

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

November 6, 2012

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

Dear Ms. Walli:

EB-2012-0031 – Hydro One Networks' 2013 and 2014 Transmission Revenue Requirement Application – Hydro One Update to Settlement Agreement

Further to Ms. Varjacic's letter of November 2, 2012, attached please find the updated Settlement Agreement which provides more detailed evidentiary references.

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

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

EB-2012-0031

SETTLEMENT AGREEMENT

Hydro One Networks Inc.
Test year 2013 and 2014 Transmission Rates

November 6, 2012

TABLE OF CONTENTS

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Preamble	1
	Overview	3
General		
1	Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?	4
2	Is the overall increase in 2013 and 2014 revenue requirement reasonable?	6
Load Forecast and Revenue Forecast		
3	Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?	9
4	Are Other Revenue (including export revenue) forecasts appropriate?	11
Operations, Maintenance and Administration Costs		
5	Are the proposed spending levels for Sustaining, Development and Operations OM&A in 2013 and 2014 appropriate, including consideration of factors such as system reliability and asset condition?	13
6	Are the proposed spending levels for Shared Services and Other O&M in 2013 and 2014 appropriate?	15
7	Are the 2013/14 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?	16
8	Are the methodologies used to allocate Shared Services and Other O&M costs to the transmission business and to determine the transmission overhead capitalization rate for 2013/14 appropriate?	18
9	Are the amounts proposed to be included in the 2013 and 2014 revenue requirements for income and other taxes appropriate?	19
10	Is Hydro One Networks' proposed depreciation expense for 2013 and 2014 appropriate?	20
Capital Expenditures and Rate Base		
11	Are the amounts proposed for rate base in 2013 and 2014 appropriate?	21
12	Are the proposed 2013 and 2014 Sustaining and Development and Operations capital expenditures appropriate, including considerations of factors such as system reliability and asset condition?	24
13	Are the proposed 2013 and 2014 levels of Shared Services and Other Capital expenditures appropriate?	26
14	Are the methodologies used to allocate Shared Services and Other Capital expenditures to the transmission business	27

	appropriate?	
15	Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?	27
16	Does Hydro One's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the transmission system assets and support the OM&A and Capital expenditures for 2013/14	27
Cost Of Capital/Capital Structure		
17	Is the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rates appropriate?	28
18	Is the forecast of long term debt for 2012-2014 appropriate?	29
Deferral/Variance Accounts		
19	Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?	30
20	Are the proposed new Deferral and Variance Accounts appropriate?	31
Cost Allocation		
21	Is the cost allocation proposed by Hydro One appropriate?	31
Green Energy Plan		
22	Are the OM&A and capital amounts in the Green Energy Plan (GEP) appropriate and based on appropriate planning criteria?	33
Export Transmission Service Rates		
23	What is the appropriate level for Export Transmission Rates in Ontario?	34
Connection Procedures		
24	Are the proposed modifications to the Hydro One connection procedures appropriate?	36
Accounting Standards		
25	Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified and reflected in the appropriate manner in the Application, the revenue requirement for the Test Years and the proposed rates.	37

**Hydro One Networks Inc.
Test Year 2013 and 2014 Transmission Rates
EB-2012-0031**

SETTLEMENT AGREEMENT

PREAMBLE:

This Settlement Agreement is filed with the Ontario Energy Board (“the Board”) in connection with the application by Hydro One Networks Inc. (“Hydro One”) for an Order or Orders approving the revenue requirement and customer rates for the transmission of electricity to be implemented January 1, 2013 and January 1, 2014.

Further to the Board’s Procedural Order No. 3 dated and issued October 1, 2012, a Settlement Conference was held on October 23, 24, 25 and 26, 2012 in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (“Rules”) and the Board’s Settlement Conference Guidelines (“Guidelines”).

Hydro One and the following intervenors (“the parties”) participated in the settlement conference:

- Association of Major Power Consumers in Ontario (“AMPCO”)
- Association of Power Producers of Ontario (“APPrO”)
- Building Owners and Managers Association Toronto (“BOMA”)
- Canadian Manufacturers & Exporters (“CME”)
- Consumers Council of Canada (“CCC”)
- Energy Probe Research Foundation (“EP”)
- Goldcorp
- London Property Management Association (“LPMA”)
- Pollution Probe (“PP”) – participation subsequently withdrawn from proceeding
- Power Workers’ Union (“PWU”)
- School Energy Coalition (“SEC”)
- Vulnerable Energy Consumers Coalition (“VECC”)

Ontario Energy Board staff also participated in the settlement conference, but are not a party to this settlement agreement.

Outlined below are the positions of the parties following the settlement conference. The settlement agreement follows the format of the Approved Issues List for ease of reference. The issues are characterized as follows:

Settled: If the settlement agreement is accepted by the Board, the parties will not adduce any evidence or argument during the oral hearing as the Applicant and those intervenors who take any position on the issue agree to the proposed settlement;

Partially Settled: If the settlement agreement is accepted by the Board, the parties will only adduce evidence and argument during the hearing on portions of the issues as the Applicant and those intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue; and

Not Settled: The Applicant and those intervenors who take a position on the issue will adduce evidence and argument at the hearing on the issue as the parties were unable to reach agreement.

For ease of reference, the following outlines the status of the issues as outlined in the Settlement Agreement:

Settled: Issue completely resolved. Parties will not adduce evidence or argument at the hearing.	Partially Settled: Issue partially resolved. Parties will adduce evidence and argument at hearing on certain portions of the issue.	Not Settled: Issue not resolved. Evidence to be adduced and argument presented on entirety of issue.
# issues settled: 23	# issues partially settled: 1	# issues not settled: 1

The positions taken by the various parties on each of the settled issues are identified throughout the Settlement Agreement. A party who is noted as taking no position on an issue may or may not have participated in the discussion on that particular issue and takes no position on the settlement reached or on the sufficiency of the evidence filed to date.

The Settlement Agreement provides a brief description of each of the settled issues, together with references to the evidence filed. The supporting parties to each settled issue agree that the evidence in respect of that settled issue, as supplemented in some instances by additional information recorded in the proposal, supports the proposed settlement. In addition, the supporting parties agree that the evidence filed in support of each settled issue and the additional information as recorded herein contains sufficient detail, rationale and quality of information to allow the Board to make findings in keeping with

the settlement reached. The Intervenor is relying on the accuracy and completeness of the Appendices in entering into this Agreement.

The Board's Settlement Conference Guidelines (p.3) require the parties to consider whether a settlement agreement should include an adjustment mechanism for any settled issue that may be affected by external factors. Hydro One and the other parties who participated in the Settlement Conference consider that no settled issues require such an adjustment mechanism other than those expressly set forth in this settlement agreement.

None of the parties can withdraw from the Settlement Agreement except in accordance with Rule 32 of the Ontario Energy Board's *Rules of Practice and Procedure*. Finally, unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the parties in this Proposal are without prejudice to the rights of parties to raise the same issue and/or to take any position thereon in any other proceedings, unless explicitly stated otherwise.

The parties agree that the remaining unsettled issue will be dealt with during the oral phase of this proceeding, subject to further direction from the Board. The outstanding issue relating to rate base is regarding the net book value (NBV) of Red Lake TS. Goldcorp is the only intervenor with concerns. Hydro One proposes that this issue be dealt with as directed by the Board.

The parties agree that all positions, negotiations and discussion of any kind whatsoever that took place during the Settlement Conference and all documents exchanged during the conference that were prepared to facilitate settlement discussions are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Settlement Agreement.

It is fundamental to the agreement of the parties that none of the provisions of this Settlement Agreement are severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Agreement in their entirety there is no Settlement Agreement unless the parties agree to the contrary.

For the Board's ease of reference, a List of Approvals Sought is attached as Appendix A.

OVERVIEW:

The parties were able to reach agreement on most issues, including Operations, Maintenance & Administration (OM&A) costs, Capital Expenditures and Rate Base, and all other Revenue Requirement related issues. The parties were unable to reach agreement on the appropriate Export Transmission rate for 2013 and 2014 and have therefore agreed that this issue should proceed to the oral hearing, subject to further direction from the Board

Overall rate impacts were a guiding principle that led to the Settlement Agreement. Hydro One filed a rate application seeking a 0.6% increase in 2013 transmission rates and a 9.1% increase in 2014 transmission rates. The parties efforts were focused on determining an appropriate Revenue Requirement and resulting rate levels for 2013 and 2014, while balancing Hydro One's need to continue to safely and reliably operate and to fund its expanding work program.

The overall financial impact of the Settlement Agreement is to reduce the revenue requirement from \$1,464.5M to \$1,445.7M in 2013 and \$1,557.7M to \$1,537.2M in 2014 or by \$18.7M and \$20.5M respectively. The resulting overall rate impact is a 0% rate increase in 2013 and 7.1% rate increase in 2014, down from 0.6% and 9.1% rate increases in the Application. The financial rate impact calculation is attached to this Settlement Agreement as Appendix B.

As noted above, all parties agree that the Settlement Agreement is a broad package proposal. Thus, individual components of the Settlement Agreement ought not be considered or reviewed in isolation. All parties agree the overall package of the Settlement Agreement represents a fair and reasonable agreement that balances the interests of all stakeholders including the ratepayers, the intervenors, concerns previously noted by the Board and Hydro One's needs in order to run a safe and reliable transmission system.

Only one issue remains outstanding – the Export Transmission Service (ETS) rate to be charged. Several parties have filed evidence regarding the appropriate ETS rate including the IESO, APPrO and Hydro-Québec Energy Marketing Inc. (HQ). Hydro One is neutral regarding this issue.

The particulars of the Settlement Agreement are detailed below by issue as set out in the Issues List.

GENERAL

1. Has Hydro One responded appropriately to all relevant Board directions from previous proceedings?

Settled. For the purposes of reaching a settlement, the parties accept that the Applicant has appropriately responded to all directives from prior proceedings. Particulars, where relevant, are discussed below in the context of other issues.

