Could the same objectives be achieved by simply tracking these
15 costs as opposed to formally recording them in a deferral account?
16

17 **Response**
18

- 19 a) HONI will use one sub-account to track Support Costs for the OEB Designation
20 Process. The three types of incremental support expenditures, included in this
21 account, will not have their own sub-account but will be tracked separately through
22 an excel spreadsheet.
- 23 b) Please see Exhibit 1, Tab 1, Schedule 6a).

Northwatch INTERROGATORY #1 List 1

Interrogatory

Please explain how Hydro One's expected costs incurred to support the Board through the transmitter designation process, facilitation of the east-west tie line connection, and, if necessary, through the Leave to Construct process (i.e., costs incurred to retain consultants, administrative costs, incremental labour costs) will be allocated to ratepayers (i.e. through Ontario Uniform Transmission Rates or another mechanism?).

Response

HONI will request recovery of any balance in the EWTDA as part of a future Transmission Rate filing. In prior proceedings, the Board has approved that the recovery of regulatory account balances be added to Hydro One Transmission's revenue requirement, which is used to determine Ontario Uniform Transmission Rates that are uniformly applied to all transmission customers. HONI would expect the same treatment for this account.

Northwatch INTERROGATORY #2 List 1

Interrogatory

Please explain how Hydro One's expected development expenditures will be allocated to ratepayers (i.e. through Ontario Uniform Transmission Rates or another mechanism?).

Response

Please see Exhibit I, Tab 5, Schedule 1.

Northwatch INTERROGATORY #3 List 1

Interrogatory

Please explain how the cost allocations described in 1 and 2 above will be allocated to customers in northern Ontario (if not allocated through Ontario Uniform Transmission Rates).

Response

Not applicable as collected through Uniform Transmission Rates.