

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #2

School Energy Coalition (SEC)

1. General - Audited Financial Statements

Reference: Ex. 1/2/2, p. 1

Please explain "Enersource's assumptions concerning the future direction of the industry", and provide details as to how those assumptions impacted the Applicant's financial projections as referred to in this exhibit.

Response:

Enersource monitors developments in the electricity industry in particular and the state of the economy in general in order to incorporate this knowledge into its financial projections and forecasts. For example, Enersource maintains a very close watch on developments at the OEB with respect to decisions on rate applications, changes to rates of return and cost of capital parameters, treatment of smart meter applications, and the release of other Board guidelines, codes and directions which will affect Enersource's business.

As another example, Enersource keeps tabs on the rate of inflation which will ultimately be factored into the determination of the rate change adjustment via the Board's incentive regulation mechanism.

Enersource is an active participant in developments in the electricity industry manifested through OEB working groups, EDA councils, OEA and OPA committees, and IESO and HONI meetings. This encyclopaedia of industry knowledge improves Enersource's ability to provide financial projections and forecasts related to its business.