Evidence: The evidence in relation to this issue includes the following:

A-15-2	Business Load Forecast and Methodology
A-15-2 Appendix A	Monthly Econometric Model
A-15-2 Appendix B	Annual Econometric Model
A-15-2 Appendix C	End-Use Model

A-15-2 Appendix D	Historical Ontario Demand and Charge Determinant Data
A-15-2 Appendix E	Consensus Forecast for Ontario GDP and Housing Starts
A-15-2 Appendix F	Forecast Accuracy
A-15-2 Attachment 1	Incorporating Conservation and Demand Management Impacts in the Load Forecast
A-19-1	Summary of Board Directives and Undertakings from Previous Proceedings
C1-3-3	Development OM&A
C1-3-3 Attachment 1	Smart Grid Development Report
C1-5-2	Compensation, Wages, Benefits
C1-5-2 Attachment 1	Mercer Compensation Cost Benchmarking Study
C1-5-2 Attachment 2	Payroll Table 2009 to 2012
C1-7-2	Overhead Capitalization Rate
C1-7-2 Attachment 1	Review of Overhead Capitalization Rates (Transmission) - 2013/2014
C1-7-2 Attachment 2	Review of Overhead Capitalization Policy
D1-3-3	Development Capital
D1-3-3 Appendix A	Summary of Development Capital Projects in Excess of \$3 Million
D1-3-3 Appendix B	OPA Supporting Material for Oshawa TS
D1-3-3 Appendix C	OPA Document on Southwestern Ontario Reactive Compensation Milton SVC dated March 2012
D1-3-3 Appendix D	Letter from OPA dated June 30, 2011
D1-3-3 Appendix E	Letter from OPA dated March 8, 2012
D1-3-3 Appendix F	Letter from OPA dated August 7, 2012
D2-2-3	Investment Summary for Programs/Projects in excess of \$3M
F1-1-1	Regulatory Accounts
H1-5-1	Rates for Export Transmission Service
I-1-1.01 Staff 1	OEB Interrogatory #1

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

2. Is the overall increase in 2013 and 2014 revenue requirement reasonable?

Settled. For the purposes of reaching a settlement, the parties agree that the settled revenue requirement before adjustment of \$1,445.7M in 2013 and \$1,537.2M in 2014 is reasonable. The parties are further in agreement that after adjusting for External Revenues, the Export Revenue Credit, transmission riders and low voltage switch gear items, the Rates Revenue Requirement resulting from this settlement agreement of \$1,390.3M in 2013 and \$1457.0M in 2014 is reasonable. This represents a decrease of \$8.2M in 2013 and a decrease of \$36.2M in 2014 from the application as originally filed. The resulting rate increase will be 0.0% in 2013 and 7.1% in 2014 versus 0.6% and 9.1% as proposed in the application.

The parties agree that the revenue requirement will be adjusted to reflect the Board's latest cost of capital parameters for the 2013 and 2014 test years in the final rate order as described in Exhibit B1, Tab 1, Schedule 1.

As of December 31, 2012, there will be a regulatory asset balance of (\$30.3M). Hydro One initially proposed refunding that asset balance equally over each of the test years. In an effort to strive for a 0% increase in transmission rates for 2013, the parties agreed to utilize the regulatory asset balance as a balancing item to ensure that the increase in 2013 remains at 0.0% after other adjustments are made (such as for the latest cost of capital parameters). Any remaining balance will be refunded to customers in 2014. The precise amount to be refunded in the test years will be reflected in the final rate order.

The table below summarizes the proposal:

Hydro One Transmission Revenue Requirement Settlement Agreement

	<u>2012</u>	<u>2013</u>	<u>2014</u>
OM&A		440.3	449.7
Depreciation		345.0	371.5
Income tax		46.2	55.7
Cost of capital		614.2	660.4
Revenue requirement	1,418.4 5.4%	1,445.7 1.9%	1,537.2 6.3%
Less: External revenues		-31.6	-36.6
Less: Export revenue credit		-31.0	-30.1
Less: "Tx Riders"		-4.5	-25.7
Add: LVSG		11.7	12.2
Rates Revenue Requirement	1,385.1	1,390.3 0.4%	1,457.0 4.8%
Estimated impact of load reduction		0.4%	-2.3%
Assumed Rate Impact		0.0%	7.1%

Hydro One's application as filed assumes that the ETS rate would remain at \$2/MWh. A number of alternative rates are being proposed. Should the Board approve a change in the ETS rate, the parties agree that the full impact of the change will be tracked in the existing Board approved Excess Export Services Revenue Account for disposition in a future rate application.

Evidence: The evidence in relation to this issue includes the following:

- | | |
|------------------|------------------------------------|
| E1-1-1 | Revenue Requirement |
| E2-1-1 | Calculation of Revenue Requirement |
| I-2-1.01 Staff 2 | OEB Interrogatory #2 |
| I-2-1.02 Staff 3 | OEB Interrogatory #3 |

Updated: November 6, 2012

EB-2012-0031

Exhibit M

Tab 1

Schedule 1

Page 8 of 37

I-2-1.03 Staff 4	OEB Interrogatory #4
I-2-1.04 Staff 5	OEB Interrogatory #5
I-2-1.05 Staff 6	OEB Interrogatory #6
I-2-1.06 Staff 7	OEB Interrogatory #7
I-2-1.07 Staff 8	OEB Interrogatory #8
I-2-1.08 Staff 9	OEB Interrogatory #9
I-2-1.09 Staff 10	OEB Interrogatory #10
I-2-1.10 Staff 11	OEB Interrogatory #11
I-2-1.11 Staff 12	OEB Interrogatory #12
I-2-1.12 Staff 13	OEB Interrogatory #13
I-2-1.13 Staff 14	OEB Interrogatory #14
I-2-1.14 Staff 15	OEB Interrogatory #15
I-2-2.01 LPMA 1	LPMA Interrogatory #1
I-2-3.01 EP 1	Energy Probe Interrogatory #1
I-2-3.02 EP 2	Energy Probe Interrogatory #2
I-2-3.03 EP 3	Energy Probe Interrogatory #3
I-2-3.04 EP 4	Energy Probe Interrogatory #4
I-2-3.05 EP 5	Energy Probe Interrogatory #5
I-2-3.06 EP 6	Energy Probe Interrogatory #6
I-2-3.07 EP 7	Energy Probe Interrogatory #7
I-2-5.01 VECC 1	VECC Interrogatory #1
I-2-5.02 VECC 2	VECC Interrogatory #2
I-2-5.03 VECC 3	VECC Interrogatory #3
I-2-5.04 VECC 4	VECC Interrogatory #4
I-2-5.05 VECC 5	VECC Interrogatory #5
I-2-5.06 VECC 6	VECC Interrogatory #6
I-2-5.07 VECC 7	VECC Interrogatory #7
I-2-5.08 VECC 8	VECC Interrogatory #8
I-2-5.09 VECC 9	VECC Interrogatory #9
I-2-5.10 VECC 10	VECC Interrogatory #10
I-2-5.11 VECC 11	VECC Interrogatory #11
I-2-5.12 VECC 12	VECC Interrogatory #12
I-2-5.13 VECC 13	VECC Interrogatory #13
I-2-5.14 VECC 14	VECC Interrogatory #14
I-2-8.01 PWU 1	PWU Interrogatory #1
I-2-9.01 SEC 1	SEC Interrogatory #1
I-2-9.02 SEC 2	SEC Interrogatory #2
I-2-9.04 SEC 4	SEC Interrogatory #4
I-2-9.05 SEC 5	SEC Interrogatory #5
I-2-9.06 SEC 6	SEC Interrogatory #6
I-2-10.01 CCC 1	CCC Interrogatory #1
I-2-10.02 CCC 2	CCC Interrogatory #2

I-2-10.03 CCC 3	CCC Interrogatory #3
I-2-10.04 CCC 4	CCC Interrogatory #4
I-2-10.05 CCC 5	CCC Interrogatory #5
I-2-14.01 CME 1	CME Interrogatory #1
JT1.1 TCR Staff 4	OEB Technical Conference Response #4
KT1.12	Undertaking Response #12

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, Goldcorp, APPrO

LOAD FORECAST AND REVENUE FORECAST

3. Is the load forecast and methodology appropriate and have the impacts of Conservation and Demand Management initiatives been suitably reflected?

Settled. For the purposes of reaching a settlement, all parties accept Hydro One's load forecast as set out in Exhibit A, Tab 15, Schedule 2. Hydro One continues to apply the same forecasting methodology previously approved by the Board in EB-2010-0002 which the parties agree remains appropriate.

The impacts of CDM and Demand Response and how they are reflected in the load forecast were the primary areas of concern for some intervenors. The Board had some concern in this area as well in prior proceedings. In EB-2010-0002, Hydro One's last Transmission Rates Application, the Board directed Hydro One to work with the OPA to devise a means of effectively and accurately measuring CDM impacts. Hydro One has done so and has relied upon the latest CDM and Demand Response forecasts in its load forecast for the test years.

There remains some concern on the part of certain intervenors about the accuracy and reliability of the CDM and Demand Response forecasts prepared by the OPA. In order to address those concerns, Hydro One has agreed to establish a new variance account to track the impact of actual CDM and Demand Response results on the Load Forecast and the resulting impact on revenue requirement.

Hydro One agrees to set up a variance account to track the difference between the forecast of 755MW for 2013 and 1158MW for 2014 and the actual CDM savings related to the OPA-funded, LDC-delivered programs. Hydro One will use the annual results reported by the OPA in September of each year for the verified results of the previous year in accordance with the CDM Guidelines issued by the Board in EB-2012-0003. Time-of-use savings will not be included in this variance account because they are currently not included in the annual province-wide CDM program results reported by the OPA.

Hydro One also agreed to track the actual Demand Response results against the forecast as set out in Exhibit A, Tab 15, Schedule 2, Attachment 1, Appendix A, Table 8 of 836MW in 2013 and 880MW2014 (net of 317MW and 410MW respectfully for 2013 and 2014 already included in CDM program results delivered by LDCs) in this variance account. Hydro One will use annual Demand Response results provided by the OPA each September for results of the previous year in a similar format as the province-wide CDM results delivered by the LDCs.

The disposition of the balance in the LDC CDM and Demand Response Variance Account will be part of a future Rate Application.

Evidence: The evidence in relation to this issue includes the following:

A-6-1	Compliance with OEB Filing Requirements for Electricity Transmitters
A-15-1	Economic Indicators
A-15-2	Business Load Forecast and Methodology
A-15-2 Appendix A	Monthly Econometric Model
A-15-2 Appendix B	Annual Econometric Model
A-15-2 Appendix C	End-Use Model
A-15-2 Appendix D	Historical Ontario Demand and Charge Determinant Data
A-15-2 Appendix E	Consensus Forecast for Ontario GDP and Housing Starts
A-15-2 Appendix F	Forecast Accuracy
A-15-2 Attachment 1	Incorporating Conservation and Demand Management Impacts in the Load Forecast
I-3-1.01 Staff 16	OEB Interrogatory #16
I-3-1.02 Staff 17	OEB Interrogatory #17
I-3-1.03 Staff 18	OEB Interrogatory #18
I-3-1.04 Staff 19	OEB Interrogatory #19
I-3-1.05 Staff 20	OEB Interrogatory #20
I-3-1.06 Staff 21	OEB Interrogatory #21
I-3-1.07 Staff 22	OEB Interrogatory #22
I-3-2.01 LPMA 2	LPMA Interrogatory #2
I-3-2.02 LPMA 3	LPMA Interrogatory #3
I-3-2.03 LPMA 4	LPMA Interrogatory #4
I-3-2.04 LPMA 5	LPMA Interrogatory #5
I-3-3.01 EP 8	Energy Probe Interrogatory #8
I-3-3.02 EP 9	Energy Probe Interrogatory #9
I-3-3.03 EP 10	Energy Probe Interrogatory #10
I-3-5.01 VECC 15	VECC Interrogatory #15
I-3-5.02 VECC 16	VECC Interrogatory #16
I-3-5.03 VECC 17	VECC Interrogatory #17
I-3-5.04 VECC 18	VECC Interrogatory #18
I-3-5.05 VECC 19	VECC Interrogatory #19

I-3-5.06 VECC 20	VECC Interrogatory #20
I-3-5.07 VECC 21	VECC Interrogatory #21
I-3-5.08 VECC 22	VECC Interrogatory #22
I-3-5.09 VECC 23	VECC Interrogatory #23
I-3-5.10 VECC 24	VECC Interrogatory #24
I-3-5.11 VECC 25	VECC Interrogatory #25
I-3-13.01 AMPCO 1	AMPCO Interrogatory #1
I-3-13.02 AMPCO 2	AMPCO Interrogatory #2
I-3-13.03 AMPCO 3	AMPCO Interrogatory #3
JT1.2 TCR EP1	Energy Probe Technical Conference Response #1
KT1.6	Undertaking Response #6
KT1.7	Undertaking Response #7
KT1.8	Undertaking Response #8

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

4. Are Other Revenue (including export revenue) forecasts appropriate?

Settled. For the purposes of reaching a settlement, the parties agree that the 2013 external revenue forecast of \$31.6M is appropriate. Some intervenors were concerned that the forecast for external revenues in 2014 was too low based on historical average actual external revenues. Accordingly, as part of the settlement, Hydro One agreed to increase the forecast for external revenues in 2014 by \$4.8M to \$36.6M from \$31.8M in order to reflect the historical average of actual revenues in the previous three years. The table below summarizes the proposed change:

<i>External Revenue (\$M)</i>	<i>2013</i>	<i>2014</i>
Filed Evidence	31.6	31.8
Settlement Agreement	31.6	36.6
Change Proposed	-	4.8

Three of the four inputs (Secondary Land Use, Station Maintenance and Engineering and Project Delivery) into the overall external revenue forecasts are currently tracked in symmetrical variance accounts. The parties agreed that all inputs into the external revenues should be tracked in a variance account. Thus,

Hydro One agreed to create a new symmetrical variance account to track any differences in Other External Revenue.

As noted above, the parties have also agreed, that Hydro One will track any changes in ETS Revenue in the Excess Export Services Revenue Account should the Board approve a change to the current ETS rate of \$2.00/MWh.

Evidence: The evidence in relation to this issue includes the following:

E1-2-1	External Revenues
I-4-2.01 LPMA 6	LPMA Interrogatory #6
I-4-2.02 LPMA 7	LPMA Interrogatory #7
I-4-2.03 LPMA 8	LPMA Interrogatory #8
I-4-2.04 LPMA 9	LPMA Interrogatory #9
I-4-2.05 LPMA 10	LPMA Interrogatory #10
I-4-2.06 LPMA 11	LPMA Interrogatory #11
I-4-5.01 VECC 26	VECC Interrogatory #26
I-4-5.02 VECC 27	VECC Interrogatory #27
I-4-5.03 VECC 28	VECC Interrogatory #28
I-4-5.04 VECC 29	VECC Interrogatory #29
I-4-9.01 SEC 7	SEC Interrogatory #7
I-4-10.01 CCC 6	CCC Interrogatory #6
I-4-10.02 CCC 7	CCC Interrogatory #7
KT1.23	Undertaking Response #23

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPrO

OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Overall OM&A Settlement and its Rationale

All issues relating to Operations, Maintenance and Administration costs have been settled. The parties focused on overall spending levels for OM&A expenditures rather than focusing on any one particular aspect of those costs. The rationale for the settlement of Issues 5, 6 and 7 is outlined below.

Hydro One's application forecast OM&A expenditures of \$453.3M and \$459.7M in 2013 and 2014 respectively.

In order to address the concerns expressed by intervenors, balanced against Hydro One's needs to effectively operate the transmission business, combined with ongoing productivity initiatives being undertaken, Hydro One agreed to reduce 2013 spending levels by \$13.0M from \$453.3M to \$440.3M. OM&A spending for 2014 will be reduced by \$10M from \$459.7M to \$449.7M. The parties agree that these reduced proposed spending levels are appropriate.

The table below summarizes the proposed changes:

OM&A (\$M)	2013	2014
Filed Evidence	453	460
Settlement Agreement	440	450
Change Proposed	-13	-10

5. Are the proposed spending levels for Sustaining, Development and Operations OM&A in 2013 and 2014 appropriate, including consideration of factors such as system reliability and asset condition?

Settled. See rationale above.

Evidence: The evidence in relation to this issue includes the following:

A-15-6	Work Execution Strategy
C1-1-1	Cost of Service Summary
C1-2-1	Sustaining Investment Structure
C1-2-2	Transmission Assets and Sustaining Investment Overview
C1-2-2 Appendix A	Hydro One Transmission Asset Descriptions
C1-3-1	Summary of OM&A Expenditures
C1-3-2	Sustaining OM&A
C1-3-3	Development OM&A
C1-3-3 Attachment 1	Smart Grid Development Report
C1-3-4	Operations OM&A
C1-3-5	Customer Care OM&A
C1-4-1	Summary of Shared Services – OM&A
C1-4-2	Common Corporate Functions & Services and Other OM&A
C1-4-3	Shared Services OM&A – Asset Management
C1-4-4	Shared Services OM&A – Information Technology
C1-4-4 Attachment 1	H1 Telecom Inc. Services Review and Benchmarking
C1-4-5	Shared Services OM&A – Cornerstone
C1-4-6	Shared Services OM&A – Cost of Sales - External Work
C1-4-7	Property Taxes
C2-1-1	Cost of Service

	Comparison of OM&A Expense by Major Category
C2-2-1	
I-5-1.01 Staff 23	OEB Interrogatory #23
I-5-1.02 Staff 24	OEB Interrogatory #24
I-5-1.03 Staff 25	OEB Interrogatory #25
I-5-1.04 Staff 26	OEB Interrogatory #26
I-5-1.05 Staff 27	OEB Interrogatory #27
I-5-1.06 Staff 28	OEB Interrogatory #28
I-5-1.07 Staff 29	OEB Interrogatory #29
I-5-1.08 Staff 30	OEB Interrogatory #30
I-5-1.09 Staff 31	OEB Interrogatory #31
I-5-1.10 Staff 32	OEB Interrogatory #32
I-5-1.11 Staff 33	OEB Interrogatory #33
I-5-1.12 Staff 34	OEB Interrogatory #34
I-5-1.13 Staff 35	OEB Interrogatory #35
I-5-2.01 LPMA 12	LPMA Interrogatory #12
I-5-3.01 EP 11	Energy Probe Interrogatory #11
I-5-3.02 EP 12	Energy Probe Interrogatory #12
I-5-3.03 EP 13	Energy Probe Interrogatory #13
I-5-3.04 EP 14	Energy Probe Interrogatory #14
I-5-3.05 EP 15	Energy Probe Interrogatory #15
I-5-3.06 EP 16	Energy Probe Interrogatory #16
I-5-3.07 EP 17	Energy Probe Interrogatory #17
I-5-3.08 EP 18	Energy Probe Interrogatory #18
I-5-3.09 EP 19	Energy Probe Interrogatory #19
I-5-3.10 EP 20	Energy Probe Interrogatory #20
I-5-3.11 EP 21	Energy Probe Interrogatory #21
I-5-8.01 PWU 2	PWU Interrogatory #2
I-5-8.02 PWU 3	PWU Interrogatory #3
I-5-8.03 PWU 4	PWU Interrogatory #4
I-5-8.04 PWU 5	PWU Interrogatory #5
I-5-8.05 PWU 6	PWU Interrogatory #6
I-5-8.06 PWU 7	PWU Interrogatory #7
I-5-8.07 PWU 8	PWU Interrogatory #8
I-5-8.08 PWU 9	PWU Interrogatory #9
I-5-8.09 PWU 10	PWU Interrogatory #10
I-5-8.10 PWU 11	PWU Interrogatory #11
I-5-8.11 PWU 12	PWU Interrogatory #12
I-5-8.12 PWU 13	PWU Interrogatory #13
I-5-8.13 PWU 14	PWU Interrogatory #14
I-5-8.14 PWU 15	PWU Interrogatory #15
I-5-8.15 PWU 16	PWU Interrogatory #16

I-5-9.01 SEC 8	SEC Interrogatory #8
I-5-9.02 SEC 9	SEC Interrogatory #9
I-5-9.03 SEC 10	SEC Interrogatory #10
I-5-9.04 SEC 11	SEC Interrogatory #11
I-5-9.05 SEC 12	SEC Interrogatory #12
I-5-9.06 SEC 13	SEC Interrogatory #13
I-5-9.07 SEC 14	SEC Interrogatory #14
I-5-9.08 SEC 15	SEC Interrogatory #15
I-5-9.09 SEC 16	SEC Interrogatory #16
I-5-9.10 SEC 17	SEC Interrogatory #17
I-5-10.01 CCC 8	CCC Interrogatory #8
I-5-10.02 CCC 9	CCC Interrogatory #9
I-5-10.03 CCC 10	CCC Interrogatory #10
I-5-10.04 CCC 11	CCC Interrogatory #11
I-5-10.05 CCC 12	CCC Interrogatory #12
I-5-10.06 CCC 13	CCC Interrogatory #13
I-5-10.07 CCC 14	CCC Interrogatory #14
I-5-10.08 CCC 15	CCC Interrogatory #15
I-5-12.01 THESL 1	THESL Interrogatory #1
JT1.1 TCR PWU 5	PWU Technical Conference Response #5
JT1.1 TCR Staff 8	OEB Technical Conference Response #8
JT1.1 TCR Staff 10	OEB Technical Conference Response #10
KT1.13	Undertaking Response #13
KT1.14	Undertaking Response #14
KT1.15	Undertaking Response #15
KT1.24	Undertaking Response #24
KT1.26	Undertaking Response #26
KT1.36	Undertaking Response #36

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, Goldcorp, APPrO

6. Are the proposed spending levels for Shared Services and Other O & M in 2013 and 2014 appropriate?

Settled. See rationale above.

Evidence: The evidence in relation to this issue includes the following:

C1-3-5	Customer Care OM&A
C1-4-1	Summary of Shared Services – OM&A

C1-4-2	Shared Services – Common Corporate Functions & Services and Other OM&A
C1-4-3	Shared Services OM&A– Asset Management
C1-4-4	Shared Services OM&A – Information Technology
C1-4-4 Attachment 1	H1 Telecom Inc. Services Review and Benchmarking
C1-4-5	Shared Services OM&A – Cornerstone
C1-4-6	Shared Services OM&A – Cost of Sales - External Work
C1-4-7	Property Taxes
I-6-1.01 Staff 36	OEB Interrogatory #36
I-6-1.02 Staff 37	OEB Interrogatory #37
I-6-1.03 Staff 38	OEB Interrogatory #38
I-6-3.01 EP 22	Energy Probe Interrogatory #22
I-6-3.02 EP 23	Energy Probe Interrogatory #23
I-6-3.03 EP 24	Energy Probe Interrogatory #24
I-6-3.04 EP 25	Energy Probe Interrogatory #25
I-6-3.05 EP 26	Energy Probe Interrogatory #26
I-6-5.01 VECC 30	VECC Interrogatory #30
I-6-5.02 VECC 31	VECC Interrogatory #31
I-6-9.01 SEC 19	SEC Interrogatory #19
I-6-10.01 CCC 16	CCC Interrogatory #16
I-6-10.02 CCC 17	CCC Interrogatory #17
I-6-10.03 CCC 18	CCC Interrogatory #18
I-6-10.04 CCC 19	CCC Interrogatory #19
I-6-10.05 CCC 20	CCC Interrogatory #20
I-6-10.06 CCC 21	CCC Interrogatory #21
I-6-10.07 CCC 22	CCC Interrogatory #22

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, Goldcorp, APPrO

7. Are the 2013/14 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate? Has Hydro One demonstrated improvements in efficiency and value for dollar associated with its compensation costs?

Settled. See rationale above.

Evidence: The evidence in relation to this issue includes the following:

A-17-1	Cost Efficiencies/Productivity
A-17-2	Productivity Metrics

A-17-2 Attachment 1	Measuring Productivity at Hydro One
A-17-2 Attachment 2	OEB Expert Evidence Requirements
C1-5-1	Corporate Staffing
C1-5-2	Compensation, Wages, Benefits
C1-5-2 Attachment 1	Mercer Compensation Cost Benchmarking Study
C1-5-2 Attachment 2	Payroll Table 2009 to 2012
C1-5-3	Pension Costs
C2-3-1	Comparison of Wages and Salaries
I-7-1.01 Staff 39	OEB Interrogatory #39
I-7-1.02 Staff 40	OEB Interrogatory #40
I-7-1.03 Staff 41	OEB Interrogatory #41
I-7-1.04 Staff 42	OEB Interrogatory #42
I-7-1.05 Staff 43	OEB Interrogatory #43
I-7-1.06 Staff 44	OEB Interrogatory #44
I-7-1.07 Staff 45	OEB Interrogatory #45
I-7-1.08 Staff 46	OEB Interrogatory #46
I-7-2.01 LPMA 13	LPMA Interrogatory #13
I-7-2.02 LPMA 14	LPMA Interrogatory #14
I-7-3.01 EP 27	Energy Probe Interrogatory #27
I-7-3.02 EP 28	Energy Probe Interrogatory #28
I-7-3.03 EP 29	Energy Probe Interrogatory #29
I-7-3.04 EP 30	Energy Probe Interrogatory #30
I-7-3.05 EP 31	Energy Probe Interrogatory #31
I-7-3.06 EP 32	Energy Probe Interrogatory #32
I-7-3.07 EP 33	Energy Probe Interrogatory #33
I-7-3.09 EP 35	Energy Probe Interrogatory #35
I-7-3.10 EP 36	Energy Probe Interrogatory #36
I-7-3.11 EP 37	Energy Probe Interrogatory #37
I-7-3.13 EP 39	Energy Probe Interrogatory #39
I-7-3.14 EP 40	Energy Probe Interrogatory #40
I-7-3.15 EP 41	Energy Probe Interrogatory #41
I-7-3.16 EP 42	Energy Probe Interrogatory #42
I-7-3.17 EP 43	Energy Probe Interrogatory #43
I-7-3.18 EP 44	Energy Probe Interrogatory #44
I-7-3.19 EP 45	Energy Probe Interrogatory #45
I-7-3.20 EP 46	Energy Probe Interrogatory #46
I-7-3.21 EP 47	Energy Probe Interrogatory #47
I-7-3.22 EP 48	Energy Probe Interrogatory #48
I-7-3.23 EP 49	Energy Probe Interrogatory #49
I-7-5.01 VECC 32	VECC Interrogatory #32
I-7-8.01 PWU 17	PWU Interrogatory #17

I-7-9.01 SEC 20	SEC Interrogatory #20
I-7-9.02 SEC 21	SEC Interrogatory #21
I-7-9.03 SEC 22	SEC Interrogatory #22
I-7-10.01 CCC 23	CCC Interrogatory #23
I-7-10.02 CCC 24	CCC Interrogatory #24
I-7-10.03 CCC 25	CCC Interrogatory #25
I-7-10.04 CCC 26	CCC Interrogatory #26
I-7-13.01 AMPCO 4	AMPCO Interrogatory #4
I-7-13.02 AMPCO 5	AMPCO Interrogatory #5
I-7-13.03 AMPCO 6	AMPCO Interrogatory #6
I-7-13.04 AMPCO 7	AMPCO Interrogatory #7
JT1.1 TCR Staff 12	OEB Technical Conference Response #12
JT1.1 TCR Staff 13	OEB Technical Conference Response #13
JT1.1 TCR Staff 14	OEB Technical Conference Response #14
JT1.1 TCR Staff 15	OEB Technical Conference Response #15
JT1.1 TCR Staff 16	OEB Technical Conference Response #16
JT1.2 TCR EP3	Energy Probe Technical Conference Response #3
KT1.9	Undertaking Response #9
KT1.10	Undertaking Response #10
KT1.11	Undertaking Response #11
KT1.16	Undertaking Response #16
KT1.27	Undertaking Response #27
KT1.28	Undertaking Response #28
KT1.31	Undertaking Response #31
KT1.32	Undertaking Response #32
KT1.33	Undertaking Response #33
KT1.34	Undertaking Response #34

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, Goldcorp, APPrO

8. Are the methodologies used to allocate Shared Services and Other O & M costs to the transmission business and to determine the transmission overhead capitalization rate for 2013/14 appropriate?

Settled. For the purposes of reaching a settlement, the parties agree that Hydro One has used the Corporate Cost Allocation Methodology previously accepted by the Board in prior Hydro One Network Transmission and Distribution Rate Applications. Similarly, Hydro One has followed the overhead capitalization rate

methodology previously accepted by the Board. Both of these have been updated for the current filing. The parties thus agree that the methodologies used to allocate Shared Services and Other O&M costs to the transmission overhead capitalization rate for 2013 and 2014 are appropriate.

Evidence: The evidence in relation to this issue includes the following:

C1-7-1	Common Corporate Costs, Cost Allocation Methodology
C1-7-1 Attachment 1	Review of Shared Services Cost Allocation (Transmission) – 2012
C1-7-2	Overhead Capitalization Rate
C1-7-2 Attachment 1	Review of Overhead Capitalization Rates (Transmission) – 2013-2014
C1-7-2 Attachment 2	Review of Overhead Capitalization Policy
I-8-3.01 EP 50	Energy Probe Interrogatory #50
I-8-3.02 EP 51	Energy Probe Interrogatory #51
I-8-9.01 SEC 23	SEC Interrogatory #23
I-8-10.01 CCC 27	CCC Interrogatory #27
JT1.2 TCR EP5	Energy Probe Technical Conference Response #5
JT1.2 TCR EP6	Energy Probe Technical Conference Response #6

Supporting Parties: PWU, AMPCO, SEC, CCC, CME

Parties taking no position: EP, VECC, LPMA, BOMA, Goldcorp, APPrO

9. Are the amounts proposed to be included in the 2013 and 2014 revenue requirements for income and other taxes appropriate?

Settled. For the purposes of reaching a settlement, the parties agree that the amounts proposed to be included in the 2013 and 2014 revenue requirement for income and other taxes are appropriate, subject to an increase in the Apprenticeship Tax Credit by \$1.3M in 2013 and \$1.0M in 2014 (resulting in corresponding decreases in tax expenses included in rates).

Evidence: The evidence in relation to this issue includes the following:

C1-9-1	Payments in Lieu of Corporate Income Taxes
C2-5-1	Calculation of Utility Income Taxes
C2-5-1 Attachment 1	Calculation of Utility Income Taxes Test Years (2013, 2014)
C2-5-1 Attachment 2	Calculation of Capital Cost Allowance Test Years (2013, 2014)
C2-5-1 Attachment 3	Calculation of Utility Income Taxes Historic Years (2009, 2010)

C2-5-1 Attachment 4	Calculation of Capital Cost Allowance Historic Years (2009, 2010) and Forecast Years (2011, 2012)
C2-5-1 Attachment 5	Calculation of Apprenticeship and Education Tax Credit Test Years (2013, 2014)
C2-5-1 Attachment 6	Calculation of Apprenticeship and Education Tax Credit Historic Years (2009, 2010)
C2-5-2	2010 Hydro One Networks Income Tax Return
C2-5-2 Attachment 1	Federal and Ontario Income Tax Return
C2-5-2 Attachment 2	Calculation of Utility Income Taxes (Transmission and Distribution)
C2-5-2 Attachment 3	Calculation of Capital Cost Allowance (Transmission and Distribution)
C2-5-3	2011 Hydro One Networks Income Tax Return
C2-5-3 Attachment 1	Federal and Ontario Income Tax Return
C2-5-3 Attachment 2	Calculation of Utility Income Taxes (Transmission and Distribution)
C2-5-3 Attachment 3	Calculation of Capital Cost Allowance (Transmission and Distribution)
I-9-1.01 Staff 47	OEB Interrogatory #47
I-9-1.02 Staff 48	OEB Interrogatory #48
I-9-1.03 Staff 49	OEB Interrogatory #49
I-9-2.01 LPMA 15	LPMA Interrogatory #15
I-9-2.02 LPMA 16	LPMA Interrogatory #16
I-9-2.03 LPMA 17	LPMA Interrogatory #17
I-9-2.04 LPMA 18	LPMA Interrogatory #18
I-9-2.05 LPMA 19	LPMA Interrogatory #19
I-9-2.06 LPMA 20	LPMA Interrogatory #20
I-9-2.07 LPMA 21	LPMA Interrogatory #21
JT1.1 TCR Staff 17	OEB Technical Conference Response #17

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

10. Is Hydro One Networks' proposed depreciation expense for 2013 and 2014 appropriate?

Settled. For the purposes of reaching a settlement, the parties agree that the proposed depreciation expense for 2013 and 2014 which reflects the 2011

Depreciation Rate Review filed at Exhibit C1, Tab 8, Schedule 1, Attachment 1 is appropriate.

Evidence: The evidence in relation to this issue includes the following:

C1-8-1	Depreciation and Amortization Expenses
C1-8-1 Attachment 1	2011 Depreciation Rate Review
C2-4-1	Depreciation and Amortization Expenses
I-10-2.01 LPMA 22	LPMA Interrogatory #22

Supporting Parties: EP, LPMA, SEC, VECC, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

CAPITAL EXPENDITURES AND RATE BASE

11. Are the amounts proposed for rate base in 2013 and 2014 appropriate?

Partially Settled. The Applicant has proposed a rate base of \$9,413.5M and \$10,050.9M in the test years.

For the purposes of reaching a settlement, Hydro One has agreed to reduce its planned capital expenditures in 2013 as outlined below in Issue 12. This will result in reduced in-service additions in 2013, which has an associated reduction in rate base for both 2013 and 2014.

Taking into account those reductions, the parties other than Goldcorp agree that a rate base of \$9,353.4M in 2013 and a rate base of \$9,933.8M in 2014 are appropriate. This represents a reduction in rate base of \$60.1M in 2013 and \$117.1M in 2014 compared to that initially proposed, after reflecting depreciation.

Detailed calculations are provided in the table below.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital Expenditures (\$M)			
Filed Evidence	850.0	1,102.4	1,121.5
Settlement Agreement	850.0	982.4	1,121.5
Change Proposed	-	- 120.0	-
In-Service (\$M)			

Filed Evidence	1,294.7	904.1	1,023.0
Settlement Agreement	1,295.0	784.1	1,023.0
Change Proposed	-	- 120.0	-
Gross In-Service Impact on Rate Base (\$M)			
Filed Evidence	8,628.5	9,413.5	10,050.9
Settlement Agreement	8,628.5	9,353.5	9,930.9
Change Proposed	-	- 60.0	- 120.0
Net Rate Base after Accumulated Depreciation (\$M)			
Filed Evidence	8,628.5	9,413.5	10,050.9
Settlement Agreement	8,628.5	9,353.4	9,933.8
Change Proposed		- 60.1	- 117.1

The only aspect of this issue which remains unsettled is the net book value of Red Lake TS. Goldcorp is the only intervenor with concerns in this regard. Hydro One and Goldcorp have written separately to the Board regarding this issue.

Evidence: The evidence in relation to this issue includes the following:

D1-1-1	Rate Base
D1-1-2	In-Service Capital Additions
D1-2-1	Allowance for Funds Used During Construction
D1-5-1	Materials and Supplies Inventory
D2-1-1	Statement of Utility Rate Base
D2-3-1	Continuity of Property, Plant and Equipment
D2-3-2	Continuity of Accumulated Depreciation
D2-3-3	Continuity of Property, Plant and Equipment - Construction Work In Progress
I-11-1.01 Staff 50	OEB Interrogatory #50
I-11-1.02 Staff 51	OEB Interrogatory #51
I-11-1.03 Staff 52	OEB Interrogatory #52
I-11-1.04 Staff 53	OEB Interrogatory #53
I-11-2.01 LPMA 23	LPMA Interrogatory #23
I-11-2.02 LPMA 24	LPMA Interrogatory #24
I-11-2.03 LPMA 25	LPMA Interrogatory #25
I-11-4.01 PP 1	Pollution Probe Interrogatory #1
I-11-4.02 PP 2	Pollution Probe Interrogatory #2
I-11-4.03 PP 3	Pollution Probe Interrogatory #3
I-11-4.04 PP 4	Pollution Probe Interrogatory #4
I-11-4.05 PP 5	Pollution Probe Interrogatory #5
I-11-4.06 PP 6	Pollution Probe Interrogatory #6
I-11-4.07 PP7	Pollution Probe Interrogatory #7
I-11-4.08 PP 8	Pollution Probe Interrogatory #8

I-11-4.09 PP 9	Pollution Probe Interrogatory #9
I-11-4.10 PP 10	Pollution Probe Interrogatory #10
I-11-4.11 PP 11	Pollution Probe Interrogatory #11
I-11-4.12 PP 12	Pollution Probe Interrogatory #12
I-11-4.13 PP 13	Pollution Probe Interrogatory #13
I-11-4.14 PP 14	Pollution Probe Interrogatory #14
I-11-4.15 PP 15	Pollution Probe Interrogatory #15
I-11-4.16 PP 16	Pollution Probe Interrogatory #16
I-11-4.17 PP 17	Pollution Probe Interrogatory #17
I-11-4.18 PP 18	Pollution Probe Interrogatory #18
I-11-4.19 PP 19	Pollution Probe Interrogatory #19
I-11-4.20 PP 20	Pollution Probe Interrogatory #20
I-11-4.21 PP 21	Pollution Probe Interrogatory #21
I-11-4.22 PP 22	Pollution Probe Interrogatory #22
I-11-4.23 PP 23	Pollution Probe Interrogatory #23
I-11-4.24 PP 24	Pollution Probe Interrogatory #24
I-11-4.25 PP 25	Pollution Probe Interrogatory #25
I-11-4.26 PP 26	Pollution Probe Interrogatory #26
I-11-4.27 PP 27	Pollution Probe Interrogatory #27
I-11-4.28 PP 28	Pollution Probe Interrogatory #28
I-11-4.29 PP 29	Pollution Probe Interrogatory #29
I-11-5.01 VECC 33	VECC Interrogatory #33
I-11-7.01 Gold 1	Goldcorp Interrogatory #1
I-11-7.02 Gold 2	Goldcorp Interrogatory #2
I-11-7.03 Gold 3	Goldcorp Interrogatory #3
I-11-7.04 Gold 4	Goldcorp Interrogatory #4
I-11-7.05 Gold 5	Goldcorp Interrogatory #5
I-11-7.06 Gold 6	Goldcorp Interrogatory #6
I-11-9.01 SEC 24	SEC Interrogatory #24
I-11-12.01 THESL 2	THESL Interrogatory #2
I-11-12.02 THESL 3	THESL Interrogatory #3
I-11-12.03 THESL 4	THESL Interrogatory #4
I-11-12.04 THESL 5	THESL Interrogatory #5
I-11-13.01 AMPCO 8	AMPCO Interrogatory #8
I-11-13.02 AMPCO 9	AMPCO Interrogatory #9
JT1.1 TCR PP1	Pollution Probe Technical Conference Response #1
JT1.1 TCR PP2	Pollution Probe Technical Conference Response #2
JT1.1 TCR PP3	Pollution Probe Technical Conference Response #3
JT1.1 TCR PP4	Pollution Probe Technical Conference Response #4
KT1.5	Undertaking Response #5

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, APPrO

12. Are the proposed 2013 and 2014 Sustaining and Development and Operations capital expenditures appropriate, including consideration of factors such as system reliability and asset condition?

Settled.

For the purposes of reaching a settlement, the parties agreed to reduce 2013 capital expenditures and in service additions by \$120.0 M from \$1,102.4M to \$982.4M. The reductions will be recognized through the re-prioritization of investments based on Hydro One's Investment Planning and Prioritization process to ensure the impact to risks and business values are minimized while reducing the overall rate impacts on customers. For the purposes of reaching a settlement, the parties agree that capital expenditures , for 2013 and 2014 are appropriate, with the agreed upon reduction in 2013.

The table below summarizes the proposed changes:

Capital Expenditures (\$M)	2012	2013	2014
Filed Evidence	850	1102	1122
Settlement Agreement	850	982	1122
Change Proposed		-120	0

Evidence: The evidence in relation to this issue includes the following:

- | | |
|-------------------|---|
| D1-3-1 | Summary of Capital Expenditures |
| D1-3-2 | Sustaining Capital |
| D1-3-3 | Development Capital |
| D1-3-3 Appendix A | Summary of Development Capital Projects in Excess of \$3 Million |
| D1-3-3 Appendix B | OPA Supporting Material for Oshawa TS |
| D1-3-3 Appendix C | OPA Document on Southwestern Ontario Reactive Compensation Milton SVC dated March 2012 |
| D1-3-3 Appendix D | Letter from OPA dated June 30, 2011 |
| D1-3-3 Appendix E | Letter from OPA dated March 8, 2012 |
| D1-3-3 Appendix F | Letter from OPA dated August 7, 2012 |
| D1-3-4 | Operations Capital |
| D2-2-1 | Comparison of Net Capital Expenditures by Major Category – Historic, Bridge Year and Test Year |
| D2-2-2 | List of Capital Expenditure Programs or Projects Requiring in Excess of \$3 Million in Test Year 2013 or 2014 |

D2-2-3	Investment Summary for Programs/Projects in Excess of \$3 Million
I-12-1.01 Staff 54	OEB Interrogatory #54
I-12-1.02 Staff 55	OEB Interrogatory #55
I-12-1.03 Staff 56	OEB Interrogatory #56
I-12-1.04 Staff 57	OEB Interrogatory #57
I-12-1.05 Staff 58	OEB Interrogatory #58
I-12-1.06 Staff 59	OEB Interrogatory #59
I-12-1.07 Staff 60	OEB Interrogatory #60
I-12-1.08 Staff 61	OEB Interrogatory #61
I-12-1.09 Staff 62	OEB Interrogatory #62
I-12-1.10 Staff 63	OEB Interrogatory #63
I-12-1.11 Staff 64	OEB Interrogatory #64
I-12-1.12 Staff 65	OEB Interrogatory #65
I-12-1.13 Staff 66	OEB Interrogatory #66
I-12-1.14 Staff 67	OEB Interrogatory #67
I-12-1.15 Staff 68	OEB Interrogatory #68
I-12-1.16 Staff 69	OEB Interrogatory #69
I-12-1.17 Staff 70	OEB Interrogatory #70
I-12-1.18 Staff 71	OEB Interrogatory #71
I-12-1.19 Staff 72	OEB Interrogatory #72
I-12-3.01 EP 52	Energy Probe Interrogatory #52
I-12-3.02 EP 53	Energy Probe Interrogatory #53
I-12-3.03 EP 54	Energy Probe Interrogatory #54
I-12-3.04 EP 55	Energy Probe Interrogatory #55
I-12-9.01 SEC 25	SEC Interrogatory #25
I-12-9.02 SEC 26	SEC Interrogatory #26
I-12-9.03 SEC 27	SEC Interrogatory #27
I-12-9.04 SEC 28	SEC Interrogatory #28
I-12-9.05 SEC 29	SEC Interrogatory #29
I-12-9.06 SEC 30	SEC Interrogatory #30
I-12-9.07 SEC 31	SEC Interrogatory #31
I-12-9.08 SEC 32	SEC Interrogatory #32
I-12-9.09 SEC 33	SEC Interrogatory #33
I-12-9.10 SEC 34	SEC Interrogatory #34
I-12-10.01 CCC 28	CCC Interrogatory #28
I-12-10.02 CCC 29	CCC Interrogatory #29
I-12-10.03 CCC 30	CCC Interrogatory #30
I-12-10.04 CCC 31	CCC Interrogatory #31
I-12-10.05 CCC 32	CCC Interrogatory #32
I-12-12.01 THESL 6	THESL Interrogatory #6

I-12-12.02 THESL 7	THESL Interrogatory #7
I-12-12.03 THESL 8	THESL Interrogatory #8
I-12-12.04 THESL 9	THESL Interrogatory #9
I-12-12.05 THESL 10	THESL Interrogatory #10
I-12-13.01 AMPCO 10	AMPCO Interrogatory #10
JT1.1 TCR Staff 23	OEB Technical Conference Response #23
JT1.2 TCR EP8	Energy Probe Technical Conference Response #8
KT1.29	Undertaking Response #29
KT1.30	Undertaking Response #30

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO

Parties taking no position: PWU, Goldcorp, APPrO

13. Are the proposed 2013 and 2014 levels of Shared Services and Other Capital expenditures appropriate?

Settled. Please see rationale for issue 12 above. For the purposes of reaching a settlement, the parties agree that the proposed 2013 and 2014 levels of Shared Services and Other Capital expenditures are appropriate.

Evidence: The evidence in relation to this issue includes the following:

D1-4-1	Summary of Shared Services Capital
D1-4-2	Shared Services Capital – Information Technology
D1-4-3	Shared Services Capital – Cornerstone
D1-4-4	Shared Services Capital – Facilities & Real Estate
D1-4-5	Shared Services Capital – Transport, Work and Service Equipment
D2-2-1	Comparison of Net Capital Expenditures by Major Category – Historic, Bridge Year and Test Year
D2-2-2	List of Capital Expenditure Programs or Projects Requiring in Excess of \$3 Million in Test Year 2013 or 2014
D2-2-3	Investment Summary for Programs/Projects in Excess of \$3 Million
I-13-9.01 SEC 35	SEC Interrogatory #35
I-13-10.01 CCC 33	CCC Interrogatory #33
I-13-10.02 CCC 34	CCC Interrogatory #34
I-13-10.03 CCC 35	CCC Interrogatory #35

Supporting Parties: AMPCO, SEC, CCC, CME

Parties taking no position: EP, VECC, LPMA, BOMA, PWU, Goldcorp, APPrO

14. Are the methodologies used to allocate shared services and other capital expenditures to the transmission business appropriate?

Settled. Hydro One has used the Corporate Cost Allocation Methodology previously accepted by the Board in prior Hydro One Network Transmission and Distribution Rate Applications. For the purposes of reaching a settlement, the parties accept that the methodologies used to allocate Shared Services and other capital costs to the transmission business are appropriate.

Evidence: The evidence in relation to this issue includes the following:

C1-7-3	Common Asset Allocation
C1-7-3 Attachment 1	Review of Shared Assets Allocation (Transmission) - 2012

Supporting Parties: SEC, VECC, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position. EP, LPMA, Goldcorp, APPrO

15. Are the inputs used to determine the working capital component of the rate base and the methodology used appropriate?

Settled. For the purposes of reaching a settlement the parties agree that the inputs and methodology used by the Applicant to determine the working capital component of the rate base are appropriate.

Evidence: The evidence in relation to this issue includes the following:

D1-1-3	Working Capital
D1-1-3 Attachment 1	A Determination of the Working Capital Requirements of Hydro One Networks' Transmission Business
D2-4-1	Statement of Working Capital
I-15-2.01 LPMA 26	LPMA Interrogatory #26
I-15-2.02 LPMA 27	LPMA Interrogatory #27
I-15-3.01 EP 56	Energy Probe Interrogatory #56

Supporting Parties: EP, VECC, LPMA, SEC, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPrO

16. Does Hydro One's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the transmission system assets and support the O&MA and Capital expenditures for 2013/14.

Settled. For the purposes of reaching a settlement, the parties accept that Hydro One's Asset Condition Assessment information and Investment Planning Process adequately address the condition of the transmission system assets in support of the OM&A and Capital expenditures for 2013 and 2014.

Evidence: The evidence in relation to this issue includes the following:

A-13-1	Planning Process
A-13-1 Appendix A	2012 Business Plan Assumptions
A-13-2	Transmission 10 Year Outlook
A-15-3	Investment Plan Development
A-15-4	Investment Prioritization Process
A-15-5	Project and Program Approval & Control
C1-2-1	Sustaining Investment Structure
C1-2-2	Transmission Assets and Sustaining Investment Overview
C1-2-2 Appendix A	Hydro One Transmission Asset Descriptions
I-16-1.01 Staff 73	OEB Interrogatory #73
I-16-1.02 Staff 74	OEB Interrogatory #74
I-16-1.03 Staff 75	OEB Interrogatory #75
I-16-1.04 Staff 76	OEB Interrogatory #76

Supporting Parties: SEC, VECC, LPMA, EP, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPrO

COST OF CAPITAL/CAPITAL STRUCTURE

17. Is the proposed timing and methodology for determining the return on equity and short-term debt prior to the effective date of rates appropriate?

Settled. For the purposes of reaching a settlement the parties agree that the proposed timing and methodology as outlined in Exhibit B1, Tab 1, Schedule 1 is appropriate for determining the return on equity and short-term debt prior to the effective date of the rates as reflected in the Board approved rate order for the test years.

The table below summarizes the revenue requirement impact of the proposed changes to the 2013 and 2014 rate base based on the applied for Cost of Capital parameters.

Cost of Capital (\$M)*	2013	2014
Filed Evidence	618.1	668.1
Settlement Agreement*	614.2	660.4
Change Proposed	(3.9)	(7.7)

*Includes return on equity and cost of short and long term debt.

Evidence: The evidence in relation to this issue includes the following:

B1-1-1	Cost of Capital
B2-1-1	Debt and Equity Summary
I-17-2.01 LPMA 28	LPMA Interrogatory #28
I-17-3.01 EP 57	Energy Probe Interrogatory #57
I-17-10.01 CCC 36	CCC Interrogatory #36
I-17-13.01 AMPCO 11	AMPCO Interrogatory #11

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

18. Is the forecast of long term debt for 2012-2014 appropriate?

Settled. For the purposes of reaching a settlement the parties agree the forecast of long term debt rates following the methodology outlined in Exhibit B1, Tab 2, Schedule 1 is appropriate. Please see the table above under Issue 17.

Evidence: The evidence in relation to this issue includes the following:

B1-2-1	Cost of Third Party Long-Term Debt
B2-1-2	Cost of Long-Term Debt Capital
I-18-2.01 LPMA 29	LPMA Interrogatory #29
I-18-2.02 LPMA 30	LPMA Interrogatory #30
I-18-2.03 LPMA 31	LPMA Interrogatory #31
I-18-3.01 EP 58	Energy Probe Interrogatory #58
I-18-3.02 EP 59	Energy Probe Interrogatory #59
I-18-3.03 EP 60	Energy Probe Interrogatory #60
I-18-9.01 SEC 36	SEC Interrogatory #36
I-18-9.02 SEC 37	SEC Interrogatory #37

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPrO

DEFERRAL/VARIANCE ACCOUNTS

19. Are the proposed amounts, disposition and continuance of Hydro One's existing Deferral and Variance accounts appropriate?

Settled. For the purposes of reaching a settlement, the parties accept Hydro One's account balances.

As noted in Issue 2 above, the parties agree that the amounts refunded to rate payers in 2013 associated with the (\$30.3) million regulatory asset balance will be used as a balancing item to ensure a 0.0% increase for 2013. Any remaining balance will be refunded to customers in 2014. The precise amount to be refunded in each year will be reflected in the final rate order once the cost of capital has been established.

In addition, as noted above, the parties agreed that should the Board approve a change in the Export Transmission Services rate, the full impact of the approved rate will be tracked in the Board approved Excess Export Services Revenue Account for disposition in a future rate application.

As of December 31, 2012, both the Impact for Changes in USGAAP Account and the USGAAP Incremental Transition Costs had zero balances. For the purposes of reaching a settlement, Hydro One agreed to discontinue those two accounts. This is reflected in Appendix A.

Evidence: The evidence in relation to this issue includes the following:

F1-1-1	Regulatory Accounts
F1-1-3	Planned Disposition of Regulatory Accounts
F2-1-1	Regulatory Accounts for Approval
F2-1-2	Schedule of Annual Recoveries
F2-1-3	Continuity Schedules – Regulatory Accounts
I-19-1.01 Staff 77	OEB Interrogatory #77
I-19-1.02 Staff 78	OEB Interrogatory #78
I-19-1.03 Staff 79	OEB Interrogatory #79
I-19-1.04 Staff 80	OEB Interrogatory #80
I-19-3.01 EP 61	Energy Probe Interrogatory #61
I-19-9.01 SEC 38	SEC Interrogatory #38
I-19-9.02 SEC 39	SEC Interrogatory #39
I-19-10.01 CCC 37	CCC Interrogatory #37
I-19-10.02 CCC 38	CCC Interrogatory #38
I-19-10.03 CCC 39	CCC Interrogatory #39

JT1.1 TCR Staff 25 OEB Technical Conference Response #25
JT1.2 TCR EP9 Energy Probe Technical Conference Response #9
KT1.35 Undertaking Response #35

Supporting Parties: SEC, VECC, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: EP, LPMA, Goldcorp, APPrO

20. Are the proposed new Deferral and Variance Accounts appropriate?

Settled.

For the purposes of reaching a settlement and as previously described Hydro One has agreed to create two new variance accounts to track variances in

- a) other external revenues and
- b) the differences between the forecast and actual CDM savings related to the OPA funded LDC delivered programs and the actual Demand Response results against forecast. The CDM variance account is more fully described above in the context of Issue 3.

For the Other External Revenues Variance Account, Hydro One will establish a new variance account to record the differences between Other External Revenues embedded in rates and Actual Revenues.

These new proposed accounts have also been reflected in Appendix A.

Evidence: The evidence in relation to this issue includes the following:

F1-1-2	Regulatory Accounts Requested
I-20-1.01 Staff 81	OEB Interrogatory #81
I-20-10.01 CCC 40	CCC Interrogatory #40
I-20-10.02 CCC 41	CCC Interrogatory #41
JT1.1 TCR Staff 26	OEB Technical Conference Response #26

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPrO

COST ALLOCATION

21. Is the cost allocation proposed by Hydro One appropriate?

Settled. Hydro One is proposing to continue to use the cost allocation methodology previously approved by the Board. For the purposes of reaching a settlement, the parties agree that the cost allocation proposed by Hydro One is appropriate.

Attached at Appendix C is an updated Draft Summary Uniform Transmission Rates and Revenue Disbursements Factors for 2013 and 2014.

Evidence: The evidence in relation to this issue includes the following:

G1-1-1	Cost Allocation and Charge Determinants
G1-2-1	Description of Cost Allocation Methodology
G1-3-1	Network and Line Connection Pools
G1-4-1	Transformation Connection Pool
G1-5-1	Wholesale Meter Pool
G1-6-1	Low Voltage Switchgear Compensation
G2-1-1	List of Transmission Lines by Functional Category
G2-1-2	List of Transmission Stations by Functional Category
G2-2-1	Allocation Factors for Dual Function Lines
G2-3-1	Allocation Factors for Generator Line Connections
G2-3-2	Allocation Factors For Generator Station Connections
G2-4-1	Asset Value by Functional Category
G2-4-2	Depreciation by Functional Category
G2-4-3	Return on Capital and Income Taxes by Functional Category
G2-4-4	OM&A Costs by Functional Category
G2-5-1	Detailed Revenue Requirement by Rate Pool
H1-1-1	Overview of Uniform Transmission Rates
H1-2-1	Transmission Customers Load Forecast
H1-3-1	Charge Determinants
H1-4-1	Rates for Wholesale Meter Service
H2-1-1	Current Ontario Transmission Rate Schedules
H2-1-1 Attachment 1	Ontario Transmission Rates Schedules EB-2011-0268
H2-1-1 Attachment 2	Uniform Transmission Rates and Revenue Disbursement Allocators
H2-2-1	Current Wholesale Meter Service and Exit Fee Schedule
H2-2-2	Proposed Wholesale Meter Service and Exit Fee Schedule
I-21-5.01 VECC 34	VECC Interrogatory #34
I-21-5.02 VECC 35	VECC Interrogatory #35
I-21-5.03 VECC 36	VECC Interrogatory #36
I-21-5.04 VECC 37	VECC Interrogatory #37
I-21-5.05 VECC 38	VECC Interrogatory #38
I-21-5.06 VECC 39	VECC Interrogatory #39

I-21-5.07 VECC 40 VECC Interrogatory #40

Supporting Parties: EP, SEC, VECC, LPMA, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: Goldcorp, APPRO

GREEN ENERGY PLAN

22. Are the OM&A and capital amounts in the Green Energy Plan (GEP) appropriate and based on appropriate planning criteria?

Settled. For the purposes of reaching a settlement, the parties accept the filed GEP as appropriate for 2013 and 2014.

Hydro One clarified that the approvals for OM&A and capital sought in the GEP are the same projects included in the overall proposals for OM&A and capital. Given agreement regarding OM&A and capital, there is agreement for the GEP. Hydro One confirmed that it is not seeking Board approval of elements of the plan that go beyond the test years.

The 2013 and 2014 elements of Hydro One's GEP are covered by the settlement of Issues 2 to 18 inclusive. Intervenors have no questions in this proceeding on the elements of Hydro One's GEP that lie outside the ambit of the 2013 and 2014 test years.

Evidence: The evidence in relation to this issue includes the following:

A-14-1	Transmission Green Energy Plan
A-14-1 Appendix A	Letter from Ministry of Energy and Infrastructure – dated September 21, 2009
A-14-1 Appendix B	Letters from Ministry of Energy and Infrastructure – dated May 5, 2010 and May 7, 2010
A-14-1 Appendix C	Letter from Ontario Power Authority – dated April 7, 2011
A-14-1 Appendix D	Letter from Hydro One – dated December 29, 2009
I-22-1.01 Staff 82	OEB Interrogatory #82
I-22-1.02 Staff 83	OEB Interrogatory #83
I-22-3.01 EP 62	Energy Probe Interrogatory #62
I-22-3.02 EP 63	Energy Probe Interrogatory #63
I-22-3.03 EP 64	Energy Probe Interrogatory #64
I-22-3.04 EP 65	Energy Probe Interrogatory #65
I-22-3.05 EP 66	Energy Probe Interrogatory #66

I-22-9.01 SEC 40	SEC Interrogatory #40
I-22-13.01 AMPCO 12	AMPCO Interrogatory #12
I-22-13.02 AMPCO 13	AMPCO Interrogatory #13
I-22-13.03 AMPCO 14	AMPCO Interrogatory #14
I-22-13.04 AMPCO 15	AMPCO Interrogatory #15
I-22-13.05 AMPCO 16	AMPCO Interrogatory #16
I-22-13.06 AMPCO 17	AMPCO Interrogatory #17
I-22-13.07 AMPCO 18	AMPCO Interrogatory #18
I-22-13.08 AMPCO 19	AMPCO Interrogatory #19

Supporting Parties: SEC, VECC, BOMA, CCC, CME, PWU, AMPCO

Parties taking no position: EP, LPMA, Goldcorp, APPrO

EXPORT TRANSMISSION SERVICE RATES

23. What is the appropriate level for Export Transmission Rates in Ontario?

Not Settled. The parties agree that this issue should be determined in an oral hearing before the Board.

Evidence: The evidence in relation to this issue includes the following:

H1-5-1	Rates for Export Transmission Service
H1-5-2	IESO Export Transmission Service Study
H2-1-2	Proposed Uniform Transmission Rates
I-23-1.01 Staff 84	OEB Interrogatory #84
I-23-1.02 Staff 85	OEB Interrogatory #85
I-23-1.03 Staff 86	OEB Interrogatory #86
I-23-1.04 Staff 87	OEB Interrogatory #87
I-23-1.05 Staff 88	OEB Interrogatory #88
I-23-1.06 Staff 89	OEB Interrogatory #89
I-23-1.07 Staff 90	OEB Interrogatory #90
I-23-1.08 Staff 91	OEB Interrogatory #91
I-23-1.09 Staff 92	OEB Interrogatory #92
I-23-5.01 VECC 41	VECC Interrogatory #41
I-23-5.02 VECC 42	VECC Interrogatory #42
I-23-5.03 VECC 43	VECC Interrogatory #43
I-23-5.04 VECC 44	VECC Interrogatory #44
I-23-5.05 VECC 45	VECC Interrogatory #45
I-23-5.06 VECC 46	VECC Interrogatory #46

I-23-5.07 VECC 47	VECC Interrogatory #47
I-23-5.08 VECC 48	VECC Interrogatory #48
I-23-5.09 VECC 49	VECC Interrogatory #49
I-23-5.10 VECC 50	VECC Interrogatory #50
I-23-5.11 VECC 51	VECC Interrogatory #51
I-23-5.12 VECC 52	VECC Interrogatory #52
I-23-5.13 VECC 53	VECC Interrogatory #53
I-23-5.14 VECC 54	VECC Interrogatory #54
I-23-6.01 HQ 1	HQ Interrogatory #1
I-23-6.02 HQ 2	HQ Interrogatory #2
I-23-6.03 HQ 3	HQ Interrogatory #3
I-23-6.04 HQ 4	HQ Interrogatory #4
I-23-6.05 HQ 5	HQ Interrogatory #5
I-23-6.06 HQ 6	HQ Interrogatory #6
I-23-6.07 HQ 7	HQ Interrogatory #7
I-23-6.08 HQ 8	HQ Interrogatory #8
I-23-6.09 HQ 9	HQ Interrogatory #9
I-23-6.10 HQ 10	HQ Interrogatory #10
I-23-6.11 HQ 11	HQ Interrogatory #11
I-23-6.12 HQ 12	HQ Interrogatory #12
I-23-6.13 HQ 13	HQ Interrogatory #13
I-23-6.14 HQ 14	HQ Interrogatory #14
I-23-6.15 HQ 15	HQ Interrogatory #15
I-23-6.16 HQ 16	HQ Interrogatory #16
I-23-8.01 PWU 18	PWU Interrogatory #18
I-23-9.01 SEC 41	SEC Interrogatory #41
I-23-9.02 SEC 42	SEC Interrogatory #42
I-23-9.03 SEC 43	SEC Interrogatory #43
I-23-10.01 CCC 42	CCC Interrogatory #42
I-23-11.01 APPrO 1	APPrO Interrogatory #1
I-23-11.02 APPrO 2	APPrO Interrogatory #2
I-23-11.03 APPrO 3	APPrO Interrogatory #3
I-23-11.04 APPrO 4	APPrO Interrogatory #4
I-23-11.05 APPrO 5	APPrO Interrogatory #5
I-23-11.06 APPrO 6	APPrO Interrogatory #6
I-23-11.07 APPrO 7	APPrO Interrogatory #7
I-23-11.08 APPrO 8	APPrO Interrogatory #8
I-23-11.09 APPrO 9	APPrO Interrogatory #9
I-23-11.10 APPrO 10	APPrO Interrogatory #10
I-23-11.11 APPrO 11	APPrO Interrogatory #11
I-23-11.12 APPrO 12	APPrO Interrogatory #12

KT1.1	Undertaking Response #1
KT1.2	Undertaking Response #2
KT1.3	Undertaking Response #3
KT1.4	Undertaking Response #4

Supporting Parties: NOT REQUIRED

Parties taking no position:

CONNECTION PROCEDURES

24. Are the proposed modifications to the Hydro One connection procedures appropriate?

Settled. Hydro One proposed some modifications to the connection procedures currently in use. The modifications were intended to reflect the overall timelines required for load connections and generation connections based on Hydro One's experience over the last few years. The current Board approved Transmission Connection Procedures for Hydro One included timeframes which are ambitious given the current realities of the electricity market.

AMPCO had some concerns with the proposed modifications. Hydro One clarified that the changes were intended to simply reflect the true timeframes required to connect a load or generation customer based on Hydro One's experience. In addition, the changes are more transparent as they reflect the overall timeframes for each phase of the connection process rather than simply timelines for Hydro One to complete those items for which it is responsible within each phase. The proposed changes provide customers better information. With that clarification, AMPCO's concerns were addressed.

In Exhibit I, Tab 24, Schedule 1.03 Staff 95, Hydro One proposed two further revisions to the proposed new connection procedures in parts f) and j) of the response. Hydro One agreed to include the proposed revised connection procedures as part of the draft rate order, which will include the two changes outlined in the interrogatory response.

Accordingly, the parties are in agreement that the proposed changes to the connection procedures for Hydro One are appropriate.

Evidence: The evidence in relation to this issue includes the following:

A-12-1	Key Governing Legislation, Standards and Codes
I-24-1.01 Staff 93	OEB Interrogatory #93
I-24-1.02 Staff 94	OEB Interrogatory #94
I-24-1.03 Staff 95	OEB Interrogatory #95

I-24-1.04 Staff 96	OEB Interrogatory #96
I-24-1.05 Staff 97	OEB Interrogatory #97
I-24-3.01 EP 67	Energy Probe Interrogatory #67
I-24-10.01 CCC 43	CCC Interrogatory #43
I-24-13.01 AMPCO 20	AMPCO Interrogatory #20
I-24-13.02 AMPCO 21	AMPCO Interrogatory #21
I-24-13.03 AMPCO 22	AMPCO Interrogatory #22
I-24-13.04 AMPCO 23	AMPCO Interrogatory #23
I-24-13.05 AMPCO 24	AMPCO Interrogatory #24

Supporting Parties: PWU, AMPCO

Parties taking no position: EP, SEC, VECC, LPMA, BOMA, CCC, CME, APPrO

ACCOUNTING STANDARDS

25. Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified and reflected in the appropriate manner in the Application, the revenue requirement for the Test Years and the proposed rates.

Settled. For the purposes of reaching a settlement the parties agree that all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP have been identified and reflected in the appropriate manner in the Application, the revenue requirement for the test years and the proposed rates.

Evidence: The evidence in relation to this issue includes the following:

A-12-2	Summary of Hydro One Transmission Policies
I-25-1.01 Staff 98	OEB Interrogatory #98

Supporting Parties: SEC, VECC, LPMA, BOMA, CCC, CME, AMPCO, PWU

Parties taking no position: EP, APPrO

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

APPENDIX A

LIST OF APPROVALS SOUGHT

1. An Order pursuant to Section 78 of the *Ontario Energy Board Act* approving 2013 and 2014 Revenue Requirement and rates for the transmission of electricity to be implemented January 1, 2013 and January 1, 2014.
2. As a result of the Settlement Proposal, Hydro One Networks seeks approval of a revenue requirement of \$1,446 million and \$1,537 million for the test years 2013 and 2014, respectively. This results in an increase in Hydro One Transmission's Rates Revenue Requirement of 0% and 7.1%, respectively, reflecting an estimated increase on the average customer's total bill of 0.0% in 2013 and 0.6% in 2014. The estimate of the impact on a customer's total bill assumes commodity costs of 7.2¢/kWh and that transmission represents 7.9% of an average distribution connected customer's total bill.
3. Hydro One Networks seeks approval of regulatory assets totaling (\$30.3) million as at December 31, 2012. Hydro One seeks approval to refund this balance over a two year period and to reduce the annual revenue requirement accordingly. Hydro One proposes to refund an amount that will ensure the overall rate increase in 2013 will be 0.0% and to refund any remaining balance to customers in 2014.
4. Hydro One Networks seeks approval to continue the following deferral accounts including, the Excess Export Service Revenue Account, the External Secondary Land Use Revenue Variance Account, the External Station Maintenance and E&CS Revenue Variance Account, the Tax Rate Changes Account, the Rights Payments Variance Account, the Pension Cost Differential Account, and the East-West Tie account.
5. For 2013 and 2014, Hydro One Transmission is requesting that the Board approve the establishment of four new deferral accounts, the External Revenue – Partnership Transmission Projects Account, the Long-Term Transmission Future Corridor

1 Acquisition and Development Account, the Other External Revenues Variance Account,
2 the LDC CDM Demand Response Variance Account.

3
4 6. Hydro One Transmission is also requesting the discontinuance effective January 1, 2013
5 of the Deferred Export Service Credit Revenue Account, the Long Term Project
6 Development Costs Account, the Impact for Changes in USGAAP Account and the
7 USGAAP Incremental Transition Costs Account.

8
9 7. Hydro One Networks also requests the Board approve several proposed modifications to
10 the current Transmission Connection Procedures, which were approved by the Board in
11 EB-2006-0189 to reflect the current electricity market conditions with respect to the
12 connection of renewable generation. The proposed changes relate to a number of sections
13 in Hydro One Transmission's Connection Procedures including: 1) the Customer
14 Connection Process, 2) Security Deposit Procedure, 3) Customer Impact Assessment
15 Procedure, 4) Schedule of Charges and Fees, and 5) Connection Process Timelines.
16 Hydro One will also incorporate further revisions to the proposed connection procedures
17 as outlined in parts f) and j) of the interrogatory response to in Exhibit I, Tab 24,
18 Schedule 1.03, Staff 95.

19
20 8. Approval of Hydro One's Green Energy Plan.

APPENDIX B

	Filing (Blue Page)			Reduce 2013 capex/in-service by \$120M; decrease OM&A by \$13M & \$10M; increase 2014 ext. revenue by \$4.8M; increase tax credit by \$1.3M & \$1M; adjust rider refund timing; updated LVSG			Variance	
	ROE	ROE	ROE	ROE	ROE	ROE		
	9.42%	9.16%	9.44%	9.42%	9.16%	9.44%		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>		
Draft Rate Increases October 29, 2012								
Revenue requirement								
OM&A		453.3	459.7		440.3	449.7	(13.0)	(10.0)
Depreciation on fixed assets		346.7	374.7		345.0	371.5	(1.7)	(3.3)
Return on debt		268.3	283.8		266.5	280.5	(1.7)	(3.3)
Return on equity		344.9	379.5		342.7	375.1	(2.2)	(4.4)
Income tax		46.4	55.2		46.2	55.7	(0.2)	0.5
AFUDC		4.9	4.8		4.9	4.8	0.0	0.0
Revenue requirement	<u>1,418.4</u>	<u>1,464.5</u>	<u>1,557.7</u>	<u>1,418.4</u>	<u>1,445.7</u>	<u>1,537.2</u>	<u>(18.7)</u>	<u>(20.5)</u>
	5.4%	3.2%	6.4%	5.4%	1.9%	6.3%		
Less: Non-rate revenues	(28.7)	(31.6)	(31.8)	(28.7)	(31.6)	(36.6)	-	(4.8)
	<u>1,389.7</u>	<u>1,432.8</u>	<u>1,525.9</u>	<u>1,389.7</u>	<u>1,414.1</u>	<u>1,500.6</u>	<u>(18.7)</u>	<u>(25.3)</u>
	5.9%	3.1%	6.5%	5.9%	1.8%	6.1%		
Less: Export revenue credit	(16.0)	(31.0)	(30.1)	(16.0)	(31.0)	(30.1)		
	<u>1,373.6</u>	<u>1,401.8</u>	<u>1,495.8</u>	<u>1,373.6</u>	<u>1,383.1</u>	<u>1,470.5</u>		
	6.0%	2.1%	6.7%	6.0%	0.7%	6.3%		
Less: "Tx Riders"	-	(15.1)	(15.1)	-	(4.5)	(25.7)	10.6	(10.6)
	<u>1,373.6</u>	<u>1,386.7</u>	<u>1,480.7</u>	<u>1,373.6</u>	<u>1,378.6</u>	<u>1,444.8</u>	<u>(8.1)</u>	<u>(35.9)</u>
	6.6%	1.0%	6.8%	6.6%	0.4%	4.8%		
Add: LVSG	11.5	11.7	12.5	11.5	11.7	12.2	(0.1)	(0.3)
Rates Revenue Requirement	<u>1,385.1</u>	<u>1,398.5</u>	<u>1,493.1</u>	<u>1,385.1</u>	<u>1,390.3</u>	<u>1,457.0</u>	<u>(8.2)</u>	<u>(36.2)</u>
	6.6%	1.0%	6.8%	6.6%	0.4%	4.8%		
Estimated impact of load reduction	-1.2%	0.4%	-2.3%	-1.2%	0.4%	-2.3%		
Assumed Rate Impact	<u>7.8%</u>	<u>0.6%</u>	<u>9.1%</u>	<u>7.8%</u>	<u>0.0%</u>	<u>7.1%</u>		
Rate Base		9413.5	10050.9		9353.4	9933.8		

APPENDIX C

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors
for Rates Effective January 1, 2013

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI (Note 3)	\$3,897,095	\$779,431	\$1,650,564	\$6,327,089
CNPI (Note 4)	\$2,840,979	\$568,204	\$1,203,260	\$4,612,443
GLPT (Note 5)	\$21,710,466	\$4,342,158	\$9,195,184	\$35,247,808
H1N (Note 1)	\$855,746,155	\$171,151,779	\$362,440,102	\$1,389,338,036
All Transmitters	\$884,194,694	\$176,841,572	\$374,489,109	\$1,435,525,376

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI (Note 3)	187.1	213.5	76.2	
CNPI (Note 4)	583.4	668.6	668.6	
GLPT (Note 5)	4,019.8	2,939.4	1,057.6	
H1N (Note 2)	240,274.0	232,874.3	201,107.9	
All Transmitters	245,064.3	236,695.8	202,910.3	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.61	0.75	1.85	
FNEI Allocation Factor	0.00441	0.00441	0.00441	
CNPI Allocation Factor	0.00321	0.00321	0.00321	
GLPT Allocation Factor	0.02455	0.02455	0.02455	
H1N Allocation Factor	0.96783	0.96783	0.96783	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Proposed Hydro One Networks (H1N) 2013 Revenue Requirement

Note 2: Proposed Hydro One Networks (H1N) 2013 Charge Determinants

Note 3: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010.

Note 4: CNPI Rates Revenue Requirement and Charge Determinants per Board Decision on RP-2001-0034 dated December 11, 2001.

Note 5: GLPT Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2010-0291 dated on December 19, 2011.

Note 6: Calculated data in shaded cells.

APPENDIX C

DRAFT

Summary Uniform Transmission Rates and Revenue Disbursement Factors
for Rates Effective January 1, 2014

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI (Note 3)	\$3,870,865	\$799,421	\$1,656,804	\$6,327,089
CNPI (Note 4)	\$2,821,857	\$582,777	\$1,207,808	\$4,612,443
GLPT (Note 5)	\$21,564,340	\$4,453,521	\$9,229,946	\$35,247,808
HIN (Note 1)	\$890,953,721	\$184,001,982	\$381,345,079	\$1,456,300,783
All Transmitters	\$919,210,784	\$189,837,701	\$393,439,638	\$1,502,488,123

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI (Note 3)	187.1	213.5	76.2	
CNPI (Note 4)	583.4	668.6	668.6	
GLPT (Note 5)	4,019.8	2,939.4	1,057.6	
HIN (Note 2)	234,635.3	227,880.9	196,795.3	
All Transmitters	239,425.6	231,702.4	198,597.7	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.84	0.82	1.98	
FNEI Allocation Factor	0.00421	0.00421	0.00421	
CNPI Allocation Factor	0.00307	0.00307	0.00307	
GLPT Allocation Factor	0.02346	0.02346	0.02346	
HIN Allocation Factor	0.96926	0.96926	0.96926	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: Proposed Hydro One Networks (HIN) 2014 Revenue Requirement

Note 2: Proposed Hydro One Networks (HIN) 2014 Charge Determinants

Note 3: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010.

Note 4: CNPI Rates Revenue Requirement and Charge Determinants per Board Decision on RP-2001-0034 dated December 11, 2001.

Note 5: GLPT Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2010-0291 dated on December 19, 2011.

Note 6: Calculated data in shaded cells.